

USAID/Angola

Annual Report

FY 2005

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Angola

Performance:

BACKGROUND: Angola is a land rich in paradox. In area, it is one of Africa's largest countries yet has a high concentration of population in a few urban areas (28% of the total in Luanda alone). Its low level of human development is at odds with its potential for economic prosperity. Formerly a net exporter of grains and other foods produced on the country's fertile central plateau, Angola today imports about half of its food requirements, even though about 65% or more of the work force is engaged in agriculture and few countries in Africa have the natural resource endowment Angola has to support a vibrant agriculture sector. Rich in water, fertile soil, and legacy of agricultural productivity, an abundant semi-skilled, rural labor force waits for the return of the only economic sector they know. With minimal investment, cassava, maize, potato seed and horticultural products could be the backbone of the agriculture sector.

Angola is sub-Saharan Africa's second largest exporter of oil and some suggest that, by 2010, it could be the largest. It also has significant potential for hydropower potential. Despite these resources, only 15% of the population has access to electric power. Oil dominates the economy, accounting for about 90% of government revenues and export earnings. Developments in the oil sector will determine Angola's growth for the foreseeable future, and largely because of oil, real GDP growth is predicted to reach 11.9% in 2005. Wealth generated by the oil sector has, however, done little to generate broad-based growth.

Much of Angola's paradoxical situation is explained by the social disruption and physical destruction generated by nearly 30 years of civil war, which came on the heels of centuries of colonialism. Just two years after emerging from conflict, Angola in FY 2004 continued the transition toward national reconciliation and peace that was begun in earnest in 2002. Initial gains toward reconstruction and reintegration have been limited by socioeconomic and political stresses that reflect the fragility of the post-war state. The return and resettlement of former internally displaced persons (IDPs) and refugees has strained resettlement areas and rural communities characterized by poor or non-existent infrastructure, inadequate social services, and lack of effective citizenship. Such conditions deter those displaced to urban areas from relocating; exacerbating conditions in congested, overburdened urban centers that currently hold 35% of national population (estimated 44% by 2015). Further progress toward reintegration and reconstruction is required to consolidate early gains of the transition and shift national focus from emergency response toward enduring comprehensive development.

Indicators for Angola underscore the scale of the development challenge. The country ranks 166th of 177 countries on the 2004 UNDP Human Development Index. National population exceeds 13 million, with 48% under age 15 and an annual population growth rate of 3%. The literacy rate among adults over age 15 is 42% while roughly half of primary school age children are not enrolled in school. The average fertility rate is 7.2 births per woman while average life expectancy is 40 years. Infant and child mortality rates are among the highest in the world (250 deaths per 1,000 under five years) while 41% of all children under five are chronically malnourished. Malaria, diarrhea, and other preventable diseases such as measles are common in both urban and rural areas. Poor health conditions are exacerbated by lack of access to safe water and health services; only 38% of the population has access to a protected water source and just 2.6% of all communities have a health center. Restricted movement during the war years helped stem the spread of HIV/AIDS, and today Angola has an estimated prevalence rate of 2.8% based on nationwide HIV/AIDS sentinel surveillance study of pregnant women. However, freedom of movement in the post-conflict period, combined with other socio-economic and demographic factors including refugees returning from neighboring high-prevalence countries, sets the stage for a potential spike in HIV/AIDS infection.

The country's establishment of democratic governance is stymied by systemic weaknesses in state

institutions and the nascent condition of political parties and civil society organizations. Such constraints contribute to repeated delays in national elections, with legislative elections now expected in 2006 and presidential elections (last held in 1992) in 2007. The socio-political legacy of war, and the concentration of political and economic power in the hands of state elites, serves to exclude the majority of citizens from public life. Angola continues to exhibit a disjointed social order, limited effectiveness of civil and commercial law, and a persistent gap between formal rules of the state and de facto "rules of the game" exploited by power holders, all of which erode democratic principles of governance and contribute to a national budget that fails to reflect the country's true wealth.

U.S. INTERESTS AND GOALS: The United States' interests in Angola are commercial, humanitarian, and political. Beginning in 2004, Angola became eligible to benefit from the African Growth and Opportunity Act (AGOA) favoring access to U.S. markets. As a potential powerhouse for regional trade and investment, the country has the potential to make an important contribution to regional growth and stability. In a region wracked by HIV/AIDS, addressing the epidemic before infection rates explode in Angola is an important humanitarian concern and transnational development challenge. Finally, Angola, sub-Saharan Africa's second largest oil producer, is the seventh largest supplier of crude oil to the United States providing 4-5% of total U.S. petroleum imports. As such, Angola is strategically important for the United States' future energy security. Angolan political stability is thus a significant U.S. national security objective; only increased economic, social and democratic development will ensure that stability.

DONOR RELATIONS: The U.S. is the lead bilateral donor to Angola, followed by Norway (democracy and governance, energy, water), the United Kingdom (poverty reduction, microfinance, humanitarian assistance), Spain (health, education, agriculture, civil society, humanitarian assistance), Sweden (humanitarian assistance), France (education, agriculture, humanitarian assistance, health and HIV/AIDS), Portugal (agriculture, education, health, democracy and governance, private sector development, water and sanitation), Japan (and the Netherlands. China has signed a financial agreement with the Government of Angola to address the budget deficit and rebuild facilities destroyed during the war. Leading multilateral donors include the European Union and the World Bank, which supports three IDA-financed operations: Emergency Demobilization and Reintegration; Economic Management Technical Assistance; and the Third Social Action Fund (FASIII). Leadership and humanitarian assistance is provided by the United Nations' Office for the Coordination of Humanitarian Assistance, the World Food Program, and the United Nations Development Program, with other services provided by UNAIDS, FAO, UNICEF, UNFPA, and WHO. The Government of Angola continues to seek an agreement with the International Monetary Fund in consultation with various donors, including the U.S.

CHALLENGES: There is a continuing need to promote social development, especially through the support and expansion of services in health, education and training and the rebuilding of related facilities destroyed during the war. To achieve this will require better information collection and management systems for social and demographic data needed to inform public decision making and program design. This gap will be addressed by the introduction of the Demographic and Health Survey in Angola in 2005.

The economy faces many structural impediments to achieving sustained growth. Overall economic performance remains below potential due to limited linkages between productive sectors (notably oil) and the rest of the economy, deplorable infrastructure in both urban and rural areas, inadequate economic policy and management, and pervasive corruption. Inflation, expected to fall from 44% in 2004 to 30% in 2005, contributes to macroeconomic instability that is fed by a large fiscal deficit, a misaligned exchange rate, underinvestment by the government in social sectors, and vast unrecorded expenditures in a shadow economy. Domestic transportation networks are in deplorable condition and thwart the expansion of agricultural production and commerce. Market linkages are likewise weak. Continued success to promote food security and reduce malnutrition depends upon increased food production and improved transport networks, along with more efficient, effective market systems for the related inputs and outputs.

Challenges to improved governance and transparency include long-running marginalization of large parts of civil society and sustained domination of economic and political processes by powerful state-affiliated elites. Civic participation is hampered by a long history of political exclusion, with very low levels of participation found beyond the coastal zone and Luanda region or among non-Portuguese speakers.

Women remain disadvantaged in public life, especially outside Luanda, due to unequal education opportunities and prevailing social norms about their participation. Constitutional reform, critical to election plans, continues to stimulate public debate but has been slowed by disputes over procedures, timing, and content. Despite efforts to promote laws governing land and property, current reforms have failed to address the needs of large segments of the population while protecting the economic interests of powerful elites.

Such challenges relate directly to the underdevelopment of the Angolan state, characterized by the limited level of legitimacy granted to the government by large sections of civil society and the lack of effective governance displayed by public institutions through the services they seek to provide. Both conditions arise from consequences of the long war and the subsequent struggle to achieve national unity and reconciliation. As the country progresses beyond the initial stages of post-conflict transition, concern for establishing governmental legitimacy is gradually emerging, with an emphasis on the improving the effectiveness of public institutions and increasing their openness in engaging with civil society organizations and the citizenry at large. Programs and interventions strategically oriented to catalyze Angolan resources to move the country forward will be key. Success will require sustained commitment from public and private sectors to complete the process of reconciliation, increased government attention to regional discrepancies in social and economic development, building the technical and administrative capacity of weak public institutions, and shifting control of public resources from self-interested elites to transparent and accountable systems of public finance and fiscal management. Angola is proceeding, albeit slowly, from a focus on emergency and humanitarian interventions toward a more comprehensive focus on post-conflict reconstruction and development. The emphasis on national stability that was essential in the early post-war years is being superceded by a dual focus on (1) the effective reform of public policies and institutions (including their relations with civil society) and (2) practical steps building the institutional capacity and infrastructure needed to reduce social and political vulnerabilities and prevent future crisis.

KEY ACHIEVEMENTS:

FY 2004 was a year of continued transition for USAID's program in Angola as projects deepened their focus from recovery and resettlement into more comprehensive and enduring measures of development. USAID achieved notable results in areas of rural development and food security; democracy and governance; maternal and child health; HIV/AIDS prevention; and economic growth and enterprise development.

1. Food Security and Agricultural Development: The food security objective, focused on smallholder agriculture, promotes access to inputs, extension services and training, and better market linkages. Program emphasized increasing agricultural productivity and creating conditions for transition from food aid to longer-term development strategies. Activities include dissemination of improved agricultural technologies to provide the basis for better crop husbandry practices in the small-scale farming sector, and establishment of local seed production enterprises. The program facilitates negotiations between small-scale farmers and commercial banks for credit delivery to small- and medium-scale farmers. Activities under the food security portfolio also support collection and dissemination of market information and development of marketing strategies to enable small-scale farmers to make informed business decisions about the types of crops to produce and the choice of markets in which to sell. The program has an applied research component to test corn and Irish potato yield response to fertilizer application and determine the optimum economical level of fertilizer use. In addition, it provides assistance in the resettlement of returning internally displaced persons (IDPs) through the distribution of seeds and tools and the distribution of food rations to vulnerable rural families. This nutrition component of the program is supported in part by resources from the Global Development Alliance (GDA) with ChevronTexaco.

During FY 2004, program activities assisted 1,348 farmers with credit for the purchase of seeds of improved varieties of vegetables, corn, fruits and fertilizers, a 194% increase in beneficiaries over the previous year. The amount of credit delivered totaled \$700,000 representing a 215% increase over the previous year's amount. As a result of the increased access to credit, availability of improved varieties of food crops, and farmer technical assistance, producers were able to market 13,847 metric tons of

vegetables and realized over \$5 million in revenues. Through the combined efforts of the Consortium for Developmental Relief in Angola (CDRA) and the World Food Program (funded in Angola largely by the U.S.), the number of food insecure and highly vulnerable individuals throughout Angola was reduced by 43% during the year, to approximately one million people. CDRA also supported agricultural expansion and livelihood development for more than 210,000 resettling families.

2. Democracy and Governance: The democracy objective strengthens constituencies and institutions required for democratic governance by promoting civil society coalitions, an independent media, government transparency and accountability, and the groundwork for free and fair elections. During FY 2004, advocacy coalitions of civil society organizations (CSOs) supported by USAID increased their capacity to engage and collaborate with government institutions and contributed to some key democratic reforms. The Angolan government invited various CSOs for consultations on land policy and HIV/AIDS-related rights issues, the results of which informed subsequent laws drafted to address the rights of people living with HIV/AIDS (PLWHA) and the ownership and disposition of land and property, including for the first time the contentious issue of community land rights under customary law.

USAID activities improved public access to policy-oriented information, increasing citizens' knowledge and ability to advocate for their concerns through more than 1,300 news articles and radio broadcasts reaching 2.3 million people. New conflict transition initiatives began providing training in conflict prevention techniques to CSOs, members of the National Assembly, and local government officials, winning the government's confidence that such CSO-led training and media campaigns are vital for promoting reconciliation in communities vulnerable to conflict. With an eye toward national elections expected in 2006 and 2007, electoral support programs funded by USAID strengthened political parties through training and technical support, provision of educational materials about elections, assistance in drafting the UNITA party strategic plan and promoting CSO awareness of their role in promoting a participatory electoral process, including creation of a CSO election network.

3. Maternal and Child Health and HIV/AIDS: USAID's health program in Angola focuses on increasing the use of maternal and child health (MCH) services and decreasing the spread of HIV/AIDS with an emphasis on prevention programs. The MCH program supports activities that build the capacity of the Angolan Ministry of Health (MOH) to provide quality maternal health care services including pre- and post-partum care, tetanus immunizations, and presumptive treatment of malaria; family planning services including identification and treatment of sexually-transmitted infections (STI's); and child health services including routine immunizations and identification and treatment of diarrhea, malaria and pneumonia. The HIV/AIDS program supports information, education and communication activities to change behavior; voluntary counseling and testing (VCT) centers for HIV/AIDS and STIs; and distribution of HIV/AIDS rapid test kits and condoms. Some of the MCH and HIV/AIDS activities have received financial support from the ExxonMobil Oil Company and the Coca Cola Company through public-private partnerships. USAID activities complement health sector efforts of the Centers for Disease Control and the Department of Defense.

During FY 2004, formal trainings were conducted in integrated management of childhood illnesses, malaria, obstetrics, family planning, ante- and postnatal care, infection control, and quality improvement techniques. Community outreach activities were continued through youth groups and expanded to include two new provinces. In partnership with USAID, the Department of Defense completed construction of one maternity ward and started construction of another, allowing the number of clients to increase almost twofold over the previous year from 76,000 to 134,000. To address short spacing between births, USAID launched a family planning/birth-spacing pilot project in one of Angola's provincial capitals. USAID-funded non-governmental organizations worked with the MOH to vaccinate 5.5 million children against polio. With malaria the number one cause of morbidity and mortality in Angola, USAID engaged with the MOH to revise malaria treatment protocols, develop a social marketing campaign for insecticide-impregnated bed nets, and introduce intermittent presumptive treatment against malaria for pregnant women at all health centers receiving USAID assistance. Number of and access to HIV/AIDS prevention activities were expanded with the launch of a weekly radio HIV/AIDS program targeted at youth, the broadcast of a new "Trusted Partner Campaign," and financial and material support to three additional VCT centers, bringing to eight the total number of centers supported by USAID (out of 15 centers operating nationally).

4. Economic Policy Reform and Growth: The economic reform objective fosters economic policy reform, business development services, and credit access for micro-, small, and medium enterprises and provides training and technical assistance to improve economic governance, strengthen institutions, improve the business and investment environment, stimulate policy dialogue, and promote economic growth. The objective promotes private-public alliances as a principal business model for economic growth. During FY 2004, USAID worked with the Ministry of Finance to define and structure the Fiscal Program Management Unit. An economic think-tank supported by USAID published the first-ever locally produced "Annual Report on the Angola Economy" and will be launching the "Quarterly Economic Barometer," the first readily available source of national economic data and analysis.

With USAID support to a newly established commercial bank, BancoNovo, a completely new type of savings account that required no minimum deposit was introduced. This served to increase credit access through new loans and financial products offered to a market previously neglected. Within one month of opening, BancoNovo had issued 119 loans to small and medium enterprises, established an outstanding credit portfolio of \$562,060, and opened 1,919 savings accounts totaling \$460,848 in deposits. Adopting the business model of private-public alliances as the anchor for this strategic objective, USAID leveraged a total of \$1,300,000 from ChevronTexaco and Esso.

GENDER: Integrating gender as a cross-cutting consideration continued across USAID's programs this past year. In Angola, women represent 51% of the total population, of which 68% live in rural areas (Population Census 1996). About 75% of them are estimated to be engaged in agricultural activities, especially in the production of staple food crops and in the informal agriculture market. Some USAID partners are working to increase women's access to agricultural outputs like credit. One USAID partner that provides microfinance credit support reported a significant increase in the number of clients this past year, noting that the majority were women. Another USAID partner identified women's very low literacy levels as a key constraint in their ability to participate in economic activities in Angola and is starting an adult literacy program targeting women. Gender equity is promoted at USAID-supported Youth Training Centers where responsible reproductive health behavior and HIV/AIDS education and where life skills courses are taught, regardless of the type of class. Because child spacing decisions rest with Angolan men, USAID's reproductive health education programs emphasize reaching males through awareness campaigns targeting male-dominated groups, e.g., police, army, fire department and political parties. USAID partners continued reaching highly vulnerable women, especially pregnant and lactating women and widows with food assistance and nutritional counseling.

PUBLIC-PRIVATE ALLIANCES: USAID is working in partnership with several private sector companies, including ChevronTexaco, ExxonMobil, and Coca-Cola in a broad range of activities related to economic research, business development support, the provision of small, medium and micro-credit, HIV/AIDS and malaria prevention, youth development, food security, and agriculture business development. The contribution of public private alliances in achieving program results has been significant and the potential for still more alliances is vast. In FY 2004 USAID/Angola leveraged a total of \$3,365,000 from private sector partnerships and alliances and a cumulative of \$14,065,000 from 2002 to 2004.

Results Framework

654-001 Increased resettlement, rehabilitation and food-crop self-reliance of war-torn Angolan communities

654-002 Increased national reconciliation through strengthened democratic and political institutions

654-005 Enhanced household food security in targeted communities

SO Level Indicator(s):

Number of households producing the five highest value agricultural commodities

Total amount of agricultural commodities sold by households in targeted communities

IR5.1 Vulnerable Households Become More Food Self-reliant

IR5.2 High-value Crops Produced and Marketed More Effectively

654-006 Constituencies promoting democratic governance strengthened

SO Level Indicator(s):

Democracy and Governance Context Index

Human Rights Status through Department of State (DOS) Report

Status of Civic and Political Participation of Women

IR6.1 Greater Availability of Information on Key Issues

IR6.2 Improved Civic Advocacy on Key Issues

IR6.3 Improved Government-Constituencies Relations

654-007 Increased use of Maternal/Child Health and HIV/AIDS services and/or products and improved health practices

SO Level Indicator(s):

% of children 0-59 months of age reported sleeping under an insecticide treated mosquito net

% of deliveries assisted by trained attendants in the last 12 months

% of living 1 year old children immunized with Polio 3

% of people reporting use of condoms with non-regular sex partner for the last 12 months

Median age for sexual debut for 15-24 year old people

Number of individuals receiving voluntary counseling and testing in the past 12 months

Number of voluntary counseling and testing sites funded by USAID in the last 12 months

IR 7.1 Increased awareness/knowledge/demand for Maternal and Child Health (MCH) services

IR 7.2 Increased access to quality care Maternal and Child Health (MCH) services

IR 7.3 Increased demand/awareness knowledge for HIV/AIDS

IR 7.4 Increased access to HIV/AIDS products

654-008 More market-oriented economic analysis and growth encouraged

SO Level Indicator(s):

Registration of formalized enterprises increases

IR 8.1 Selected effective enabling conditions for micro and small business operations secured (in provincial communities)

IR 8.2 Business support mechanisms created and strengthened

IR 8.3 Sustainable financial services for micro/small/medium firms initiated