

de Sousa, Mário Adauta; Addison, Tony; Ekman, Björn; Stenman, Asa

Working Paper

From humanitarian assistance to poverty reduction in Angola

WIDER Discussion Paper, No. 2001/22

Provided in Cooperation with:

United Nations University (UNU), World Institute for Development Economics Research (WIDER)

Suggested Citation: de Sousa, Mário Adauta; Addison, Tony; Ekman, Björn; Stenman, Asa (2001) : From humanitarian assistance to poverty reduction in Angola, WIDER Discussion Paper, No. 2001/22, The United Nations University World Institute for Development Economics Research (UNU-WIDER), Helsinki

This Version is available at:

<https://hdl.handle.net/10419/52961>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



United Nations
University

WIDER

World Institute for Development Economics Research

Discussion Paper No. 2001/22

From Humanitarian Assistance to Poverty Reduction in Angola

Mário Adauta de Sousa,¹

Tony Addison,² Björn Ekman³

and Åsa Stenman³

June 2001

Abstract

The list of illnesses afflicting Angolan society is a long one: political instability, civil war, macroeconomic mismanagement, and the desperation born of poverty. A profound sense of uncertainty afflicts all levels of society—the government (and its opponents), entrepreneurs and rural and urban communities. Ordinary citizens are deeply sceptical of the country's political, economic, and social institutions, and regard high inequality as a sign that economic policy is largely run for the benefit of the wealthy. Uncertainty undermines government institutions, discourages long-term investment by entrepreneurs, and hinders community development. Therefore both uncertainty, and high and rising inequality, create low levels of trust in social institutions. The resulting loss of social capital undermines both economic performance and the effectiveness of national, sectoral, and community-level interventions in poverty reduction. Restoring confidence in social institutions will take considerable time. But some war-torn societies—Mozambique in particular—have shown that it is at least possible to make a start.

Keywords: Sub-Saharan Africa, Angola, conflict, economic reform

JEL classification: O1O, O55

Copyright © UNU/WIDER 2001

¹ National Statistical Institute, Angola; ² World Institute for Development Economics Research (WIDER) of the United Nations University, Helsinki; and ³ SIDA, Stockholm

This study has been prepared within the UNU/WIDER project on Underdevelopment, Transition, and Reconstruction in Sub-Saharan Africa, directed by Professor Tony Addison, UNU/WIDER

UNU/WIDER gratefully acknowledges the financial contribution to the project by the Government of Italy (Directorate General for Development Cooperation), the Government of Sweden (Swedish International Development Cooperation Agency), and the Government of the United Kingdom (Department for International Development). These agencies are not responsible for any information provided or views expressed, which remain those of the author or authors alone.

1 Introduction

Over the course of 1998 and 1999, hopes for peace in Angola were once again dashed. At the present time (September 2000), Angola remains at war. The number of internally displaced persons (IDPs) now amounts to 1.5 million (out of a population of 12 million), many rural areas are devoid of civilians, and the urban areas presently absorb 40 to 50 per cent of the national population—with Luanda alone accounting for 25 per cent (on the war itself see Addison 2001b and Le Billon 1999). The need for humanitarian assistance, including food aid and medical help, therefore remains substantial. More fundamentally, the war's resumption impedes progress in poverty reduction, especially in rural areas. Despite the war, however, more could be done for the poor given Angola's substantial natural wealth.

This paper discusses how to focus public policy on poverty reduction, both during wartime and in peace (if it can be achieved). It begins, in section 2, by summarizing the scale of unmet human need in Angola, the characteristics of poverty, and the determinants of the country's very high level of income inequality. Section 3 discusses the need for firm priorities to direct resources to their best uses in poverty reduction. This sets the scene for the discussion, in section 4, of Angola's social fund, an initiative that has responded to community needs in a way that holds lessons for reforming the state bureaucracy. Section 5 concludes by noting the relationship between regional inequalities and conflict, and by emphasizing the need to rebuild confidence in Angola's institutions.

2 Poverty and inequality in Angola

Angola's human development indicators are dire: the country is ranked at 160 out of 174 countries in terms of UNDP's human development index (UNDP 1999). More than one million children are moderately or severely underweight, and half of all children under five are moderately or severely stunted (UNICEF 1999). The under-five infant mortality rate is, at 292 per 1,000 live births, the second highest in the world (exceeded only by Sierra Leone) and the maternal mortality rate is as high as 1,500/100,000 births (unless otherwise specified, all data are from UNICEF 2000). As a result of forced urbanization, and insufficient spending on basic infrastructure, only 46 per cent of the urban population has access to safe water (the figure for rural areas is 22 per cent). Society has been brutalized—more than 9,000 child soldiers were detected during the last demobilization effort (UNICEF 2000)—and many Angolans suffer from the trauma of war.

Education is in a terrible state. In urban areas, close to a quarter of school-age children find themselves outside the school system. In semi-urban and rural areas the number is close to one half. In 1996, only one third of children who were due to start the first year of primary school actually entered the system. School quality has declined significantly with high rates of drop-out and repetition: only 34 per cent of primary school entrants reach grade 5, in comparison to an average of 67 per cent in SSA. Whereas male and female adult literacy rates were higher in 1995 (the last year for which data is available) than in 1980—up from 16 per cent to 56 per cent for males and from 7 per cent to 29

per cent for females—they are still substantially below the SSA average of 65 and 47 per cent. The ratio of boys to girls in school is 111 boys for every 100 girls, a gap that further aggravates the profound gender inequalities of Angolan society.

As a result of the war and under-investment in basic statistical capacity, household data is very limited and there is no national level poverty data. The most comprehensive household survey dates back to the early 1990s, and is for Luanda only. It was undertaken by the *Instituto Nacional de Estatística* (INE) and UNICEF. Angola needs to build its capacity for data collection—starting with further surveys in Luanda and safe rural areas—so that national level surveys can be rapidly implemented once peace is achieved. Such data is crucial for setting policy priorities, and for monitoring, through successive and comparable surveys, the household impact of reconstruction and economic reform. Mozambique has demonstrated how household surveys and participatory poverty assessments can feed into the national policy process in ‘post-war’ reconstruction (see Addison 2001a and de Sousa 1999).¹

The Luanda household survey shows that 69 per cent of households are in poverty, and 12 per cent are in extreme poverty.² This survey also revealed a pronounced ethnic pattern to poverty. The greatest incidence of poverty is found among families speaking Umbundo (spoken by Ovimbundos) and Kimbundo (spoken by Mbundus)—see Table 1 (Bender and Hunt 1991).³ Extreme poverty is very high at 12.5 per cent among Umbundo speakers. Considerably lower poverty is found among speakers of Portuguese (descendants of Portuguese colonialists and the mestizo population) and Kikongo (spoken by Bakongos). These differences reflect the advantages gained by Portuguese speakers in the colonial period, including access to education and public employment, as well as the existence today of direct and indirect ethnic discrimination.

2.1 Few livelihoods

In addition to insufficient public spending on pro-poor social and economic infrastructure and services (see section 3), the high incidence and intensity of poverty reflects the economy’s failure to generate remunerative livelihoods for the majority of people. The socialist post-independence strategy emphasized public employment; this reflected the MPLA’s socialist development strategy and the fact that the colonial administration employed few Africans. But the state’s expansion eventually ran into a fiscal constraint and this, together with high inflation (and the end in 1992 of preferential rationing which paid public employees in kind), led to a substantial decline in real public-sector wages in the 1990s.⁴ On average earnings from self-employment

¹ Although our discussion uses the terms ‘post-conflict’ and ‘post-war’ as useful shorthand, we recognize that this terminology can be seriously misleading in an operational context since there may be no sharp demarcation between war and peace, and high levels of violence may persist into the ‘peace’ with frequent recurrence of conflict—as Angola demonstrates (see Crisp 1998 and Macrae 1999).

² The poverty line is set at US\$ 39 per adult equivalent per month, and the extreme poverty line is set at US\$ 12 per adult equivalent per month.

³ The Ovimbundu are Angola’s largest ethnic group. The Mbundu are the second largest group.

⁴ However, note that the expansion of public employment was not the main source of fiscal imbalance. Public wages amount to only 12 per cent of total public expenditures (Kyle 1998).

Table 1
Language spoken by poverty group

Language spoken within the family	Above poverty line	Extreme poverty	Moderate poverty
Kikongo	68.6	4.7	26.7
Kimbundo	58.9	6.8	34.3
Umbundo	53.8	12.5	33.7
Cokwé	43.0	6.4	50.7
Lingala	100.00		
Portuguese	75.2	3.3	21.4
Other	68.4		31.6

Source: Bender and Hunt (1991).

are three times higher than earnings in public employment (Stenman 1997). Extensive moonlighting and corruption in the public sector have resulted. In general, households aim to diversify their incomes across a mix of formal and informal employment: the informal sector provides 63 per cent of jobs in Luanda, and it is the only or main income source for 54 per cent of household heads according to a 1995 INE survey (Adauta 1997). Formal private-sector employment grew after the start of liberalization in the late 1980s. But it is still constrained by macro-economic instability, cumbersome regulation (and the associated corruption ‘tax’), as well as the monopoly powers of the *Empresários de confiança* (‘the few trusted enterprises’) which increase the costs of smaller enterprises (see Aguilar 2001).

Women face a particularly tough time in making a living. More girls than boys drop out of primary education to contribute to the household’s maintenance and to start work (Table 2), mostly in the informal sector which is more important for women than for men. In Luanda, 44 per cent of women are employed in the informal sector versus 14 per cent of men (Stenman 1997).⁵ Outside of the formal regulated labour market—where wage differences between men and women are small—women receive much less income than men (Stenman 1997). Therefore in Luanda the mean income of females is 94 per cent of the male mean—the small difference in means reflects the influence of wage-setting in the public sector—but among the self-employed, women’s profits are only 39 per cent of men’s.⁶ Women have lower reservation wages than men; they are more likely to take low-paying employment—primarily for reasons of survival—and

⁵ In Luanda, 42.3 per cent of women are employed in the public sector (versus 57.9 per cent of men)—reflecting the concentration of the public sector in the capital—whereas 13.6 per cent of women (versus 28.1 per cent of men) work in the formal private sector (Stenman 1997). Data are from a 1992 Employment and Unemployment survey of the Luanda region by INE.

⁶ Although Angola’s highly regulated labour market reduces wage-differentials within the regulated sector, it contributes to widening differentials between the regulated and the unregulated sector. This would not matter much if wages in the unregulated sector were growing rapidly but they are not since the informal sector continues to absorb the majority of new labour-market entrants which in turn keeps the lid on informal earnings.

Table 2
Gender differences in educational attainment in Luanda

	Total	Women	Men
Average years of schooling	6.2	5.8	6.4
Distribution of attainment (%)			
Less than 4 years	11.8	13.2	11.1
4th grade	27.1	29.9	25.7
6th grade	22.7	23.5	22.3
8th grade	23.8	22.2	24.6
12th grade or higher	14.6	11.2	16.3

Source: Stenman (1997).

therefore end up in some of the lowest paying segments of the informal sector. This implies that women have been less able than men to take advantage of the most profitable opportunities that have arisen since the start of the economic transition. In this regard Angola is similar to other SSA countries that have liberalized their economies, including Mozambique (see de Sousa 1999 and Elson 1995).

Only 38 per cent of income-earners have completed 8 years of primary school. Although this reflects the under-provision of facilities in peri-urban areas, and the high opportunity costs of sending children to school, demand is also low because education has low private returns. Education has little pay-off for most men; on average a man with 8 grades of education will earn 84 per cent of the income of a man with 4 grades or less of education. For men, only 12 grades or more leads to an income higher—by 18 percentage points—than the income associated with 4 grades or less (Stenman 1997). For women, education has no payoff at all: the income of a woman with 8 grades is only 54 per cent of a woman with 4 grades or less, and the earnings of a woman with 12 grades or more are still only 83 per cent of the earnings of a woman with only 4 grades or less. Low private returns reflect the poor quality of schooling. This is in turn due to the underfunding of education's recurrent costs, which leaves schools short of teaching materials while teachers are demotivated by low salaries. In summary, the process by which Angola's young are equipped to make a living is clearly ineffective and there appears to be very little social return to current levels of education spending.

2.2 High inequality

Angola not only has high levels of poverty, it also has very high income and asset inequality. The Gini coefficient for household income in Luanda is 0.62, and 0.65 for men and 0.54 for women (Stenman 1997). If data for rural households were available the Gini would be even higher since rural mean income is well below that of urban households. Although the comparison of income inequality across countries is hazardous (and there are no data with which to compute a national Gini coefficient for Angola), it is almost certain that Angola has one of the world's highest income

Table 3
Inequality in Angola, other oil and gas producers, and non-oil producers

	Gini Coefficient
Angola	0.62
Algeria	0.44
Azerbaijan	0.45
Cameroon	0.56
Gabon	0.61
Indonesia	0.41
Mexico	0.56
Malaysia	0.49
Nigeria	0.52
Trinidad & Tobago	0.42
Venezuela	0.46
Average of Oil Producers	0.48
Brazil	0.60
Botswana	0.56
Ethiopia	0.49
Guinea-Bissau	0.63
South Africa	0.62

Source: Stenman (1997) and UNU/WIDER's World Income Inequality Database (WIID) available at www.wider.unu.edu.

inequalities—probably close to that of Brazil and South Africa (see Table 3). High income inequality reflects high asset inequality, a regressive distribution of public spending, and the underdevelopment of livelihoods.

A comparison with other oil producing economies is instructive. Table 3 shows that Angola has the highest Gini coefficient among the oil producing group. Oil producers in general have found it difficult to manage their resource wealth and few (least of all in Africa) have permanently raised their average living standard (see Auty 1998, for a review, and Kyle 1998 on the specifics of managing Angola's oil wealth). Typically, the problem occurs in the manner in which state revenues from oil are allocated through the system of budgetary management—and Angola has one of the most non-transparent systems of all oil producers (see Aguilar 2001). In early 2000 measures were approved to increase transparency regarding the accounting of transactions related to the oil sector, but improvements may be slow in coming.

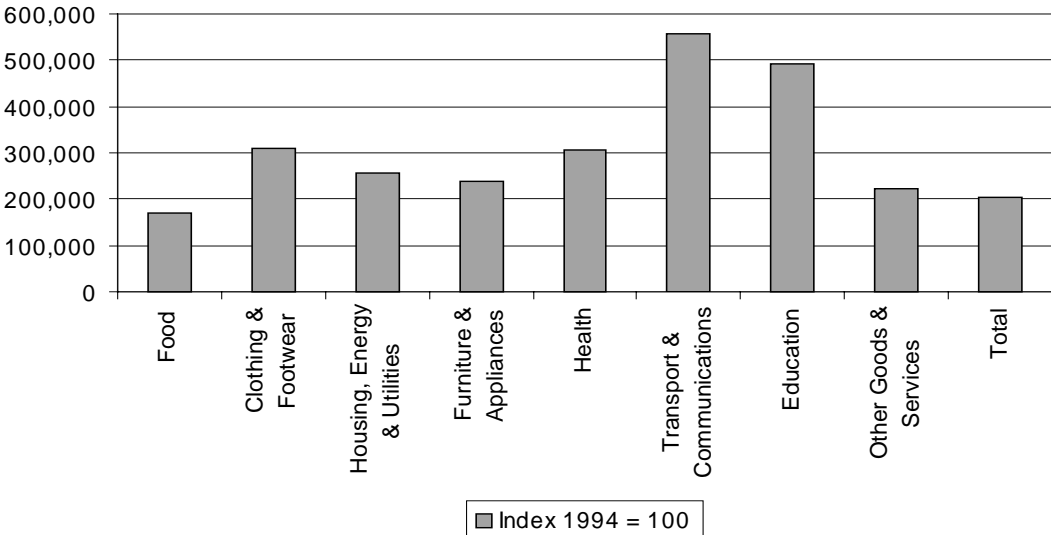
The war has contributed to high income inequality, by impoverishing many rural Angolans. Yet, not all of this deterioration was inevitable: there is scope for managing wartime economies to afford some protection to the poor and therefore limit the rise in both poverty and inequality (see Nafziger et al. 2000, Stewart 1993). Mozambique's wartime government expanded smallholder agriculture under its safe-areas programme and targeted cash-transfers and nutrition assistance to the urban poor, despite having far fewer resources at its disposal than Angola's government.

But high inequality (and poverty) is not just due to difficulties in managing oil wealth or the effect of war. It is also the result of the way in which the transition from state

socialism has been organized. Private economic activity expanded after the liberalization measures of the 1990s, but large companies with close connections to government actors have been favoured in the award of contracts, to the detriment of small- and medium- sized firms (see Aguilar 2001 on the ‘few trusted enterprises’). The continuation of longstanding distortions—in particular the maintenance of the dual exchange rate system until May 1999—provided substantial income to those with access to foreign exchange at the official exchange rate (which could then be resold in the parallel market for a substantial profit). This, together with non-transparent privatization, has provided plenty of opportunities for the elite to enhance its wealth. Indeed, the nexus between powerful private entrepreneurs and state actors resembles that which has emerged in the transition in Russia and elsewhere in the former Soviet Union (oil-producing Azerbaijan for example). Therefore, Angola’s ‘insiders’ have profited from the economy’s partial decontrol, while a largely unreformed bureaucracy has retarded the entry of smaller players into the private economy.

Finally, as in Russia itself, Angola’s chaotic macro-economic policy led to hyperinflation in the mid-1990s which cut the real value of savings held in kwanza (see Aguilar 2001 as well as Aguilar and Stenman 1996, and Pereira and Solimano 1999). Inflation hit lower-income groups who have few material assets and no access to foreign exchange at the official rate (see Figure 1). Little attention has been given to cushioning the impact of price reforms on the poor—through gradual price adjustments and the expansion of safety nets for example—and instead people have been left to cope with large price shocks. For example, the removal of the fuel price subsidy in early 2000 led to a rise in the price of domestic fuel by over 1,000 per cent. The subsidy disproportionately benefited the non-poor, but the poor were nevertheless hit hard by the subsidy’s removal.

Figure 1
Consumer Price Index in Luanda during hyperinflation, 1994-96



Note: Items in the Luanda consumer price index are weighted as follows: food (74 per cent), clothing and footwear (5.5 per cent), housing, energy and utilities (5.5 per cent), furniture and appliances (4.7 per cent), health (1.8 per cent), transport and communications (3.9 per cent), education (2.7 per cent), and other goods and services (1.9 per cent).

Source: IMF (1999, Table 8).

If peace can be achieved, then the inheritance of high inequality will be detrimental to ‘post-war’ reconstruction in at least two ways. First, high ‘initial’ inequality increases the time it takes to achieve a given amount of poverty reduction through economic growth (i.e. through the rise in mean income at a constant inequality level) in comparison to a lower initial inequality level (see McKay 1997). Given the depth of Angolan poverty, the country can ill afford a slow pace of poverty reduction. Second, the social instability and crime associated with high and rising inequality reduces growth itself—and therefore the prospects for poverty reduction through growth—and increases the occurrence of political turmoil and thus growth collapse (a common occurrence in societies with high levels of inequality: see Addison and Cornia 2000). Reducing high inequality through more equitable public spending is crucial to avoiding instability in any future ‘post-conflict’ growth path. This raises issues of strategy to which we now turn.

3 Setting priorities

Given that so much needs to be done for, and with, Angola’s poor communities it is critical to have a clear framework within which to identify and set priorities. This section sketches the outline of such a framework, but obviously an operational framework must emerge through wide consultation between the state and civil society. In this regard, the state has been wary of civil society—a legacy of the over-centralization of power under state socialism—and a better relationship is urgently needed not only to achieve poverty reduction, but democratization as well (Addison 2001a and Munslow 1999).

In helping communities rebuild after—or in the midst of—conflict, we must address two sets of challenges. First, immediate needs for humanitarian assistance (and de-mining) must be dealt with and there is now a large body of experience for Angola and elsewhere (see for instance SIDA 1998). But second, and simultaneously, we must look ahead to improve the longer term prospects of communities. Water, sanitation, education, and micro-enterprise development are a few such initiatives: they have immediate benefits in helping people cope but are also part of the foundations for future peace-time prosperity. They must accordingly be designed to sustain themselves beyond wartime and the immediate ‘post-war’ period. The best way to do this is give a central role to communities in their inception and implementation, as we discuss in section 4.

To satisfactorily address both immediate and longer-term needs, there should ideally be no fixed boundaries between humanitarian assistance, reconstruction, and development co-operation. But this raises difficulties of co-ordination between government, donors, and NGOs, in a country with generally weak institutions. Angola is not alone in this; inter-agency and agency-government co-ordination problems are widespread across weak states (see for instance Kovsted and Tarp 1999 on Guinea-Bissau).⁷ As Macrae (1999: 17) notes, these problems are not just managerial, but are often juridical in nature: when the state is weak, priorities are ill-defined, and there is no authority to ensure that all actors, including aid agencies, adhere to them. But if the process is

⁷ Eritrea, with its strong state institutions, provides a strong contrast to Angola—see the papers by Kibreab and Hansson respectively.

improved, then some of the institutional mechanisms developed to deal with urgent wartime needs can be readily transformed into mechanisms for longer-term community development. Angola's social fund is one such mechanism (see section 4).

3.1 Levels of intervention

Putting these principles into practice requires actions at three levels: national, sectoral, and local. The respective roles and responsibilities of government, communities, and donors will differ at each of these three levels.

At the national level, difficult choices must be made and priorities set. Here, government must play the leading role in allocating public spending to poverty reduction, initiating economic reforms that favour the livelihoods of the poor (reducing burdensome regulations on micro-enterprises for example) and fostering poverty-reducing growth through macro-economic reforms to end high inflation. Angola's growing oil production is yielding large revenues which could finance considerable human development: total tax revenues on the oil sector rose from US\$ 1,780 million in 1993 to US\$ 2,625 million in 1997 (IMF 1999: 18).⁸ This offers the potential to fund more pro-poor priorities than in countries such as Guinea-Bissau and Mozambique which are not blessed by such natural wealth.

At present, oil revenues are not used in this way. Table 4 shows the distribution of public spending. These data have been adjusted by the IMF to include expenditures made outside of the budget framework (the share of off-budget expenditures in total spending rose from 21.1 per cent in 1993 to 38.9 per cent in 1997). Social sector spending (consisting of three categories: education and health, together with social security, welfare, and housing) amounted to 13.3 per cent of total spending in 1997, less than 20.9 per cent in 1993. Much of this spending is in any case absorbed within the budgets for the administration and personnel of the line ministries themselves and tends to concentrate on services of most benefit to the non-poor—little social sector spending reaches services to which the poor have access (rural schools and health clinics, for example).

In contrast, spending on defence and public order has risen and absorbed some 36.3 per cent of public spending in 1997. There could be a substantial fiscal dividend if permanent peace can be established (on peace-dividends see Addison and Ndikumana 2001 and Collier 1995). Debt service has run at around 20 per cent of spending (Table 4). The profile of Angola's debt is extremely short-term, mainly commercial credits with high rates of interest, taken on the security of future oil revenues: mortgaging the oil wealth in this way further limits the scope for pro-poor public spending. The 2000 agreement on an IMF shadow programme (Angola has never borrowed from the Fund's adjustment windows) could facilitate a debt work-out and provide Angola with access to commercial borrowing on more favourable terms by reducing the country's risk premium. This would help to contain the government's

⁸ Tax revenues from the oil sector fell back to US\$ 1,713 million in 1997, following the decline in the world oil price to US\$ 18 a barrel (oil fell to a low of US\$ 12 in late 1998). But over 1999-2000, Angola benefited from the increase in the oil price back to US\$ 30 a barrel, which has improved the budgetary situation.

Table 4
Government expenditure by function, 1993-97 (in per cent of total)

	1993	1994	1995	1996	1997 (est)
Total expenditure & net lending	100.0	100.0	100.0	100.0	100.0
General public services	18.4	21.4	19.2	13.9	17.7
Defence & public order	24.6	33.7	31.4	35.0	36.3
<i>Of which:</i> recorded	21.1	19.5	18.2	27.6	18.1
Peace process	0.0	0.1	0.5	0.8	0.6
Education	7.2	2.8	5.1	4.6	4.9
Health	5.8	3.8	5.7	3.0	3.1
Social security, welfare & housing	7.9	2.2	3.1	2.1	5.3
Economic affairs & services	4.9	2.5	6.6	8.5	8.7
Interest (commitment basis)	19.0	19.7	18.9	21.0	9.9
Other (residual)	12.1	13.7	9.4	11.0	13.5
Memorandum item					
Total recorded expenditure	78.9	80.5	81.8	72.4	61.1

Note: Accounting data and budget estimates are adjusted by IMF staff estimates of unrecorded transactions.

Source: IMF (1999, Table 17).

interest bill and thereby increase the scope for pro-poor public spending. The IMF agreement will only stick, however, if the government follows through on its commitment to overhaul the budgetary system and make it more transparent. The government's weak system of budgetary management constrains donor efforts to help; at the national level donors have largely confined themselves to building analytical capacity in the ministries and—unlike Guinea-Bissau, Ethiopia, or Mozambique—Angola receives no programme (budgetary) support. Donors have instead developed separate channels—such as the Fundo d'Apoio Social (FAS)—to disburse project support to community projects (see section 4).

At the sectoral level, government policies must mesh with community needs—not the case at present. For example, improving the efficiency of food markets—in safe areas and at the national level if peace is secured—is critical to achieving food security. Reducing burdensome regulations on micro-enterprises (particularly the 'informal' regulation of police harassment) would encourage micro food-trading (as would the expansion of micro-credit). Micro food-trading can provide substantial income for the poor during wartime—as the experience of women supplying the Maputo food market

in Mozambique shows—and helps ‘post-war’ societies adjust to the phasing out of wartime food aid. Government must factor community needs into spending decisions; for example favouring a larger network of feeder roads (which reduce the transactions costs of marketing for remoter communities) and fewer large highways. But, sectoral policy can only focus on community priorities if mechanisms are developed to collect their views and systematically feed them into the policy process. There is now a considerable body of experience on participatory poverty assessment that can be deployed to do this (see for instance Chambers 1997 and Robb 1999). The challenge is to promote local capacity to use these techniques, as well as government capacity to absorb the results and act upon them.

Although the government must develop and resource national and sectoral poverty-reduction frameworks, reconstruction itself must be a fundamentally *decentralized* process in which communities themselves take the final decisions regarding priorities, allocations, and timing. At the local level, communities must be helped to develop sustainable livelihoods (both in agriculture as well as non-farm employment). Given the large number of possibilities—credit, marketing, transportation, communication, and extension (to name but a few)—close attention must be given to mechanisms that yield projects with the highest returns to poverty reduction. But in operating at the local level, it is important to avoid concentrating unduly on the most-advantaged communities—those with the most education, the best access to markets, and the most fertile land—to the neglect of the poorest, especially in the remoter areas. The poorest communities are often the least able to put forward project ideas, and considerable investment must be made in their capacity to do so (see Frigenti et al. 1998, for a review of the evidence on this point). In this context, chronic weakness in local government structures (the result of both war, but also corruption) is a major constraint to community-led local development in Angola.

4 Angola’s social fund

Section 3 concluded by emphasizing the importance of community participation in project design and implementation. Unfortunately, the top-down bureaucratic approach to local development is traditional in Angola reflecting the colonial institutional inheritance and the centralization of political power associated with Marxism-Leninism (a problem common to other countries in this study—see Addison 2001b). It is further aggravated by the methods used to run a war-time society. This has served to reinforce autocratic leaderships, stifle local democracy, and inhibit the development of civil society. However, communities generally know what works best and this knowledge cannot be adequately assimilated into inflexible bureaucratic structures: the asymmetric information problem inherent in the top-down approach is a fundamental obstacle to making it work.

In response to the cumbersome state apparatus and its lack of poverty focus, the World Bank and bilateral donors encouraged the establishment in 1994 of the social fund, Fundo d’Apoio Social (FAS), to support projects initiated and implemented by communities. The FAS is an autonomous institution whose central management unit is hosted by the Ministry of Planning, whereas project administration and finance is decentralized to provincial offices (World Bank 1999). The FAS National Board has representatives from government institutions and NGOs, and the board is replicated at

each provincial level to ensure consistency with provincial priorities and to involve line-ministries. The FAS aims to improve access to basic services through the provision or rehabilitation of basic infrastructure (for example schools, health facilities, water supply and sanitation, small feeder roads, granaries, and market places), to improve the capacity of communities and their partners to initiate and manage sub-projects, and to create additional income and employment especially in rural and peri-urban areas (see World Bank 1995 and 1999 for further details). Community sub-projects vary in size from US\$ 20,000 up to a maximum of US\$ 50,000. Income-generation is achieved by the use of labour-intensive construction and maintenance methods, and by a pilot component which disburses revolving funds to communities which then on-lend them to sub-projects.

FAS I which ran from 1995 to 1998 was costed at US\$ 52 million, and funding consisted of an IDA credit of US\$ 24 million and donor cofinancing of US\$ 18.3 million (from the Netherlands, Norway and Sweden). Communities themselves were expected to contribute US\$ 6.14 million (FAS rules require that recipient communities contribute 20 per cent of the sub-project's cost in the form of labour, material, and cash), with US\$ 2.53 million from NGOs and Churches, and US\$ 2.53 million from the Government of Angola (World Bank 1995). FAS II (1999 to date) has a budget of US\$ 53 million, with a similar financing structure (World Bank 1999).

A beneficiary assessment survey conducted in 1998 yields valuable information about the impact of the FAS. The survey covers 1,200 rural and peri-urban households (involving 7,000 interviewees) and their communities in the 7 provinces in which the FAS was active. Some 63.4 per cent of respondents said that they had benefited from the projects (see Adata 1999, for details).⁹

Respondents were asked to rank their priorities, thereby indicating to what types of activity FAS resources (and public spending more generally) should be allocated. This provides a way of checking, *ex post*, that this is indeed where projects focused their efforts. Some 68 per cent of respondents cited access to education as their community's first priority, followed by the availability of health services (23 per cent).¹⁰ The priority given to education applies to adult as well as child education, reflecting the high levels of adult illiteracy associated with war and the underfunding of education.¹¹ Comparing FAS projects with these needs indicates that, by and large, projects have been orientated towards community priorities—although there are obviously still large unmet needs that can only be fulfilled through the public expenditure system.

Data analysis shows the importance of participation to respondents' satisfaction with the outcomes of FAS sub-projects (the satisfaction scores being one means to evaluate the success of the FAS). Using a logit model, Adata (1999) finds that respondent

⁹ The figure is higher if missing answers are discounted.

¹⁰ The supply of potable water ranks third. Other community priorities include: sanitation and sewage facilities, markets, electricity (most in rural areas), and kindergartens (urban and peri-urban regions).

¹¹ The priority given to education is even more striking when respondents are asked which future activities they would like to be involved in: 35.3 per cent want to enrol in education programmes for adults, 20.2 per cent in adult literacy programmes, and 10.1 per cent in vocational training programmes

participation in setting the sub-project's priorities is positively correlated with satisfaction. Moreover, the way information is shared within the community is important: the level of satisfaction increases as the mechanisms for sharing information become more formal (priorities set by regular community-level meetings, decisions put to the vote, and leaders elected democratically) rather than informal (information about projects shared by word of mouth, no formal meetings, and uncertainty about how leaders came to be appointed).

In this respect, the bottom-up approach of the FAS is diluting the power of the traditional chiefs. Only 6.8 per cent of respondents said that traditional chiefs were important in setting up the grass roots organizations that are used to disperse FAS funding, and once up and running only 23 per cent of project leaders were from the traditional authorities. In contrast, 65 per cent of project leaders were elected by a community assembly. This is a strong indication that the FAS has significantly displaced the more traditional and autocratic local powers with participatory democracy. The logit analysis indicates that a democratically elected leader, and knowing the project leader, are both variables that are positively correlated with satisfaction at project outcomes.

Social capital is a key input to successful project identification and implementation. One way to measure social capital is to count the number of community associations: women and mother's groups, youth organizations, music and dancing groups, and sports clubs. These provide networks of social interaction and facilitate consensus-building and trust—both important to project success. Overall, 45 per cent of the communities surveyed have at least one association.¹² This figure is higher in urban areas (58 per cent) compared with rural areas (43 per cent). But the level of individual participation is quite low—25 per cent of respondents are members of local associations and again individual membership is higher in urban areas (35 per cent) than in rural areas (27 per cent). If social capital is important to project success (a reasonable conjecture) then this rural-urban difference in social capital may be one reason why rural respondents express a lower level of satisfaction with project outcomes than urban respondents (as captured by the result that the variable, Region, is negatively correlated with satisfaction in the logit analysis of Adauta 1999).

The ability and willingness of communities to organize themselves around shared objectives and values is critical not only to project implementation but also to maintaining the infrastructure once it is complete. In this regard, two factors are important. First, in general people express more commitment to projects when they are initiated and run locally—as they are in the FAS—than when they are imposed from above (as in the traditional top-down model). Hence, 54 per cent of respondents feel responsible to the sub-projects themselves, whereas only 22 per cent feel a sense of responsibility to the local authorities, and only 14 per cent feel responsible to the central FAS organization. Second, communities have a stake in preserving infrastructure since under FAS rules, each community is expected to contribute materials, labour, equipment and cash to meet 20 per cent of sub-project costs. Community members participate by means of attendance at meetings (48.2 per cent of respondents), individual work

¹² Some 30.3 per cent of communities have women or mother's groups, 43 per cent have youth organizations, 24 per cent have music and dance groups, and 88 per cent have soccer groups.

(28.6 per cent), activities related to the supply of building materials for construction work (2.4 per cent), and cash contributions (1.5 per cent).

Initiatives such as the FAS are above all a means for sharing ideas across the community. Such knowledge-sharing can spread best-practices—how to rehabilitate a school for example—but it can also transmit profound ideas about individual rights, participatory democracy, and national pride to wider audiences. Although there is a strong tendency in local development to emphasize ‘tangible’ outcomes (measured outputs such as the number of schools and health-facilities constructed), ‘intangible’ outcomes—such as increased self-confidence and the spread of knowledge—are as important. Communities recognize this themselves; in the beneficiary survey, education—which is cited as the top priority by respondents—is in effect a proxy for the desire among communities for new ideas. But, one serious challenge is the shortage of role models for community development in Angola. The normal development of communities has been disrupted by the length and severity of the war, while the traditional state apparatus does not respond to need and is largely devoid of innovation. The best way to persuade Angola’s people and politicians is to show them something that works, that is feasible and efficient, and which can be replicated. The FAS does this, but many more community-focused initiatives are needed as well.

In summary, local development based on a paradigm of community democracy is more likely to lead to project success (as measured by satisfaction ratings), and by this standard the FAS is doing a good job. This is not to imply, however, that the FAS is beyond improvement. For example, the FAS suffers from a weakness common to all social funds; the very poorest communities are the least able to initiate and manage sub-projects (see section 3 above, and Frigenti et al. 1998). Moreover, the FAS has not achieved as much for women as it might. The data show, for example, that only 11 per cent of respondents acknowledged the existence of kindergartens in their communities; these are important in enabling women to increase their labour force participation and to socialize their children. To make the FAS more effective we need to know more about gender politics at the local level.

More fundamentally, insecurity in many provinces reduces the coverage of FAS operations (it is active in only 7 out of 18 of Angola’s provinces). War also reduces the project’s social rate of return, since insecurity increases the short-term focus on survival among communities, making them less likely to look to the long-term—thereby reducing individual incentives to invest in group organization and the formation of social capital (Addison 2001a). The lower level of social capital in rural areas reflects the impact of the war—in dislocating communities and fragmenting families—as well as the disruption caused in rural areas by socialist development. Internal migrations caused by the war have strengthened the role of the nuclear and extended family (78 per cent of respondents cite this as the most important social network) and have weakened community ties. Clearly, the achievement of sustained peace could do much to increase the pay-off from FAS sub-projects and community initiatives in general.¹³

¹³ But interestingly, peri-urban areas—which contain the highest incidence of urban poverty and are largely outside the direct impact of the war—do not have strong social capital either. Therefore membership of associations is lower in peri-urban areas (21 per cent) than in rural areas (27 per cent) indicating, perhaps, the insecurity and transient nature of life among the urban poor.

Ultimately, the FAS cannot substitute for a poverty-focused public spending system, especially one that could deploy revenues as large as those that the Angolan state obtains from oil. As in other countries, social funds cannot be the main route to poverty reduction (see World Bank 1997, which reviews the cross-country evidence). But the FAS does demonstrate how the public expenditure system could be focused on community needs and initiatives—given the necessary political will.

5 Conclusions: restoring security and confidence in Angolan society

Recent UNU/WIDER research highlights the role of horizontal inequality—by region, class or ethnic group—as an important cause of civil war (Klugman 1999 and Nafziger et al. 2000). This factor is evident in Angola. Abrahamsson and Nilsson (1999) argue that one of the most important reasons why all the recent peace accords have failed in Angola is that the negotiating processes did not focus on conflict's underlying causes. The failed agreements concentrated on establishing a power sharing system between the parties to the conflict rather than addressing the conflict's socio-economic causes. But a factor in the conflict has been the strong regional economic imbalances of the colonial economy which became more pronounced in the last 15 years of colonialism. The MPLA and UNITA emerged as liberation movements with distinct regional/ethnic characteristics; the MPLA was based predominantly on Mbundu support (centred on Luanda and its immediate area), whereas UNITA supporters are mainly of Ovimbundu identity (originating in the central plateau). After independence no real measures were undertaken to reduce regional imbalances, and the MPLA's adherence to the Marxist-Leninist doctrine of 'democratic centralism' inhibited decentralized regional development (see Addison 1998).

The growth of the oil sector contributed to the exclusion of groups already affected by these imbalances. UNITA has, to a large extent, come to represent the interests of these groups.¹⁴ However, despite the conflict's ethnic-regional dimension, Angola is not Rwanda: violence between communities in Luanda has been comparatively limited (in part reflecting the impact of forced urbanization in diminishing ethnic differences). This offers some hope for the future. But, if the issue of rising inequality is not addressed, then Angola could face a future that is unstable and violent, even after the present conflict is resolved.

In summary, the list of illnesses afflicting Angolan society is a long one: political instability, civil war, macroeconomic mismanagement, and the desperation born of poverty. A profound sense of uncertainty afflicts all levels of society—the government (and its opponents), entrepreneurs and rural and urban communities. Ordinary citizens are deeply sceptical of the country's political, economic, and social institutions, and regard high inequality as a sign that economic policy is largely run for the benefit of the wealthy. Uncertainty undermines government institutions (as is evident in both high and low level corruption), discourages long-term investment by entrepreneurs (who focus on

¹⁴ The interaction of regional imbalance and the rigidity of post-independence state socialism (together with the contest for oil wealth) are also factors in the conflict in neighbouring Congo-Brazzaville. Natural resource rich countries have a high propensity to conflict (see de Soysa 2000) in part because of the scale of the 'booty' available to the winner (Addison et al. 2000).

speculative retail trade rather than production), and hinders community development (Addison 2001a and Collier 1999). Therefore both uncertainty, and high and rising inequality, create low levels of trust in social institutions. The resulting loss of social capital undermines both economic performance and the effectiveness of national, sectoral, and community-level interventions in poverty reduction. Restoring confidence in social institutions will take considerable time. But some war-torn societies—Mozambique in particular—have shown that it is at least possible to make a start.

References

- Abrahamsson H. and A. Nilsson (1999). 'Angola—En Början till Konfliktanalys', Gothenburg, Department of Peace and Development Studies, Gothenburg University.
- Adauta de Sousa, M. (1997). 'Contribuição Para o Conhecimento do Sector Informal em Luanda, Angola'. Luanda: INE, (Processed).
- Adauta de Sousa, M. (1999). 'What Do We Know About Angolan Communities? A Project Approach'. Helsinki: UNU/WIDER. Paper prepared for the UNU/WIDER project on 'Underdevelopment, Transition, and Reconstruction in Sub-Saharan Africa' (www.wider.unu.edu).
- Addison, T. (1998). 'Underdevelopment, Transition and Reconstruction in Sub-Saharan Africa', *Research for Action* 45, Helsinki: UNU/WIDER.
- Addison, T. (2001a). 'Reconstruction from War in Africa: Communities, Entrepreneurs, and States', *Discussion Paper* No. 18, Helsinki: UNU/WIDER.
- Addison, T. (2001b). 'From Conflict to Reconstruction', *Discussion Paper* No. 16, Helsinki: UNU/WIDER.
- Addison, T. and G. A. Cornia (2000). 'Income Distribution Policies for Faster Poverty Reduction', Helsinki: UNU/WIDER. Paper prepared for the UNU/WIDER project on 'Rising Income Inequality and Poverty Reduction: Are they Compatible?' (December).
- Addison, T., P. Le Billon, and S. M. Murshed (2000). 'Conflict in Africa: the Cost of Peaceful Behaviour', Paper presented at the 'Annual World Bank Conference on Development Economics 2000', Paris (June).
- Addison, T. and Léonce Ndikumana (2001). 'Overcoming the Fiscal Crisis of the African State', *Discussion Paper* No. 12, Helsinki: UNU/WIDER.
- Aguilar, Renato (2001). 'Angola's Incomplete Transition', *Discussion Paper* (forthcoming), Helsinki: UNU/WIDER.
- Aguilar, R. and Å. Stenman (1996). 'Angola 1996: Hyperinflation, Confusion and Political Crisis', *Macroeconomic Report* 11, Stockholm: SIDA.
- Auty, R. M. (1998). 'Resource Abundance and Economic Development, Improving the Performance of Resource-Rich Countries', *Research for Action* 44, Helsinki: UNU/WIDER.
- Bender, W. and S. Hunt (1991). 'Poverty and Food Insecurity in Luanda', Luanda: Ministério do Plano and UNICEF.
- Chambers, R. (1997). *Whose Reality Counts? Putting the First Last*, London: Intermediate Technology Publications.
- Collier P. (1995). 'Civil War and the Economics of the Peace Dividend', *Working Paper* 95/8, Centre for the Study of African Economies, University of Oxford.
- Collier, P. (1999), 'The Political Economy of Ethnicity', in B. Pleskovic and J. Stiglitz (eds) *Proceedings of the 1998 Annual Bank Conference on Development Economics*, Washington DC: World Bank: 387-399.

- Crisp, J. (1998). 'The "Post-Conflict" Concept: Some Critical Observations', Geneva: Research and Development Policy Unit, United Nations High Commission for Refugees (August).
- de Sousa, Clara (1999). 'Rebuilding Rural Livelihoods and Social Capital: Mozambique's Experience', *Working Paper* No. 171, Helsinki: UNU/WIDER (December).
- de Soysa, I. (2000). 'The Resource Curse: Are Wars Driven by Rapacity or Paucity?', in M. Berdal and D. Malone (eds). *Greed and Grievance: Economic Agendas in Civil Wars*, Boulder CO: Lynne Rienner.
- Elson, D. (1995). 'Public Action, Poverty, and Development: A Gender Aware Analysis', in J. Mullen (ed.) *Rural Poverty Alleviation: International Development Perspectives*, Aldershot: Avebury-Gower.
- Frigenti, L. and A. Harth with R. Huque (1998). *Local Solutions to Regional Problems: The Growth of Social Funds and Public Works and Employment Projects in Sub-Saharan Africa*, Washington DC: World Bank, Water and Urban 2 and Institutional and Social Policy Divisions, Africa Region.
- IMF (1999). 'Angola: Statistical Annex', *Staff Country Report* No. 99/25, Washington DC: International Monetary Fund (April).
- Klugman, J. (1999). 'Social and Economic Policies to Prevent Complex Humanitarian Emergencies: Lessons from Experience', *Policy Brief* 2, Helsinki: UNU/WIDER.
- Kovsted, Jens and Finn Tarp (1999). 'Guinea-Bissau: War, Reconstruction and Reform', *Working Paper* No. 168, Helsinki: UNU/WIDER (November).
- Kyle, S. (1998). 'Current Situation and Future Prospects for the Macroeconomy', *Discussion Paper* 25, Harvard: Harvard Institute for International Development, (www.hiied.harvard.edu/projects/caer/papers/paper25.html).
- Le Billon, P. (1999). 'A Land Cursed by its Wealth? Angola's War Economy 1975-99', *Research in Progress* 23, Helsinki: UNU/WIDER.
- Macrae, J. (1999). 'Aiding Peace and War: UNHCR, Returnee Reintegration, and the Relief-Development Debate', *Working Paper* 14, Geneva: UNHCR, (Series: New Issues in Refugee Research) (www.unhcr.ch/refworld/pub/wpapers/wpno14.htm).
- McKay, A. (1997). 'Poverty Reduction through Economic Growth: Some Issues', *Journal of International Development*, 9 (4): 665-73.
- Munslow, B. (1999). 'Angola: the Politics of Unsustainable Development', *Third World Quarterly*, 20 (3): 551-68.
- Nafziger, E. W., F. Stewart and R. Väyrynen (eds) (2000). *The Origins of Humanitarian Emergencies: War and Displacement in Development Countries*, Volume I of *War, Hunger and Displacement: The Origins of Humanitarian Emergencies*, Oxford: Oxford University Press for UNU/WIDER.
- Pereira, L. A. and A. Solimano (1999). 'The Transition and the Political Economy of African Socialist Countries at War (Angola and Mozambique)', in J. A. Paulson (ed.) *African Economies in Transition: Volume 2 The Reform Experience*, London: Macmillan: 9-67.

- Robb, C. M. (1999). *Can the Poor Influence Policy? Participatory Poverty Assessments in the Developing World*, Directions in Development Series, Washington DC: World Bank.
- SIDA (1998). 'Ett Utvecklingsfrämjande Humanitärt Bistånd—Sammanfattning', Stockholm (November).
- Stenman Å. (1997). 'Income Inequality in a Transition Economy: The Case of Angola', Department of Economics, Gothenburg University, (October).
- Stewart, F. (1993). 'War and Underdevelopment: Can Economic Analysis Help Reduce the Costs?', *Journal of International Development*, 5: 357-80.
- UNDP (1999). *Human Development Report, 1999*, New York: Oxford University Press for UNDP.
- UNICEF (1999). 'Angola: UNICEF's Humanitarian Response to Children, January-December 1999', New York: UNICEF.
- UNICEF (2000). *The State of the World's Children 2000*, New York: Oxford University Press for UNICEF.
- World Bank (1995). 'Angola: Social Action Project', Washington DC: World Bank, (www.worldbank.org/pics/pid/ao61.txt).
- World Bank (1997). *Poverty Reduction and the World Bank, Progress in Fiscal 1996 and 1997*, Washington DC: World Bank.
- World Bank (1999). 'Angola: Social Action Fund II', Washington DC: World Bank (www.worldbank.org/pics/pid/ao56393.txt).

UNU World Institute for Development Economics Research (UNU/WIDER) was established by the United Nations University as its first research and training centre and started work in Helsinki, Finland in 1985. The purpose of the Institute is to undertake applied research and policy analysis on structural changes affecting the developing and transitional economies, to provide a forum for the advocacy of policies leading to robust, equitable and environmentally sustainable growth, and to promote capacity strengthening and training in the field of economic and social policy making. Its work is carried out by staff researchers and visiting scholars in Helsinki and through networks of collaborating scholars and institutions around the world.

UNU World Institute for Development Economics Research (UNU/WIDER)
Katajanokanlaituri 6 B, 00160 Helsinki, Finland

Camera-ready typescript prepared by Janis Vehmaan-Kreula at UNU/WIDER
Printed at UNU/WIDER, Helsinki

The views expressed in this publication are those of the author(s). Publication does not imply endorsement by the Institute or the United Nations University, nor by the programme/project sponsors, of any of the views expressed.

ISSN 1609-5774
ISBN 952-455-168-3 (printed publication)
ISBN 952-455-169-1 (internet publication)