

CHAPTER 5

LIVELIHOODS AND THE INFORMAL ECONOMY IN POST-WAR ANGOLA

Allan Cain

Introduction

Angola's last four decades of near-continuous war were years of tremendous human suffering, large-scale displacements of population, heavy damage to property and infrastructure, serious economic losses and accumulation of a massive war debt. At its peak an estimated four million or more than a quarter of the total population was internally displaced. Guerrilla warfare had created insecurity in the majority of the interior provinces, and internal transport was paralysed by ambushes and attacks.

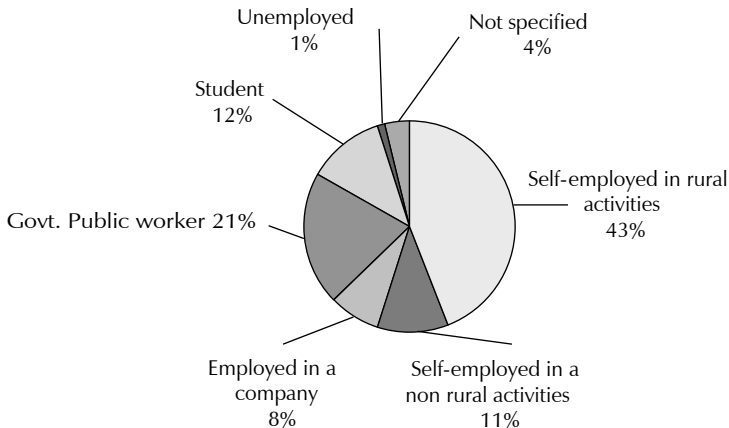
The last ten years were characterised by a series of attempted ceasefires that invariably broke down followed by a return to war. These ceasefires were lost opportunities to build peace through correcting politically divided communities and national economic actors into stakeholders in social reconstruction. The Government failed to implement the expected economic and administrative reforms that were considered as preconditions for major local and international investment. The national private sector did not engage because the Government failed to carry out the promised monetary, banking and legal restructuring which would have stimulated local small and medium scale private sector development. Potential local entrepreneurs lacked confidence because of the slow movement on the peace process and the failure to guarantee free movement of people and commodities around the country and between the cities and rural areas.

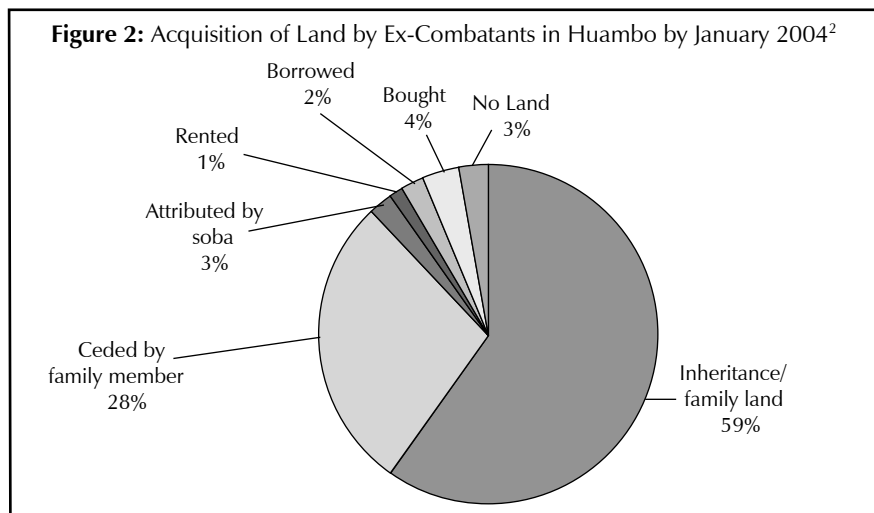
Following the death of Jonas Savimbi, the UNITA president, a ceasefire was signed between the rebel army and the Government in April 2002. Each subsequent month that passed without a return to conflict has increased confidence that peace can be sustained. The first post-war year, saw a remarkable and spontaneous return of more than half of the internally displaced to their areas of origin. Despite the demobilisation of more than 100 000 UNITA forces only some 25 000 small arms have been handed in, significantly below the real total, which means that both ex-combatants and civilian communities still have easy access to arms.

Previous experience, not only in Angola but also in other countries, shows the dangers of not adequately implementing demobilisation and reintegration programmes, and of the potential for future instability in these cases. There exist risks of banditry and crime if ex-combatants are not fully reintegrated both economically and socially, or the drift to urban areas where high unemployment could in turn increase social unrest and criminal activity. Although the Government has drawn up a number of reintegration programmes and an overall 'Angola Demobilisation and Reintegration Programme' (ADRP) is planned with assistance from the international community through the World Bank, it has not yet begun to be implemented.

A 2002 study on reintegration expectations of ex-combatants done by the International Organisation for Migration indicates that 85 per cent wish to return to their areas of origin that is, in 70 percent of cases, their village of birth and that 43 percent want to be self-employed in agriculture. It is therefore probable that a large proportion of the reintegration options chosen by ex-UNITA combatants will be in agriculture.¹ It is already known, however, that the successful implementation of this component will depend on access to adequate land, and that this was anticipated to be problematic. Ex-combatants left their areas of origin on average 14 years before the ceasefire, and generally began to return in the 18 months following its signature. Development Workshop has tracked the process of reintegration of ex-combatants into rural Huambo and followed their problems of access to land. These studies aim to evaluate the actual needs and potential problems that ex-combatants encounter.

Figure 1: Ex-Combatant prospect employment activity





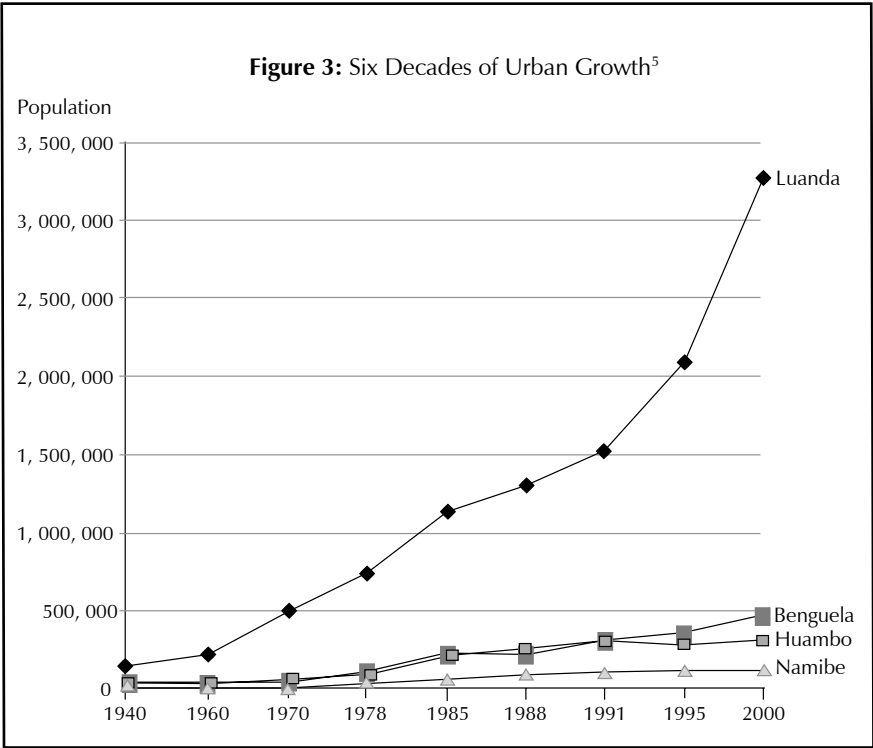
Post-war urban challenges

Forty years of war in Angola has had a significant effect in urbanising Angola's population. Forced urbanisation is a corollary of forced displacement as a weapon of war. Urban population growth has been accelerated rapidly by a combination of push and pull factors but largely because the cities of the littoral and particularly Luanda were, and continue to be, seen as relative safe havens from instability and insecurity. Urban growth continued unabated even during the periods of ceasefire and relative security, when roads opened to the besieged provincial cities, and families often used these windows of opportunity to move themselves and moveable resources to the safety of the capital or coastal towns.

In the post-war context migration patterns have become more complex. A recent study³ commissioned by the Ministry of Urbanism indicates that in the cities of some provinces such as Huambo and Benguela there has been a significant deconcentration of urban IDPs, as populations return to their areas of origin. In Luanda, however, populations are also on the move, but rarely whole families. Families appear reluctant to give up their stakes in the urban informal market economy, and school age youth their places in the educational system.⁴

Farming has resumed in the hinterland of provinces adjacent to the capital. New economic relationships through the extended family, with rural producers

linking with the urban informal markets, appear to be emerging. There is little evidence of deconcentration in Luanda, however, as migration works in both directions and there remains a limited reverse flow of people and resources towards the urban poles.



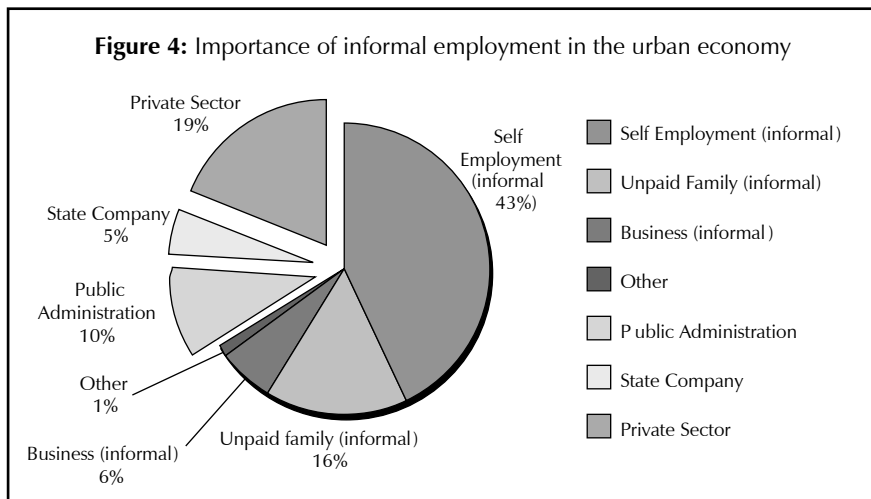
Social exclusion and the urban poor

The urban poor in Angola suffer increasing social exclusion, which inhibits their full participation in a post-war recovery. They have been denied access to the means to pull themselves out of poverty.

The poor depend on high-priced parallel market loans and have little or no access to credit as a means to improve their livelihoods. The entrepreneurial creativity of informal sector marketers has not been recognised, and the

poor have been increasingly excluded from carrying out their business in the streets and urban centre of Luanda. In the years since the 1991 liberalisation wealth of a few has been built on privileged access to bank credit and foreign exchange at concessional rates.

Retailing in the informal sector market is the principal coping mechanism for the urban poor in Luanda. The informal market is dominated by women, many of them heads of households and a large portion of them originally migrants to the city. While entry into the informal market economy is open to anyone, regardless of their level of literacy or previous experience, those who succeed need to acquire business skills and sufficient capital to build sustainable micro-enterprises.⁶ While high inflation prevents capital accumulation it ironically helps build numeracy among those who almost daily must recalculate mark-ups, profit margins and exchange rates. Only those of the elite with privileged access have been able to get bank loans for business ventures. The poor, arguably, are poor risks since they can guarantee no collateral. The poor therefore are obliged to pay extremely high interest rates to parallel market money dealers for very short term loans, often leaving them in chronic debt.



Access to credit

Investment programmes in the informal economy through micro-loans and savings mechanisms are considered one of the most affective urban poverty alleviation strategies.

Since 1992, Development Workshop has conducted research to try to understand how the informal sector has operated in the highly inflationary and unstable environment of Angola. This included a baseline survey of micro-industries in a peri-urban municipal area of Luanda. Between 1995 and 1998, Development Workshop implemented the Women's Enterprise Development (WED) project, which aimed to improve the economic situation of women in the informal sector in Luanda. A small microfinance project with 48 women in fisheries was piloted between 1996 and 1998. Following an evaluation it was decided that there was potential for a much larger project including both men and women in the informal sector as a whole but using a much more rigorous and sustainable loan methodology. This led to the development of the Sustainable Livelihoods Project. The SLP programme employs a model of micro-finance⁷ being tested for the first time in Angola using the practice of group lending, originally developed by the Grameen bank in Bangladesh. Social solidarity is not taken for granted, but is actually engendered by the project through training solidarity groups and building experience through successive cycles of small and eventually larger scale loans mutually guaranteed by the 30 to 40 group members. By the end of 2001 the project had attained a 98 percent payback rate, much better than most commercial banks. The socio-economic impact on poor households has been significant.



The informal economy is the major employer and service provider of the poor.

Sustainable Livelihoods (SLP) group lending model

Development Workshop's SLP programme targets economically active women and men in the urban informal sector. A means test is used to select eligible clients from those suggested by other members of the group following interviews in market places and *bairros*. Women are actively encouraged to participate by the field staff as both members and in leadership. A ten-week orientation is conducted to inform prospective clients of SLP loan policies and expectations, develop a group constitution and strengthen group trust, solidarity and leadership. It also serves to discourage less needy applicants for whom the initial loan size of up to US\$ 100–150 would not warrant 10 weeks waiting time before receiving their first loan.

Management structure

Groups are comprised of 20–30 members. Each group develops its own constitution and selects its members, subject to their passing the Means Test. Groups conduct weekly meetings of about two hours to discuss community, business and other issues.

Sub-groups are made up of 5–7 members. The sub-group facilitates the operational functions of the bigger group, particularly in business appraisal, loan and savings monitoring including collections, and recruitment of new members. These activities are then reported to the bigger group during the weekly meetings by a sub-group leader.

Each group has a democratically elected credit committee of 8 members comprising secretary, chair, treasurer, president and sub-group leaders. Leaders are trained to assume all management functions of the group. They receive, deposit, and monitor members' loan repayments and provide weekly reports on financial activities to field assistants, who are members of the SLP staff. Field Assistants oversee eight to ten groups each.

Credit and savings conditions

Appraisal procedure: The credit committee assesses and approves loans to the group members. Committee members get the same amount as everyone else, based on business needs. Fairness is ensured through appraisals by the field assistants.

Loan disbursement: the loan is made to the group and group members receive their loans simultaneously.

Loan size: Group members receive small initial loans of US\$50–150 based on their economic activity. Further loans are extended to groups as a continuous, gradual increase. The maximum for solidarity groups is US\$300 in the first year. Once a track record is established for a group they graduate to the next tier: the graduate group, where the maximum loan is US\$ 700.

Loan repayment: Group loan terms are four months with weekly instalments.

Loan guarantee: Groups do not require collateral but sub-group members co-guarantee all loans and weekly payments.

Interest rate: Group loans are charged at a 10 percent flat rate. Other fees amount to 2 percent of the loan amount.

Savings: Groups contribute savings of 10 percent of what they want to borrow during the orientation period. Groups collect and manage savings from their members on a weekly basis through the weekly meetings. These can be withdrawn by the client at the end of their repayment if they wish.

The pilot work undertaken by NGOs such as Development Workshop in the micro-finance sector has had an important impact on Government thinking and policy development.⁸ New legislation regulating the sector is being planned and commercial banks are beginning to set up departments that will eventually offer loans to small scale and even micro-entrepreneurs. There are increasing indications that micro-finance will be main-streamed as a strategy for urban poverty reduction. The implications of scaling up the sector, however, have not been yet thought through. Issues that will need to be addressed are:

- lack of specialisation, over-saturation in a small number of informal sector activities
- increasing competition between micro-entrepreneurs within a limited market may erode profitability
- low basic education levels, particularly of women entrepreneurs, means training and business skill development becomes expensive
- feminisation of household debt adding greater burdens on women, who already carry a large part of the household productive and reproductive loads

- exclusion from political processes of decision making about how the market will be regulated.
- the formalisation of the informal economy brings with it added burdens and costs such as fees and taxes that can reduce profitability and restrict informal strategies of shifting products, geographic location and staffing in line with market changes.

Access to water

The poor living in peri-urban *musseques* pay many times more for water and other essential services than those living in the cement city, meaning they consume less, and the resulting hygiene and health statistics are now some of the worst in the world.

Conventional wisdom among urban planners argues that investment in urban services should first be made in those parts of the city housing the well-to-do, who can afford to pay for those services and generate income that will 'trickle-down' for investment in services for those poorer parts of the city whose residents have little capacity to pay. Institutions like the World Bank have therefore developed strategies based on the 'affordability model' and promote the idea that costs of urban services need to be recoverable from consumers, and eventually to pay for themselves.

A study sponsored by the World Bank in Luanda⁹ exposed fundamental errors in these assumptions. The study involved an analysis of the existing informal water market and the communities' willingness to pay for services or participate in the programme in other ways. More than 50 percent of Luanda's population, and most who live in the *musseques*, do not have access to piped water. The peri-urban and *musseque* population is forced to pay extremely high prices for (often untreated) water pumped from the Bengo River and distributed by tanker trucks to informal sellers in the various *bairros*. The system is an example of how the private sector has stepped-in to provide an essential service that the state has failed to deliver. However, the costs are very high, because of the extreme inefficiency of delivering water to the *bairros* by tanker truck rather than by pipe. The study of the water market was even more revealing. It demonstrated that *musseque* residents were accustomed to paying up to 10 000 times more for water to the private sellers than the well-to-do in the cement city were paying for treated water piped to their household taps by the provincial water company. Ironically the poor were far more

accustomed to pay dearly for services than the rich. The study further demonstrated that \$35 000 000 per year was paid by the urban poor for purchasing water, and that much of this income could eventually be recovered in water fees if a just set of tariffs was set at equitable prices for all consumers.



Community managed standposts supply water at affordable but sustainable prices.

Standposts have been built by Development Workshop in partnership with the Luanda provincial water authority (EPAL) and a mechanism of community management has been developed based on elected water committees. User fees are paid by consumers and collected by the water committee to cover maintenance costs and to pay EPAL to supply the water. EPAL and communities both have become interested stakeholders and motivated to guarantee the water supply and maintain the network. Users have acquired for the first time, a sense of their rights as consumers and an economic model of local service supply has evolved based on financial sustainability at affordable cost levels.

Access to land

Three-quarters of the residents of the peri-urban districts of Luanda studied have no clear legal title to the land they occupy. They are at risk of expropriation by commercial developers or the state with out legal recourse or appropriate financial compensation.

Land is emerging as the most critical potential flash-point of conflict, as displaced persons seek settlement sites in rural and urban districts alike and this situation will undoubtedly become more acute in a post -conflict period. For the first time since independence, a commercial real-estate market is formalising itself (an informal market has existed for years). The Government has offered major land concessions to commercial developers, many of them international companies, to develop joint-venture residential and industrial complexes (mainly in the south of Luanda).

For the urban poor, who have no access to banking or savings institutions, the acquisition of a housing plot and subsequent construction of a residence is the only means of accumulation of any form of wealth. Thus real estate, particularly housing plots in one of the urban-centre *musseques* such as Sambizanga, Boavista or Rocha Pinto which are close to places of employment, have a high and increasing intrinsic value. Under the Angolan Constitution of 1976, land became the property of the State. Even under pre-independence Portuguese law, most land was held under concession titles from the colonial state and the form of land title was not altered significantly in subsequent laws (the most recent of which was in 1992). Unfortunately, regulatory by-laws have not been put in place since independence to manage urban land nor have the institutions of local government been reinforced to administer or allocate land to the rapidly growing urban population. The population of Luanda has grown eight-fold since independence and most of the settlement and housing plot acquisition has been through the informal land market. Only a small percentage of settlers have acquired full legal titles to the land they occupy. Most, however, consider themselves free from threat as a result of the *laissez-faire* attitude engendered by the inability of state administration to facilitate land registration. Residual occupancy rights¹⁰ may be revoked by new land legislation currently under consideration. The urban poor are therefore left in a position of extreme vulnerability, with weak tenure rights over the land they occupy, and risk being turned into illegal occupiers unless planned legislation is revised.

In the process of urban economic development, the demand for plots in the centre of the city, combined with the upgrading of services, results in increasing

land values. In the natural process of the 'gentrification' of residential districts, the poor often trade off easy access to employment against financial gains by selling their plots close to the centre and migrating to the periphery where land is cheaper. One-off profits can be substantial for poor families. Therefore land and housing (particularly well-located) represent accumulated wealth for the poor that can be converted to cover a family emergency or invested in a child's education, or a business venture. Lack of legal title guaranteeing security of tenure seriously undermines the well-being of poor families and puts at risk one of their principal crisis-coping mechanisms. Mass expropriation of land occupied by poor urban families, with inadequate financial compensation, is becoming a new feature of post-conflict urban development in Angola. Often projects involve joint venture, state-private sector partnerships, where foreign capital is invested to upgrade services and hence significantly increase the land value. Although many of the projects offer alternative settlement sites beyond the city periphery the urban-poor-displaced lose out on the premium benefits or profits that they would normally gain in the course of urban gentrification or upgrading. The alienation of the urban poor from lands that they have lived and worked on for many years is likely to produce serious civic conflict in the years to come, unless the Government develops policies that recognise customary and existing occupational rights.

Civil society, social capital and post-war reconstruction

Angolan civil society is today emerging as a national movement, from its roots in the intellectual and professional circles in the main cities, providing a space for building national consensus and inter-ethnic reconciliation in a post-war Angola. It is beginning to link with peri-urban community associations, NGOs and churches in the *musseques*. But much remains to be done to develop grassroots, peri-urban civil society, and Angola's peri-urban populations are living in overcrowded and unhealthy conditions, with little possibility of improving their situation.

There are strong reasons why development organisations in Angola should continue to follow a community-based approach, or go further and follow a 'civil-society rebuilding' approach.¹¹ Working together is a necessary step in resolving practical problems and achieving wider objectives. It is unlikely that many of the practical problems poor communities face will be resolved without residents working together on some way. Creating opportunities to work together would be an important contribution to rebuilding the social fabric of a country so strongly affected by war, and making democracy work.

Supporting collective action, however, is not going to be straightforward. The usual advice to development organisations (to build on organisations and mechanisms that already exist) is not relevant in situations where social change has been rapid and severely weakened the bases for pre-existing organisations or the spontaneous creation of new ones. New organisations will need to be created, spaces for debate defined and social activities for people to build new social networks and social capital.¹² The forms of cooperation and collective action that have been encouraged by organisations from outside the community (water committees, commissions, parents at schools and some others), if they are developed with care, may prove to be positive experiences that contribute to rebuilding social capital and encourage further collective action. Doing this may require development organisations to sharpen their skills in social mobilisation and in facilitating contacts with institutional service providers. It may also require development organisations (and their funders) to take a longer-term approach whereby resolving immediate problems is seen as part of a larger challenge of rebuilding community and institutional capacity.

Reconstruction must be the focus of development planning in the post-war phase. Reconstruction has to include peri-urban areas that are likely to remain a permanent reality, providing shelter and livelihoods for a major part of the Angolan population. 'Reconstruction' cannot imply rebuilding the cities on pre-war models. The peri-urban areas were not there on such a scale 25 years ago; so they represent a new challenge for the post-war reconstruction period.

Post-war international donor assistance programmes must include an important component of rebuilding government capacity (particularly at provincial and local levels) as well as capacity of grassroots civil society. These capacities are essential for a functioning society, and have been eroded seriously in Angola during the years of war. *Bairro* residents committees, parents and teacher associations, water management committees, micro-credit solidarity groups that ensure community participation and sustainability of programmes will also provide forums for democratic decision making and platforms for citizens or consumers to negotiate their rights of access to resources necessary for survival and development. Well-designed programmes of transition will provide opportunities for civic leadership to emerge, leaders who will inevitably play roles in local government when anticipated democratic reforms are put in place.¹³

Endnotes

- 1 International Office of Migration, UNITA EX-FMU Soldiers Demographic, Socio-Economic Profiles for Return and Reintegration Planning Activities, 2002.
- 2 Development Workshop, *Land & reintegration of ex-combatants in Huambo*, DW Luanda, 2004.
- 3 Development Workshop, *Study for a legal and institutional framework for improving land management in Angola – Land management and land tenure in peri-urban areas*, Ministry of Urbanism and Public Works & the Ad-hoc Technical Group for Habitat, 2002
- 4 Experience has shown that once rural-urban migrants have spent more than two agricultural seasons off of their lands the probability of their return falls below half. As time passes the probability decreases exponentially.
- 5 Development Workshop, *Civil society & reconstruction in post-war Angola, international donors and civil society – Implications for Angola's recovery and the displaced*, Luanda, July 2003.
- 6 INE's 1996 study found that the majority of those employed in the informal sector particularly women were engaged in petty trading, where barriers to entry, skills & capital were low. 51 percent of urban families had at least one family member engaged in informal sector trading; this accounted for 55 percent of urban households' total income (Hodges 2001, p 30)
- 7 Development Workshop in 1993 began the first intervention on micro-finance for women in the informal sector in Luanda. The DW programme had grown by 2003 to include over 5,000 micro-entrepreneurs and has made loans valued at over \$1.5 million.
- 8 RASME the Angolan Network for Micro-Enterprise Support has been constituted to influence Government policy and provide institutional capacity building by ADRA, CARE, Development Workshop, Oikos and SNV.
- 9 Development Workshop was asked by the World Bank in 1995 to carry out a study of urban communities who would eventually benefit from their planned Luanda Infrastructure Rehabilitation Project.
- 10 Civil Code forms the basis of the Portuguese legal tradition and in turn Angolan legislation. It recognizes basic rights of occupation. The link with the Código Civil is proposed to be annulled in the draft of the new Angolan land law of June 2002.
- 11 P Robson & S Roque, "Here in the city, everything has to be paid for." Locating the community in peri-urban Angola. Development Workshop Occasional Papers May 2001.

- 12 Robert Putnam concludes his book "Making democracy work" by arguing that "Building social capital will not be easy, but it is the key to making democracy work."
- 13 Development Workshop is a human settlements organisation that has worked in Angola since 1981 in partnership with civil society, local government and rural & urban communities. DW can be contacted through allan.dwang@angonet.org