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Africa Programme Paper AFP PP 2012/03

The Peace Dividend: Analysis of a Decade of Angolan Indicators, 2002–12

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March 2012

INTRODUCTION

Angola marks a decade of peace on 4 April 2012. Until then war had dominated Angolan life. What began as a struggle for independence from Portugal in 1961 morphed post-independence in 1975 into a war among liberation movements for control of the country, and eventually gave way to Cold War logic with the MPLA government backed by Cuba and the Soviet Union, and the UNITA rebels backed by apartheid South Africa and the United States. Only since 2002, following the death of UNITA leader Jonas Savimbi has Angola enjoyed peace. The war left the country at rock-bottom: in 2002 the UNDP Human Development Index had it below the average for sub-Saharan Africa. Ten years on Angola has been transformed.

This paper looks at various indicators to assess what results the peace dividend has delivered over the last decade in Angola and the new challenges it faces.

There is a scarcity of data on Angola and the indicators used here are drawn from the available data.[1]

[1] This paper does not explore the methodologies of the various indicators used.

HEADLINE INDICATORS

Since 2002 Angolan oil production has taken off, peaking at 1.89 million barrels in 2008 (see Table 1). Angola was fast closing in on Nigeria's position as sub-Saharan Africa's premier oil-producing country. Since 2008 there has been a slow-down owing to a combination of reduced oil prices and the upgrading of infrastructure.

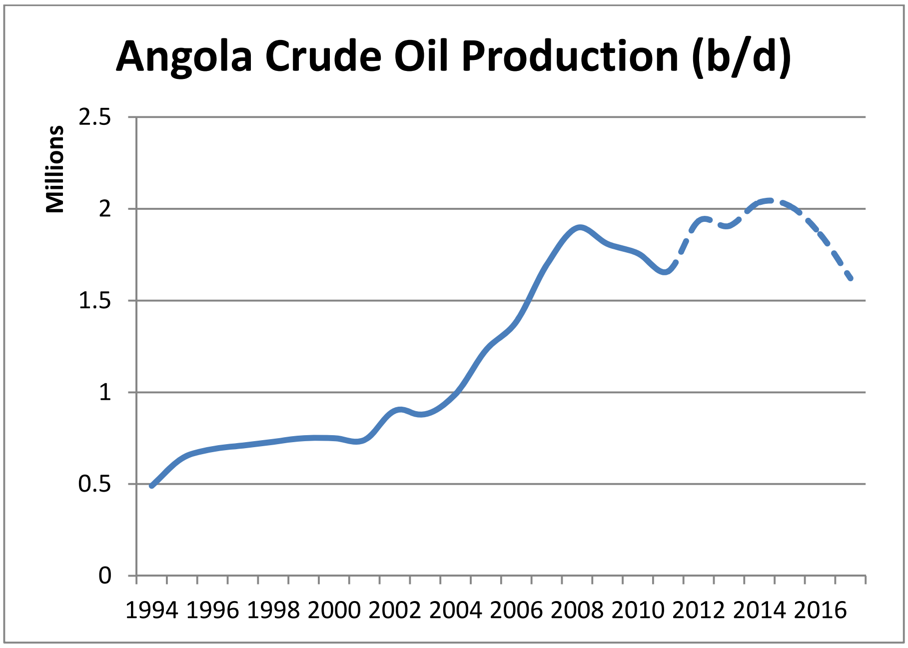

Table 1, Source: Sonangol, Angop, MINPET, OPEC, IEA

Table 2 shows the extent to which the Angolan economy and GDP are dependent on oil exports and international oil prices. Graphs for GDP, FDI and Angolan exports track the oil prices for Cabindan crude on the spot market.

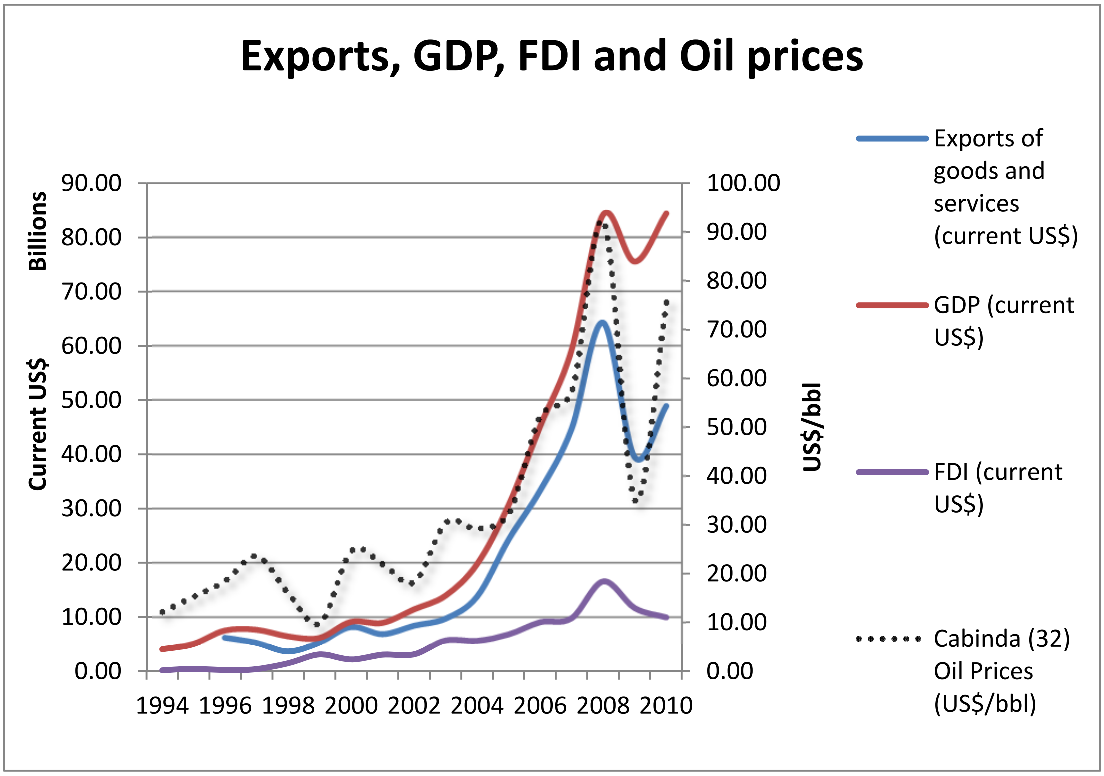

Table 2, Source: World Bank, Africa Development Indicators, US EIA International Petroleum (Oil) Prices, UNCTAD, UNCTADstat

Inflation has been brought under control from 1996 and has been slashed from 108% in 2002 to 14.47% in 2010 (see Table 3). This is, however, still above the Angolan government's target of achieving a single-digit inflation rate. The rate of inflation for 2011 was 11.4%. The Economic Intelligence Unit forecasts it to remain in double digits in 2012 (at 11.3%) and at around 8.5% in 2013–16.[2]

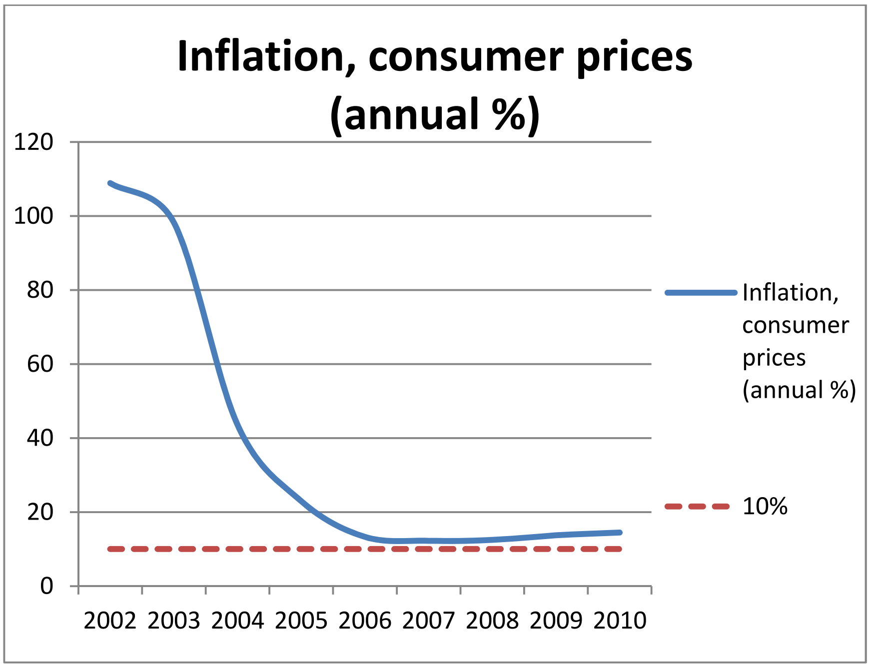

Table 3, Source: World Bank, 'Jobs' Data Base

[2] The Economist Intelligence Unit, *Angola Country Report,* March 2012.

Luanda was named the most expensive city in the world in 2012.[3] The consumer price index reflects changes in the cost to the average consumer of acquiring a basket of goods and services. Table 4 shows that consumer prices increased by a factor of 34.36 from 2000 to 2010**.** So a basket of goods and services that cost the equivalent of 20 Angolan Kwanza (AKZ) in 2000 would cost over 687 AKZ in 2010. Expressed in US dollar terms and taking into account exchange rates, the same basket of goods cost $2 in 2000 and $7.5 in 2010. While the dollar increase seems less dramatic, this nevertheless represents a price increase of 375% over a 10-year period. In 2000, 42.4% of the Angolan population lived on $2 per day or less.[4] For poor Angolans such an increase in consumer prices is substantial. Unfortunately no Gini coefficient or other measures of inequality are available for Angola over this period.

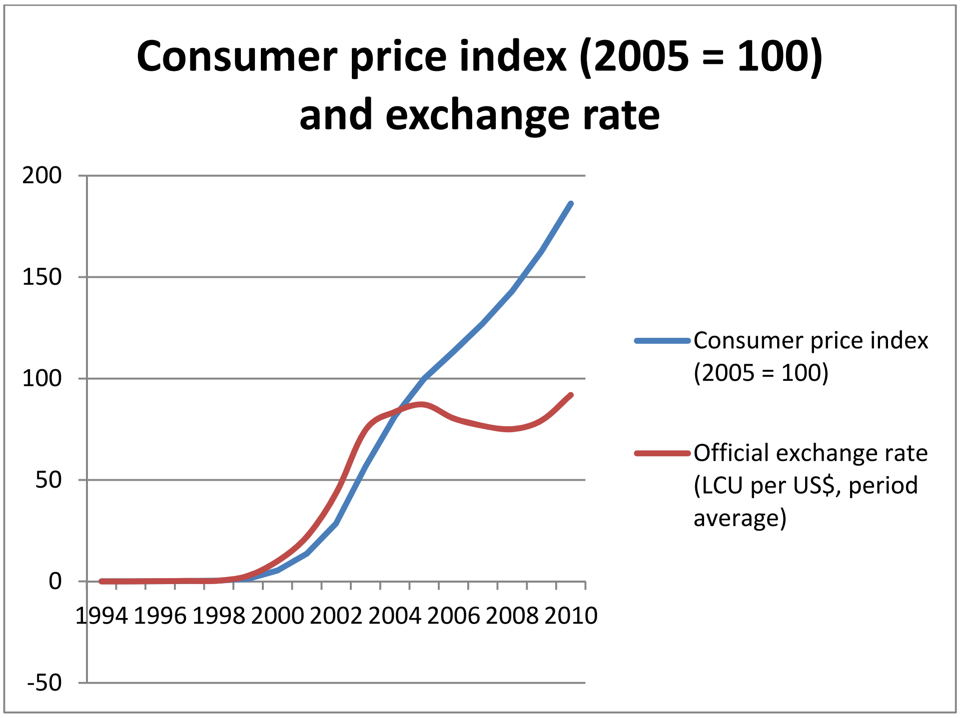

Table 4, Source: World Bank, Africa Development Indicators, (LCU - Local Currency Unit)

[3] ‘Living in the world's most expensive city’, By Louise Redvers BBC News, Luanda, 2 February 2012

[4] This is the latest available data for this indicator. Source: World Bank, World Development Indicators

POPULATION AND DEVELOPMENT

Table 5 shows population size, population growth and the rate of change of the Human Development Index for Angola. Angola's estimated population in 2012 is around 18 million and average annual growth rate is high at 2.87% p.a. This means that the population will double in the next 25 years. Compared with other selected African countries Angola has a slightly higher population growth rate and a higher rate of change in the UNDP Human Development Index score.

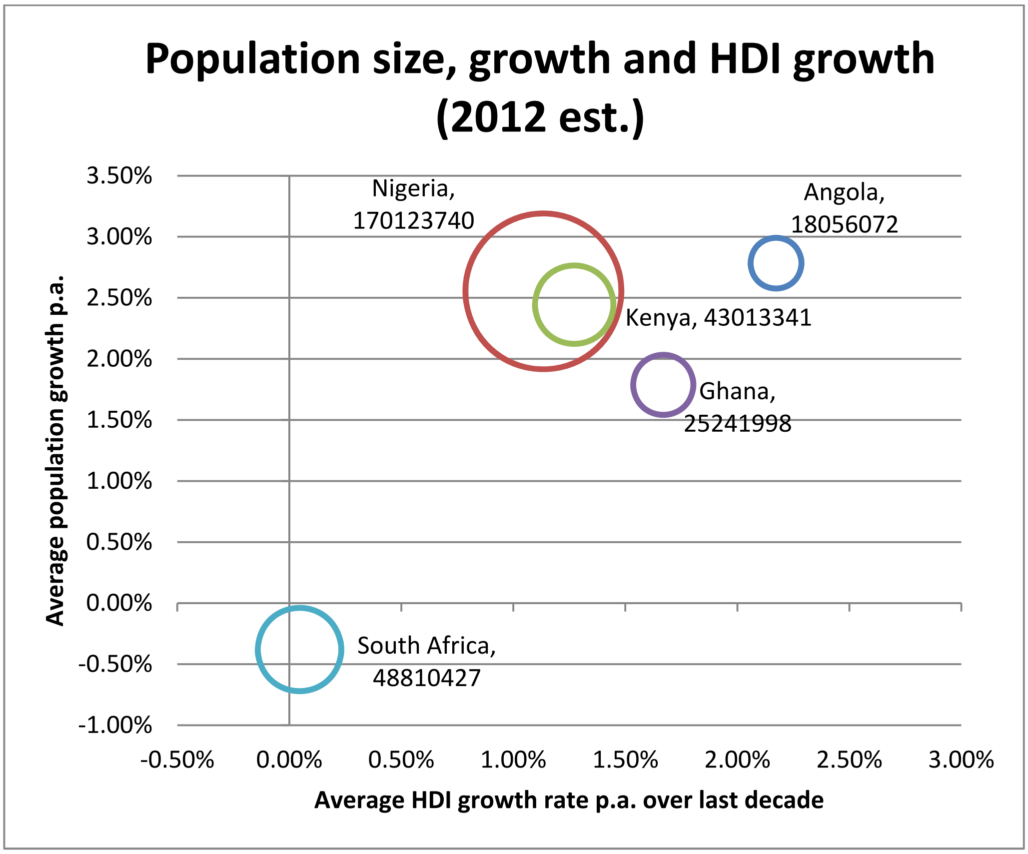

Table 5, Source: CIA World Fact Book, UNDP Human Development Index

Angola achieved a rapid increase in its HDI value from 2002 to 2007, but progress has slowed down since. The improvement and subsequent slowdown are most likely a result of starting from a low base of development and taking advantage of easily achieved gains. By 2007 these ‘low hanging fruit’ seem to have been largely harvested and subsequent development gains have become harder to achieve (see Table 6).

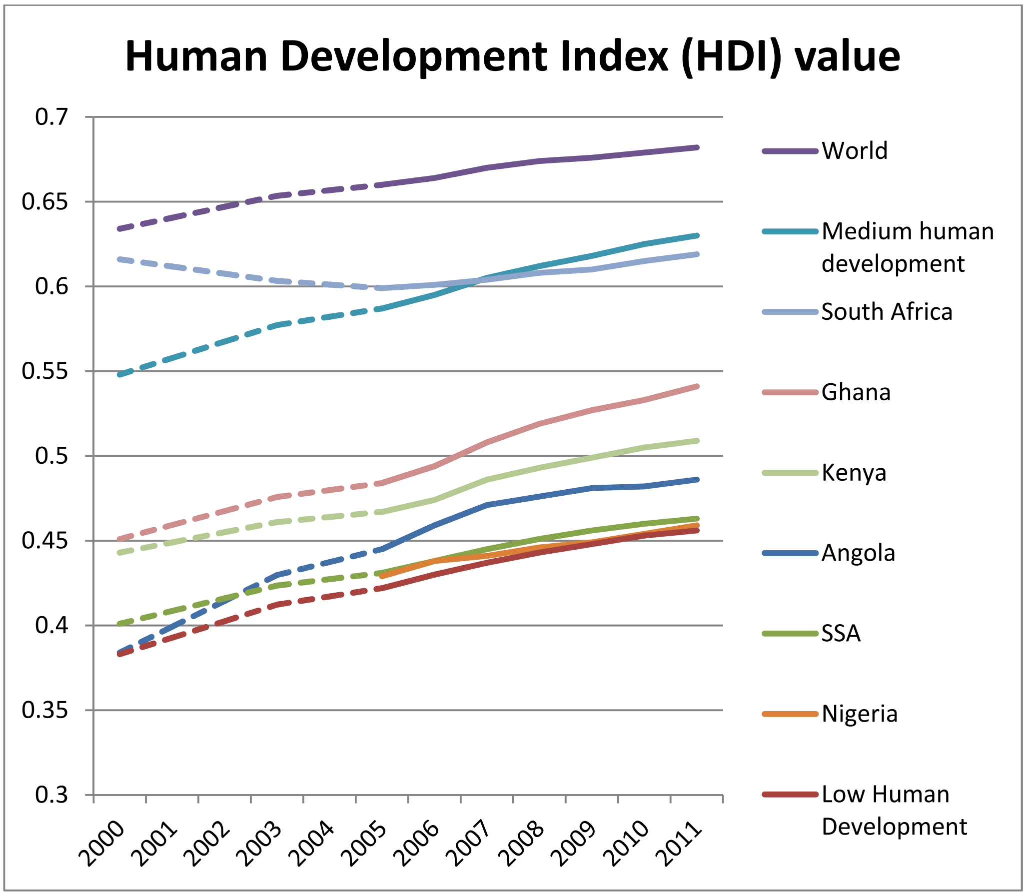

Table 6, Source: HDRO calculations based on data from UNDESA (2011), Barro and Lee (2010), UNESCO Institute for Statistics (2011), World Bank (2011a) and IMF (2011).

The difficulty of sustained development progress is reflected when analysing the difference between Angola's HDI and the averages for countries with low and medium HDI scores. Table 6 shows that from 2002 to 2007 Angola reduced the gap with countries of medium human development. However, since then the gap has been steadily increasing, meaning that Angola's development efforts do not anymore translate readily into developmental outcomes**.**

Health spending as a percentage of GDP has more or less doubled, from 2.36% in 2002 to 4.56% in 2009. Given Angola's high GDP growth, however, the actual government health expenditure per capita has skyrocketed over the same period and increased by a factor of 13 (see Table 7).

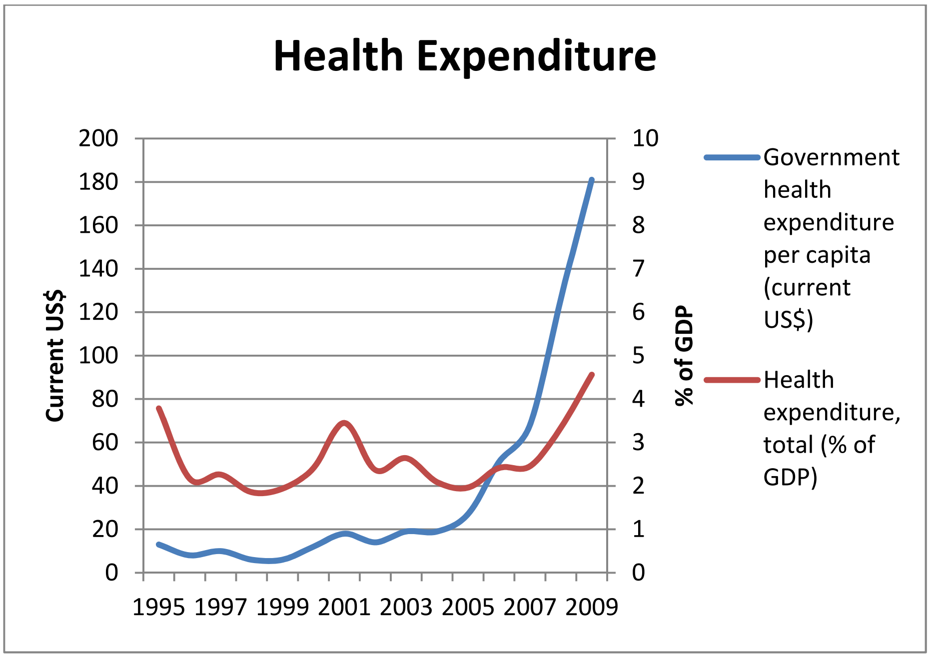

Table 7, Source: World Bank, Africa Development Indicators

Despite the dramatic increase in health expenditure, the health outcomes remain limited. As Tables 8 and 9 illustrate, Angola still has mortality rates for infants and children under five that are above the levels for low-income countries and the sub-Saharan regional averages, and the reduction of mortality rates is no faster than these.

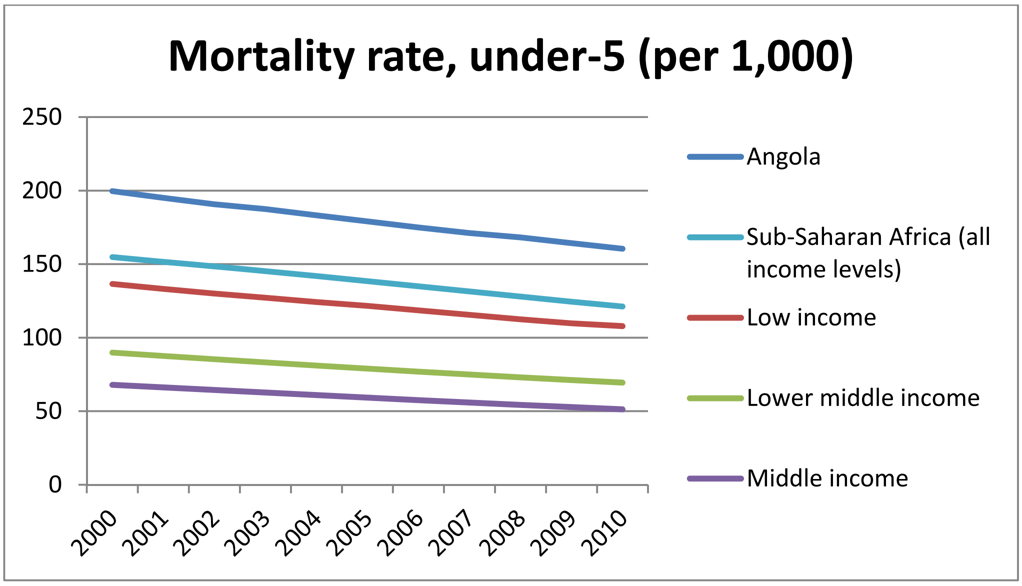

Table 8, Source: World Bank, Africa Development Indicators

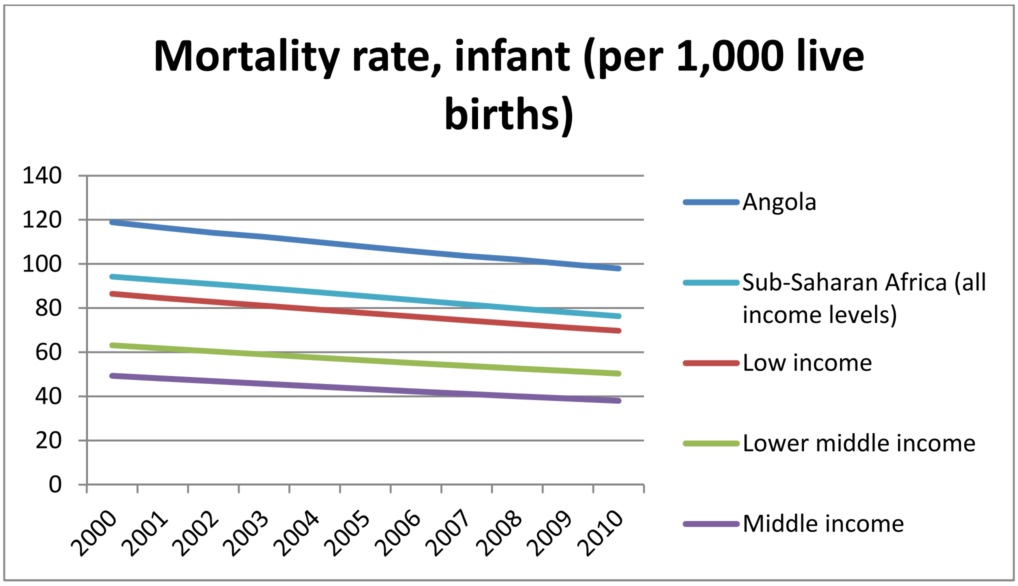

Table 9, Source: World Bank, Africa Development Indicators

Education

Primary-school enrolment in Angola is above the regional level for sub-Saharan Africa (see Table 10), and is closer to middle-income level than low-income one. However, analysis of the recent (and only) data that exist indicates that net enrolment in primary schools has peaked and is declining. This may be a result of population growth and the growth of peri-urban areas where basic services such as primary education are increasingly overburdened.

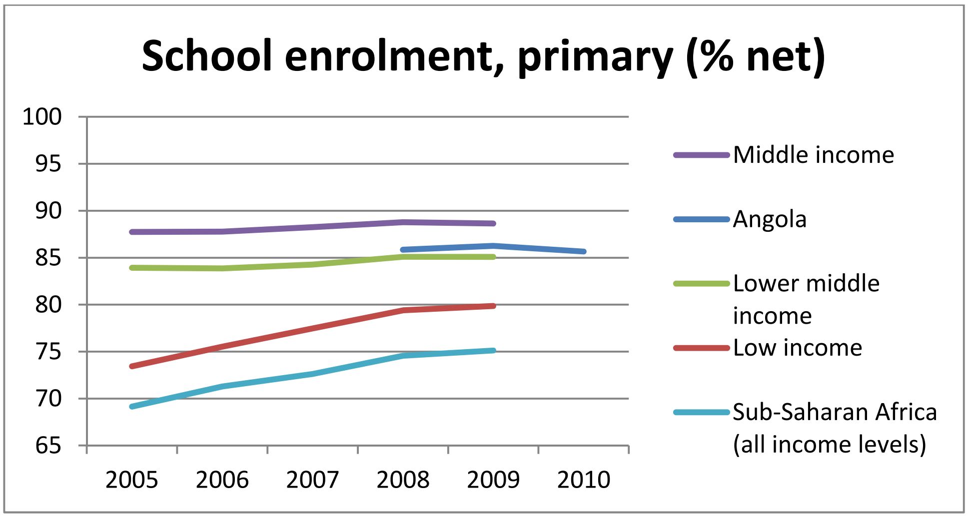

Table 10, Source: World Bank, Africa Development Indicators

Angola's secondary-school enrolment is much below the sub-Saharan African average. As a new generation of students moves from primary for secondary education the increase in secondary-school enrolment can already be discerned (Table 11) and is set to accelerate.

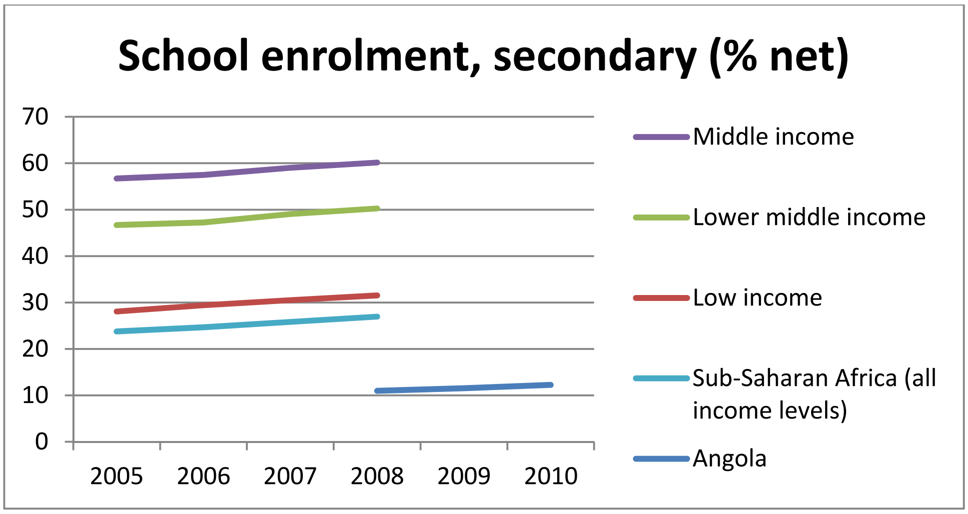

Table 11, Source: World Bank, Africa Development Indicators

The armed forces

One of the most visible legacies of the years of war in Angola is the size of the armed forces, shown in Table 12. While the number of soldiers as a percentage of the total labour force has fallen, this is a result of general population growth and not a reduction in the number of soldiers. This has remained unchanged even since 1994 and stands at around 115,000 – giving Angola one of the largest military in Africa.

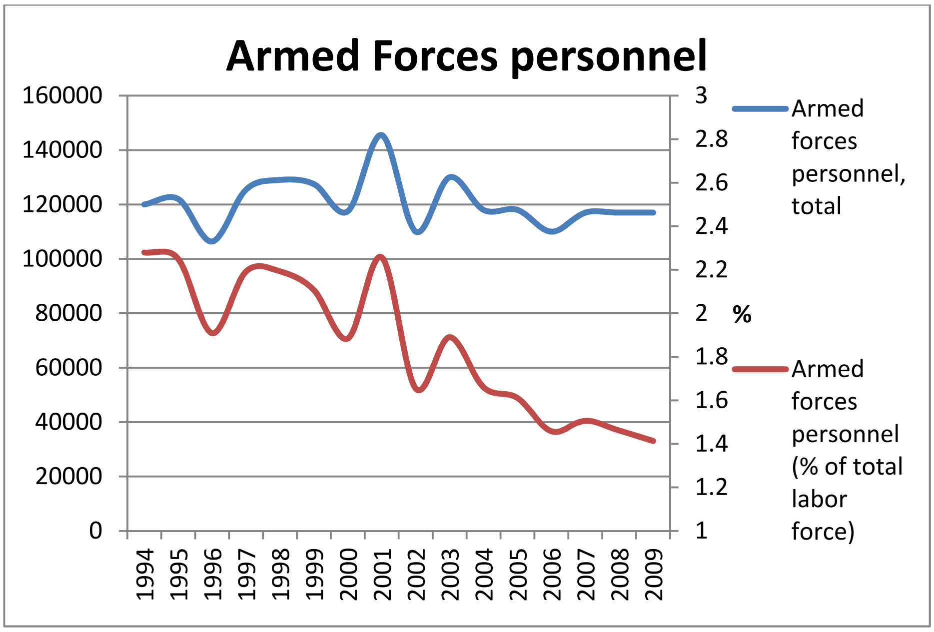

Table 12, Source: World Bank, Africa Development Indicators

THE BUSINESS ENVIRONMENT

Data on the business environment in Angola are scarce. The Enterprise Survey available from the World Bank databases contains data available for the years 2006 and 2010. Table 13 shows the views of businesses regarding their biggest obstacles in Angola. While electricity supply was the biggest obstacle for firms in Angola in 2006 (chosen by around 37% of all firms), by 2010 corruption has become the biggest obstacle (chosen by nearly 30%).

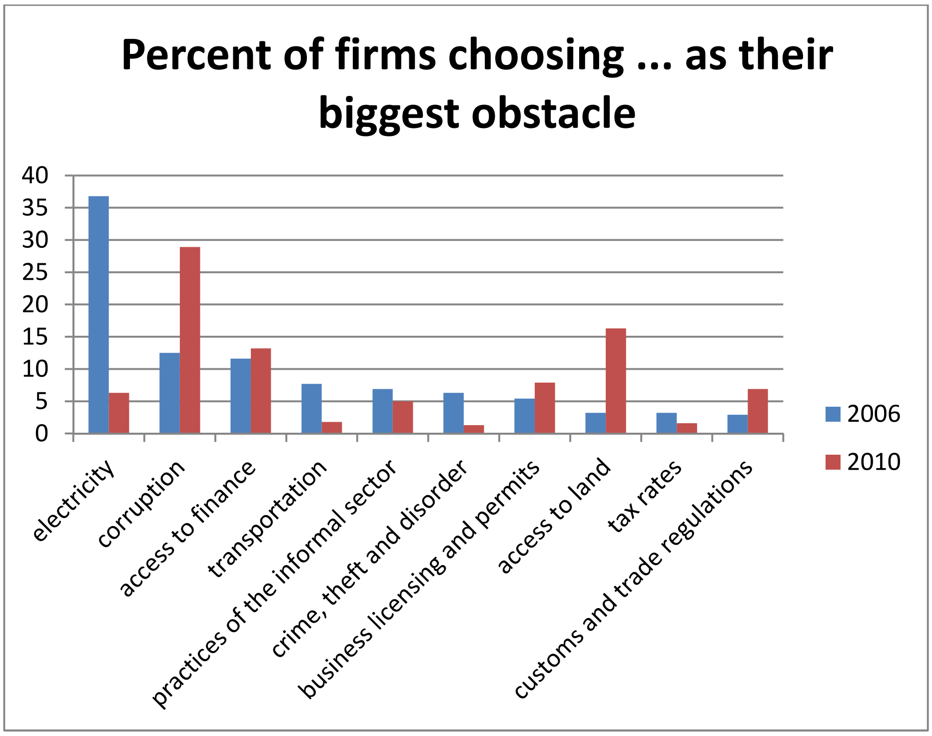

Table 13, Source: World Bank, Enterprise Survey

Table 14 uses the same data and shows the percentage change of the identification of the biggest obstacle. On balance, from 2006 to 2010, the number of businesses that have ranked electricity, transportation and crime (including theft and disorder) as their biggest obstacle has declined, and more firms have chosen corruption, access to land, and customs and trade regulations as the biggest obstacles.

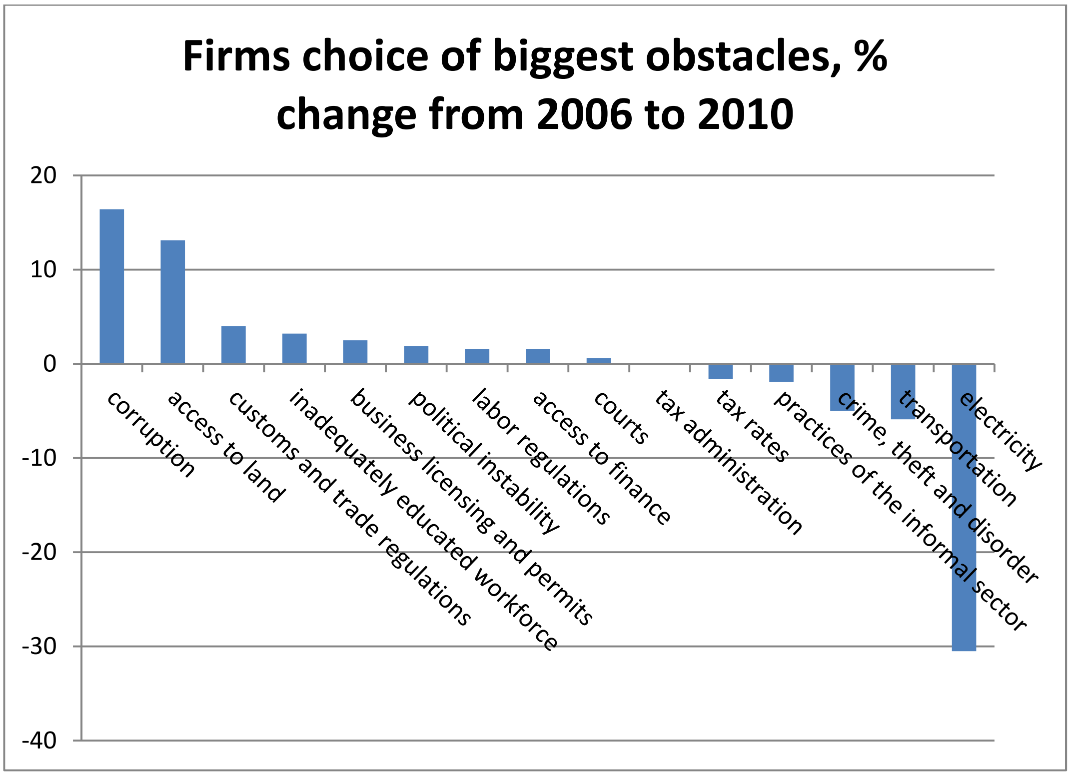

Table 14, Source: World Bank, Enterprise Survey

Table 15 lists the top ten obstacles faced by businesses in 2006 and 2010. Compared with 2006, in 2010 ‘Crime, theft and disorder’ and ‘Tax rates’ have disappeared in the top ten, but an ‘Inadequately educated workforce’ and ‘Political instability’ have entered the top ten obstacles faced by businesses in Angola. It is clear that by 2010 the low rate of secondary-school enrolment (see Table 12) had become a constraint on business activity in Angola.

Top 10 business obstacles 2006:	Top 10 business obstacles 2010:
1. Electricity	1. Corruption
2. Corruption	2. Access to land
3. Access to finance	3. Access to finance
4. Transportation	4. Business licensing and permits
5. Practices of the informal sector	5. Customs and trade regulations
6. Crime, theft and disorder	6. Electricity
7. Business licensing and permits	7. Practices of the informal sector
8. Access to land	8. Inadequately educated workforce
9. Tax rates	9. Political instability
10. Customs and trade regulations	10. Transportation

Table 15, Source: World Bank, Enterprise Survey

Corruption

As shown above, corruption is a major obstacle to firms in Angola. The data on the cost of starting a business in Angola is from the World Bank's Doing Business Database. Angola's current position in the 2012 Doing Business Ranking is 172nd out of 183 countries. This means that Angola is the 11th most difficult country in the world to do business in – more difficult than in Afghanistan, Iraq or Uzbekistan, but easier than in Eritrea, the Republic of Congo or Chad.

Table 16 unpacks the category of 'corruption' and shows where firms are expected to make corrupt payments (i.e. 'give gifts'). In 2006 the top three reasons for 'giving gifts' were: 1. To secure a government contract, 2. To get an import licence; 3. To get a construction permit. In 2010 the top reason for giving gifts continued to be to secure a government contract (with nearly 60% of all firms expecting to have to give gifts), closely followed by gift giving in order to get a phone connection and an import licence.

In 2006 the percentage of firms expecting to pay some kind of gift in any category ranged from around 10% to 38%, while by 2010 the range was from 34% to nearly 60%. This shows that the expectation by firms of having to give gifts has increased from 2006 to 2010. This is also shown in Tables 13 and 14, which highlight that by 2010 corruption had become the biggest obstacle for business.

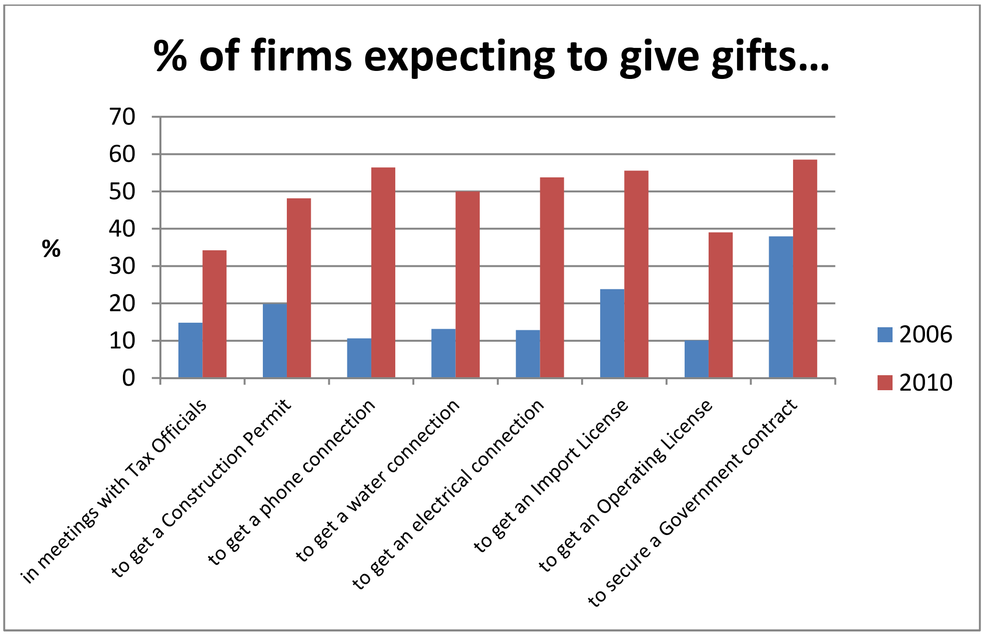

Table 16, Source: World Bank, Africa Development Indicators

The cost of starting a business is a measure of the ease of doing business and of the business environment. Table 17 shows that this has been reduced dramatically, from over 650% of income per capita to around 120% of income per capita over the span of six years. The minimum paid in capital required to start a business has been reduced even more quickly. While the reduction in the cost of starting a business in Angola is impressive, compared with Angola's regional and global competitors, there is still substantial work to be done (see Table 18).

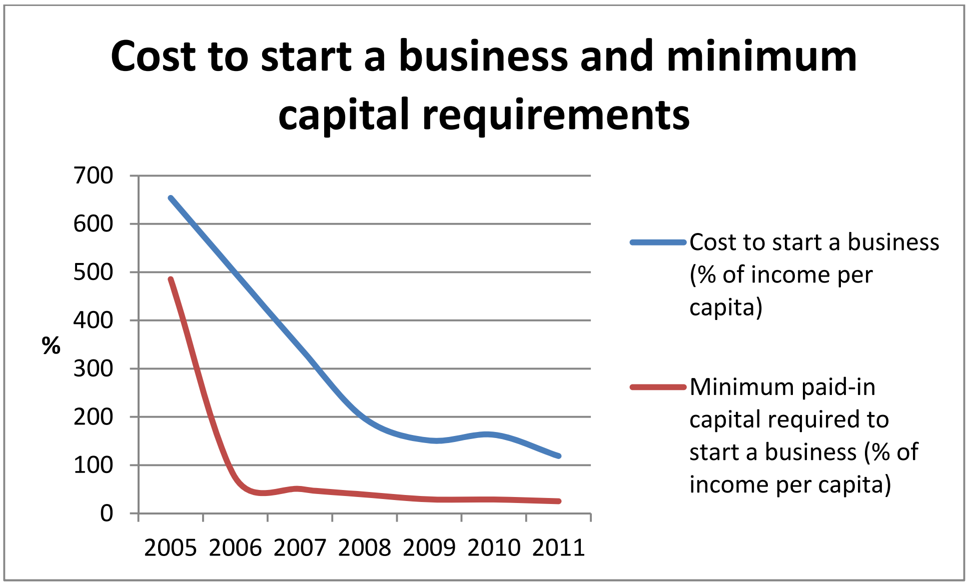

Table 17, Source: World Bank Doing Business Indicators

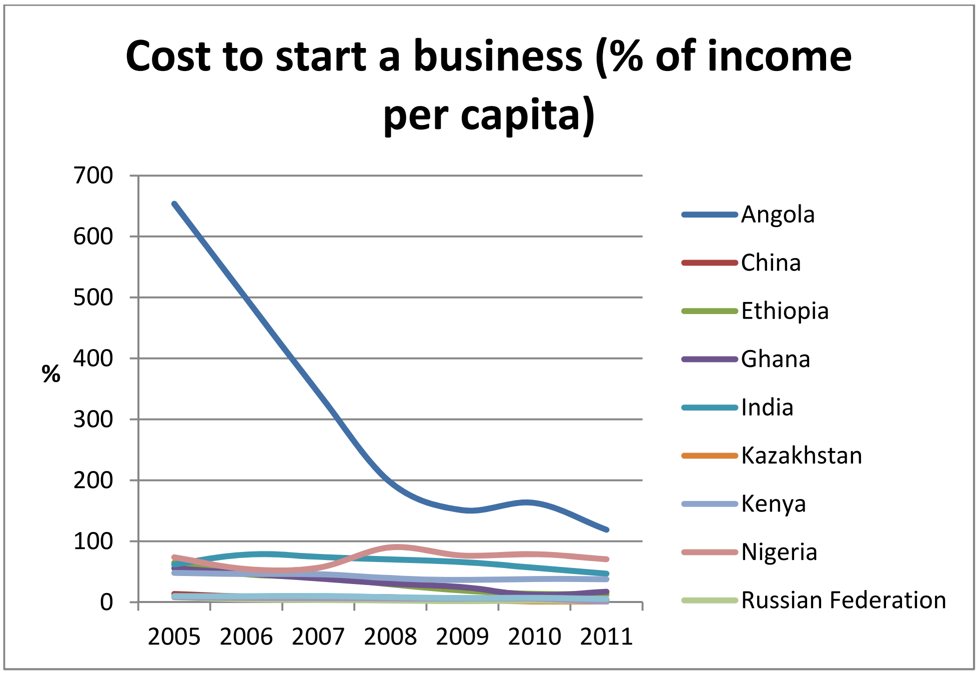

Table 18, Source: World Bank Doing Business Indicators

CONCLUSION

Angola's economy is highly dependent on its oil production and oil prices. This is shown by GDP, FDI and international reserves all tracking oil production and Angolan oil revenue. This dependence can be clearly seen in the ripples created by the international financial crisis in 2008: oil prices dropped dramatically and so did Angola's oil revenue, GDP, FDI and international reserves (see Table 2). While inflation has been reduced over the last 10 years, it remains in double digits for the foreseeable future and consumer prices are increasing. This has a particularly severe impact on Angola's poor (see Tables 3 and 4). Luanda was found to be the most expensive city in the world in 2012.

Angola has a relatively small population of 18 million people (Table 5) but this will double within the next 25 years. High GDP growth has contributed to increased human development for Angolans, but the rate of increase has lagged as easy gains are achieved and the developmental challenges become more complex and more difficult to achieve (Table 6).

Owing to growth in GDP since 2002 Angolan per capita health spending has increased dramatically (Table 7). However, high mortality rates of infants and children under five years of age highlight the challenges that Angola still faces (Tables 8 and 9). Reducing these may be the greatest challenge for Angolan leaders.

Angola is above the regional average for primary-school enrolment (Table 10), but scores below average for secondary-school enrolment (Table 11). The latter will, however, increase as students pass through the system.

Angola maintains one of the largest armed forces in Africa (over 110,000) and its size has remained the same since 1994 (with some swings – see Table 12). It is one of the most visible legacies of the war but needs to be downsized.

The Angolan business environment is overall very challenging, with corruption being the main barrier (Tables 13, 14, 15 and 16). Access to land has emerged as an obstacle to businesses in Angola, partly owing to the concentration of business activity in the Luanda urban area. Angola compares unfavourably with other African countries such as Ghana, Zambia and Nigeria in terms of the cost of starting a business (Table 17).

About the Author

Markus Weimer is Research Fellow in the Africa Programme at Chatham House and coordinator of the institute's Angola Forum.