Structural Adjustment Hits Luanda

Bring your own beers

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Life in Luanda is easier if you have a few dollars to spend at the foreign currency shop. A case of two dozen cans of imported beer costs US$10; but in the capital's open or "parallel" markets, such as Roque Santiero — nicknamed after a character in a popular Brazilian soap opera — it can be resold, at the official exchange rate, for nearly 80 times the price.

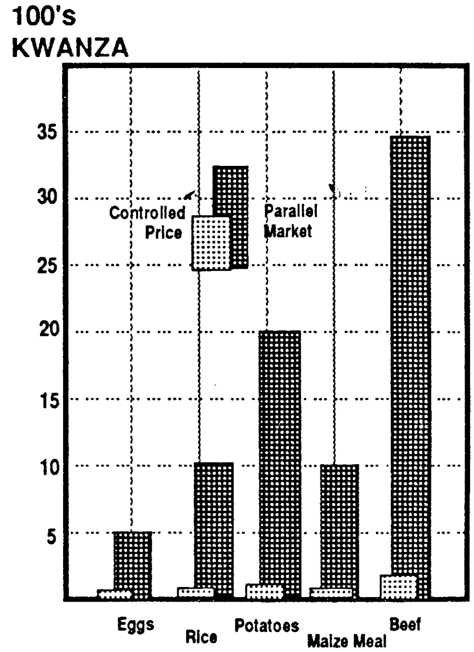
The reality of urban life in Angola is that the local currency, the kwanza, is worth almost nothing. The real value of the kwanza, pegged by the government at Kz29.92 to the dollar for an astonishing 14 years, is measured — among most Luanda residents — by the price of a can of imported beer. Although the same case of imported Heineken or Carlsberg is nominally worth Kz299.25, in practice, with the black market rate for the dollar around Kz2 500 to Kz2 800, its value is at least 25 000 kwanza (reckoned in terms of its exchange value).

If you don't have access to one of the foreign exchange shops, then perhaps you can buy some other scarce commodity which you don't need, at a controlled price in one of the shops reserved for party leaders or senior civil servants. By trading these items at their street prices you can accumulate enough kwanza to buy the things you and your family require. Luanda has several parallel markets and the government, which in the past tried to close them down, now tolerates them and recognises the important role they play. While most market traders are small scale, others run quite sophisticated operations with a large turnover in modern consumer goods. The markets provide consumers with access to goods and services which would not otherwise be available. Fruit and vegetable stands, for example, are operated by peasants from outlying suburbs, who will not market their produce if they have to sell at low official prices. Skilled repair work on cars and other vehicles is obtainable through the parallel markets; they also furnish taxi services and road freight to the provinces.

But, if the World Bank has its way, this whole style of life will soon be transformed. Angola joined the World Bank and the International Monetary Fund (IMF) at the end of September, after the annual meetings of the two organisations. However, World Bank experts were preparing a major new study of the Angolan economy for months before the country became a member. The study, issued in July last year, but stamped for "official use only," argues that the Angolan economy as a whole has been characterised, since independence from Portugal in 1975, by "enormous distortions and poor output performance." The reasons for this inadequate track record, according to the bank's experts, are threefold.

First, the war against South Africa and Unita has made agricultural production impossible in large areas of the countryside. Even when crops are harvested, they often cannot be brought to market. The war is also costly to run, using up both infrastructural and productive resources.

Second, even more than in Mozambique, the exodus of Portuguese settlers at independence left the country, in the words of the report, with unusually "severe human



Parallel vs Controlled Market Prices in Luanda - Nov 87

(Source: World Bank, 1989) ©Africa South

resource constraints" — in plain English, no skilled labour.

Third, and here the World Bank's ideological assumptions are evident, "ineffective central planning and pervasive administrative controls" have resulted in a "generally distorted incentive framework for producers and consumers." This key assumption affects all the recommendations, for it presupposes that only by allowing market forces full play can the Angolan economy recover its dynamism.

There is no doubt that Angola has enormous economic potential. It has abundant farming land spread over a variety of climatic zones, allowing for the cultivation of a wide range of different tropical and semi-tropical crops, including coffee, cotton, sugar and maize, as well as livestock. The country also has considerable mineral resources, including diamonds and oil. Earnings from petroleum products averaged 82% of total export earnings between

1980 and 1987, hitting a high of 90% in 1987.

But production levels in general have fallen dramatically in the last two decades. By 1987 coffee had fallen to six percent of its 1974 high; cotton production in 1986 was a derisory one third of a percent compared to 1971 production figures. Even diamond earnings have dropped from just over 12% of total export receipts in 1980 to 4% in 1987 (after virtually collapsing to 0.6% in 1986). The World Bank's recommendations to overcome the crisis are what African governments have learned to pect:

- A massive devaluation of the kwanza;
- the lifting of price controls (for agricultural produce as well as other goods and services);
- large hikes in the few remaining controlled prices;
- a freer system of forex allocation for spare parts and other imports;
- tariff increases and the abolition of tariff exemptions - higher indirect taxes;
- wage level "adjustments";
- closing down "unviable" public enterprises;
- the legalisation and encouragement of the parallel market;
- a "revision" of the economic planning system and a reduction of "bureaucratic interference" in production.

The Bank recognises that introducing all these measures in one step would create new problems and involves harsh decisions. They clearly doubt, on the other hand, that a gradual approach will implement the strong actions they believe are required. In a crucial section of the report, therefore, it argues for a "combination of shock treatment with a gradual approach," which they say would rapidly reduce economic distortions, but at the same time reduce the possibility of major errors.

The ordinary Angolan, particularly if he or she is an urban dweller, is therefore likely to be facing even more difficult living conditions in the near future, if the World Bank's structural adjustment policies come into play. Apart from new and higher taxes and substantial price rises, they may lose even the little security provided by the ruling MPLA's socialist policies, in favour of the rough-and-tumble of the marketplace. ■

Southern Angola's Unfolding Famine

A major famine in southern Angola can no longer be avoided. Spurred by a combination of war and drought, it is likely to hit millions of people. The situation is expected to improve by harvest time in May 1990, but only if the rains come and if new seeds are made available to replace those already eaten by desperately hungry peasants.

By the end of October 1989 the first deaths were reported in Luanda. Six people had died after trying to eat poisonous roots. Huila province in the south, a traditional food exporter, no longer had the food to support its own inhabitants. Victoria Correia, head of Social Affairs in Lubango, the capital of Huila, said that people were tracking south through Cunene towards the border with Namibia in search of water for their cattle. In Caconda and Caluquembe in the north, normally areas of surplus production, the peasants have resorted to feeding on their seed potatoes.

The Angolan government has since early 1989 made repeated appeals to the international community for help. At a special conference in September, the government asked for over US$270 million in general emergency aid, but only received offers of around US$10 million. The provincial Lubango government is now collaborating with local church organisations in organising transport and storage for a first load of 450 tonnes of cereals to the Huila province.

The port of Namibe was, for most of last year, virtually blocked by the Cuban withdrawal from Southern Angola. Vast amounts of war materials were shipped out in compliance with the agreement that no Cuban military should remain south of the 13th parallel by 1 November. Today, this obstacle is no longer there. An EEC-financed port rehabilitation is underway; badly needed as the port is estimated to handle at most 300-400 tonnes a day.

This is inadequate when compared to the current emergency needs of a vast hinterland with a population of at least 1.4 million spread over four provinces. According to the acting secretary of Social Affairs, Jose Martins in Luanda, cereal needs have now been estimated at 10 000 tonnes per month.

Among the affected are well over 100 000 internal refugees, most of them in Huila province, and vast numbers of people who have fled to the urban areas in search of security. Though still modest, the first hunger riots have occurred in Lubango.

In setting up the transport structure, Victoria Correia has to obtain the participation of private lorry owners. That requires supplying them with imported tyres and other spare parts they cannot find on the local market. Another problem is the security situation. Not long ago, Unita blew up the major bridge on the road north to Caluquembe, and ambushes are not usual.

While Victoria Correia and her colleagues are crying out for massive aid, and aid now, it is hard to see that they can handle more than a fragment of the food needs. A major disaster is unavoidable, unless the military resources of the south can be mobilised for this war against hunger. ■

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