

International Bank for Reconstruction and Development
International Development Association

09474

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SecM91-5

January 4, 1991

FROM: Vice President and Secretary

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Country Heads
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COUNTRY BRIEFS

(As of December 1990)

VOLUME 1

Africa Region

Europe, Middle East, North Africa Region

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The World Bank

Country Briefs

December 1990

Volume 1

Africa

Europe, Middle East, North Africa

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Volume 1

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Angola

Part I - The Economy

1. Angola joined the Bank in September 1989 and we are continuing to develop our knowledge on its economy. The analysis in this Country Brief is based on visits and reports prepared by the Bank as Executing Agency for UNDP (Angola: An Introductory Economic Review; Report No. 7283-ANG, June 1990), and Angola: Issues and Options in the Energy Sector; Report No. 7408-ANG, May 1989), as well as initial visits and analysis undertaken since Angola became a member. Available statistics on Angola are poor and should be treated cautiously.

Country Background

2. Angola is the third largest country south of the Sahara, with a population of about 10 million, and a low population density of 7.2 inhabitants per Km². The population is growing at an average rate of around 2.5 percent per year and the proportion of the urban population has been increasing rapidly, particularly due to the continuing civil war. The country is very rich in natural resources. The abundance of arable land and the diversified climatic conditions provide favorable conditions for extensive development of a wide variety of agricultural crops of tropical and temperate regions (cotton, coffee, sugar, tropical fruits, maize) as well as livestock. There are also abundant fishing and mineral resources (especially diamonds). Petroleum reserves are extensive and the production and export of oil is presently the mainstay of the economy. The energy and irrigation potential of the rivers is considerable. Infrastructure in the energy, transportation, urban and communication sectors was fairly well developed by African standards, but it has deteriorated substantially in recent years because of the war and deferred maintenance.

3. The development of the Angolan economy under the Portuguese colonial regime accelerated considerably in the post-World War II period. It was stimu-

lated initially by a coffee boom, which made Angola one of the world's four main coffee exporters by 1974. During the sixties and up to the end of the colonial period in 1974, GDP grew by about seven percent per year in real terms. The most spectacular development was that of oil production, which started in the late 1950s and had reached 144,000 barrels per day in 1973. The favorable economic opportunities attracted thousands of Portuguese settlers, whose number increased from 40,000 in 1940 to 340,000 in 1974. A significant proportion of the rural population was employed in the plantations, mines and factories either on a voluntary basis (at very low wages) or under a system of forced labor, which was abolished only in 1961. However, the vast majority of the Angolan population continued to live in poverty and social indicators remained extremely low.

The Economic Crisis Since Independence

4. Disruptions in the economy created by the armed struggles and the exodus of the Portuguese settlers during the transition to Independence in 1975-76 led to drastic reductions in productive activities. From 1973 to 1978, the decline in output reached 68 percent in coffee, from 80 percent to 98 percent in several other agricultural crops, 72 percent in gross manufacturing production and 85 percent in diamonds. In most sectors, output has remained far below levels reached during the colonial period. Angola, which before Independence was an important net exporter of agricultural products, has in recent years been increasingly dependent on food imports (and food aid) to supply its urban population. There are severe shortages of essential consumer goods and services both in rural areas and in the cities. The capacity utilization of manufacturing industries has been badly affected by the lack of inputs, of spare parts and of maintenance services. The oil industry, an economic enclave, has been the only important exception to the general decline of economic