

**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



ANGOLA

**RESULTS-BASED COUNTRY STRATEGY PAPER (RBCSP)
2005-2007**

**COUNTRY OPERATIONS DEPARTMENT
CENTRAL REGION
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TABLE OF CONTENTS

	Page
Currency Equivalents, Annexes, Acronyms and Abbreviations and Executive Summary	i-viii
I. INTRODUCTION	1
II. COUNTRY SITUATION	3
2.1 Political Context	3
2.2 Macroeconomic and Structural Context Issues	4
2.3 Sectoral Context Issues	7
2.4 Priority Cross-cutting Issues	10
2.5 Poverty and Social Context Issues	14
2.6 Medium-term Economic Outlook and External Environment	16
2.7 Business Environment and Private Sector Issues	19
III. NATIONAL DEVELOPMENT PROGRAMME AND MEDIUM-TERM PROSPECTS	20
3.1 Key Elements of the Government's Development Programme	20
3.2 Assessment of Progress Made in Programme Implementation	22
3.3 Partnership Framework	23
3.4 Challenges and Risks	24
IV. BANK GROUP ASSISTANCE STRATEGY	25
4.1 Country Situation and Strategic Selectivity	25
4.2 Portfolio Management and Lessons from the Previous CSP	25
4.3 CSP Output Framework	28
4.4 CSP Pillars and Areas of Focus	30
4.5 Regional Dimension of Bank Group Assistance	35
4.6 Bank Group Assistance: Resource Allocation Based on Performance, Performance Criteria and Non-lending Activities	35
4.7 Partnership and Harmonization	37
V. RESULTS-BASED MONITORING AND EVALUATION	37
5.1 Monitoring RBCSP Outputs and Bank Group Performance	37
5.2 Risk Management	38
5.3 Country Dialogue Issues	38
VI. CONCLUSION AND RECOMMENDATIONS	39
6.1 Conclusion	39
6.2 Recommendations	39

CURRENCY EQUIVALENTS
(March 2005)

UA 1	=	US\$ 1.40086
UA 1	=	Kz 106.068
US\$ 1	=	Kz 75.716

FISCAL YEAR
1 July to 30 June

WEIGHTS AND MEASURES
Metric system

Annexes

Annex I	:	Bank Group Operations
Annex II	:	RBCSP Logical Framework Matrix
Annex III	:	Socioeconomic Indicators
Annex IV	:	Millennium Development Goals
Annex V	:	Macroeconomic Indicators
Annex VI	:	National Accounts at Constant Prices
Annex VII	:	Government Financial Operations
Annex VIII	:	Monetary Survey
Annex IX	:	Balance of Payments
Annex X	:	Balance of Payments Projections
Annex XI	:	Financing Requirements and Sources

Boxes

Box 1	:	Key Features of the Country
Box 2	:	Impact of Increase in Oil Prices
Box 3	:	Characteristics of Poverty
Box 4	:	Summary of Key Elements of the Government's Development Programme
Box 5	:	Donor Operations by Sector
Box 6	:	Consultations on the Bank's Strategy

Tables

Table 1	:	Thematic Outputs Matrix
Table 2	:	Results-Based CSP Framework
Table 3	:	Performance Criteria and Indicators

ACRONYMS AND ABBREVIATIONS

AARP	:	Angolan Administration Reform Programme
ADB	:	African Development Bank
ADF	:	African Development Fund
ADRP	:	Demobilization and Reintegration Programme in Angola
ASCORP	:	Angola Selling Corporation
BAI	:	Angola Investment Bank
BCA	:	Angola Commercial Bank
BCI	:	Commerce and Industry Bank
BFA	:	External Financing Bank of Angola
BNA	:	National Bank of Angola
BPC	:	People's Credit Bank
BWI	:	Bretton Woods Institutions
CEMAC	:	Central African Economic and Monetary Community
CGP	:	Country Governance Profile
CNIDH	:	National Intersectoral De-mining and Humanitarian Assistance Commission
CPAR	:	Country Procurement Assessment Review
CSP	:	Country Strategy Paper
DRC	:	Democratic Republic of Congo
DWSS	:	Drinking Water Supply and Sanitation
ECCAS	:	Economic Community of Central African States
EITI	:	Initiative for the Transparency of Mining Industries
ENDIAMA	:	National Diamond Company
EU	:	European Union
FDI	:	Foreign Direct Investments
GDP	:	Gross Domestic Product
HDI	:	Human Development Index
HIV/AIDS	:	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
IAS	:	Interim Assistance Strategy
IMF	:	International Monetary Fund
INE	:	National Institute of Statistics
IPFMS	:	Integrated Public Finance Management System
Kwanza (kz)	:	Angola's currency unit
LICUS	:	Low Income Country under Stress
MAPES	:	Ministry of the Civil Service and Social Welfare
MDG	:	Millennium Development Goals
MICS	:	Multiple Indicator Cluster Survey
MINEA	:	Ministry of Energy and Water Resources
MINFIN	:	Ministry of Finance
MINPLAN	:	Ministry of Planning
MMS	:	Mutual Stability Mechanism
MPLA	:	Movement for the Liberation of Angola
NEPAD	:	New Partnership for Africa's Development
NIPA	:	National Private Investment Promotion Agency
PARSP	:	Private Sector Development Support Programme
PDDR	:	Disarmament, Demobilization and Social Reintegration Programme

PEMFAR	:	Public Expenditure Management and Financial Accountability Review
PFMP	:	Public Finance Management Modernization Programme
PIP	:	Public Investment Programme
PIU	:	Project Implementation Unit
PLD	:	Liberal Democratic Party
PRRP	:	Post-conflict Rehabilitation and National Reconstruction Programme
PRSP	:	Poverty Reduction Strategy Paper
RISDP	:	Regional Indicative Strategic Development Programme
SADC	:	Southern African Development Community
SMP	:	Staff-Monitored Programme
SONANGOL	:	Angolan Petroleum Company
UA	:	Unit of Account
UNDP	:	United Nations Development Program
UNITA	:	National Union for Angola's Independence
VAT	:	Valued Added Tax

EXECUTIVE SUMMARY

I. INTRODUCTION

The Results-Based Country Strategy Paper (RBCSP) is the new framework for formulating the Bank's strategy for Angola over the 2005-2007 period. It is a continuation and deepening of the last CSP 2002-2004, which was approved by the Boards in July 2003 (ADF/BD/WP/2003/48) and updated in September 2004. Given its organic relationship with the Government's Interim PRSP and its orientation towards the generation of tangible poverty reduction results that can be measured in terms of monitoring and evaluation indicators, the RBCSP is designed to serve as a tool for planning and managing Bank operations and verifying their impact on the poor and vulnerable populations. However, the situation in Angola made it somewhat difficult to formulate an RBCSP, mainly because the Interim PRSP for the 2003-2007 period, which should have served as its basis, is still being finalized with World Bank assistance to update its medium-term macroeconomic framework and costs, prepare the matrix of measures and monitoring/evaluation indicators, and incorporate donor observations on the participatory approach. Despite these difficulties, efforts were made to design the Bank's new strategy for the country for the 2005-2007 period based, as much as possible, on the new CSP format. This strategy will be monitored, and subsequently reviewed if the changes made to the final PRSP so require. If not, during the mid-term review, we could update the results indicators on the basis of available data.

II. POLITICAL SITUATION

In April 1997, a Government of national unity was formed, comprising the ruling MPLA, UNITA and four other opposition parties. Since the signing of the Peace Agreement between the Government and UNITA on 4 April 2002, UNITA occupies 70 out of the 220 seats in the National Assembly, four ministerial portfolios, and seven positions of Vice-Minister in the current national unity and reconciliation Government composed of 84 members. In order to break the deadlock stemming from disagreement on the adoption of a new constitution before the elections, the political parties, including the MPLA, seem to agree on organizing the legislative elections scheduled for 2006 and to entrust the preparation of a new constitution to the National Assembly that would emerge from the elections. Presidential elections could be organized in 2007.

III. ECONOMIC AND SOCIAL SITUATION

3.1 The real GDP **growth rate** jumped from 3.4% in 2003 to 11.2% in 2004 due to the resumption of oil production which reached about 1,000,000 b/d, representing about 54% of GDP. **The budget balance** on a commitment basis (excluding grants) rose from -7.1% in 2003 to -4.0% in 2004, and should post a surplus of 3.7% of GDP in 2005. This performance reflects the control of public expenditure which was reduced from 44.6% of GDP in 2003 to 41.2% in 2004 and should decline further to 34.7% of GDP in 2005. Government revenue dropped from 40.5% of GDP in 2002 to 37.5% in 2003 and to 37.2% in 2004 due to the fall in fiscal revenue, especially from oil, because of the accelerated amortization of the capital expenditure of foreign companies in the exploitation of new deep-sea oil fields. Thanks to the implementation of prudent macroeconomic policies, **the inflation rate** dropped from 76.7% in 2003 to 31% in 2004, and should continue its decline to 15% in 2005. **The current account balance** (including transfers) rose to a surplus of

6.8% of GDP in 2004 compared to a deficit of 5.2% in 2003. This performance is due to a trade surplus which more-than-compensated for the deficit in the services and income balance. **External debt** was estimated at about US\$ 9.5 billion in 2004, and is expected to fall to US\$ 9 billion in 2005. Debt to GDP ratio declined from 69.9 % in 2003 to 48.6% in 2004, and could fall to 37.6% of GDP in 2005. Debt service dropped from 39% of export earnings from goods and non-factor services in 2003 to 23.4% in 2004. Even though it is high compared to the country's resource flows, Angola's debt is sustainable on the long term. Its NPV, which represented 130% of GDP and 300% of export earnings in 2004, will reach 130% and 150% respectively in 2012. Moreover, the Government has initiated several structural reforms including the Five-year Public Finance Modernization Programme (PFMP), the preparation of a study on fiscal reform, the preparation of the Public Procurement Assessment Review (CPAR) with the World Bank, the publication of a diagnostic study on the oil sector, civil service reform, reform of the judicial system, and the preparation of an appropriate framework for private sector development.

3.2 Despite the restructuring of the macroeconomic environment and the implementation of a number of structural reforms still at a preliminary stage, poverty remains widespread in Angola and affects 68% of the population, about one half of whom are extremely poor and live on less than US\$ 1.0/day. Angola is still one of the countries with the weakest social indicators in Africa, and its HDI is 0.381, ranking it the 166th among the poor countries.

IV. DEVELOPMENT CONSTRAINTS

The narrowness of the productive base of the Angolan economy, its high dependence on the oil sector and food imports, the large size of its public sector and the small size of its private sector, the state of disrepair of its economic and social infrastructure, the absence of capital markets and skilled labour, and the weak institutional capacity are all obstacles to the promotion of growth and the private sector, and limit the Government's efforts to fight poverty.

V. NATIONAL DEVELOPMENT PROGRAMME AND MEDIUM-TERM PROSPECTS

In order to face the challenges of the post-conflict phase, the Government adopted an Interim PRSP to implement the first phase of its national rehabilitation and reconstruction programme (PRRP) covering the 2003-2010 period. The overall objective of the Interim PRSP is to consolidate peace and national unity by improving the living conditions of the Angolan people and encouraging the most vulnerable groups to actively participate in the economic and social development process. The areas of the Government's programme are the same as those of the Interim PRSP, and centre on the following major priorities: (i) the creation of a macroeconomic framework conducive to growth and poverty reduction; (ii) development of the social sectors; (iii) rural development and the mine-clearing operations throughout the country; (iv) the rehabilitation of basic infrastructure; and (v) institutional capacity building and improvement of governance.

VI. CHALLENGES AND RISKS

6.1 Challenges

The coming years will witness considerable challenges in Angola that will affect the success of the Interim PRSP, and hence the PRRP. The *first challenge* is to improve governance by enhancing transparency in management, strengthening internal and external control bodies, and implementing reforms of the judicial system and civil service. The *second challenge* is to ensure food security for the population by revitalizing the agricultural and rural sector and developing the private sector in order to diversify the productive base and ensure sustainable and more balanced growth, which will make it possible to win the war on poverty. The *third challenge* lies in institutional capacity building for the social and productive sectors by providing them with adequate equipment and qualified human resources to improve project implementation and resource absorption, as well as to increase access by the population to education and health services and to drinking water. The *fourth challenge* is to rehabilitate the economic and social infrastructure given their positive impact on economic recovery and improvement of the living conditions of the Angolan people.

6.2 Risks

The potential risks are: (i) political instability in the run-up to general elections scheduled for 2006 and 2007; (ii) the Government's commitment to pursue macroeconomic and structural reforms in that context; (iii) the country's weak institutional capacity which constrains the implementation of reforms and resource absorption; (iv) the risk of the new land tenure law discouraging traditional peasant agriculture in favour of commercial farming; (v) the potential vulnerability of the Angolan economy to external shocks due to its weak productive base; and (vi) the absence of an external aid coordination framework that will enable donors to channel aid consistent with the priorities of the Interim PRSP.

VII. BANK STRATEGY

7.1 Bank strategy for the 2005-2007 period was discussed and agreed upon with the Angolan authorities and the country's development partners. This strategy was prepared and designed to meet the following criteria: (i) be consistent with the priorities of the poverty reduction strategy as described in the Government's Interim PRSP for the 2003-2007 period; (ii) address the constraints identified and respond to the above-mentioned challenges; (iii) be consistent with the Bank's Vision and Strategic Plan; (iv) be selective in order to be more effective; (v) take into account Angola's performance in the implementation of ongoing projects and in the utilization of the ADF X allocation; (vi) serve as a continuation and deepening of the impact of the previous strategy as defined in the 2002-2004 CSP, (vii) be complementary to operations by the other donors; and (viii) embody the lessons drawn from the previous strategy. In light of these criteria, the strategy adopted will centre on the following two pillars: **(i) reduction of rural poverty; and (ii) creation of a conducive environment for private sector development.**

7.2 The RBCSP results will be monitored on the basis of annual implementation reports of the Government's programme, budget execution reports, household budget and consumption surveys carried out by the National Statistics Institute (INE), bi-annual rural participation analysis, thematic studies and consultation seminars with beneficiaries. This process will be supervised by MINPLAN with technical assistance from NGOs and civil society representatives with experience in the area. For its part, the Bank will ensure that the reports are submitted regularly, reinforce its supervision missions, and open its office in Angola in 2006. The finalization of the Interim PRSP will improve the monitoring of Bank strategy results through the matrix of indicators and the proposed institutional capacity building.

VIII. CONCLUSION AND RECOMMENDATIONS

8.1 Conclusion

Since the signing of the Peace Agreement in April 2002, the Angolan Government embarked on implementing macroeconomic policies and structural reforms, which have restored macroeconomic stability and boosted economic growth. However, the resumption of growth has not translated into a reduction in poverty which continues to affect more than two-thirds of the Angolan population. The preparation of the Interim PRSP is behind schedule, and the document is still being finalized with assistance from the World Bank. The efforts made by Government in the area of transparency in the management of oil revenue constitute an encouraging step on the path to good governance, which needs to be consolidated and strengthened to further improve the management of public funds and intensify the fight against all forms of misappropriation in a country with a weak institutional capacity. Several structural and sectoral reforms are also behind schedule, in particular, reform of the public procurement system, as well as reform of the judicial system and the civil service. The continuation of dialogue with the Bretton Woods institutions, which could lead to the conclusion of a staff-monitored programme with the IMF in 2005, would enable the Government to organize a donors' conference for resource mobilization finance the PRRP. The Bank's intervention strategy within the framework of the 2005-2007 RBCSP aims at helping the Government to implement the 2003-2010 PRRP so as to meet the challenges of the post-conflict phase. Consultations with the Angolan authorities and partners helped to identify two pillars of the strategy, namely: (i) the reduction of poverty in rural areas; and (ii) the creation of a conducive environment for private sector development.

8.2 Recommendations

The Boards are invited to approve the strategy proposed in the 2005-2007 RBCSP for Angola on the basis of an ADF X allocation of UA 36.6 million in the form of grants to the country for the 2005-2007 period. This allocation will be used to finance the activities scheduled under the two pillars of the strategy.

I. INTRODUCTION

1.1 The Results-Based Country Strategy Paper (RBCSP) is the new framework for formulating the Bank's strategy for Angola over the 2005-2007 period. It is the continuation and deepening of the last CSP 2002-2004, which was approved by the Boards in July 2003 (ADF/BD/WP/2003/48) and updated in September 2004. This CSP was prepared against the background of an emergency post-conflict phase which followed the signing of the Peace Agreement in April 2002. The Bank's strategy in the CSP thus focuses on the following five main pillars: (i) support for demobilization and social reintegration; (ii) rehabilitation of basic social infrastructure; (iii) support for agriculture and rural development; (iv) capacity building; and (v) support for economic reforms, in particular those in favour of private sector development. This strategy is based on the Interim PRSP for the 2003-2005 period.

1.2 During the review of the 2002-2004 CSP, the Boards took note of the positive impacts of the Peace Agreement on the resumption of economic growth. They, however, indicated that poverty continues to be widespread despite Angola's considerable economic potential. In order to meet the challenges of post-conflict rehabilitation and reconstruction, Board members recommended to the Government to implement the following measures: (i) consolidate macroeconomic stability by keeping inflation and the budget deficit under control; (ii) boost growth by diversifying the productive base; (iii) finalize the Interim PRSP and improve governance; and (iv) put in place the economic reforms required for the rapid adoption of a Staff-monitored Programme (SMP) with the IMF. The Angolan authorities have made progress in the implementation of these recommendations, especially as regards the restoration of macroeconomic stability, improvement of transparency in the management of oil resources, pursuance of the finalization of the Interim PRSP for the 2003-2005 period, and dialogue on a potential Staff-monitored Programme with the IMF.

1.3 These achievements for the promotion of a more vigorous, sustainable and equitable growth that would help to reduce poverty and eventually achieve the Millennium Development Goals (MDGs) will be consolidated within the framework of the 2005-2007 strategy focused mainly on the achievement of visible results in line with the CSPs newly adopted by the Bank. Indeed, given its organic relationship with the Government's Interim PRSP and its orientation towards the generation of tangible poverty reduction results that can be measured in terms of monitoring and evaluation indicators, the RBCSP is designed to serve as a tool for planning and managing Bank operations and verifying their impact on the poor and vulnerable populations. However, the situation of Angola coming out of more than one quarter of a century conflict and not under any programme with the Bretton Woods institutions made it somewhat difficult to formulate an RBCSP, namely: (i) the Interim PRSP for the 2003-2007 period, which was approved by the Angolan Government in 2004 and which should have served as a basis of the RBCSP, is still being finalized with assistance from the World Bank, to update its medium-term macroeconomic framework and costs, prepare the matrix of measures and monitoring/evaluation indicators, and incorporate donor observations on the participatory approach; (ii) the Interim PRSP prepared on the basis of a survey conducted in 2001 covering only the urban areas of 8 out of a total of 18 provinces, does not reliably reflect the poverty situation in Angola, and introduces a bias in the initial situation which is the benchmark for monitoring and evaluation; and (iii) lack of a matrix of monitoring/evaluation indicators for the implementation of policies envisaged in the Interim PRSP, and the absence of an updated macroeconomic framework, which does not allow for measuring the progress made by Government in the implementation of Bank strategy.

1.4 Despite these difficulties, efforts were made to design the Bank's new strategy for Angola for the 2005-2007 period based on the new RBCSP format. Monitoring this strategy would eventually make us review it, if the changes made to the final Interim PRSP so require. If not, during the mid-term review, we could update the results indicators on the basis of available data. Besides, the participatory approach in CSP formulation, which began during the preparatory mission, was further expanded and strengthened during the seminar organized on the occasion of the dialogue mission that helped to deepen discussions, enrich the document, and validate the Bank's strategic choices for the next five years. The 2005-2007 CSP was prepared by the country team on the basis of information gathered by the Bank's March 2005 mission, the Interim PRSP being finalized, documents of the Bank and the Bretton Woods institutions, and discussions with the Angolan authorities and donors. This paper seeks to: (i) inform the Board of the country's political, macroeconomic and sectoral situation; (ii) present the national development programme and the medium-term prospects; (iii) propose the Bank Group's assistance strategy for the 2005-2007 period; (iv) present the mechanism for monitoring and evaluating the strategy; and (v) inform the Board of the conclusions of the RBCSP and make recommendations thereon.

Box 1: Key Features of the Country

1.1 Situated on the west coast of the African continent, Angola is a large country with a surface area of 1,246,700 km². Angola is located south of the equator and to the north of the Tropic of Capricorn, and is bounded by Namibia, Zambia, the Republic of Congo, the DRC and the southern Atlantic Ocean. Angola is not only endowed with immense mineral resources, fertile highlands, good weather, abundant water resources and an enormous agricultural production potential, but is also the second oil producer in sub-Saharan Africa and fourth world producer of diamond. Its population was estimated at 14 million in 2004 with a density of 10.6 inhabitants per km², a population growth rate of about 3.5% per annum, and an urban population close to 38.3%. The population is young, since 48.2% is below 15 years and Luanda city, which accounts for about 36% of the population, has a population growth rate of 6%. The majority of Angolans are concentrated on the west coast. On the administrative front, the country consists of 18 provinces, including Luanda city, 163 districts and 532 communes. The country's official language is Portuguese, and the local currency is the Kwanza (AON).

1.2 With a per capita income of about USD 1,150 in 2004, Angola is ranked among the low income countries despite its abundant natural resources. According to the UNDP's 2004 Human Development Report, Angola is among the group of least developed countries in the world with a human development index (HDI) of 0.381, which ranks it at 166 out of 176 countries. The major poverty indicators are characterized by: (i) a low life expectancy at birth (45.8 years in 2004); (ii) the vast majority of the Angolan people, 68% in 2001, live below the poverty line; (iii) very low access to clean water (38 % of the population in 2003); (iv) low medical coverage, which is quite limited in the rural areas (30 %); (v) a very high infant mortality rate (123/1000 in 2004); and lastly (vi) a high rate of chronic malnutrition (45%). Meanwhile, the lack of access to production areas due to the destruction of infrastructure in rural areas, poor maintenance of rural roads, and the existence of land mines (about 13 million or one mine per capita) significantly impedes the country's agricultural development and is a serious threat to human life.

1.3 The signing of the Peace Agreement in 2002, which put an end to the 27-year armed conflict, enabled some 4 million displaced persons to return to their home towns. Implementation by the Angolan Government of a Disarmament, Demobilization and Social Reintegration Programme (PDDR) has helped to demobilize about 105 000 UNITA war veterans and ensured their economic and social reintegration.

II COUNTRY SITUATION

2.1 Political Context

2.1.1 The last Presidential elections in Angola were organized in September 1992. The results of the elections were not conclusive. A Government of national unity was formed in April 1997, comprising the ruling MPLA, UNITA and four other opposition parties. Since the signing of the Luena Peace Agreement between the Government and UNITA on 4 April 2002, UNITA occupies 70 out of the 220 seats in the National Assembly, four ministerial portfolios and 7 positions of Vice-Minister in the current national unity and reconciliation government composed of 84 members. In the absence of a timetable for the organization of the next elections, UNITA has since May 2004 suspended its participation in the Constitutional Commission of the National Assembly charged with the preparation of a new constitution for Angola. As a result, in August 2004, the Government adopted a 14-points timetable defining the conduct of the next electoral process. This timetable provides for the preparation and adoption of a new constitution and an electoral law, as well as the appointment of members of the National Electoral Council in 2005. The exact date of the elections will be determined by the President of the country and the candidates approved by the Supreme Court in June 2006, while the elections will be organized before the end of 2006. In order to break the deadlock due to disagreement on the adoption of a new constitution before the elections, the political parties, including the MPLA, seem to agree on the PLD's proposal to organize the legislative elections in 2006 and entrust the preparation of a new constitution to the National Assembly that would emerge from the elections. Presidential elections could be held in 2007, a year after the legislative elections and approval of a new Constitution by the new National Assembly. This consensus led to the suspension of the work of the Constitutional Commission of the National Assembly on 6 November 2004 and the approval by the Government of an Interministerial Committee for the preparation of elections on 7 January 2005.

2.1.2 In a post-conflict country like Angola, however, the uncertainty of holding the next elections and speculation about their results are likely to make the economic agents adopt a wait-and-see attitude which can compromise the development of the private sector that is expected to be the engine of economic development. Similarly, this situation of uncertainty, which has a potential risk of instability, does not encourage the implementation of economic reforms and creates an atmosphere of scepticism on the Government's capacity and determination to see through its PRRP aimed at fighting poverty in line with the 2003-2007 Interim PRSP. Delays in the electoral process and the country's weak institutional capacities can affect the Government's capacity to mobilize the population around its objectives of poverty reduction and finalization of the Interim PRSP. The conclusion of the negotiations for a new staff-monitored programme with the IMF in 2005 could give more credibility and efficiency to the Government's action in the eyes of both the Angolan people and its development partners.

2.2 Macroeconomic and Structural Context Issues

Macroeconomic Trend

2.2.1 **Economic Growth:** The real GDP growth rate moved from 3.1% in 2001 to 14.4% in 2002, 3.4% in 2003, 11.2% in 2004 and should reach about 14% in 2005. About 8.8% of GDP comes from the primary sector, 60.2% from the secondary sector 54% of which is accounted for by oil and about 31% from the tertiary sector. In 2004, these sectors recorded growth rates of 14%, 13.5% and 7.4% respectively. Thus they accounted for about 1.2%, 8.0% and 2.1% respectively of GDP growth during that year. After recording a growth rate of 20% in 2002 and raising its volume to 920,000 b/d, oil production, which fosters economic growth dropped by 2.1% in 2003 due to the depletion of the old oil fields and the delay in the commencement of operations in the new fields. The coming into operation of new deep-sea fields in the Cabinda and Zaire provinces boosted oil production, increasing it by about 14% in 2004, thus raising its volume to about 1,000,000 b/d. It is expected that oil production will double in 2007, and reach a volume of about 2,000,000 b/d. Economic growth, which depends largely on the performance of the oil sector with production mainly for export, is driven by multinational companies, in the absence of a diversification of the economy and the limited impact of the Angolan private sector in terms of the creation of income-generating jobs.

2.2.2 **Public Finance:** The budget balance on a commitment basis (excluding grants) moved from -3.6% of GDP in 2001 to -9.4% in 2002, -7.1% in 2003, -4.0% in 2004, and should stand at a surplus of 3.7% of GDP in 2005. This performance reflects the control of public expenditure which was reduced from 49.9% of GDP in 2002 to 44.6% in 2003, 41.2% of GDP in 2004, and should decline further to 34.7% of GDP in 2005. Recurrent expenditure was kept under control thanks to the control of the payroll and expenditure on goods and services, as well as to reduction in expenditure on subsidies, which declined from 4.8% of GDP in 2003 to 3.9% in 2004. Thus, the price of fuel was increased twice in 2004, thus raising the price of the gallon from US\$ 0.44 to US\$ 1.5. Government revenue dropped from 40.5% of GDP in 2002 to 37.5% in 2003 and should reach 37.2% in 2004 and 38.4% of GDP in 2005 despite efforts in customs revenue collection entrusted to foreign companies and the implementation of several measures by the General Directorate of Taxes. This is due to the decline in fiscal revenue, particularly oil revenue, which accounted for only 28.2% of GDP in 2003 and 28.7% in 2004 compared to 31% of GDP in 2002 because of the accelerated amortization of the capital expenditure of foreign companies in the exploitation of new deep-sea oil fields. The issue of short-term (28 and 182 days) Treasury bills since 2003, held by the banking system, allowed for the financing of the budget deficit, partly from internal resources.

2.2.3 **Money and Inflation:** Thanks to the implementation of a more rigorous monetary policy, the restriction of monetary financing of the budget deficit since the agreement between the BNA and the Public Treasury in 2002, and the implementation of an active exchange rate policy since September 2003, the inflation rate dropped from 116% in 2001 to 106% in 2002, 76.7% in 2003, 31% in 2004, and should decline further to 15% in 2005. To achieve these results, the BNA absorbed excess liquidity on the money market through the sale of securities whose volume has tripled since 2002 and established a reserve requirement of 15% of bank deposits. This helped to reduce the growth rate of broad money supply (M3) from 163% in 2001 to 158% in 2002, 67% in 2003 and 46% in 2004. Despite the drop in interest rates from 128% in 2001 to 109% in 2002, 81% in 2003 and 50% in 2004, domestic

credit remains very low and represents only 5% of GDP. This reflects the lack of interest on the part of the banks to finance economic activity due to the risk they run and their preference to focus instead on foreign operations given that the proportion of foreign currency deposits in their resources is estimated at more than 70%. Besides, more frequent interventions on the foreign exchange market have enabled the BNA to limit the depreciation of the Kwanza in relation to the US dollar, to narrow the gap between the official and parallel market rates to a very low level of 3.1% and reduce the appreciation of the real exchange rate. Considering the significant share of imported products in the consumer price index, this appreciation has had a positive effect on the reduction of the rate of inflation since 2003.

2.2.4 Balance of Payments: After recording a deficit of 1.4% of GDP in 2002, the current account deficit (including transfers) deepened further to 5.2% of GDP in 2003 due to a growth of 45.7% in imports and 14.3% in exports as well as a chronic deficit of the services and income balance. The current account balance (including transfers) stood at a surplus of 6.8% of GDP in 2004 and could record 4.7% in 2005. This performance was possible thanks to an increase of 44.2% in exports following the resumption of oil exports and the marginal increase of 22.8% in imports the same year. This trade surplus more-than-compensated for the deficit in the services balance, as well as the income assigned to debt service, insurance service of oil companies and the overseas transfer of the profits of these companies. The current account deficit was partly financed by foreign direct investments mainly in the oil sector which reached an amount of US\$ 1.6 billion in 2002-2003 and about US\$ 700 million in 2004. This deficit was also financed by bank loans guaranteed by oil which made it possible to build up foreign assets to about US\$ 2.2 billion in 2004 covering about 1.8 months of imports of goods and services compared to 0.9 in 2003.

2.2.5 Public debt: Angola's external debt (including arrears and moratorium interests) was estimated at about US\$ 8.7 billion in 2002, US\$ 9.7 billion in 2003, US\$ 9.5 billion in 2004, and is expected to reach US\$ 9 billion in 2005. The debt to GDP ratio went from 81.3% in 2001 to 81% in 2002, 69.9 % in 2003 and 48.6% in 2004, and could drop to 37.6% of GDP in 2005. Debt service moved from 141.1% of earnings accruing from the export of goods and non-factor services in 2001 to 40% in 2002, 39% in 2003, and is expected to stand at 23.4% in 2004 and 18.5% in 2005. Of Angola's external debt, 4% is owed to multilateral donors, 32% to Paris Club countries, 21% to other bilateral donors, 37% to commercial banks, and 6% to suppliers. About 1/3 of this debt is in the form of arrears to bilateral donors. Angola has honoured its multilateral and commercial debt repayment, and restructured its bilateral debt with Brazil, Germany, Poland and Portugal. Even though it is high compared to the country's resource flows, Angola's debt is sustainable over a long term. Its NPV, which was 130% of GDP and 300% of export earnings in 2004, is expected to stand at 130% and 150% respectively in 2012. This scenario is based on a rescheduling of the arrears on a concessionary basis, an increase of 18% in oil production between 2005 and 2009, a decline in its average price from US\$ 39.2 in 2005 to US\$ 30.5 (in today's dollar) as from 2009 and a share of 60% of export earnings going to oil companies. This positive scenario could be interrupted by a decline in international oil prices or in production. Indeed, the return of the price of the Angolan barrel to its long term level after a significant decline in the next five years, would result in a liquidity problem in the short term and would set the debt service/exports ratio to a level above 30% until 2011, and NPV/net exports to more than 150% until 2014. Thus, this scenario would put pressure on the country's low level of foreign reserves and would increase the risks for Angola's partners, who could on their part require a higher cost to lend the country funds. The domestic public debt arrears were evaluated at Kz 19.57 billion in 2001, of which Kz 5.85 billion were reconciled and validated by the

Domestic Public Debt Implementation and Regularization Commission. In order to clear the arrears owed to suppliers and evaluated at US\$ 274 million, the Public Treasury began issuing long-term bonds in 2003 (2 to 7 years).

2.2.6 Impact of Increase in Oil Prices

Box 2: Impact of Increase in Oil Prices

The sharp rise in oil prices since 2004, which increased further in 2005, coupled with the increase in production from new deep-sea fields is a manna from heaven for Angola, a net oil exporting country. Indeed, the oil sector accounts for more than 50% of GDP, 75% of Government revenue and about 90% of exports. The price effect thus boosted the quantity effect, which started having a positive impact on the major internal and external macroeconomic balances since 2004. Economic growth in the first nine months of 2005 is estimated at 14.7% compared to the projected 13.8%. The current account surplus recorded for the first time in 2004 will continue in 2005, rising to 8.8% of GDP. Foreign assets are expected to reach 2.6 months of imports in 2005 compared to 1.9 months in 2004. The increase in oil prices in 2005 should help to reduce the effect of the high costs of operation of new oil fields on oil revenue which has been declining in the past few years. The impact of the increase in oil prices on Government revenue within the context of operation of new deep-sea and ultra deep-sea blocks is positive and should swell the Government's coffers. However, this effect was managed in a prudent manner considering the budget restraint initiated in 2004 and strengthened in 2005. Indeed, the Government adopted a prudent approach in the preparation of the 2005 budget which consisted in determining oil revenue on the basis of a barrel price of US\$ 26.5 whereas Angola's crude was trading at US\$ 40 a barrel. This approach is intended to avoid the cyclical nature of expenditure by restricting it to the limits allowed by revenue estimated on the basis of the long-term price of oil instead of its going price. Such extreme caution was again exercised during the amendment of the budget in August 2005 because the price adopted was US\$ 33.0 whereas trading is above US\$ 50 for the Angolan crude on a market which was above US\$ 60. The resulting increase in revenue should raise revenue to 39.8% of GDP in 2005 compared to 37% in 2004 and a surplus budget balance of about 7.2% of GDP. The budget revised in August 2005 plans to increase recurrent expenditure by around 23% compared to the 2004 draft budget. This increase will benefit the education and health sectors so as to improve the living conditions of the poor and vulnerable populations. Since oil prices started rising, the Government increased fuel prices twice in 2004 and once in 2005. The 2005 increase in oil prices also enabled the Government to pursue its policy of ensuring the stability of the Kwanza on the foreign exchange market, which helped to contain inflation. However, the oil bonanza benefiting Angola as a result of an increase in both production and oil prices did not result in the establishment of a fund for future generations which should receive the (Budget/market) price differential.

Structural Trend

2.2.7 Public Finance Management: Following the recommendations of the public expenditure management and financial accountability review (PEMFAR), cofinanced by the World Bank and DFID, Government consolidated the budget and eliminated all unbudgeted expenditure since 2003. A five-year public finance management modernization programme (MPFM) was implemented with World Bank assistance. This programme aims at strengthening the Integrated Public Finance Management System (IPFMS) and capacity building within the Ministry of Finance. Similarly, in 2004 the Government finalized a diagnostic study on the reform of the tax laws approved by the Cabinet and the decree relating to the creation of a committee responsible for its implementation was approved. In the end, these reforms are expected to facilitate the establishment of the VAT. As for the tax administration reforms, they commenced in 2003 and facilitated the creation of an electronic tax card with a single identifying code, the creation of a tax management system, a tax statistics system, an income tax management system and staff training as well as computerization of the Directorate General of Taxes. Government also collaborated with the World Bank and DFID to carry out the country procurement assessment review (CPAR) which had been published since October 2002, but its recommendations and action plan have not yet been implemented.

2.2.8 Civil Service Reform and Decentralization: The Civil Service reform aims at: (i) orientating the civil service towards improving economic and social well-being; (ii) directing its services towards the restoration of public order; and (iii) transforming the civil service into a participatory and human rights promotion mechanism. To attain these objectives, several measures have been taken: (i) preparation of a plan to reduce government red-tape and preparation of terms of reference for the assessment of training needs; (ii) training of 30 women in leadership skills and gender issues; (iii) preparation of a study on gender issues and good governance; (iv) preparation of taxation decentralization guidelines; and (v) capacity building of 30 auditors in the Auditor General's office. The Government envisages setting up a results-based management system, developing human resources, introducing a merit-based evaluation mechanism and setting up a National School of Public Administration. With assistance from the UNDP, the Government also undertook a study on the structure of the local administration to translate into reality the principle of decentralization and deconcentration set out in the 1975 Constitution and enshrined in decree 17/99. Two seminars and a training programme were organized for the staff of central government, provincial and district administrations and an agreement was concluded with the World Bank for the establishment of a Municipal Development Fund.

2.2.9 Private Sector Development and Economic Liberalization: In order to develop the private sector, the Government established a new National Investment Promotion Agency (NIPA) in July 2003 and enacted Law No. 11/03 of 13 May 2003 and Law No. 17/3 of 25 July 2003, which constitute the new legal framework for regulating private sector activity. A single window was created to cut down administrative formalities to less than 10 days. Act No. 5/02 on privatization was enacted on 16 April 2002. Alongside these measures, the urban transport sector was opened up to private sector operators. The privatization of the public transport corporation (TCUL) and arrangements for the management of the port of Luanda by a private operator are being finalized. To eliminate distortions caused by subsidies, the Government has twice increased fuel prices and hopes to reduce expenditure on subsidies to only 1% of GDP. Measures to liberalize foreign trade focused on the elimination of export taxes and the reduction of import duties to only 6, thereby lowering the average tariff from 17% to 14% in 2004.

2.3 Sectoral Context Issues

2.3.1 Agriculture and Forestry Sector: This sector is the second source of growth of the Angolan economy. Although it now contributes only 8.8% to GDP, the primary sector provides employment and income for about 60% of the population, and more particularly to women who constitute about 70% of the active agricultural labour force. In 2004, the primary sector recorded an annual growth rate of 14% as a result of the restoration of peace and the return of farmers to their fields. However, the output of cereal crops (corn, millet and sorghum) is still very low, and varies between 0.35 and 0.55 T/ha, while the output for rice is 3.5T/ha. Stockbreeding is extensive, and characterized by long periods of transhumance and a significant herd of cattle (4 million head), small ruminants (2 million head) and pigs (1.5 million head). The fisheries potential of the country is still not well known, and the fish processing industries stopped operation since 2000 due to their low competitiveness. The annual catch is estimated at about 300,000 tonnes, 10% of which comes from artisanal fishing. The forest covers about 23 million ha or 18.5% of the woodlands, which represents close to 40% of the land area of the country. The Maiombe forest comprises high quality wood covering a land area estimated at 2.5 million ha.

2.3.2 Despite its significant development potential, the primary sector, however, remains inhibited by the following major constraints: (i) the inaccessibility of production areas because of the destruction of basic infrastructure and marketing networks; (ii) the reduction of arable land due to the displacement of farmers escaping from conflicts and anti-personnel mine fields; (iii) inadequate access by operators in the sector to bank credit; (iv) its weak institutional capacity at the central, provincial and local levels; (v) its limited modernization due to inadequate technical training and processing of its products by the agro-food industry; and (vi) the weak surveillance of Angolan coasts to prevent illegal fishing by foreign vessels. In order to remedy these constraints, the Government adopted a strategy which aims to: (i) boost agricultural production in order to ensure food security and fight against poverty, especially in rural areas; (ii) rehabilitate its infrastructure in order to increase by 25% to 40% the output of the main food crops by 2008/2015 and ensure its sustainable development; (iii) ensure social reintegration and the de-mining of farm land; and (iv) build institutional and managerial capacities for integrated and participatory agricultural development.

2.3.3 The promulgation in October 2004 of Land Law No. 9/04 established a new legal framework for this strategy. The Law protects the rights of communities and traditional land tenure systems in which the head of the lineage (generally the patriarch or the Soba of the village) allocates land to the active members of the community depending on their food and fuel wood needs. He can also grant farming rights to migrants, in consultation with the leader of the locality. In practice, each adult member of the family owns at least two parcels of land: one for the rainy season and the other for the dry season. The size of the family parcel depends on the fertility of the soil, availability of animal traction and labour. However, the State continues to be owner of all land and determines the method of land use and allocation. Private use of land for agricultural purposes is governed by the transfer of permanent land tenure rights. Justification must be provided for each transfer initiative.

2.3.4 **Hydrocarbons and Mining Sector:** Over the past three years, the oil sector accounted for about 54% of GDP and 70% of export revenue. In 2004, production reached about 1,000,000 b/d mainly off-shore and concentrated in the Cabinda and Zaire provinces. The exploration, production and distribution of oil in Angola is carried out by several foreign companies, in particular Chevron-Texaco, Total, Exxon Mobil, BP, ENI-AGIP, etc and by SONANGOL, a national company established in 1976. Crude oil production reached 362,117,000 barrels in 2004, that is just under one million b/d compared to 319,248,000 barrels in 2003, representing an increase of about 14%. This was due to the entry into production of new deep-sea fields. Crude oil exports rose from 302,440,000 barrels in 2003 to 312,739,190 barrels in 2004 worth US\$ 8.5 billion and US\$ 11.5 billion respectively. Refined oil production is carried out mainly by the Luanda refinery which produced 1,736,800 metric tonnes in 2003 of which 757,208 tonnes were exported for a value of US\$ 161.5 million and the rest reserved for the domestic market. To meet domestic demand for refined oil products, SONANGOL resorts to imports from South Africa, Namibia, United Arab Emirates and Iran which stood at 674,500 tonnes in 2003 for a value of US\$ 189 million.

2.3.5 Highly capital intensive, the oil industry creates only 12,000 jobs, 50% of which are offered by SONANGOL which represents the State and carries out oil exploration, production and export activities. The oil is produced according to two types of contracts: (i) partnership contracts and production sharing agreements (PSA) in which 50% of the production goes to the foreign companies for their investment (cost-oil) and the remaining 50% is shared between the State and the foreign companies according to contractual

modalities (profit-oil). The oil income of the oil companies is subject to a 50% tax. About 85% of natural gas reserves estimated at 1,600 billion cubic feet (Tcf) is burnt and the rest is re-injected to improve the output of the oil fields and a quantity will soon be liquefied in the factory to be constructed in the Zaire province.

2.3.6 Diamond production, of a value of US\$ 788 million in 2003, or 95% of non-oil exports and about 10% of the non-oil GDP, ranks Angola fourth among diamond producing countries in the world. Diamond reserves are composed of kimberlite and alluvium deposits exploited by 264 State-owned enterprises and 34 international enterprises employing between 250,000 and 400,000 Angolan and foreign craftsmen. In addition to the management of this sector, the ENDIAMA public corporation, through to its subsidiaries, carries out diamond prospecting and extraction activities, and through its subsidiary, SODIAM, manages the monopoly of exporting diamond. In spite of an improvement of its performance following the implementation of reforms since June 2003, the diamond sector continues to encounter several difficulties, in particular: (i) the absorption of mining craftsmen and their integration into organized structures; (ii) the alluvial nature of diamond mines and the multiplicity of taxes levied on the sector; (iii) the ambiguity of the legislation and lack of transparency both at the level of the ownership of the enterprises and that of the granting of concession licenses; and (iv) the domination of the sector by ENDIAMA and its internal conflicts of interest that discourage investors in this sector.

2.3.7 Infrastructure and Public Utilities Sector

2.3.7.1 Transport: The country has five main road transport corridors three of which are East-West links and two are North-South ones. It also has three main sea ports, six fishing ports, two river ports and 2,950 km of railroads covered by three systems that are not yet interconnected. At the level of air transport, Angola has an international airport in Luanda and 23 secondary airports. Urban transport services in Luanda are provided by 200 buses managed by a public corporation (TCUL) and three private corporations. The transport sector is confronted with several difficulties, in particular: (i) weak institutional capacities both at the level of the Ministry and that of the enterprises of the sector; (ii) inadequate public funding for the rehabilitation and maintenance of transport sector infrastructure; (iii) lack of an action plan and an effective control of overloading; (iv) non-existence of regulations governing the road fund; (v) high harbour tariffs and poor management of the harbour authorities; and (vi) inadequate intermodal connectivity between the sub-sectors. In order to remedy these inadequacies, the Government has taken several measures, namely: (i) the establishment of the urban public transportation master plan in Luanda province; (ii) the launching of a study on the rehabilitation of the national railroads network; (iii) capacity building of the railway company (CFL); and (iv) the rehabilitation of the maritime navigation system. The Government intends to pursue efforts in rehabilitating the sector, given its spillover effects on economic activity, by allocating to it an amount of US\$ 572 million, or 20% of the PIP budget for 2003-2007.

2.3.7.2 Water, Sanitation and Energy : Less than 1/3 of the population have access to the drinking water network of the cities, and only 18% of city dwellers have access to sanitation infrastructure. Only 22% of the drinking water needs of the rural population are covered. These low rates of access are attributable to : (i) the deterioration of infrastructure and distribution networks; (ii) lack of spare parts and poor preventive maintenance; (iii) low provision of rural areas with modern water points; (iv) inefficient management by public

operators; and (v) the low institutional capacities of the sector in general. To remedy these inadequacies, the Government promulgated a new law under No. 06/2002 aimed at reforming the sector and improving its service delivery. A development programme for the water and sanitation sector, covering the period 2004-2016, was approved by the Government in January 2004. In particular, the programme is expected to construct 5,000 modern water points and establish a computer database of the existing drinking water-supply system (DWS). To attain these objectives, the Government earmarked US\$ 198 million in the PIP for the water sector, that is 10% of total expenditure for the 2003-2007 period. As regards energy, the current installed capacity is 648 MW, comprising 288 MW of hydropower and 360 MW of thermal energy. Thanks to the subsidy granted by the State to this sector, average electricity tariff is low, that is US\$ 0.03/KWh, significantly lower than its production cost of US\$ 0.1/KWh. In order to remedy the weaknesses of the legal framework of the sector, its low institutional capacities and the low level of tariffs applied, the Government has formulated a strategy for its development. The main thrusts of the strategy are: (i) the interconnection of the three network systems; (ii) the development of an independent system for the East of the country based on its hydroelectric potential and aimed mainly at supplying the mining industry; (iii) the implementation of an appropriate tariff policy; and (iv) the development of large hydropower generation projects and the rehabilitation of the three hydroelectric dams at Mabubas, Lumaun and Gove. To that end, the Government earmarked an amount of US\$ 255 million for the energy sector, that is 13% of the PIP.

2.3.7.3 Financial Sector: The Angolan financial sector is composed of about ten commercial banks, two of which are public (BPC and BCI), some insurance companies and pension funds. Thus, the system is characterized by the absence of a stock market and financial institutions specialized in leasing, factoring or risk capital, and there is low coverage of the country, with a high concentration of the network in Luanda. About 70% of bank deposits are denominated in dollars, and loans represent only about 5% of GDP. This is due to the high rate of inflation, which has translated into negative real interest rates that impede the mobilization of savings, channelling them towards the financing of investments, and force the people to avoid holding deposits in Kwanza. The three big banks (BPC, BFA and BAI) handle 82% of the turnover of the entire system. However, the three private banks recently established in Angola (BTA, BESA and BCA) are the first to have offered banking products denominated in dollars, and have begun to win significant market shares thanks to better quality service and a breakthrough in banking marketing. The two public banks carry a significant amount of compromised loans in their portfolios, thus affecting their profitability and their competitiveness. Recently, Banco Sol began to specialize in micro-credit operations. To promote this mode of financing, the BNA has just created a division specialized in micro-finance in anticipation of an appropriate legal framework. In order to modernize the financial system and boost its contribution to development financing, the Government intends to conduct a reform of the legal framework governing banking activities by 2006, strengthen banking supervision mechanisms, create a stock exchange and develop the insurance and pension funds sector.

2.4 Priority Cross-cutting Issues

2.4.1 Governance: The low institutional capacity of the State apparatus and inefficiency of the structures of the judicial system have led to the opacity of management of public affairs, thus compromising the quality of governance. In order to remedy this situation, the Government has made significant progress but which still remains far from meeting the good governance criteria.

2.4.1.1 Political Governance: In the run up to elections scheduled for 2006, several initiatives have been undertaken, in particular the survey on the Angolan people's perception of elections conducted by the International Republican Institute (IRI) in 2004, the organization of seminars, round tables and sensitization workshops by NGOs aimed at preparing for participation in the elections. All these events were covered by the media, although media coverage remains insufficient, considering the size of the country where it is estimated that 30% of the population do not have access to information through the radio, TV or newspapers. As regards local governance, decentralization and deconcentration still remain a project, in spite of the publication of Order in Council No. 17/99 that determined the administrative structures at the provincial, municipal and local levels. Power remains centred around the Governor appointed by the President of Republic to the detriment of other local administrative structures. The provincial governments do not have their own tax systems and the municipalities are not considered as budgetary units. Vulnerable groups are hardly involved in the decision-making process at the local level because of the absence of a civic education programme to sensitize the citizens on local elections. The survey on decentralization and deconcentration conducted in collaboration with the UNDP in 2004 was approved by the Government. The UNDP plans to assist the Government to put in place its national strategy for decentralization and deconcentration.

2.4.1.2 Financial Governance and Transparency: In order to improve transparency in oil revenue management, the Government participated in the preparation of the diagnostic report on the oil sector, which it published on the Internet in 2004. Monthly data on exports and government revenue have been published on the Website of the Ministry of Finance. Extra-budgetary public expenditure has been cancelled, and a unified budget was adopted since 2003. The accounts of BNA and SONANGOL were audited by independent and internationally reputable audit firms. In spite of this progress, several aspects relating to the management of oil revenue between SONANGOL and the MINFIN are still not sufficiently transparent. This is why the Government decided to set up an oil revenue management unit at the Ministry of Finance that should be operational in 2005. Furthermore, the Government activated the Court of Auditors, which has conducted the audit of several institutions since 2003, including the political parties, a number of ministries and Angolan embassies abroad. However, the Court of Auditors has not yet published any of the Government accounts, in the absence of an inventory of the Government's property and the overall public debt stock.

2.4.1.3 Legal and Judicial Governance: In 2004, the Government prepared a diagnosis of the judicial system and the constraints on its proper functioning. The diagnosis contributed to the preparation of a preliminary short and medium-term action plan for the reform of the judicial system. To remedy the low institutional capacities of the sector, the Government created an Institute of Legal Studies and granted some incentives to judges who accept to work in the provinces. A Government bill on the national strategy and action plan for legal reform will be submitted to the Government for approval before the end of June 2005. At the level of local courts, several measures have been taken: (i) preparation of a manual of court procedures; (ii) training of 70 justices of the peace; and (iii) organization of seminars, for justices of the peace in six provinces, on the role of lawyers and human rights.

2.4.2 Labour Market: The conventional labour market in Angola is characterized by the absence of a skilled labour force capable of responding to the demand of enterprises. Regarding demand for employment, with the exception of the oil sector which creates few jobs, the other sectors significantly affected by the conflict have barely resumed activities and they resort to informal labour force. The household income survey of 2001 revealed that only 27% of additional demand for employment was met and that 40% of the heads of household

do not have any professional occupation. Thus, the urban unemployment rate is estimated on average at 46% to 48% in Luanda. The survey also showed that 1/5 of children aged between 5 and 14 years are employed in various jobs, and that 42% of children from poor families are active in the labour market. The low capacity of the conventional labour market to satisfy the demand of enterprises resulted in the development of an informal market in the private sector. The 2001 survey showed that 85% of female heads of household and 75% of male heads of household are self-employed or work in informal private sector enterprises. In view of its low wages, the public administration only attracts 25% of male heads of household and 13% of the female heads of household. The current work standards defined in the 2000 Labour Code aim at the protection of workers' rights in general, gender equality and the prohibition of child labour. Angola has been a member of the International Labour Organization since 1976, and has ratified 33 Conventions, 32 of which are in force.

2.4.3 Regional Integration: Angola is a co-founder of the Southern African Development Community (SADC) and a member of the Economic Community of Central African States (ECCAS). The economic integration of Angola is oriented more towards SADC countries with which it intends to establish a free trade area in 2008, a common customs area in 2010, and a common market in 2015. Its membership of ECCAS is rather a political arrangement designed to restore political stability, particularly in the border regions with the DRC and the Republic of Congo. Angola signed the Regional Indicative Strategic Development Plan (RISDP) of SADC, which was approved in March 2003 for a period of 10 to 15 years. This plan constitutes a performance chart for the regional integration of Angola into its SADC environment. Indeed, it signed with the SADC member countries 24 protocols in different domains in particular, the agreement on macroeconomic convergence, and the mutual stability mechanism (MSM) for its monitoring, as well as the protocol of establishment of a free trade area. Furthermore, Angola operates within the framework of SADC to promote regional integration projects defined by objective No. 8 of NEPAD and that help to link the country to the DRC through the Malange corridor, to Zambia through the Lobito corridor, and to Namibia through the Benguela corridor. The projects will connect the Angolan power grid to that of Namibia through the common use of hydraulic energy on the Cunene River, the repair of the Gove dam and the construction of a power station on this dam for electricity generation.

2.4.4 Population: The Angolan population was estimated at about 14 million in 2004, at least 60% of whom are less than 18 years old. Apart from the 1970 census, recent demographic data come from projections made by the National Institute of Statistics (INE) based on fragmentary censuses conducted in some secured provinces. According to the INE, the features of this population in 2003 were the following: (i) an annual population growth rate of 3.5%, (ii) a life expectancy at birth of 40 years; (iii) a total fertility rate of 7.2 children per woman; (iv) a gross school enrolment ratio (primary and higher education) of 20%; (v) an infant mortality rate of 150 for every one thousand, and a mortality rate of 250 for every one thousand children of less than 5 years; and (vi) a 32% rate of access to drinking water. Women represent 52% of the total population, and women of child-bearing age constitute 23% of the population. This structure by age reveals the scale of the resource requirements for covering infant and maternal illnesses, as well as the problems of reproductive health and of schools for the enrolment of children. The majority of this population live in rural areas. However, the phenomenon of urbanization is becoming increasingly serious since the urban population represents 48% of the total, with a high concentration in Luanda and its periphery. Such rapid growth of the urban population increases pressure on social infrastructure and deepens poverty.

2.4.5 Gender Equality: Article 18 of the 1992 Angolan Constitution entrenched the principle of equality and non-discrimination between citizens on the basis of race, gender, political affiliation or religion. Similarly, the Family Code established equal rights and obligations between men and women in all aspects of life. The Labour Code also endorsed equal treatment for men and women without any discrimination whatsoever. Furthermore, in 1984 Angola ratified the convention on all forms of discrimination against women and the SADC declaration on gender and development in 1997. Since its creation in 1992, the Ministry of the Family and the Woman prepared two strategies that covered the 1997-2005 period. In 2004, the Ministry prepared a Government bill on the prohibition of domestic violence that has been submitted to the Cabinet Meeting for consideration. In spite of these efforts, the disparity between men and women is still striking. In the area of education, the gap between girls and boys is significant. The percentage of children that complete primary education is 69.5% for boys and 59.8% for girls. Girls represent 29.6% of school failure due to early pregnancy and their involvement in house work. In terms of access to positions of responsibility, women occupy only 15% of the central government positions (that is two Ministers, nine Vice-Ministers and Secretaries of State), 4% of the provincial government, 21% of the diplomatic staff, 16.4% of the National Assembly, and 14.3% of the judicial personnel. Women enjoy the right of ownership, and many of them work in the agricultural sector and set up their own businesses with micro-credits.

2.4.6 HIV/AIDS and Communicable Diseases: Angola has an epidemiological profile with more than 80% made up of patients of HIV/AIDS, malaria, tuberculosis and the African human trypanosomiasis (sleeping sickness). Data on sero-prevalence of HIV/AIDS show a constant increase, especially in isolation areas. The cumulative number of AIDS-infected patients recorded as at 31 December 2002 is 9,441 cases of carriers of the HIV virus, that is a rate of 10.1% of the sexually active population. Confronted with this situation, the Government put in place a National AIDS Control Council chaired by the Head of State, the aims of which are: (i) the sensitization of the population; (ii) the free distribution of condoms to vulnerable groups; and (iii) IEC sessions focusing on changes in sexual behaviour, prevention and the treatment of patients. As for malaria, it remains the first cause of morbidity, with about 40% of cases of death among children under five years old. In partnership with USAID, the Government intends to support UNICEF in its strategy of popularization and distribution of insecticide-treated mosquito nets (ITN). The situation of endemic tuberculosis in the country is a cause for concern. In 2001, the country had a prevalence rate of 577 per 100,000 and a death rate of 64 per 100,000. Sleeping sickness has become another major public health problem in Angola. In 2002, the National Tuberculosis Control Programme revealed that more than 100,000 people were infected by this parasite, and that 4,000,000 people are exposed.

2.4.7 Environment: Anti-personnel mine fields scattered over more than 1/3 of the national territory, overgrazing, soil erosion due to lack of soil protection for many years, deforestation owing to logging for fuel wood, burning of natural gas from oil fields and rural exodus towards big towns, particularly Luanda, have contaminated soils, water and the air, thus undermining biodiversity and quality of life of the Angolan people. In order to remedy this situation, in 2003 the Government enacted a law on environmental protection, and in 2004 another law on the environmental impact assessment of projects was also passed. However, the enforcement texts of these two laws have not yet been published. The first law envisaged the establishment of the National Institute for the Promotion of the Environment, the Institute for Nature Reserve and the Environmental Protection Fund, which are still not

yet in place. Furthermore, the Government has two environmental protection programmes under preparation: the National Environmental Protection Programme, which defines the strategy of the Ministry in this area, and the National Biodiversity Strategic Programme. The Government also adhered notably to some regional initiatives in the area of environmental protection, particularly in SADC, concerning desertification, biodiversity, etc. and ratified the international conventions on desertification, climatic zones and the protection of the ozone layer. With the collaboration of the Ministry of Education, it also put in place an environmental education programme to sensitize the Angolan population on the risks of desertification and the need for biodiversity conservation. With regard to the Kyoto Protocol, the Government in 2003 prepared a project for the protection of the ozone layer meant for the oil companies and which is monitored by the Ministry of the Environment and Town Planning.

2.4.8 Participation: The participatory approach was not introduced in Angola until at the time of the preparation of Interim PRSP. Indeed, the consultative process for the preparation of this document involved the identification of the poverty profile, its causes and intervention areas and strategic priorities to implement for its eradication. This process was launched in 2000, and was further deepened during the seminar organized in June 2001 to discuss the characteristics of poverty in Angola, the constraints on its reduction and the social policies to undertake in order to alleviate its impact on the most vulnerable segments of the population. This seminar to the preparation of the first version of the Interim PRSP that was enriched by comments from Angola's development partners. The elaboration of the second version of this document widened the consultation process to the representatives of civil society and the private sector. This consultation used participatory techniques in information gathering, identification of problems and the perception of the actions to be undertaken. This participatory approach will be pursued during the monitoring and evaluation of the Interim PRSP, which will involve the establishment of a diagnostic mechanism on rural participation to gather the views of the population targeted by the Interim PRSP at the most decentralized level. Vulnerable groups do not participate sufficiently in the decision-making process at the local level because of the absence of a culture of negotiation, conflict resolution and a civic education programme to sensitize citizens on local elections. The decentralization/deconcentration reform that Government plans to implement with the support of the UNDP will have a positive impact on the participatory approach.

2.5 Poverty and Social Context Issues

2.5.1 Poverty Profile: The 2001 survey that constitutes the most recent available reference on the situation of poverty in Angola revealed that 68% of the population are poor, with a monthly income below 392 kwanzas, that is US\$ 1.7/d. The proportion of the population living below the poverty line of US\$ 1.0/d is estimated at 28%. Poverty remains an essentially rural phenomenon, with higher incidence in rural areas where it reached 94.3% as against 57% in urban areas. Extreme poverty affects 78.9% of the population in rural areas compared to 19.5% in urban areas. This high incidence of poverty in rural areas is due to limited access by farmers to fertile land and markets, the destruction of road infrastructure and the exodus of the rural population to big cities less affected by the armed conflict. Poverty in Angola is closely related to the size of the households, and its highest incidence is observed in families composed of more than 7 people. However, the gender of the household head has hardly any impact on the level of poverty. Indeed, extreme poverty affects 27.3% of the households headed by men and 30.1% of the households headed by women.

2.5.2 *Poverty and New Land Law:* Rural poverty is exacerbated in Angola because of the loss and destruction of the records of ownership, transfers and concessions during the colonial era and during the conflict, as well as the poor definition of responsibilities and their overlapping between the ministries concerned. It constitutes a constraint on the revitalization of the agricultural sector, which would otherwise have beneficial effects on poverty reduction in rural areas. That is why a new Land Law No. 9/04 was promulgated in October 2004 abrogating the law and texts in force since 1992. While assigning land ownership to the State, this law provides that farmers and private stockbreeders can apply for permanent tenure titles or ownership titles transferable to their successors, provided that the conditions of transfer of these lands are identical to those of their acquisition. This new Land Law also grants the rural communities, traditional land rights that vary according to the provinces where access to land depends largely on customary practices and membership of clans. It is in fact the head of the lineage (in general the patriarch of the village or “*Soba*”) that distributes lands among the active members, and can grant the right to use land to a migrant after consultations with the chief of the land. In spite of this new legal framework, access to landed property by women remains limited because of the social impediments of the traditional society.

2.5.3 *Disarmament, Demobilization and Reintegration Programme (PDDR):* Since the 2002 Peace Agreement, the Government has been committed to ensuring, first of all, the return to their home towns as well as the economic and social integration, of the four million displaced persons, refugees and the demobilized ex-combatants that constitute the group most affected by poverty. To that end, the Government put in place a strategic legal framework for the 2003-2005 period, and set up a national commission by Order in Council No. 05/02. Actions undertaken to operationalize this strategy include the following: (i) establishment of mechanisms to support minor children, old people, the disabled and people mutilated by the war; (ii) implementation of the Programme for locating and reunifying families; (iii) construction of public housing in several provinces; (iv) implementation of the Disarmament, Demobilization and Reintegration Programme (PDDR) for 105,000 ex-combatants of UNITA who benefited from reinstallation and contingency allowances during the phase of demobilization and assistance for reintegration; and (v) the reactivation of the National Intersectoral De-mining and Humanitarian Assistance Commission (CNIDH).

Box 3: Characteristics of Poverty

About 68% of the Angolan population are poor and live on an income of US\$1.7/d; about 28% of them are extremely poor, with an income of US\$0.76/d. The incidence of poverty is 94.3% in rural areas compared to 57% in urban areas, and concentrated in Namibe Province where this proportion has reached 96.5%. Poverty in Angola is closely linked to the size of households, and its highest incidence is observed in families with more than 7 people. However, the level of poverty is hardly linked to the gender of the head of the family. Indeed, extreme poverty affects 27.3% of households headed by men and 30.1% of households headed by women. Of all households with female heads, 47.4% do not have any level of education and 56% are illiterate compared to 14.8% and 17.3% respectively for households headed by men. The rate of access to drinking water is 32%. The country's rates of access to health care and education are the lowest in Africa. In fact, in 2003 the proportion of births attended by trained health personnel was about 22.5%, one-year olds completely immunized was 47%, and population benefiting from the minimum package of primary healthcare activities was 22%. Hence, the infant mortality rate was 150 per 1000, the under-five mortality rate was 250 per 1000, and life expectancy at birth was estimated at 40 years. The gross enrolment ratio of children aged 6 to 9 years attending the first cycle of elementary school is 56%, and those aged 10 to 11 years attending the second cycle is 6%. About 34% of children under eleven years old have never attended elementary school.

2.5.4 Education Sector: The gross enrolment ratios in primary, secondary, vocational and higher education were about 75%, 27%, 12.7% and 2.3% respectively. Distribution by province shows that 75% of children in the coastal provinces have primary education. This rate is very low in the provinces in the south where school infrastructure has been destroyed by the conflict. In these provinces, only the secured zones have benefitted from investments by bilateral donors and NGOs. These low rates are the consequence of several factors, notably: (i) the saturation and dilapidation of school infrastructure; (ii) lack of teaching materials; (iii) lack of motivation of the teaching staff; and (iv) low output reflected in significant drop-out rates. According to the MICS, in 2003, accessibility of young children to elementary schools remained a problem. It is noted for example that the gross enrolment ratio for children between 6 and 9 years who attend the first cycle of elementary school is 56% and for those between 10 and 11 years who attend the second cycle it is 6%. About 34% of children below 11 years old have never been enrolled in an elementary school. This situation is even more pronounced among girls whose enrolment rates are very low. The absence of a school map poses enormous problems to planners; the same applies to the lack of reliable demographic data on the population that could be enrolled in schools because of the absence of a demographic survey since the 1970s. The 2001-2015 integrated strategy for improving the education system aims at achieving the following objectives: (i) rehabilitation of the infrastructure of primary, secondary, and technical schools; (ii) the supply of textbooks, updating of programmes and procurement of new facilities; (iii) diversification of technical and vocational education programmes to achieve the "education-training-employment" result; (iv) re-orientation and training of all teachers, irrespective of category; and (v) university and vocational training.

2.5.5 Health Sector: Angola's epidemiological profile is dominated by communicable and diarrhoeal diseases. In this context, access by the population to essential health care has dropped significantly over the past three decades. In 2003, the proportion of births attended by trained health personnel was about 22.5%, one-year old children completely immunized was 47%, and only 22% of the population could benefit from a minimum package of primary health care activities. Furthermore, health staff are poorly distributed throughout the country and least motivated to work in all provinces of the country. Most health facilities are decrepit, and the infrastructure is in an advanced state of disrepair partly because of the lack of maintenance. In 2005, the Government prepared an action plan that will contribute to the achievement of the objectives defined therein, notably: (i) rehabilitation of health centres and other health facilities in about one hundred municipalities; (ii) upgrading of staff of health centres and municipal hospitals; (iii) setting up of about twenty generic drug procurement, preparation and distribution centres in the provinces; (iv) support to national programmes to fight priority diseases such as HIV/AIDS, malaria, tuberculosis, viral epidemics and trypanosomiasis; and (v) support to health protection activities aimed at vulnerable groups, notably women, children, the disabled, old people and people without support.

2.6 Medium-Term Economic Outlook and External Environment

2.6.1 Constraints: The effects of the more-than one-quarter of a century-long armed conflict continue to hinder the resumption of real economic takeoff capable of significantly reducing poverty among the people of Angola. These constraints are numerous and require interventions targeted at several areas.

2.6.1.1 Economic Constraints: The narrow productive base of the Angolan economy, its heavy dependence on the oil sector and imported food, the large size of its public sector and the small size of its private sector are constraints that handicap the takeoff of the economy and the poverty reduction. The hard currencies resources accruing from oil exports are absorbed by the financing needs of the public sector including mainly the payroll, subsidies and external debt service. Confronted with a low mobilization capacity of sources of internal finance, the Government used oil as a guarantee to mobilize some external resources at a high cost which could affect external viability and endanger the macro-economic stability observed during the past three years.

2.6.1.2 Sectoral Constraints: In the agricultural sector, the constraints identified in Section 2.3.2 above reduce the output of this sector and its contribution to growth and poverty reduction. As for the industrial sector, it is dominated by the oil sector, which puts pressure on the trade balance with the volume of its importation of capital goods and remains disconnected from the rest of the economy. The potential of the diamond sector remains limited by the constraints identified in Section 2.3.4 above. The private sector is also constrained by the deterioration of transport infrastructure, 80% of which is not operational, the shortage of electricity, water and sanitation supply, the low rate of telephony, especially in the provinces where about ¼ of the municipalities are not connected to the network and the high cost of communications tariffs, the absence of capital markets, skilled labour and complex administrative procedures. Added to these constraints is the inappropriate business environment mentioned in Section 2.7.

2.6.1.3 Institutional Constraints: With respect to public administration, low wages, stagnation of promotion in ranks and the slow process of depoliticization of public officials explain their lack of motivation, poor performance and the inadequate quality of services offered to citizens and the private sector. Public finance management is characterized by the absence of connection of the provinces to the IPFMS, slow bidding procedures, lack of transparency in the management of the two public enterprises that manage the oil and diamond sectors, and the limited capacity of the control institutions, in particular the Court of Auditors. The education and health sectors, which are in a dilapidated state, are characterized by weak institutional capacity at both the human and logistical levels. The judicial system is also characterized by the insufficient number of magistrates and court registrars, the obsolete nature of many legal codes and the slow procedures and resolution of litigations. This situation constitutes a bottleneck for resource absorption; it explains the low rates of programme implementation and prevents the emergence of a dynamic and vibrant private sector capable of contributing effectively to poverty reduction.

2.6.2 Prospects

2.6.2.1 *Sectoral level*: Endowed with diverse natural resources and favourable climatic conditions, Angola has a huge economic development potential that, if tapped judiciously, could reverse the situation of the country now considered as a low-income post-conflict country under stress (LICUS). In the agricultural sector, the country is endowed with rich arable land only 3% of which is currently cultivated, abundant water resources and immense reserves of timber thanks to the density of its forest, which could constitute an important reserve of biodiversity and a source of income for the poor population. Its fish-laden Atlantic coasts give it a considerable fisheries potential that is underexploited and can offer significant investment opportunities to the private sector, as well as employment reservoirs and sources of income. Angola also has abundant livestock resources and cash crops such as coffee,

tobacco, cotton and sugar cane the exploitation of which will help diversify the productive base of the country and create an SME-SMI fabric in the processing industries sector. This will enable the development of new production sectors that are labour intensive and income-generating for the population, and will earn foreign exchange for the State. Thus, the revitalization of the agricultural and rural sector, which employs about 60% of the workforce, but contributes only about 8.8% to GDP, is a major component of Angola's development strategy in the coming years. The Government counts on the recovery of this sector to ensure food security for the population, alleviate poverty in the rural areas and supply the markets in the urban centres with food products in order to eliminate price increases and reduce the current account deficit.

2.6.2.2 With oil reserves of about 5 billion barrels, Angola occupies the second rank among oil-producing countries of sub-Saharan Africa after Nigeria. Oil production, especially in the deep sea, is expected to double in 2007 to reach about 2 million barrels/d compared to 0.5 million barrels/d in the 1990s. Angola is also the fourth biggest diamond producer in the world. In 2003, diamond production reached a record level of 6 million karats, whereas 60% of the territory is not explored. The sector creates hundreds of thousands of jobs, especially informal ones. However, fiscal revenue from diamond was only US\$ 112 million in 2003 compared to US\$ 45 million in 2002. Implementation of the sector reform will have positive repercussions on government revenue that could be channelled towards financing the social sectors and the fight against poverty.

2.6.2.3 *Economic level:* Prospects of an increase in oil production and resumption of activity in other sectors of the economy indicate a potential average growth of 18% of real GDP during the 2005-2007 period. This will help to improve the situation of public finance and external accounts. As regards price stability, rigorous macroeconomic policies will contribute to curbing the inflation rate to 15% in 2005 and 10% in 2006 according to IMF estimates. With regard to public finance, the budgetary balance would record a surplus of about 4% of GDP between 2005 and 2007 as a result of control of current expenses on goods and services and a reduction of expenses relating to subsidies, particularly fuel subsidies. Concerning public revenue, the Government initiated budgetary restraint by adopting, during preparation of the 2005 budget, a prudent approach that consisted in determining oil revenue on the basis of a price of US\$ 26.5 per barrel as against a current price that stood at US\$ 39 per barrel at the time. This approach would avoid the cyclical nature of expenses, and restrict them within the confines of the estimated long-term oil price and not that of the current price. The gap between the two prices will be used to replenish the hard currency reserves, amortize the external debt or settle arrears. Public revenue will improve with the implementation of the ongoing tax reform, the improvement of tax collection and the reduction of customs exonerations. Forecasts of the current account of the balance of payments point to a surplus of more than US\$ 1 billion, that is, about 4% of the GDP for the period 2005-2007. However, the external debt, mainly composed of current liabilities guaranteed by oil, constitutes a source of potential fragility for the viability of the balance of payments and a threat to the foreign assets of the country. The transfer of the activities of SONANGOL to a regulatory agency and the setting up of an oil-revenue management unit at the Ministry of Finance, in accordance with the recommendations of the diagnostic study of the oil sector, will help to introduce greater transparency into the management of oil revenue. The outcome of the negotiations with the IMF on the signature of a staff-monitored programme in 2005 will open up new prospects for Angola's development. The adoption of a staff-monitored programme constitutes an opportunity that the Angolan Government could seize: (i) to obtain a rescheduling of its debt with the Paris Club member countries; (ii) to mobilize the support of

the international community in its PRRP; and (iii) to create conditions conducive to the financing of an economic programme that will be backed by the IMF's PRGF and other sources of finance for development and poverty reduction.

2.6.2.4 *At the social level*, the Government prepared the 2005 budget with a focus on increasing budgetary allocations to the social sectors of health and education whose capacity it intends to strengthen by recruiting 60,000 new staff. Expenditure in the social sectors rose from 20% to 23% of GDP, but remains low considering the enormous needs of the Angolan population. These supplementary resources will allow the Government to strive for the attainment of the MDGs by 2015. In the health sector, the Government intends to reduce by 75% under-five mortality and maternal mortality by 2015, to increase access to drinking water in the urban and rural areas to 76% and 48% respectively, and to achieve 79% and 32% access rates to health care in the urban and rural areas respectively in 2006. Concerning education, it intends to eradicate adult illiteracy and ensure compulsory access to primary education for all children. The Government intends to pursue the demobilization of ex-combatants of FAA and their socioeconomic reintegration.

2.6.2.5 In short, Angola's medium-term economic prospects seem to be promising for two fundamental reasons, namely : (i) the resumption of economic growth and restoration of macroeconomic stability in a favourable international economic situation marked by increasing oil prices and doubling of oil production by 2007; and (ii) the continuation of discussions with the IMF on the possible adoption of a staff-monitored programme (SMP) that will make it possible to mobilize the donor community in support of the Government's economic programme and its Interim PRSP through the organization of a donors' conference. These prospects remain, however, contingent upon the Government's commitment to pursue the implementation of reforms for the consolidation of achievements in the area of macroeconomic stability, institutional capacity building and improvement of governance in order to roll back the scourge of poverty in the run up to the next elections.

2.7 Business Environment and Private Sector Issues

The various natural resources of Angola, the restoration of peace, the commencement of reconstruction of the economy and the rehabilitation of its economic and social infrastructure provide considerable opportunities for the development of the private sector. In spite of this potential, the industrial sector represents only about 3% of GDP. It is against this background that several reform measures analyzed in paragraph 2.2.6.3 have been undertaken. In spite of this restructuring of the business environment, the sector remains small, operates in the informal sector and is primarily composed of SMEs privatized in 2001 but about 60% of which are having problems. The Angolan private sector remains inhibited by : (i) the structural weaknesses of the civil service and its complex procedures; (ii) lack of a skilled labour force; (iii) the obsolescence and dilapidation of infrastructure; (iv) the high cost of transport and telecommunications; (v) the high level of interest rates and insufficiency of guarantees demanded by the banking system; and (vi) the stalling of the privatization process in spite of the publication, since July 2002, of a new list of public corporations eligible for privatization. These constraints make the business environment one of the weakest in the world according to the 2005 *Doing Business Report* of the World Bank which classified Angola among the last 20 of the 145 countries that were covered by this World Bank report. This unfavourable business environment explains the low value-added of the industrial sector, composed of about 19,000 enterprises operating in the agro-food processing, beverages, textile and services sub-sectors, located mainly in Luanda and which create about 341,000 jobs.

III. NATIONAL DEVELOPMENT PROGRAMME AND MEDIUM-TERM PROSPECTS

3.1 Key Elements of the Government's Development Programme

3.1.1 The Government is in the process of implementing the first phase (2003-2005) of its PRRP covering the 2003-2010 period. This first phase is covered in the Interim PRSP for 2003-2007, which is operationalized through the second 2005-2006 bi-annual programme. The components of the Government's programme are those of the Interim PRSP and focus on the following main areas: (i) creation of a macroeconomic framework conducive to growth and poverty reduction; (ii) development of the social sectors; (iii) rural development and environmental protection; (iv) rehabilitation of basic infrastructure; and (v) institutional capacity building and promotion of good governance.

3.1.2 **Creation of a Macroeconomic Framework Conducive to Growth and Poverty Reduction:** This objective is to consolidate the macroeconomic stability necessary for boosting private investment in order to better diversify the productive base, increase agricultural and industrial production and create income-generating employment. To attain these objectives, the Government intends to put in place prudent monetary, budgetary and exchange policies that will facilitate the: (i) lowering of inflation rates and thereby alleviate the effects of inflation on the purchasing power of the poor and vulnerable population; (ii) allocation of more public expenditure to priority social sectors; (iii) elimination of barriers to international trade to promote the exports of the sectors where the country has a potential comparative advantage such as the agricultural sector and that of agro-food industries; (iv) rational management of foreign assets and channelling of external debt to fund value-added projects that facilitate the repayment of the debt and promote growth and employment creation.

3.1.3 **Development of the Social Sectors:** The Government's programme in this area aims at: (i) the demobilization and the social and economic reintegration of the 4 million displaced persons and refugees who escaped the conflict through the setting up of a programme of demobilization and social reintegration (PDDR); the organization of training seminars on the identification of projects, capacity building for their management and the setting up of a monitoring-evaluation mechanism at the level of municipalities considered as focal points to involve the beneficiaries; (ii) improving the conditions of access to education in order to attain the MDGs by 2015, by building the human and logistic capacity of schools, modernizing their planning and management methods, implementing the National Education for All programme, improving the quality of education and reducing illiteracy especially among women, (iii) increasing access by the Angolan population to health care by improving maternal and child health care services, providing them with generic drugs, building the institutional capacity of health centres and checking the spread of HIV/AIDS in order to limit the effects of the return of displaced persons and refugees on the progression of the HIV/AIDS prevalence rate, (iv) reducing the unemployment rate estimated at about 50% of the active population through vocational training activities which will develop human resources, facilitate the integration of youth in the labour market and reduce poverty both in the rural and urban areas.

3.1.4 **Rural Development and Environmental Protection:** Ensuring food security and revitalizing the rural sector to increase its production and productivity, bringing back farmers

to their lands in order to stop migratory flows and alleviate pressure on urban centres are the ultimate objectives of the Government's strategy in this sector. To attain these objectives, the Government's programme envisages: (i) the establishment of a Permanent Interministerial Commission for Food Security; (ii) building the institutional capacity of the agricultural and rural sector; (iii) improvement of the technical training of farmers, breeders and fishermen; (iv) rehabilitation of farm-to-market roads and reactivation of rural trade; and (v) securing the environment and the movement of persons and goods. This set of measures should make it possible to increase the production of cereals and vegetables, provide aid to 300 seed production units, repair 1,000 km of rural roads, restore 50,000 ha of forests, provide irrigation and drainage training on about one hundred hectares, create 94 agricultural development stations and 50 rural-women-promotion units .

3.1.5 Rehabilitation of Basic Infrastructure: The close relationship between economic recovery in the drive to fight poverty and the rehabilitation of infrastructure destroyed by the conflict made the Government to consider the following objectives as top priorities: (i) to put back into operation the destroyed sections of roads and the railroad tracks interrupted, through the setting up of the Programme for the rehabilitation of railroads, airports and unusable maritime ports to facilitate movement of factors of production and goods; (ii) to repair water supply and sanitation infrastructure and the collection of solid waste in Luanda, to maintain and renovate power stations, electricity and telephone networks and to improve the capacity of public corporations that manage them, construct new water points and regulate the distribution of drinking water; and (iii) to rehabilitate health and educational facilities and provide them with human and logistical means. The implementation of the Government's programme should contribute to the attainment of the following results during the period 2003-2006: (i) rehabilitation of about 6,000 km of roads and 2 km of bridges and maintenance of 16,000 km of roads; (ii) raising the rate of access to drinking water to 76% of the population in the urban areas and 48% in the rural areas; (iii) raising the proportion of households with access to electricity to 25%; and (iv) construction of 11,500 low-cost houses in Luanda and 17,000 in the provinces.

3.1.6 Improving Governance: Aware of the positive effects of transparency in public expenditure management on poverty reduction and the impact of structural reforms on the rehabilitation of the private sector for the promotion of growth, the Government made the improvement of governance one of the major components of Interim PRSP. Activities envisaged in this area will include: (i) building the capacity and efficiency of the judicial system and protection of the rights and freedoms of citizens in order to strengthen the rule of law and law enforcement institutions and to ensure the full performance of contracts as well as the protection of private property; (ii) public administration reform to better serve the citizens and to reinforce their involvement in the fight against poverty and promote the private sector; (iii) territorial deconcentration and decentralization; (iv) the modernization of the public finance management system to make it contribute more to channelling resources toward poverty reduction; (v) restructuring of the planning system in order to make the preparation of investment programmes more efficient and facilitate their monitoring-evaluation; and (vi) restructuring the human resources management system to improve the productivity and the competitiveness of the economy.

Box 4: Key Elements of the National Development Programme

Priority areas of intervention	Description	Objectives
1. Food security and rural development	Food security programme	Strengthen food security and improve the productivity of the rural sector on a sustainable basis
2. Education	National Action Plan and Education for All	Ensure universal access to primary education, eradicate illiteracy, and create the conditions for the reintegration of the youth and ensure gender equality
3. Health/HIV-AIDS	Post-conflict health rehabilitation and reconstruction plan HIV/AIDS strategic national plan	Improve the health conditions of the population through access to quality primary health care Control the spread of HIV/AIDS and reduce its impact on the infected population
4. Basic infrastructure	Basic infrastructure rehabilitation and reconstruction plan	Reconstruct and rehabilitate basic infrastructure for economic and social development
5. Governance	-Judicial system reform support programme -Civil service reform -Decentralization support programme -National statistics plan -Programming of public investment management	Extend the civil service and justice to the entire country, enforce the law and public order, bring the civil service closer to the citizens and improve the quality of its services Strengthen the production and dissemination of reliable statistical information on economic, social and demographic trends Harmonize and orient the behaviour of public and private economic agents towards economic and social development choices and policies.
6. Macroeconomic management	-Financial system development programme -Programme for the modernization of the public finance management system	Set up a viable, efficient and competitive modern financial system with micro-finance and SME financing services.

3.2 Assessment of Progress Made in Programme Implementation

3.2.1 Thanks to the implementation of prudent macroeconomic policies during the last three years, the Angolan Government was able to: (i) restore macroeconomic stability by bringing inflation down to 31%, the budget deficit to 4% of GDP, achieving a current account surplus of 6.8% of GDP and rebuilding its foreign assets to about two months of imports in 2004. This situation however remains fragile, due to the significance of the size of the public sector the expenses of which are estimated at 43% of GDP and the prospects of the debt backed by oil the service of which weighs heavily on the country's foreign reserves. The economic growth observed in recent years was essentially driven by the oil sector and remains vulnerable to erratic fluctuations in world oil prices. It does not create enough jobs and sources of income and, hence, is not capable of reducing poverty which continues to affect more than 2/3 of the population. Besides, the Government has embarked on several structural and sectoral reforms including the PFMP, the adoption of a new legal framework governing the private sector, the publication of the analytical report on the management of oil revenue and the preparation of a draft tax reform.

3.2.2 However, other important reforms experienced some delay particularly the reforms of the public procurement system, the financial and legal system, privatization of public enterprises, the civil service reform and the establishment of the agreement between MINFIN and SONANGOL on the management and reconciliation of financial flows. Despite the increase in their budgetary allocations which facilitated the rehabilitation and construction of new schools and primary health care centres, the health and education sectors continue to record limited access rates, which are far from responding to the needs of the Angolan population. Although they have made progress, the preparation of Interim PRSP and discussion with the IMF on the establishment of a PREF were marked by delays. This

delayed the organization of a donors' conference which would have made it possible to mobilize the concessionary resources required for financing the PRRP.

3.2.3 Conceived to serve as an appropriate framework for the implementation of the national post-conflict rehabilitation and reconstruction programme, the 2003-2007 Interim PRSP was characterized by a sluggish and laborious preparation process and its participatory approach was deemed inadequate by development partners. From the analysis of the characteristics and profile of poverty in Angola, Interim PRSP identified about ten priority areas of intervention as well as macroeconomic, sectoral and structural policies to be implemented in order to reduce this multidimensional scourge. However, although the poverty analysis is quite well prepared, the design of policies intended to address the situation are subject to the following inadequacies: (i) the lack of clear and explicit linkage between the final objective, the intermediate objectives and the operational objectives and the prioritization of these objectives between the short, medium and long term ones; (ii) the absence of a vision of the manner in which sectoral policies are ordered and directed to jointly contribute to the ultimate objective of poverty reduction; (iii) the absence of a matrix of policies and monitoring-evaluation indicators enabling the Interim PRSP to be more orientated towards the attainment of tangible and quantitatively measurable results; (iv) the absence of an analysis of the assumptions and scenarios relating to the medium-term macroeconomic framework which underlies Interim PRSP; and (v) the absence of budgetary implications of the cost of Interim PRSP estimated at US\$ 3,170 million over the 2003-2007 period. In order to remedy these inadequacies, the Government is busy finalizing a new version of this paper, with support from the World Bank, and it should be ready before end-2005.

3.3 Partnership Framework: Donor Interventions by Sector

Box 5: Donor Interventions

Areas of Intervention	Donors
Social sector -Health -Education and vocational training -Reintegration of vulnerable groups	France, Germany, Italy, The Netherlands, Portugal, Spain, ADB, World Bank, EU, UNDP, UNFPA, WHO, UNESCO, UNICEF, UNHCR, UNIFEM
Productive sector -Agriculture and fisheries -Food security -Private sector development -Environment	France, USA, ADB, FAO, IFAD, World Bank
Infrastructure and public utilities -Sanitation , and water -PIP	Italy, Spain, UK, DFID, Sweden, EU, WHO, World Bank, Eximbank of China, Eximbank of India, Portuguese exporting Bank and Brazil
Governance : -Democracy and human rights -Strengthening of the civil society -Transparency -Strengthening of local authorities	Italy, Norway, USA and USAID, DFID, Switzerland, Sweden, UNDP, FAO, UNHabitat, OHCHR
Macroeconomic management -Building institutional capacity -Improving efficiency of the public sector	World Bank, UNFPA, UNDESA

3.3.1 The above table illustrates the areas of intervention of multilateral and bilateral donors intended to support the effort made by the government within the framework of the first phase of its 2003-2010 PRRR. Multilateral assistance provided by the Bank Group, the

World Bank, FAO and IFAD particularly focused on improving the productive capacities of the Angolan economy through the development of the agricultural sector, the private sector and the environment. Improving access to basic social services in particular, health, education, drinking water supply and sanitation constituted the preferred intervention area of multilateral donors including the World Bank, the EU, the Bank Group and some bilateral donors, including France, Germany, Italy, the Netherlands, Portugal and Spain. Since 2004, the action of bilateral donors was a lot more centred on rehabilitation of infrastructure and public utilities listed in the PIP where several of them intervene including in particular China, for an amount of US\$ 2 billion, India for US\$ 45 million, Portugal, US\$ 100 million and Brazil, US\$ 200 million. These lines of credit guaranteed mainly by oil are meant for financing infrastructure projects such as the rehabilitation of the Capanda dam in the Malange province, sanitation and water supply projects in the Luanda province and the rehabilitation of the Mocamedes railroad. Bilateral donors including Italy, Norway, USA, Switzerland and Sweden as well as the UNDP provided support for the improvement of governance through the promotion of democracy and human rights, strengthening of the civil society, transparency and supporting the local authorities. In the absence of a mechanism to coordinate and harmonize the actions of Angola's development partners, it was not possible to identify the leading donor for each of the intervention areas.

3.4 Challenges and Risks

3.4.1 Challenges: The coming years will witness considerable challenges in Angola that will affect the success of the Interim PRSP, and hence the PRRP. *The first challenge* is to improve governance by enhancing transparency in public finance management, strengthening internal and external control bodies, and implementing reforms of the judicial system and civil service. *The second challenge* is to ensure food security for the population by revitalizing the agricultural and rural sector, and developing the private sector to diversify the productive base and ensure sustainable and more balanced growth, which will make it possible to win the war on poverty. Indeed, with a real GDP growth rate of about 9.6% on average over the 2002-2004 period for a population that grows only by 3.5% on average and 2/3 of whom are poor, Angola suffers a lot more from a critical problem of distribution rather than availability of wealth, a problem that the Government has to resolve. *The third challenge* lies in institutional capacity building for the social and productive sectors by providing them with adequate equipment and qualified human resources to improve project implementation and resource absorption, as well as to increase by the population access to education and health services, and to drinking water. *The fourth challenge* is to rehabilitate economic and social infrastructure given their positive impact on economic recovery and improvement of the living conditions of the Angolan population.

3.4.2 Risks : Transition to sustainable growth capable of developing the wealth potential of Angola and distributing it more equitably in order to reduce poverty is subject to several risks: (i) political instability inherent in the organization of general elections, which were suspended since the failure of the second round of balloting in 1992; (ii) the Government's commitment to pursue and deepen economic reforms that could threaten the interest of certain pressure groups as the next elections draw nearer; (iii) the country's weak institutional capacity, particularly lack of qualified human resources for the implementation of reforms; (iv) the risk that the new land law will put traditional peasant agriculture at a disadvantage in relation to commercial farming; (v) the potential vulnerability of the Angolan economy to external shocks due to lack of diversification of its productive base and its heavy dependence on the oil sector; and (vi) the absence of an external aid coordination framework to enable

donors to channel aid consistent with the priorities of the Interim PRSP. This risk is imminent as the country has not yet met the conditions of a EPRF with the IMF which, if met, would give it better prospects for cooperation with its development partners.

IV. BANK GROUP ASSISTANCE STRATEGY

4.1 Country Situation and Strategic Selectivity

The economic situation in Angola at present is marked by the resumption of economic growth, the restoration of macroeconomic stability and the maintenance of dialogue with the IMF on the SMP. These gains create a conducive framework for the fight against poverty, which is considered by the government as the toughest challenge. As for the political situation, it is dominated by the preparation of legislative elections scheduled for 2006, which is another reason to strive for poverty alleviation and improve the living conditions of the Angolan population. The priorities set by Interim PRSP are geared towards attainment of these objectives and appropriate actions and policies were formulated in order to overcome the following constraints, which hinder development in Angola despite its abundant wealth, namely: (i) the narrow productive base and weak impact of the private sector; (ii) bad governance which inhibits private sector development and a more equitable distribution of the growth dividends, (iii) low capacity of Angolan institutions; and (iv) the collapse of economic and social infrastructure. In this regard, the Bank's strategy for the next five years aims at assisting the Government to face these challenges of the post-conflict period. It relied on the priorities outlined in the Interim PRSP to identify its areas of intervention. The interventions of other donors have also been used as indicators for formulating the strategic choices in order to create synergy for a positive impact on poverty alleviation. In order to better respond to the exigencies of the situation and to allocate to it the required financial means, the Bank will seek within the framework of its strategy for the next three years to centre its areas of focus on sectors with a direct and tangible impact on the improvement of the living conditions of the poor and vulnerable population and to strengthen the efficacy of its actions.

4.2 Portfolio Management and Lessons from the Previous CSP

4.2.1 Since it resumed activities in Angola in 2001, the Bank has financed five projects to the tune of UA 27.77 million, four of which have been financed through ADF IX resources. These are: (i) artisanal fisheries support project to the tune of UA 7.0 million; (ii) health services rehabilitation support project for UA 6.5 million in the Uige province; (iii) project in support of the demobilization and reintegration of vulnerable groups in the Huambo province to the tune of UA 3.78 million; and (iv) a project in support of an environment enhancement study to the tune of UA 0.85 million.

4.2.2 The two active projects in the Bank's portfolio in Angola are: the Basic Education Support Project II, under implementation since November 2002 and the artisanal fisheries project effective in November 2003. These two projects have disbursement rates of 2.26% and 5% respectively. These low disbursement rates are due to: (i) the complexity and diversity of funding sources for the first project; (ii) the premature recruitment of most of the technical assistants; (iii) the time frame for establishing the Project Implementation Units (PIU) and the delay in the procurement of project vehicles; (iv) the irregularity in disbursements of counterpart funds, particularly investment spending; and (v) the resumption of the recruitment process at the PIU for the artisanal fisheries project.

4.2.3 The Health Services Rehabilitation Project in the Uige Province, effective since December 2003, the Socioeconomic Reintegration Support Project in the Huambo province, approved since November 2003, and the Environment Enhancement Study, effective on 29 April 2004, are not yet active. The first encountered delays in the recruitment of experts to build the capacity of the Project Unit. These delays were partly caused by non-familiarity on the part of the national officials with the Bank's rules of procedure. The second project is still experiencing problems relating to the fulfilment of the conditions precedent to effectiveness. The problems relate to: (i) the small number of staff deployed to man the project; (ii) inadequate communication between the central government, provinces and the Bank; and (iii) ignorance of the Bank's rules of procedure with regard to the procurement of goods, works and services. For the third project, recommencement of the competition for recruiting the consulting firm to undertake environmental studies, due to the non-observance of the Bank's recruitment procedures during the initial competition, has delayed its effectiveness and implementation.

4.2.4 On the whole, the implementation of ongoing projects has encountered a certain number of difficulties including: (i) the country's low institutional capacity; (ii) lack of familiarity with procedures for the procurement of goods and services on the part of project managers; (iii) slow procedures and difficulties encountered in the recruitment of staff of project management units in certain sectors such as health; and (iv) lack of structures on the ground to closely monitor the Bank's portfolio. All these constraints translated into a low absorption rate of ADF IX resources allocated to the country. A portfolio review mission is scheduled for 2006, and it will conduct an overall review of the effectiveness of Bank operations and the measures to be implemented in the drive to enhance the quality of Angola's portfolio.

4.2.5 The results of implementation of the Bank's strategy under the 2002-2004 CSP which focused on the following five areas, namely: (i) support for demobilization and social reintegration; (ii) rehabilitation of basic social infrastructure; (iii) support to agriculture and rural development; (iv) capacity building; and (v) support for economic reforms particularly those conducive to private sector development, are not up to expectation. In fact, the Government succeeded in implementing several recommendations made by the Board during consideration of the said CSP, including notably the macroeconomic stability required to consolidate growth, the putting in place of a new legal framework for boosting private investment, the successful implementation of the PFMF, the analytical study of the judicial system and continuation of the civil service reform in order to improve governance. Furthermore, the Interim PRSP was submitted for observation and commentary to development partners since 2004. Regarding the fight against poverty, several measures have been taken including the increase in budgetary allocations to the health and education sectors, the operationalization of the National HIV/AIDS Control Commission with support from the UNDP, and the rehabilitation and construction of new schools and primary health care centres countrywide. To improve governance in the management of public finances, Government collaborated in the preparation of the oil revenue analysis report and posted it on its website since March 2004. However, there have been delays in the implementation of several reforms including the privatization of public enterprises, civil service reform, decentralization and implementation of the recommendations of the CPAR. Similarly, the CSP-1 has not yet been finalized and submitted to the Bretton Woods institutions and

discussions with the IMF concerning the putting in place of a staff-monitored programme have not yet been concluded.

4.2.6 The following lessons can be drawn from implementation of the Bank's strategy within the framework of the 2002-2004 CSP: (i) the Bank's strategy could not produce the expected results due to the country's weak institutional capacities and insufficient understanding of Bank procedures by the project coordinators; (ii) the Bank failed to organize sensitization and popularization seminars on its procedures in Portuguese. The Bank is expected to step up the frequency and quality of its supervision missions while awaiting the opening of its Angola office in 2006; and (iii) consolidation of the gains made with regard to macroeconomic stability, rehabilitation of the business environment, improvement of governance and institutional capacity building should thus constitute the focus areas of the two pillars adopted by the Bank's intervention strategy within the framework of the 2005-2007 RBCSP.

4.3 CSP Output Framework

TABLE 1: THEMATIC OUTPUT MATRIX

Long-term Strategic Objective	Short-term Achievements of the CSP				Priorities and Performance of the Bank	
	Sectoral issues	Outputs and achievements of the CSP that the Bank expects to influence	Intermediate indicators for the outputs of the CSP	Strategies/actions for intermediate indicators and outputs	Bank and external partner interventions	Process and implementation of Bank's performance measure
By 2015, reduce the proportion of the poor population by 50%	<p>Increase the output of the agricultural and rural sector and build its institutional capacity</p> <p>Develop the private sector for the diversification of the economy and the promotion of growth</p>	<ul style="list-style-type: none"> -Improve the quality of agricultural inputs -Rehabilitate feeder roads and reinvigorate the domestic market -Improve the technical supervision of farmers -Build the institutional capacity of central, provincial and local institutions in the agricultural sector -Encourage cereal and cash crop production -Reform the public procurement system -Improve the operation of the legal system -Improve the quality of financial services -Improve the quality of the service provided by central government 	<ul style="list-style-type: none"> -The quality of seeds is improved - The number of rural roads rehabilitated has increased -The number of agricultural extension centres, trained farmers, and rural-women development centres has increased -Agricultural institutes are computerized and their staff trained -The area under cultivation for food crops, coffee, tobacco and other crops has increased -The recommendations of the CPAR are implemented -Deepen reforms of the judicial system -The rate of access to bank financing has increased -Deepen the civil service reform -Activate the privatization process 	<ul style="list-style-type: none"> -Produce and use quality seeds -Undertake rehabilitation works -Establish new centres and rehabilitate others -Equip the agricultural institutes and the Directorate of Planning of the MINAGRI and train their staff -Shorten the bidding process and establish a regulatory body -Reform legal codes, recruit new judges and support the Institute of Legal Studies -Increase the number of bank branches in the provinces -Motivate staff and computerize the services 	<ul style="list-style-type: none"> -Evaluate the National Seeds Programme Support Project -Set up the irrigation project (Bom Jésus-Calenga) -Strengthen implementation of the artisanal fisheries project -Implement an institutional support project -Evaluate a private sector development support programme (PARSP) 	<ul style="list-style-type: none"> -Appraisal and launching mission --Appraisal and launching mission -Supervision mission Preparation and appraisal mission -Identification and appraisal mission

	<p>Increase the productivity and competitiveness of the economy</p>	<ul style="list-style-type: none"> -Activate the privatization process -Improve the productivity of factors of production -Keep production costs under control 	<ul style="list-style-type: none"> -The number of people who received professional training has increased -The volume of exports has increased -The number of private sector enterprises has increased -The volume of non-oil FDI has increased 	<ul style="list-style-type: none"> -Pursue the process of privatization of non-priority enterprises 		
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4.4 CSP Pillars and Areas of Focus

4.4.1 The Bank's strategy for the 2005-2007 period was discussed and its pillars identified in agreement with the Angolan authorities and development partners. This participatory approach has been further strengthened and expanded during the dialogue mission of 30 July to 7 August, which culminated in the organization of a seminar in which public and private sector representatives, civil society and Angola's development partners participated. This strategy was formulated and designed to satisfy the following criteria: (i) be consistent with the poverty alleviation strategy as detailed in the Government's Interim PRSP for the period of 2003-2007; (ii) address the constraints previously identified and respond to the challenges specified above; (iii) be consistent with the Bank's Vision and Strategic Plan; (iv) be selective in order to be more effective; (v) take into consideration Angola's performance in the implementation of ongoing projects and in the utilization of the ADF X allocation; (vi) extend and deepen the impact of the previous strategy and draw on the lessons learnt; and (vii) work in conjunction with other donor agencies. In light of these criteria and based on exchanges between the stakeholders, the adopted strategy will focus on the following two main pillars: **(i) reduction of rural poverty; and (ii) creation of a conducive environment for private sector development.**

Public Sector

4.4.2 **The First Pillar: Poverty Reduction in Rural Areas:** This pillar is one of the priority areas of Interim PRSP and aims at supporting Government's efforts in the fight against poverty. It is all the more justified since poverty is widespread in Angola, particularly in the rural areas where it affects about 95% of the population. Furthermore, the rural sector is the main source of income and employment as more than 70% of the population live on agriculture and stock farming. The concentration of Bank operations on the fight against rural poverty also emanates from the importance the Government attaches to improving the living conditions of the rural population who are the most affected by the conflict and whose land is still strewn with anti-personnel mines. The Government included, as top priorities, the achievement of food security and agricultural development in its 2003-2010 medium-term programme of action and its 2025 development prospects. The strategy adopted for the rehabilitation of this vital sector of the Angolan economy is centred on the following areas: (i) strengthening of the agricultural sector's production capacity; (ii) revitalization of the domestic market system; (iii) sustainable development of natural resources; (iv) creation of a conducive environment for the development of the private sector in the area of agro-food activities and industries; and (v) institutional capacity building of the sector in order to make municipalities the engine of rural development. By focusing attention on the revitalization of this sector, the Government is striving to achieve the millennium goals regarding the reduction of malnutrition and to ensure the food self-sufficiency of rural areas and supply the urban centres with foodstuffs. To implement this strategy, MINADER embarked on an institutional reform programme aimed at building the capacities of the sector, increasing its production and productivity by enacting a new law governing land ownership, regulating seed production, rural development, animal health as well as the protection of plants and natural resources.

4.4.3 **Development of the Agricultural and Rural Sector:** Under its previous intervention strategy in Angola covering the 2002-2004 period, the Bank provided support to the agricultural and rural sector through the artisanal fisheries support project and the funding of an environmental management study. The artisanal fisheries support project

activities consisted in creating centres for the training of fishermen, providing them with a credit access facility and building their capacities. The objective of the project was to increase the fish catch, tap Angola's huge fisheries potential and create sources of income for several thousands of people. The environmental study is intended to prepare an analysis of environmental problems in Angola which have a negative impact on the performance of the agricultural sector and on the well-being of the Angolan people both in the rural and urban areas. To strengthen the impact of ongoing projects, the Bank's strategy under ADF X adopted as a first pillar the reduction of poverty in rural areas and plans to support the agricultural and rural sector through the rural development project in the two sites of Bom Jésus and Calenga. This project was appraised in July 2005 and aims to support the cultivation of food crops in order to help meet the food needs of poor and vulnerable population segments in rural areas, reduce malnutrition and create jobs for unskilled manpower through its three components, namely: (i) rural infrastructure development; (ii) agricultural development; and (iii) institutional capacity building of the sector. The Bank's intervention in Calenga located in Huambo province will benefit the expected effects of the vulnerable groups reintegration project which the Bank approved in this same province within the framework of its previous strategy.

4.4.4 Thanks to its planned activities in support of the agricultural sector, this pillar will help to: (i) revitalize the agricultural and rural sector, and increase the production of food crops such as cereals; (ii) improve the sector's productivity and competitiveness through a better choice of seeds and improved supervision of farmers and stockbreeders; (iii) build the human, logistical and institutional capacities of MINADER and the various agricultural institutes thus making it possible to better identify, implement and monitor projects; (iv) contribute towards environmental protection and the development of natural resources; and (v) ease access to farms and facilitate the marketing of farm produce. Through this pillar, the Bank's intervention will contribute to : (i) ensuring food security and satisfying the population's food needs, 50% of which are currently being met through the importation of foodstuffs; (ii) improving the sector's output, absorbing its unemployed and underemployed workforce so as to increase its value-added which is below Angola's potential; (iii) developing a fabric of SME/SMIs in agro-food processing industries which will increase the size of Angola's private sector; and (iv) reducing the current account deficit of the balance of payments.

4.4.5 **Water and Sanitation in Rural Areas:** In accordance with the initiative it launched to increase the rate of access by the population to drinking water and sanitation in its member countries, the Bank plans to intervene within the framework of the first pillar of its 2005-2007 strategy with Angola to back the Government's effort in this sector. Such intervention seeks to help the Government to establish the bases for a strategic, legal and regulatory framework as well as the necessary investments to contribute to the achievement of MDGs in the water and sanitation subsector by reducing by half the proportion of the population with no access to drinking water and sanitation in 2015. The Bank thus envisages to support a Drinking Water Supply and Sanitation (DWSS) programme in rural areas which will back up this sector's development programme approved by the Government in January 2004 for the period 2004-2016. This programme intends, among other things, to develop 5 000 modern water points and put in place computerized databases for the drinking water supply system. The objectives of the programme will be: (i) to improve access to drinking water and sanitation in rural areas; (ii) to provide the country with the means of monitoring the DWSS sector; (iii) to prepare a national drinking water supply and sanitation programme to enable Angolan authorities to mobilize the necessary

resources to finance their strategy in this sector; and (iv) to strengthen capacities and the regulatory, legal and institutional frameworks in order to ensure the sustainability of DWSS services in rural areas.

4.4.6 This programme will comprise many activities including: (i) the conduct of studies and establishment a DWSS resource and infrastructure management and monitoring system; (ii) institutional support for capacity building of stakeholders, in particular the National Directorate for Water; and (iii) the development of drinking water supply and sanitation infrastructure. The Bank's intervention in this sector will not only help remedy the current low rates of access to drinking water and sanitation in urban and rural areas in Angola but it will also contribute to: (i) improving low-cost water supply in rural areas; (ii) reducing infections due to water-borne diseases such as cholera and malaria which is the first cause of death among children and women; (iii) improving the sanitary conditions of the rural population and hence reducing the costs of healthcare which puts a strain on the budgets of poor households in rural areas; and (iv) addressing school failure and drop-out among children of rural families who are forced to go very early in the morning to fetch water from far away and sometimes unsafe water points.

4.4.7 **The Second Pillar: Creation of a Conducive Environment for Private Sector Development:** Stemming from the priorities of the 2003-2007 CSP-I, this pillar aims at boosting economic development in order to reduce poverty by promoting local and foreign private investments. It draws its relevance from (i) the remoteness of the zones hosting oil and diamond industries to which numerous industrial activities could be linked to allow a snowball effect on the economy; (ii) the growth prospects and opportunities offered by the abundance of mineral and agricultural resources in Angola; (iii) the small size of the industrial sector and its insufficient contribution to GDP growth; (iv) advantages expected from the new legal and regulatory framework adopted by the Government in 2003; (v) availability of labour and low wages; and (vi) considerable needs for reconstruction of the infrastructure and institutions that were affected by the conflict. While developing Angola's wealth potential, this pillar will contribute to: (i) the diversification of the productive base of the country to protect it against external shocks due to fluctuating world oil prices; (ii) the creation of income-generating employment and the reduction of pockets of deprivation; (iii) the creation of an industrial fabric of SMEs that would allow not only agricultural and industrial imports substitution but would also generate tax revenue for the State and promote exports that induce foreign exchange reserves; and (iv) attraction of foreign capital to sectors other than the oil industry that could contribute to financing the current account deficit without resorting to external borrowing. Through this expected impact on building the capacity of the Angolan private sector, this pillar will thus address the need for Angola to consolidate the macroeconomic stability required to boost growth.

4.4.8 To achieve the results expected from this pillar, the Bank's intervention will involve strengthening the capacities of Angolan institutions responsible for implementing the economic and structural reforms designed to improve governance because of its positive impact on private sector development. To this end, the Bank's institutional support will be focused on the: (i) reform of the public procurement system which could increase the private sector's participation in bidding through the setting up of a public procurement regulatory agency and the preparation of a new public procurement code; (ii) reform the judicial system which, through the revision of legal codes and the strengthening of human and logistical capacities, will help strengthen the legal and regulatory framework, contract performance and ownership protection which are prerequisites for improving the business

environment and developing the private sector; (iii) reform of the civil service and decentralization for its effects on the reduction of transaction costs for entrepreneurs and improvement of the quality of services provided to them through the preparation of procedure manuals, review of the system of remuneration and establishment of a staff assessment system; and (iv) privatization of public enterprises because of its positive impact on the extension of the contribution of the private sector to the capital of companies. This pillar will also further strengthen the support of other multilateral and bilateral donors to private sector development. This support could be direct, such as that provided by the World Bank and the USA, or indirect as in the case of the EU, UNDP, Italy and other donors which support the rehabilitation of economic infrastructure and the improvement of governance. The institutional support envisaged under the 2005-2007 strategy will help strengthen the implementation of several reforms to improve governance which in turn will help improve private sector performance, its efficacy and its contribution to poverty reduction and will likely serve as a basis for a possible governance support programme.

Private Sector

4.4.9 Improvement of the business environment envisaged under the second pillar of the Bank's intervention strategy within the framework of ADF X 2005-2007 will contribute towards the creation of a conducive environment for the development of the private sector in Angola which up to now has not benefited from the Bank's support through its window for this sector. Projects identified in the transport sector in 2004, such as the leasing of the three railroads (Luanda, Benguela and Namibe) could be eligible for financing with resources from the Bank's private window. Furthermore, the Bank can intervene in the port sector through support for the leasing of Lobito and Namibe terminals and Viana dry port. In the energy sector, the Bank can also support the Soyo oilfields natural gas liquefaction projects, the interconnection of the three domestic electrical grids and the construction of a dam for the generation of hydropower.

Table 2: RBCSP Framework

Long-term Results	Results Expected from the CSP	Linkages between the CSP and the PRSP Priorities
PILLAR I: POVERTY REDUCTION IN RURAL AREAS		
1.1 Revitalize the rural sector and build its institutional capacity	1.1.1 Intensive farming of 27 150 ha by small holders through the development of irrigation infrastructure in Bom Jésus and rainfed agriculture in Calenga 1.1.2 Rehabilitation of 137 km of farm-to-market roads to ease access to input markets and the marketing of produce 1.1.3 Reconstruction of 13 bridges to facilitate linkages between markets and production centres 1.1.4 Sinking of 76 wells to supply water to 11 000 rural families and rehabilitation of two preventive and curative health centres 1.1.5 Establishment of a research station in the MINADER Institute of Agricultural Research in Shianga-Huambo to produce and multiply seeds and creation of networks for the supervision of farmers 1.1.6 Support to MINADER and building of the capacities of the community of beneficiaries 1.1.7 Improve the rates of access to drinking water and sanitation in rural areas, increasing them to 50% and 40% respectively.	Paragraph 5.3 of the INTERIM PRSP relating to rural development and food security
Pillar II: CREATION OF A CONDUCTIVE ENVIRONMENT FOR PRIVATE SECTOR DEVELOPMENT		
2.1 Diversify the economy for the resumption of growth	2.1.1 Increase the rate of growth of non-oil GDP 2.1.2 Increase the number of enterprises in the industrial sector and their share in GDP 2.1.3 Increase the volume of FDI in sectors other than oil 2.1.4 Increase the share of private investment in total investment 2.1.5 Create new jobs and reduce unemployment 2.1.6 Increase the rate of contribution of the private sector in the capital of enterprises	Paragraph 5.10 relating to macroeconomic management
2.2 Improve the productivity and competitiveness of the economy	2.2.1 Increase the export volume of the manufacturing industries 2.2.2 Facilitate access to inputs and to markets for the sale of produce 2.2.4 Improve the private sector's access to bank financing	Idem

Box 6: Consultations on the Bank Group's Strategy

In line with directives of the 2005-2007 RBCSP, the Bank's strategy is the result of a wide consultative process which took place during the preparation mission (18 March-4 April) and the dialogue mission (30 July – 7 August) which ended with the organization of a seminar on 4 August in which representatives of the public and private sectors, civil society and donors participated. The preparation mission which was composed of experts from OCCC, OCSD, OCIN and OCAR has had constructive exchange of ideas with the Angolan authorities on the Bank's areas of intervention during the next five years. These areas were discussed with the Vice Minister of Agriculture, the Minister of Health and the Directors General of the different Ministries it met. The meetings enabled the mission to look deeply into the country's constraints and its development prospects, to establish the linkage between INTERIM PRSP and the Bank's strategic choice in the framework of RBCSP and to align the focus areas on the major pillars and the priorities of the Government's programme which aims at achieving the MDGs by 2015. Meetings with multilateral and bilateral donors ensured complementarity between the pillars of the Bank's strategy and the operations of the other development partners in order to avoid the duplication of efforts and to look for cumulative impacts. The organization of the seminar was a relevant opportunity for the extension of this participatory approach to other players in the development drive, especially civil society and private sector representatives. The multisector thematic groups formed looked at the relevance of the Bank's intervention pillars, sectors of intervention, expected output and to compare them with the ongoing bi-annual programme that came from the 2003-2007 INTERIM PRSP. The direct discussions between all development actors made it possible to validate the Bank's strategy and to better determine its justification.

4.5 Regional Dimension of Bank Group Assistance

4.5.1 The Bank will continue to support Angola's efforts to integrate into its regional environment as part of its assistance to regional integration as defined in the 2005-2009 RIASP. In this regard, the Bank has already provided assistance for the institutional capacity building of the ECCAS secretariat, which was approved in November 2004 and its activities are scheduled to start in 2005. In the framework of support to the economic reforms envisaged by the 2005-2007 RBCSP, the Bank could assist Angola to achieve macroeconomic convergence by 2008. As part of its support to NEPAD, the Bank will contribute to the financing of regional development projects in the transport, water, energy and telecommunications sectors as envisaged in the Consensual Transportation Master Plan for Central Africa (CTDP-CA). The Bank will continue its support to the Great Lakes Initiative on AIDS (GLIA) and will provide additional support as of 2005 to the new initiative of the countries lying along the Congo-Oubangui-Chari rivers. It could also contribute to the Special Regional Fund of the Heads of State to fight against HIV/AIDS and the Regional Fund to Fight AIDS established within ECCAS. The Angolan Government is itself making efforts to gradually diversify its trade links with countries outside the region, actively participate in regional organizations and play the role of regional leader within and outside SADC in order to minimize the impact of any regional shock on Angola.

4.6 Bank Group Assistance: Resource Allocation Based on Performance, Performance Criteria and Non-lending Activities

4.6.1 The Bank's intervention strategy during the 2005-2007 period is composed of lending activities that could be financed through the public and private windows and non-lending activities. This strategy will centre on the two pillars identified, analysed and justified above. During ADF X, the Bank plans to finance the following operations: institutional capacity building support, the Bom Jésus-Calenga project meant to back Government's efforts in the development of the agricultural sector in accordance with the first pillar of the strategy defined in the RBCSP, an institutional support project for governance and private sector development and a rural drinking water supply and sanitation (DWSS) project.

4.6.2 **Bank Group Assistance Framework:** Within the framework of the 2005-2007 RBCSP, the Bank's strategy will benefit from a resource allocation under ADF X (2005-2007). At the end of the 2004 Evaluation of Institutional Performance and Policy (EIPP), Angola was classified in the category of low-performance countries. The combination of this performance with that of the portfolio assessment enabled Angola to obtain a maximum allocation of UA 36.6 million, entirely in the form of grants from ADF X. Performance criteria coupled with quantitative indicators will thus serve to measure progress made in relation to the last evaluation. The extent of fulfilment of these criteria will determine the allocation to which Angola is eligible. These performance criteria are those in which Angola had low marks during the annual evaluation exercise and in which effort should be concentrated to improve its rating and, consequently, its allocation. On the basis of the 2004 evaluation, these criteria relate to the following areas: (i) human resources; (ii) governance; and (iii) Bank portfolio performance. The non-fulfilment of the criteria below could lead to a smaller allocation.

Table 3: Performance Criteria and Indicators

Criteria	2007
Strengthening human resources	-Achieve 1/3 of the MDGs
Improvement of governance	
3.1 Reform of the public procurement system	-Establish a public procurement regulatory agency -Preparation of a national public procurement strategy -Connection of half of the provinces to the SIGFE -Setting up of all components of the PFMP
3.2 Improvement of the expenditure chain	-Establishment of an oil-revenue-management unit at the MINFIN -Quarterly publication of revenue from oil and diamond and annual audit of SONANGOL and the BNA
3.3 Improvement of transparency in the management of oil revenue	-Adopt the law on the national strategy and the action plan for the reform of the judicial system -Build the capacity of the Institute of Legal Studies to increase the number of judges by 1/3
3.4 Implementation of judicial reform	
3.5 Implementation of civil service reform and decentralization	-Establish the National School of Administration -Implement the national decentralization and deconcentration strategy -Provide the provinces with their own tax system
Performance of the Bank's portfolio	
-Time for effectiveness of new loans	-Reduce current time frames by half
-Disbursement rate for active projects	-Increase the disbursement rate by more than 100%

Action plan for the 2005-2007 Period: During ADF X, the Bank envisages to finance the following operations: institutional capacity building support for the improvement of governance which has a positive impact on private sector development, the Bom Jesus-Calenga project intended to support Government's efforts in the development of the agricultural and rural sector and a rural drinking water supply and sanitation (DWSS) programme support.

4.6.3 Bank Group Assistance: Extra-lending Activities

To support its strategic pillars during the 2005-2007 period, the Bank will prepare a country governance profile (CGP) in conjunction with Portuguese Cooperation for the benefit of APOPL countries. The CGP will help to make an analysis of the governance situation in Angola, review the constraints that impede its improvement, progress made by the Government in addressing it and identify actions the Bank could support within the framework of its strategy. The Bank may also consider carrying out studies in the transport sector including the feasibility study on the first phase of the rehabilitation of Namibe Port, the Namibe and Lobito rural development corridor to lay the foundation for any future intervention in this sector. The opening of the Bank's office in 2006 will facilitate: (i) better implementation of these studies through technical and logistics support it would provide to Bank missions, (ii) more effective consultations and communication between experts and the authorities and (iii) better monitoring of the implementation of the recommendations from the studies.

4.7 Partnership and Harmonization

In the absence of a formal mechanism, coordination of aid provided to Angola by her development partners was often haphazard and presided over alternatively by the UNDP and the World Bank depending on the specific themes dealt with. Monthly meetings of multilateral and bilateral donors were recently chaired by the UNDP whereas monthly meetings of EU member countries are chaired by the country that chairs the Union. In order to strengthen aid coordination and harmonization, the World Bank has prepared a proposal, to enhance coordination, which was adopted by the donor community and submitted to the Government for discussion. Since resuming activities in Angola, the Bank has worked in close collaboration with the other donors notably, the World Bank, EU and UNDP. This has enhanced the orientation of Bank actions and ensured that they complement and consolidate the assistance of the other donors to the Interim PRSP. This coordination will be further strengthened with the opening of the Bank's office in 2006. On the side of the Government, the Ministry of Planning is in charge of coordinating multilateral and bilateral aid provided to Angola by development partners. In 2004, an aid coordination unit was set up within the Research Department at the Ministry of Planning. This department is designed to better direct and ensure convergence of donor assistance with priorities of the Government which, until now, was based on the initiative and assessment of the donors. This department has prepared an evaluation of the assistance and has presented a coordination strategy in the Ministry's work plan for 2005.

V. RESULTS-BASED MONITORING AND EVALUATION

5.1 Monitoring RBCSP Outputs and Bank Group Performance

The process of monitoring the results of the RBCSP will be based on the annual results of the implementation of the Government's programme, budget execution reports, household budget and consumption surveys carried out by the National Institute of Statistics (INE), bi-annual diagnosis of rural participation, thematic studies and the consultation seminar with the beneficiaries. This process is undertaken by the MINPLAN with the technical assistance of NGOs, universities and civil society representatives with experience in the area. The Bank, for its part, will monitor the regular forwarding of reports, strengthen its supervision missions and will open the Angola Office starting in 2006. The office will play the role of focal point to establish direct contact and quick exchange of information with the authorities and the other donors. It will facilitate close monitoring of the implementation of the Bank's strategy, shorten the disbursement time, identify early the problems encountered in the implementation of projects and programmes, alert timely on potential risks of deviation and enable the Bank to react immediately by taking necessary corrective measures. The Bank's presence in Angola will thus contribute to improving Angola's performance in the area of project implementation and will also enhance the quality of its own service delivery, which will improve the quality of its projects portfolio and reduce the risks inherent in them.

5.2 Risk Management

Risks identified in Section 3.4 are country risks that could be mitigated by political, economic and social measures. To mitigate the first risk, the Government is in close consultation with the opposition parties to prepare the best conditions for the conduct of free, fair and transparent elections. For the second, the Government continued its discussions with the Bretton Woods institutions for the adoption of an SMP that will translate into reality its willingness to formally embark on the implementation of economic reforms. For the third risk, the Government should encourage the sensitization and participation of the local community in the allocation of land or plots to foreigners and/or to people outside the clan. As for the fourth risk, the Government has embarked on reforms to restructure the business environment in order to develop the private sector. With regards to the risk relating to the country's low institutional capacity, it could be mitigated by the technical and financial assistance of Angola's development partners. The risk due to the absence of an appropriate framework for aid coordination could be mitigated thanks to the prospects of organizing a donors' conference to mobilize resources for which the MINPLAN has already established a special management structure. As for the risk relating to the portfolio of the Bank Group, it will be mitigated through the institutional support project scheduled for 2005, training in Bank procedures, enhancement of supervision missions and the closer monitoring of projects following the opening of the country office scheduled for 2006.

5.3 Country Dialogue Issues

The restoration of major internal and external macroeconomic balances, the pick-up in growth and the prospects of concluding an SMP with the IMF are all prerequisites for the take-off of a more fruitful and constructive dialogue with the Angolan authorities. In line with its strategy identified and adopted in this RBCSP, the Bank will focus its future discussions and actions in Angola on the following themes: (i) finalization of the Interim PRSP and the implementation of macroeconomic and structural reforms; (ii) pursuit of discussions in the areas requiring institutional capacity-building support for improvement of governance and development of the private sector before the end of 2005; (iii) continuation of consultations for the establishment of business ethics with a view to preparing a country governance profile for Angola in 2006 as one of the APOPL countries ; (iv) monitoring of the implementation of the PFPM, the recommendations of the CPAR and transparency in the management of oil revenue; (v) conditions for the improvement of the quality of the Bank's portfolio through the enhancement of supervision missions and the signing of the agreement to open a Bank office in Angola by 2006; and (vi) the search for co-financing within the framework of aid coordination and prospects for the holding of a donors' conference scheduled for 2005.

VI. CONCLUSION AND RECOMMENDATIONS

6.1 Conclusion

Since the signing of the Peace Agreement in April 2002, the Angolan Government embarked on implementing macroeconomic policies and structural reforms, which have restored macroeconomic stability and boosted economic growth. However, the resumption of growth has not translated into poverty reduction which continues to affect more than 2/3 of the Angolan people. The finalization of Interim PRSP is behind schedule, and at this stage does not constitute a solid basis for the preparation of an RBCSP. The efforts made by Government in the area of transparency in the management of oil revenue is an encouraging step on the path to good governance, but remains insufficient to reduce corruption and improve public funds management in a country with a weak institutional capacity. Several structural and sectoral reforms are also behind schedule, in particular, reform of the public procurement system, as well as reform of the judicial system and the civil service. The continuation of dialogue with the Bretton Woods institutions, which could lead to the conclusion of a staff-monitored programme with the IMF in 2005, would enable the Government to organize a donors' conference for resource mobilization to finance its Post-conflict Rehabilitation and National Reconstruction Programme (PRRP). The Bank's intervention strategy within the framework of the 2005-2007 RBCSP aims at helping the Government to implement the 2003-2010 PRRP so as to meet the challenges of the post-conflict phase. Consultations with the Angolan authorities and partners helped to identify the two pillars of the strategy, namely :(i) poverty reduction in rural areas; and (ii) creation of a conducive environment for private sector development.

6.2 Recommendations

The Boards are invited to approve the strategy proposed in the 2005-2007 RBCSP for Angola on the basis of an allocation of UA 36.6 million in the form of grants from the 2005-2007 ADF X resources. This allocation will be used to finance the activities adopted under the two pillars of the strategy.

BANK GROUP OPERATIONS

Projects by sector	Window	Date of approval	Signature date	Effective-ness date	Closing date	Amount approved	Amount disbursed	Disburse-ment rate as a %	Status
1. Artisanal fisheries	ADF	30/10/2002	20/01/2003	17/11/2003	31/12/2009	7.0	0.382	5.46	Active
2. Rehabilitation of health facilities	ADF	13/11/2002	23/01/2003	12/09/2003	31/12/2007	6.5	0.204	3.15	Active
3. Reintegration of vulnerable groups	ADF	12/11/2003	----	----	----	3.78	0.000	0.00	Not started
4. Support to basic education II	ADF	05/12/2001	28/03/2002	27/11/2002	31/12/2007	9.63	0.197	2.26	Active
5. Environmental development plan	ADF	09/07/2003	29/04/2004	29/04/2004	31/12/2005	0.85	0.000	0.00	Not started
TOTAL						27,76	0.783	3.00	

ANGOLA: STRATEGIC FRAMEWORK MATRIX

Challenges of the Country	Government Programme	Bank Group Strategy	Bank Group Activities		Other Bilateral and Multilateral Strategies	Reference Points	
			Recent and ongoing	Proposed		MDGs	Objectives Set for the End of the RBCSP Period
Pillar I: Combat rural poverty							
Ensure food security to reduce poverty	Rural development and improvement of the environment	Revitalize the rural sector and improve its institutional capacity	-Artisanal fisheries project -Environmental management project	-Bom Jésus-Calenga irrigation project -National seed programme support project	EMRP World Bank	Reduce the number of people living with less than \$1/d by 50% by 2015	-The share of agricultural value-added in GDP is increased -Area of land under cultivation is increased
Pillar II : Create a conducive environment for private sector development							
Diversify the productive base of the economy	Creation of a macroeconomic framework for boosting growth	Support economic reforms aimed at improving governance for private sector development. This involves: - reform of the judicial system; -civil service reform; -reform of the public procurement system; -financial system reform; and -privatization of non-strategic enterprises.		Institutional support project for governance and private sector development			-The time for establishing and registering a business is reduced -The rigidity of the labour market is reduced -The time for performing contracts is reduced -The time for public procurement is reduced -Non-strategic public enterprises are privatized -The industrial sector's value-added in GDP is increased

							-The share of national private investments in total private investments is increased
Build institutional capacity and improve the economy's productivity and competitiveness	Improvement of governance	Back up the reforms by providing institutional support to the Audit Division under the Ministry of Justice		Institutional Capacity Building Support Project	Third Social Action Fund (World Bank and EU) -EMTA (World Bank)		-The capacity of the Audit Division is built -The capacity of the Institute of Legal Studies is enhanced -The National School of Administration is established and the training of trainers carried out
Rehabilitate economic infrastructure	Improvement of basic infrastructure						

ANNEX III

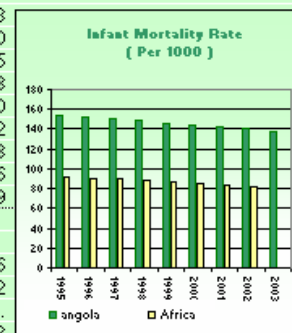
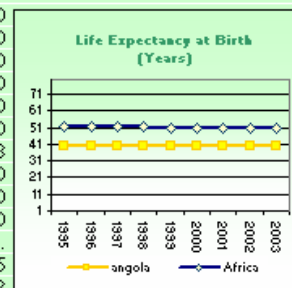
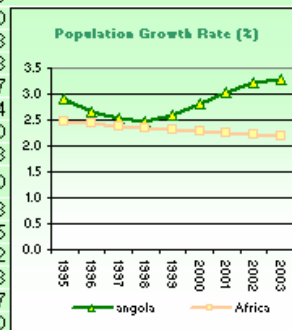
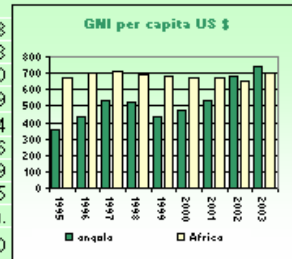
MILLENNIUM DEVELOPMENT GOALS

Objective	1990	1996	1998	2001	2015
1.Reduce by 50% the number of people living on less than \$1/d between 1990 and 2015					
Indicators	36	61		68	34
1.1 % of population living below the threshold of food intake necessary for the reproduction of human energy	33.3	ND		ND	ND
1.2 % of malnourished children	ND	53.1		45.2	22.6
2. Ensure universal education in 2015					
Indicators					
2.1 Gross primary school enrolment ratio	91.5		86.3	ND	ND
2.2 Net primary school enrolment rate	45.5		55.0		100
3.Promote gender equality					
Indicators					
3.1 Primary school enrolment rate for boys	59.4		58.8		100
3.2 Primary school enrolment rate for girls	31.8		51.2		100
4. Reduce by 2/3 infant mortality by 2015					
	292	274		250	96
5. Reduce maternal mortality rate by ¾ in 2015					
	800	1300		1850	200
6. Combat the spread of AIDS and other communicable diseases					
Indicators					
6.1 HIV/AIDS prevalence rate	ND	ND	ND	5.5	ND
6.2 Malaria	9		12	7	5
6.3 Tuberculosis	15.132		15.058	19.703	
6.4 Sleeping sickness	1498	6726	6068	ND	ND
7.Ensure sustainable development					
Indicators					
7.1 % of protection of arable land to maintain biodiversity	7.0	ND	ND	7.0	12
8. Develop a global partnership for development					
Indicators					
Per capita public assistance in US\$				23	
Telephone lines for 100 inh				0.59	

Angola

COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Angola	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km ²)		1 247	30 061	80 976	54 658
Total Population (millions)	2003	13.6	849.5	5,024.6	1,200.3
Urban Population (% of Total)	2003	37.7	39.2	43.1	78.0
Population Density (per Km ²)	2003	10.9	28.3	60.6	22.9
GNI per Capita (US \$)	2003	740	704	1 154	26 214
Labor Force Participation - Total (%)	2003	45.5	43.3	45.6	54.6
Labor Force Participation - Female (%)	2003	46.3	41.0	39.7	44.9
Gender -Related Development Index Value	1999	...	0.476	0.655	0.905
Human Develop. Index (Rank among 174 countries)	2002	166	n.a.	n.a.	n.a.
Popul. Living Below \$ 1 a Day (% of Population)	1995	...	46.7	23.0	20.0
Demographic Indicators					
Population Growth Rate - Total (%)	2003	3.3	2.2	1.7	0.6
Population Growth Rate - Urban (%)	2003	5.0	3.8	2.9	0.5
Population < 15 years (%)	2003	49.4	42.0	32.4	18.0
Population >= 65 years (%)	2003	2.8	3.3	5.1	14.3
Dependency Ratio (%)	2003	101.2	86.1	61.1	48.3
Sex Ratio (per 100 female)	2003	97.3	99.0	103.3	94.7
Female Population 15-49 years (% of total populati	2003	22.0	24.0	26.9	25.4
Life Expectancy at Birth - Total (years)	2003	40.1	50.7	62.0	78.0
Life Expectancy at Birth - Female (years)	2003	41.5	51.7	66.3	79.3
Crude Birth Rate (per 1,000)	2003	51.9	37.0	24.0	12.0
Crude Death Rate (per 1,000)	2003	23.4	15.2	8.4	10.3
Infant Mortality Rate (per 1,000)	2003	138.2	80.6	60.9	7.5
Child Mortality Rate (per 1,000)	2003	243.4	133.3	79.8	10.2
Maternal Mortality Rate (per 100,000)	1992	1,500	661	440	13
Total Fertility Rate (per woman)	2003	7.1	4.9	2.8	1.7
Women Using Contraception (%)	1990-99	...	40.0	59.0	74.0
Health & Nutrition Indicators					
Physicians (per 100,000 people)	1997	7.6	57.6	78.0	287.0
Nurses (per 100,000 people)	1997	114.5	105.8	98.0	782.0
Births attended by Trained Health Personnel (%)	1992	17.0	44.0	56.0	99.0
Access to Safe Water (% of Population)	2002	50.0	64.4	78.0	100.0
Access to Health Services (% of Population)	1991	24.0	61.7	80.0	100.0
Access to Sanitation (% of Population)	2002	30.0	42.6	52.0	100.0
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2003	4.1	6.4	1.3	0.3
Incidence of Tuberculosis (per 100,000)	2000	122.3	109.7	144.0	11.0
Child Immunization Against Tuberculosis (%)	2003	62.0	81.0	82.0	93.0
Child Immunization Against Measles (%)	2003	62.0	71.7	73.0	90.0
Underweight Children (% of children under 5 years)	1996	40.6	25.9	31.0	...
Daily Calorie Supply per Capita	2002	2 083	2 444	2 675	3 285
Public Expenditure on Health (as % of GDP)	1991	3.9	3.3	1.8	6.3
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2000	74.0	88.7	91.0	102.3
Primary School - Female	2000	69.0	80.3	105.0	102.0
Secondary School - Total	2001	19.0	42.9	88.0	99.5
Secondary School - Female	2001	17.0	41.3	45.8	100.8
Primary School Female Teaching Staff (% of Total) 1990-97	...	...	46.3	51.0	82.0
Adult Illiteracy Rate - Total (%)	2000	...	36.9	26.6	1.2
Adult Illiteracy Rate - Male (%)	2002	...	28.4	19.0	0.8
Adult Illiteracy Rate - Female (%)	2000	...	45.2	34.2	1.6
Percentage of GDP Spent on Education	1998	2.6	5.7	3.9	5.9
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2003	2.4	6.2	9.9	11.6
Annual Rate of Deforestation (%)	1995	1.0	0.7	0.4	-0.2
Annual Rate of Reforestation (%)	1990	1.0	10.9	...	...
Per Capita CO2 Emissions (metric tons)	1998	0.5	1.2	1.9	12.3



Source : Compiled by the Statistics Division from ADB databases; UNAIDS; World Bank Live Database and United Nations Population Division.

Notes: n.a. Not Applicable; ... Data Not Available.

Angola : Macroeconomic Indicators: 2001-2005

	2001	2002	2003	2004	2005
		Prelim.	Revised	Program.	Projection
Annual changes in % unless otherwise indicated					
National accounts and prices					
Real GDP	3.1	14.4	3.4	11.2	13.8
of which non-oil GDP	9.4	7.9	9.8	8.8	9.9
Consumer price index (12-month average)	153	109	98	44	20
Consumer price index (end of period)	116	106	77	31	15
GDP per capita (in million US\$)	651	764	950	1.305	1.550
External balance					
Exports fob	-16.2	25.5	14.2	44.2	26.5
Oil exports	-17.1	29.6	13.4	47.8	27.4
Non-oil exports	-8.6	-7.8	22.7	6.5	13.2
Imports fob	4.6	18.3	45.7	22.8	28.4
Exports (volume)	-0.9	21.3	-2.8	14.5	18.4
Imports (volume)	2.6	13.8	31.9	29.6	36.1
Nominal effective exchange rate	-60.1	-47.2	-47.1	-10.9	---
Real effective exchange rate	13	1.8	18.3	15.9	---
Terms of trade	-13.9	1.4	4.2	17.9	5.9
Money and credit (end of period)					
Net domestic assets	54	48	22	-94	-9
Broad money	163	158	67	46	23
Money velocity (GDP/average M2)	20	19.5	19.3	19.7	19.8
Interest rate on 3-month term deposits; as a %	128	109	81	50	---
As a % of GDP unless otherwise indicated					
Fiscal accounts					
Total revenue	45.1	40.5	37.5	37.2	38.4
of which non-oil revenue	35.9	31	28.2	28.7	28.8
Grants	2.4	00	0.8	0.1	0.3
Total expenditure ³	48.7	49.9	44.6	41.2	34.7
Overall budget balance (accrual basis)	-3.6	-9.3	-7.1	-4.0	3.7
Non-oil fiscal balance	-39.5	-40.4	-35.3	-32.6	-25.1
Overall budget balance (cash basis)	-4.8	-1.6	-6.5	-2.5	3.9
External sector					
Current account balance (including transfers)	-14.9	-1.4	-5.2	6.8	4.7
External public debt as a % of GDP	81.3	81.0	69.9	48.6	37.6
Debt service as a % of exports	141.4	40.0	39.0	23.4	18.5
In million US\$ unless otherwise indicated					
Nominal GDP	8,936	10,792	13,825	19,535	23,891
Net external assets (end of period)	565	347	790	2,152	2,577
Gross external assets (end of period)	766	399	800	2,163	2,588
In months of goods and services imports	1.5	0.7	0.9	1.8	2.1
Source : Angolan Authorities and the IMF					

Angola: GDP at Constant 1992 Prices, in billion of Kwanzas

	2001	2002	2003	2004	2005
Agriculture, Forestry and Fisheries	16.1	38.1	84.9	96.8	110.3
Mining Industries	113.1	273.5	545.4	618.0	717.1
Oil and Gas	100.9	251.0	498.5	568.3	664.9
Diamonds	12.1	22.5	46.9	49.7	52.2
Manufacturing Industries	7.6	17.6	39.3	44.4	48.8
Electricity and Water	0.1	0.2	0.4	0.4	0.5
Construction	7.1	16.4	36.8	42.3	47.8
Business and services	30.4	67.1	146.8	161.5	177.6
Non-marketable Services	18.4	50.3	155.9	163.7	171.9
Indirect Taxes	4.3	8.5	22.0	19.9	33.5
GDP at Constant Prices	197.1	471.7	1,031.5	1,147.0	1,307.6

Source: Angolan Authorities & the IMF

Angola: Summary of Government Financial Operations, 2001-2005					
	2001	2002	2003	2004	2005
				Est.	Proj.
	(In % of GDP; unless otherwise indicated)				
Revenue	45.1	40.5	37.5	37.2	38.4
Revenue based on long term petroleum prices				34.5	33.5
Fiscal revenue	44.7	40.0	37.0	36.5	37.2
Oil	35.9	31.0	28.2	28.7	28.8
Non-oil	8.8	9.0	8.9	7.9	8.5
Non-fiscal revenue	0.3	0.4	0.5	0.7	1.2
Expenditure	48.7	49.9	44.6	41.2	34.7
Recurrent expenditure	35.6	36.9	36.7	32.2	25.6
Salaries	8.1	11.3	12.5	11.7	11.2
Goods and Services	17.0	19.7	15.9	12.1	8.5
Interest due	5.0	3.3	1.8	2.4	2.5
Domestic	0.0	0.0	0.1	0.6	2.0
External	5.0	3.3	1.8	1.7	1.8
Transfers	5.4	2.7	6.4	6.0	3.5
o/w subventions (fuel and others)	3.6	2.9	4.8	3.9	0.8
Capital expenditure and Others^{1/}	11.3	10.7	6.8	5.4	9.3
Capital expenditure financed by the Public Treasury	6.4	7.1	7.7	6.0	8.0
Capital expenditure financed by external resources					1.3
Discrepancy (unclassified/unexplained)	4.0	3.3	-0.8	-0.6	0.0
BNA deficit	1.8	2.3	0.7	0.5	0.4
Net lending to Sonangol				2.7	-0.5
Overall balance (commitment basis)	-3.6	-9.4	-7.1	-4.0	3.7
Overall Balance (commitment basis at LT oil prices)				-11.6	-6.1
Changes in net arrears	-1.2	7.8	0.7	1.5	0.3
Domestic	-3.8	6.8	0.4	0.4	-0.8
External interest	2.6	1.0	0.2	1.1	1.1
Overall balance (cash basis)	-4.8	-1.6	-6.5	-2.5	3.9
Financing	4.8	1.6	6.5	2.5	-3.9
Petroleum Royalties (net)	2.2	2.9	0.0	1.5	0.0
Grants	2.4	0.0	0.8	0.1	0.3
External financing (net)	-5.2	-5.1	3.5	6.0	-2.8
Net lending	-5.3	-5.1	1.6	6.0	-2.8
Disbursements	13.1	8.7	11.4	12.7	2.1
Amortisation	-18.3	-13.0	-9.8	-6.6	-4.9
Net ST lending	0.0	-0.7	0.0	0.0	0.0
Debt relief	0.0	0.0	1.9	0.0	0.0
Domestic financing (net)	5.4	3.8	2.2	-2.8	-1.4
Bank Credit ^{2/}	5.8	3.7	0.8	-5.1	-5.9
Counterparts of Government deposits overseas ^{3/}	0.0	0.1	-1.0	-2.0	2.5
Obligations	0.0	0.0	2.4	-2.5	1.1
Financing gap (=over-financing)	0.0	0.0	0.0	1.2	0.0
Memorandum Items					
Nominal GDP (in billions of kwanzas)	197	472	1,031	1,630	2,308
Nominal GDP (in US \$ million)	8,936	10,792	13,825	19,535	23,891
External public debt in % of GDP	81	81	70	49	38
Oil output in millions of barrels	270	326	319	363	438
Angolan oil prices in \$US per barrel	22.7	23.7	28.2	36.4	39.2
Oil output in US\$ million	6,144	7,739	9,007	13,245	16,763
Average inflation rate in %	152.6	108.9	98.3	43.6	20.1
Exchange rate (period average)	22.1	43.7	74.6	83.4	...
Budget balance excluding oil/GDP	-39.5	-40.4	-35.3	-326.0	-25.1
Budget balance on commitment basis/GNDI (in %) ^{4/}	-4.3	-11.0	-8.1	-4.5	4.1
Annual rate of growth of non-oil expenditure in real terms	-29.3	17.4	-1.3	-5.0	3.3
Sources: Angolan authorities; IMF estimates and projections					
1/ including fiscal discrepancy.					
2/ The difference between estimated income and oil income at LT oil prices is reflected in government deposits and foreign reserves.					
3/ Estimates					
4/ Gross National Disposable Income.					

Angola: Monetary Survey, 2001-2005					
	2001	2002	2003	2004	2005
	Dec.	Dec.	Dec.	Dec.	Dec.
					Proj.
	(In billions of Kwanzas)				
Net Foreign Assets	48.5	94.5	129.7	308.0	389.5
Net foreign reserves	17.7	20.0	36.9	182.7	242.3
Gross reserves	24.1	23.0	37.7	172.7	243.3
BNA	23.4	22.0	50.1	128.3	243.3
Governments overseas deposits 1/	0.7	1.0	-12.4	55.3	...
External commitment –ST	-6.4	-3.0	-0.8	-1.0	-1.1
Other foreign assets	-1.5	-3.3	-1.4	-1.5	-1.5
Commercial Banks	32.3	77.8	94.4	126.8	148.8
Net Domestic Assets	-6.8	13.1	50.6	-44.7	-64.4
Net domestic credit	-1.2	26.8	65.0	45.0	-23.2
Net credit to Government	-9.4	2.1	7.0	-59.8	-196.3
Domestic credit	8.2	24.7	58.0	104.8	173.1
Counterpart of government's deposits overseas 1/	-0.75	-1.0	12.4	-55.3	...
Other Items Net	-4.9	-12.7	-26.9	-34.3	-41.2
M3	41.7	107.6	180.3	263.3	325.1
Money and Quasi Money (M2)	41.4	107.0	177.9	238.3	293.1
Money	30.2	69.4	127.0	167.3	194.2
Currency in circulation	8.2	20.9	35.4	38.6	38.8
Demand deposits	22.0	48.6	91.6	128.7	155.3
Local currency	5.5	11.1	33.9	54.8	64.5
Foreign currencies	16.5	37.4	57.7	73.9	90.9
Quasi-money	11.2	37.5	50.9	71.0	98.9
Local currency deposits	0.9	1.9	3.9	6.7	19.8
Foreign currency deposits	10.3	35.6	47.1	64.3	79.1
Repurchase agreements	0.3	0.6	2.4	25.0	32.0
Memorandum items:					
Official exchange rate (Kwanzas per U.S. dollar; end of period)	32	59	79	86	...
Rate of increase M3 (in %)	163	158	67	46	23
Domestic credit (annual changes)	276	200	135	81	65
Foreign currency deposit ratio/M3 (in %)	64	68	58	52	52
Foreign currency deposit ratio/total deposits (in %)	81	85	73	69	69
Net Foreign Assets (in US\$ million)	1,529	1,617	1,964	3,525	3,615
Assets	1,934	1,852	2,084	3,739	3,794
Commitments	405	235	121	168	180
Government deposits	349	472	614	2,061	3,024
Monetary base (in billions of kwanzas)	18.6	38.8	70.7	91.7	107.5
Money multiplier	2.2	2.8	2.5	2.6	2.7
Sources: National Bank of Angola (BNA); and IMF estimates and projections.					

Angola: Balance of Payments, projections: 2001-2005

	2001	2002	2003	2004 Est.	2005 Proj.
	(In US\$ million)				
Current Account	-1,329	-150	-720	1,324	1,121
o/w: oil sector	1,971	4,605	4,857	8,874	10,305
Trade balance	3,457	4,568	4,028	6,983	8,705
Exports, f.o.b.	6,636	8,328	9,508	13,715	17,351
Brut oil	5,792	7,548	8,533	12,646	16,119
Refined oil and gas	113	105	147	187	234
Diamond	689	638	788	838	949
Others	43	36	40	44	48
Imports, f.o.b.	-3,179	-3,760	-5,480	-6,732	-8,646
Oil sector	-1,178	-1,393	-2,022	-1,927	-2,277
Non-oil sector	-2,001	-2,367	-3,458	-4,804	-6,369
Services (net)	-3,316	-3,115	-3,120	-3,403	-5,198
Income	203	207	201	221	243
Expenditure	-3,518	-3,322	-3,321	-3,625	-5,436
Oil sector	-2,643	-1,550	-1,654	-1,845	-3,537
Non-oil sector	-875	-1,772	-1,667	-1,780	-1,899
Income (nets)	-1,561	-1,635	-1,726	-2,358	-2,541
Income	...	18	12	13	15
Expenditure	...	-1,652	-1,739	-2,371	-2,556
o/w: oil sector	-1,051	-1,100	-1,264	-1,743	-1,797
o/w: interest due	-539	-354	-268	-360	-483
Current transfers (net)	91	32	99	102	150
Financial operations and capital account	486	-402	855	488	-964
Capital transfer (net)	4	0	0	0	0
Direct investment (net)	2,146	1,643	1,652	677	404
o/w: oil sector	...	1,672	3,505	677	654
MLT lending	-618	-162	298	807	-861
Disbursements	1,619	1,279	1,890	2,414	500
Amortisation	-2,237	-1,441	-1,592	-1,606	-1,361
Other capital (net, including errors and omissions)	-1,045	-1,883	-1,095	-997	-507
Overall balance	-842	-551	136	1,812	157
Net international reserves (- increase)	508	207	-466	-1,362	-425
Exceptional financing	334	344	330	-450	268
Memorandum items	(In % of GDP)				
Current account	-14.9	-1.4	-5.2	6.8	4.7
<i>Current account at LT oil prices</i>	...	...	...	1.7	-4.5
Trade balance	38.7	42.3	29.1	35.7	36.4
Export of goods and services	76.5	79.1	70.2	71.3	73.6
Import of goods and services	74.9	65.6	63.7	53.0	58.9
External debt (in billions of dollars)	7.3	8.7	9.7	9.5	9.0
External debt	81.3	81.0	69.9	48.6	37.6
Debt service ratio 2/	141.1	40.0	39.0	23.4	18.5
Gross foreign reserves (end of period)	732	375	800	2,163	2,588
In months of import of G & S 3/	1.2	0.5	0.9	1.8	1.8
In months of non-oil G & S 3/	2.1	0.9	1.5	3.1	3.2
In months of debt service 3/	4.9	2.4	4.9	14.1	19.8
	Changes in %)				
Export of goods	-16.2	25.5	14.2	44.2	26.5
Import of goods	4.6	18.3	45.7	22.8	28.4
Volume of exports	-0.9	21.3	-2.8	14.5	18.4
Volume of imports	2.6	13.8	31.9	29.6	36.1
Terms of trade	-13.9	1.4	4.2	17.9	5.9

Sources: National Bank of Angola; IMF estimates and projections.

1/ Including interest arrears for 1999-2004. The balance of the stock of arrears is assumed to be rescheduled to the end of 2005.

2/ In % of the export of G & S excluding oil sector related expenditure.

3/ In next year months of imports or MLT debt. For 2003, they are current data

ANNEX X

Angola: Balance of Payments, projections: 2005-2009					
	2005	2006	2007	2008	2009
	Proj.	Proj.	Proj.	Proj.	Proj.
(In US\$ million)					
Current Account	1,121	-1,398	1,193	1,019	1,131
o/w:oil sector	10,305	13,241	16,035	17,644	18,896
Trade balance	8,705	12,385	15,883	15,333	15,545
Exports, f.o.b.	17,351	22,333	27,104	27,613	28,234
Brut oil	16,119	20,905	25,464	25,798	26,230
Refined oil and gas	234	299	362	368	375
Diamond	949	1,076	1,219	1,381	1,564
Others	48	53	59	66	74
Imports, f.o.b.	-8,646	-9,948	-11,220	-12,280	-12,689
Oil sector	-2,277	-2,391	-2,761	-2,899	-3,044
Non-oil sector	-6,369	-7,558	-8,459	-9,380	-9,644
Services (net)	-5,198	-7,033	-8,537	-7,440	-6,602
Income	243	268	294	324	356
Expenditure	-5,436	-7,301	-8,831	-7,764	-6,958
Oil sector	-3,537	-5,273	-6,668	-5,255	-4,280
Non-oil sector	-1,899	-2,027	-2,164	-2,509	-2,678
Income (nets)	-2,541	-4,104	-6,304	-6,924	-7,862
Income	15	16	18	20	22
Expenditure	-2,556	-4,120	-6,322	-6,944	-7,884
o/w: oil sector	-1,797	-2,586	-3,415	-4,285	-5,199
o/w: interest due	-483	-478	-445	-409	-421
Current transfers (nets)	150	150	150	50	50
Financial operations and capital account	-964	-646	-896	-1,093	-752
Capital transfer (net)	0	0	0	0	0
Direct investment (net)	404	387	395	234	-142
o/w: oil sector	654	287	95	-266	-442
MLT lending	-861	-590	-801	-259	564
Disbursements	500	500	500	1,000	1,500
Amortisation	-1,361	-1,090	-1,301	-1,259	-936
Other capital (net, including errors and omissions)	-507	-443	-491	-1,068	-1,173
Overall balance	157	752	296	-74	379
Net international reserves (- increase)	-425	-752	-297	74	-379
Exceptional financing	268	0	0	0	0
Debt rescheduling and debt forgiveness	0	0	0		
Arrears, net (+ increase) 1/	268	0	0		
Financing gap	0	0	1		
Fund					
World Bank					
Portugal (capitalization of interest)					
China (trade credit)					
Paris Club (capitalization of interest)					
Donors' grants					
Remaining financing gap					
Memorandum items	(In % of GDP)				
Current account	4.7	4.8	3.5	3	3
<i>Current account at LT oil prices</i>	<i>-4.5</i>	<i>1.3</i>	<i>1.4</i>	<i>0.1</i>	<i>1.9</i>
Trade balance	36.4	42.5	46.5	42.5	40.9
Export of goods and services	73.6	77.6	80.1	77.4	75.2
Import of goods and services	58.9	59.2	58.7	55.5	51.7
External debt (in billions of dollars)	9.0	8.4	7.6	7.3	7.9
External debt	37.6	28.8	22.2	20.3	20.7
Debt service ratio 2/	18.5	12.7	12.0	10.8	8.4
Gross foreign reserves (end of period)	2,588	3,340	3,637	3,562.0	3,942.0
In months of import of G & S 3/	1.8	2.0	2.2	2.2	2.1
In months of non-oil G & S 3/	3.2	3.8	3.7	3.5	3.1
In months of debt service 3/	19.8	23.0	26.2	25.6	34.9
	Changes in %				
Export of goods	26.5	28.7	21.4	1.9	2.2
Import of goods	28.4	15.1	12.8	9.4	3.3
Volume of exports	18.4	38.4	28.7	4.3	3.2
Volume of imports	36.1	15.4	12.3	9.3	3.3
Terms of trade	5.9	-7.5	-6.6	-3.4	-2.0
Sources: National Bank of Angola; IMF estimates and projections.					
1/ Including interest arrears for 999-2004. The balance of the stock of arrears is assumed to be rescheduled to the end of 2005.					
2/ In % of the export of G & S excluding oil sector related expenditure.					
3/ In next year months of imports or MLT debt . For 2003, they are current data					

ANNEX XI

Angola: External financing requirements and sources									
In US\$ million									
					2005	2006	2007	2008	2009
A-external financing requirements					-815.0	-594.0	-554.0	-216.0	-235.0
Current account (excluding official transfers)					971	1248	1044	969	1080
Loan amortisation					-1,361	-1090	-1,301	-1,259	-936
Increase in foreign assets					-425	-752	-297	74	-379
B-Total of identified financing					815	594	554	216	235
Exceptional financing					268	0	0	0	0
Disbursements based on existing commitments					547	594	554	216	235
Transfers					150	150	150	50	50
Loan disbursement					500	500	500	1000	1500
Other net capital flows					-507	-443	-491	-1068	-1173
FDI					404	387	395	234	-142
C-financing gap					0.0	0.0	0.0	0.0	0.0

Sources: IMF's Balance of Payments Figures and Estimates by ADB Staff.