

**SOSC 2800**  
2018-2019  
Research Question

After brilliantly graduating from the IDS program at York University, you have been hired by the World Bank as a senior policy analyst for the (region of your choice) desk. You were so brilliant that they didn't even ask you to complete a Master's degree!

On the first day of the job, your boss – who was really impressed by your verbal skills during the interview process, asks you to write a report on the challenges faced by country X (pick one and only one of the following countries)

- Algeria
- Venezuela
- Turkey
- Angola
- Peru
- Thailand

In the first part of the essay, you need to present the economic, political, and social challenges faced by the country assigned to you and explain how these challenges hinder development in that country. In the second part of the paper, you need to present a series of policy prescriptions that could help address the challenges you identified. The policy prescriptions need to be substantiated empirically and theoretically using academic sources.

Papers must 2000 words, double-spaced, normal margins, with Times New Roman at size 12 and are **due March 11<sup>th</sup> on Moodle AND in-class.**

**Late papers are due on Moodle and in-class on the following week with a penalty of 15% (=3 points)**

AP/SOSC2800 6.0 - Development in Comparative and Historical Perspective

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Angola represents the paradox of plenty. Located in Central Africa, it is the largest oil exporting country in the continent, yet a large proportion of the population remains poor. With a population of 29 million, it has a severe poverty rate of 36.6%. (Tvedten et al, 2018, 4). Economic policy failure, corruption and internal conflict combine to make Angola a case study in the politics of unsustainable development. This essay will present the economic, political and social challenges that hinder development in Angola and suggest a series of policy prescriptions to help address the identified challenges.

### ***Social, Economic and Political Challenges:***

#### **Economic: The Resource Curse**

Angola is a classic example of the resource curse. This is when, “developing countries with large natural resources, are among those most prone to poor governance, armed conflict and poor performance in economic and social development” (Hammond, 2011, 353). Angola became the largest oil producer in Africa in 2008, supplanting Nigeria. Oil contributes to about 45% of the country’s GDP, 90% of exports, and 90% of government revenues. Production has risen rapidly from 701,000 barrels per day (bpd) in 2000 to 1.7 million bpd in 2007. In addition, Angola is the world’s fourth largest source of diamonds. (Hammond, 2011, 354).

Dependence on one major commodity such as oil or diamonds can bring about economic risks due to price volatility and unpredictability of the international market in terms of supply and demand. The oil boom in Angola made it vulnerable to the “Dutch Disease” where rapid exchange rate weakens domestic production in other sectors and where it becomes cheaper to import goods rather than producing them domestically, while goods produced for export become more expensive

in foreign markets. This depletion of oil and diamonds are an impediment to Angola's development (Hammond, 2011, 353).

Angola's economic growth is dependent on oil exports and this has made it China's largest African trade partner and second largest source of China's oil imports. "Trade between Angola and China has gone from US\$1.1 billion in 2002 to almost US\$25 billion in 2008," (Ovaida, 2013, 232). The relationship between China and Angola has led to a "potential re-colonisation of Africa for its mineral resources" thereby illustrating the power relations between Angola and China and depicts Angola as an extractive state which is being depleted of its natural resources.

#### Political: Lack of democracy and corruption

The political context represents an impediment to Angola's development. Power is centralized around the President, Jose dos Santos, who has held office since 1979. Dos Santos heads a patronage system which has fostered a financial system wrought with corruption and weak democratic institutions. According to Global Witness, "In 2004, nearly \$1.7 Billion disappeared from the government's budget between 1997 and 2001" (Hanson, 2008), thereby implying that high levels of corruption impedes development by taking away budgets from the economic sector. Angola continues to rank near the bottom of Transparency International's Corruption Perceptions Index, 165 out of 180. (Hanson, 2008).

Angola is currently an electoral democracy, in contrast to substantive democracy and this is evident due to civil rights violations, censored media, state brutality and military interventions. Though Angola has a multiparty political system, it has not held multiparty elections since 1992,

and the main opposition party UNITA is considered weak with only 16.8% of the votes (Hanson, 2008). This has resulted in armed conflict, weak rule of law and a lack of accountability.

According to the International Republican Institute, opposition parties do not have the same access to media as the ruling party does. Angola is ranked 42 out of 48 countries on the Ibrahim Index of the African Governance scoring low on human rights and democratic participation. It has one of the lowest newspaper circulation rates in the world: the national daily newspaper only has a sale of about 4000 copies (Munslow, 2010, 13). This has had a negative impact on the incipient of free press, encouraging self-censorship and a lack of vitality among independent media and therefore undermining Angola's political development.

#### Social: lack of Welfare and unemployment:

Socioeconomic indicators on life expectancy, child mortality, levels of education and health rank Angola among the poorest countries in the world. In terms of human development, Angola is ranked number 150 out of 188 countries (Tvedten et al, 2018, 4). This is further exacerbated when oil prices go down resulting in low funding in the social sector. The absence of welfare has led to the loss of legitimacy in the eyes of the population.

Weapons of war and maintaining armies cost vast amounts of money, diverting expenditure from health, education and welfare. The War from 1992 and 1994 had the most devastating impact on Angola's history. The Popular Movement for the Liberation of Angola (MPLA)-dominated government of President Dos Santos monopolises the oil exports and the opposition party National

Union for the Total Independence of Angola (UNITA) controls the diamond wealth. (Brautigam, 2011, 3). The opposing leaders sell the oil and diamonds in exchange for weapons to sustain their rivalries.

Secondly, Angola faces high levels of unemployment. According to the International Republic Institute, “75 percent of respondents said unemployment was the most important issue facing the country,” thus depicting the extent of unemployment present in Angola. One of the major factors contributing to unemployment is a rigid structure of education inherited from Portuguese rule, it uses a top-down approach and an inefficient system. Official Angolan data show that 30 percent of the population is illiterate and the mean years of schooling for an adult are 4.4 years (Tvedten et al, 2018, 4). Therefore, unemployment and the lack of education has radically inhibited Angola’s development.

### ***Policies Prescriptions:***

#### **Political: Transparency and Legislation**

Solving the political problems will help reap the benefits of the abundant natural resources in Angola. The nation should move from an electoral democracy to a more substantive democracy. For example, “In Mozambique, Carlos Cardoso started Media Fax and, in that country’s similar multiple transition process, it was a beacon of hope, congratulated for its contribution to the peace process by the UN.” (Munslow, 2010, 560). Mozambique and Angola were both former Portuguese colonies. Angola should allow strive for a free press and follow Mozambique’s example. This could also help promote transparency, free speech and democracy. The government

should remove the principle of confidentiality in the oil industry and promote transparency and accountability which are the most fundamental principles of democracy. Legislation can improve transparency through the following steps: promoting discussions at the state level, through media and civil society on issues related to monetary policies and the public needs to have access to information related to oil revenues so they can examine the symptoms of corruption and bribery.

To combat corruption, the state is advised to revise the Petroleum Act and legislation to ensure transparency and accountability. BP, for example, wanted to make information regarding oil revenues available to the public. However, Angola's government threatened to put limitations on BP operations. Conversely Nigeria, a nation with similar levels of corruption, has made oil companies publish all their payments to the government. While the government of Angola needs to focus on transparency at the domestic level, it is equally important to follow the international standards of transparency. Examples of these include joining the Extractive Industry Transparency Initiative (EITI) or joining the Publish What You Pay Campaign (PWYP) (Vimpi, 2006, 98).

Additionally, the international community can play a role in supporting the government of Angola. UN Resolution 1803 (XVII) states that each country has the right to administer its natural resources in a way that promotes development and the improvement of citizen's livelihoods. The international community, while respecting the sovereign rights of Angola should provide capacity building, auditing and reinforcing the principles of transparency. Through this, external actors should also ensure that the government holds free and fair elections every five years as per the constitution (Vimpi, 2006).

#### Economic: Diversification of the economy

In order to overcome the resource curse, it is pertinent to promote economic growth through diversification of the economy. Diversification can be done by broadening the country's economic base through agriculture, cultivating livestock, egg production, poultry production and the fish industry. "The Ministry of Agriculture estimates that Angola has 58 million hectares available for agricultural development, including 35 million hectares of arable land" (ITA, 2018). Currently, only 15% of the land is cultivated and it does not meet local demand. Livestock also holds potential due to a vast natural habitat and water resources. Egg production has decreased to 28 million per month since the civil war and poultry production has also decreased but can be increased through the supply of feed and chemicals. A fraction of the aid from China could be invested in empowering people with efficient fishing practices, maximizing their productivity and safeguarding their environment (ITA, 2018).

The government can also implement policies that encourage growth and the development of the export industry. The export industry will give the opportunity for the employment of local citizens, as well as value other sectors of production. The government can do this in two different forms: reduce the level of domestic expenditure and provide subsidies to other non-extractive industries, such as agriculture in which the country can have comparative advantages. (Weinthal & Luong, 2006, 37).

The Ministry of Agricultural and Rural Development should strategically use Chinese aid to effectively maximize and sustain agricultural productivity. Farmers should be empowered with new skills and technology. Chinese sponsored tools and programmes should be adapted to meet the requirements and needs of each local community taking into consideration each region's climate, soil and market demand. In terms of infrastructure development projects, it is important

to refine the terms of the project in order to reflect employment equity skills development and technology transfer.

Botswana is one of the most successful countries in Africa. It has been ranked among the fastest growing economies in the world with an average growth rate of 9% from 1967 to 2006 and is a successful resource management case in Africa (Vimpi, 2006, 22). Both Botswana and Angola have several similarities in terms of being colonized by European countries, geographically located in the same continent, Southern Africa and both have an abundance of natural resources. The government in Botswana is actively pursuing economic diversification through tourism, textile and agriculture and therefore reducing its dependence on diamonds (Lepper and Goebel, 2010, 726). This, therefore, shows that resource rich countries can also be economically sustainable, and Angola should follow Botswana's footsteps.

#### Social: Public Trust Fund and education

To address the social challenges, the government needs to create a fund as a response to the unpredictability of the oil prices. Angola can follow Norway's example. In 1990 the government of Norway created "The Oil Fund" where surplus generated from the oil sector was invested in public expenditure and pension accounts for future generations. It was created by the legislative branch of the government and managed by the Norges Bank and Central Bank of Norway, both of which are supervised by the Ministry of Finance. Since its creation till 2010 it has reached 3 million Norwegian kroner, equivalent to USD \$513 billion, meaning it can spend over USD \$103,000 on pension costs for every citizen (Vimpi, 2006,26). Although, Angola has a different context and this might be difficult given the circumstances, adapting the model will assist the government in terms of public expenditure and also act as a safety net in times of economic

recession. Additionally, fair distribution of the oil revenue will help to eradicate any grievances which can escalate into conflict.

Education is positively associated with development and therefore Angola should transform from a utilitarian approach to the transformative approach which focuses more on empowerment. For instance, the funds from the Oil Fund can be used to invest in human capital through education, training and technology. The long-term benefits of this include the creation of new jobs. An example includes the knowledge economy in Rwanda. As part of reconstruction efforts, the government of Rwanda decided to convert military barracks into a new university, the Kigali Institute of Science, Technology and Management (KIST), the first public technological institute of higher learning in Rwanda (Murenzi & Huges, 2006, 260). However, when using Rwanda as an example it is also important to consider the political context under which this has been built and this may be challenging to implement in all African countries.

Additionally, the civil society and NGOs such as Planet Aid in Angola can play an important role in bringing about reforms conducive to democracy and fairness. They can emphasize the importance of human capital investment in increasing growth. (Birdsall & Sabot, 2013,116).

In conclusion, the wealth of Angola has fuelled conflict internally and internationally. The economic challenge of the resource curse can be transformed into a blessing like Botswana through economic diversification. Political challenges of corruption and lack of democracy can be addressed through transparency and legislation, social challenges to unemployment and access to welfare can be addressed through creating a public fund, education and empowering the civil society. When considering the policies, it is important to take the history and context of the country

into consideration; what may have worked in one country may not necessarily work in another country. Ultimately, these policies are interdependent and should be adopted concurrently to promote long-run sustainable development in Angola.

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