

Post-Conflict Transformation in Angola's Informal Economy

A Policy Research Programme



proposed by

Development Workshop-Angola

to:

IDRC Eastern & Southern Africa Office - Nairobi

1. INTRODUCTION: The Vitality and Centrality of Angola's Informal Economy

In 2002 Angola emerged from one of Africa's longest internal wars—a conflict that spanned almost 40 years and multiple generations, only rarely and briefly punctuated (in 1992 and 1994-98) by lulls in fighting. Paradoxically, throughout this same time period, Angola emerged as a globally-significant source of petroleum. Currently Africa's second largest oil producer, Angola has become the single largest supplier to China and a source of growing importance to the US and Europe¹. Since the country achieved its independence from Portugal in 1975 these two processes—the spectacular growth of oil production and persistent civil war—transformed Angola's internal political, social, and economic landscape in profoundly consequential ways.

Petroleum (and to a lesser extent other forms of mineral extraction) have primarily benefited the relatively small and socially exclusive portion of the population who work for the state or have social links to those who do. The exclusionary effects of the 'extractive enclave economy' are strikingly evident in the dramatic social and economic disparities which in turn map onto highly visible forms of spatial segregation. The elites work and live in the country's prime urban real estate—most particularly in the center of the capital of Luanda—while the rest of the country's inhabitants eke out a marginal subsistence existence in the vast peri-urban slums or in the war-torn rural hinterland.

The concentration of economic activity in the oil and diamond sector, with a handful of beneficiaries and practically no integration with the rest of the domestic economy, has resulted in a dual economy with a small portion of the population benefiting from these riches. Although the Angolan GDP is higher than that of most African countries, the per capita income of US\$ 1 015 (2003) belies the real extent of poverty in Angola².

During the war, many people moved from rural areas and an agrarian existence to urban centres, and, with few skills and low literacy and educational levels, had to eke out an existence through some alternative income generating activity. It is estimated that out of the 7.5 million economically active population, about 5.5 million are engaged in the informal sector, while only about 2 million people are formally employed, most of those by the government.³

The rapid urbanisation also resulted in an increase in urban poverty, as the infrastructure of cities crumbled under the increase in population with little investment into improving conditions. In 2002, 35% of the population was living in urban areas around the capital. Luanda's population alone is reported to have grown eight-fold over the last 30 years and is estimated to stand at 4 to 5 million people today. It is not clear how many people have returned to rural areas since the end of the war.

However, with a population of only about 14 million people and high levels of urbanisation, rural areas are sparsely populated and traditionally underserved. The devastating affects of the war on rural areas, has worsened the situation and rural infrastructure and services are almost non-existent.

¹ Economist Intelligence Unit "Angola" 2006.

² Banco Nacional de Angola, "Angola Microfinance Sector Baseline Study" unpublished draft, Luanda 2006.

³ Kahuika, Saul et. al, "Trade Assessment: Namibia and Angola," Namibian Economic Policy Research Unit (NEPRU), May 2003, p. 33.

In 2004, Angola ranked only 166 out of a total of 177 countries on the Human Development Index. As much as 68% of the country's population live below the poverty line of US\$1.7 per day, and a further 15% of households live in extreme poverty (less than US\$ 0.75 per day).

Major social indicators, such as life expectancy, malnutrition, and access to water, sanitation and health services deteriorated sharply during the war and are still at alarming levels. Only 20% of the population have access to the erratic water and electricity supply, with a strong bias to Luanda followed by other major urban centres.

Only 30% of the population has access to basic health services within 5 km from their place of residence, with only one doctor for every 13 000 people. The maternal death rate is of the highest in the world, at 1 700 per 100 000 births. According to UNICEF, Angola has the world's third-highest infant mortality rate, 154 per 1000 births, and has an under-five mortality rate of 260 per 1000 live births. Malnutrition is common and is estimated to affect almost half of Angola's 14 million people. In addition, various illnesses such as malaria are common throughout Angola. To date, the recorded impact of HIV AIDS has small compared to other countries, but as is the problem in countries with high incidence of disease and limited health services, the exact cause of death is often not known.

Life expectancy is a mere 41 years. Almost half of the population is aged 15 years and under. Overall, there is a significant gender imbalance in Angola, with 55 men for every 100 women in the 20-24 age-group, in central highlands provinces, reflecting the impact of war and migration of men to Luanda. About a third of households are headed by women, although this may be higher in rural areas.⁴

The formal economy, to the extent that it exists at all, does so largely for those residents of the socially-exclusive urban enclaves who work for the state or in the extractive sectors—and even here the state is playing what is at best only a partially effective regulatory and fiscal role. Indeed it is widely recognized that there are strong aspects of “informality” (political and social manipulation) that characterize most transactions even in the so-called “formal economic system”, and that formal regulations tend to be applied very selectively and often only in the interests of elites. For the vast majority of Angolans it is the informal economy that is the source of their basic livelihoods—not least of all the 50% of the country's population that became urbanized during the war, the vast majority of whom have no plans for permanent rural return now that the war has ended. Largely abandoned by a receding state and enclave elite during the war, the overwhelming majority of Angolans survived—and continue to do so—by pursuing strategies and activities that are not regulated, or otherwise governed, by any formal legal framework or state institutions. Angola's vast “informal sector” developed and persists as a means for employment, livelihood, services, and local governance that the State has had neither the capacity—or frankly in many cases much interest—in providing.

The breadth of Angola's “informal sector”—and its pervasive role in the lives of most Angolans—cannot be overstated. Throughout the vast urban *musseques* (slums) of peri-urban Luanda in which approximately 1 in 3 Angolans currently reside, essential services—such as water and fuel distribution—are provided almost exclusively through private initiative in the informal sector. Moreover, as previous DW research has shown, for most Angolans land has been obtained through informal mechanisms. Notably this is not only the case in rural communities where customary legal practices prevail, but is also the case for the overwhelming majority of Angola's rapidly growing urban population. A recent assessment in which DW participated found that over 84% of Luanda households and 77% of the residents of Huambo (Angola's second largest city) were employed in small, medium or micro-enterprises (SMMEs)—the vast majority of which are

⁴ IFAD, Country Strategic Opportunity Paper. 2005

neither taxed nor regulated by the state. The informal sector in the capital city of Luanda (pop est. 4-5 million) alone has been estimated to *employ 37% of the entire country's labour force* (likely an underestimate) (de Sousa, 1998), robustly justifying the assessment in a 2002 UNDP report that “Luanda has become the largest laboratory for survival strategies in the world.” In Luanda well-known and strategically-sited urban marketplaces—such as Roque Santeiro—are linked to dozens of smaller satellite markets—and dominate the wholesale and retail trade, serving as both a distribution outlet for rural produce and the primary source of imported and national products for urban consumers and rural traders alike.

In the face of limited and highly socially exclusionary state investment and development strategies—it seems clear that for the foreseeable future most Angolans—particularly the rapidly growing ranks of the urban poor—will continue to survive through their participation in the informal economy. Over at least the next decade the informal sector is thus likely to provide the only potential source of economic opportunity and development for most Angolan households and communities.

Post-war Government policies have often excluded the poor by legislating against the informal sector. The Land Law published in 2004 weakens informal occupant's rights and provides a short three year time-frame for regularisation through titling. Colonial era city bye-laws have been resurrected to prohibit street trading and close down the large informal urban markets. Such policies run counter to the Government's own Poverty Reduction Strategies (PRSP). Policies have been enacted based on prejudice, no contextual investigation and little debate.

Knowledge about the Angolan informal economy remains fragmented and partial at best. While recent studies conducted (or collaborated in) by DW have provided some basic baseline information about the informal market's structural profile (i.e. categorization by sector of activities, relative rates of participation by sector), as well as more in-depth knowledge about specific sectors (such as the dynamics of informal peri-urban land markets), there is a vital need for a more comprehensive documentation and analysis of the Angolan informal economy as an integrated whole, of how it is being transformed by the new challenges and opportunities emerging since the war, and of how these changes are affecting the livelihoods of the millions of Angolans whose livelihoods depend upon it.

2. RESEARCH PROGRAMME OVERVIEW:

Over the next 24 months DW proposes to expand and build upon its strong record of both sector-specific and broad baseline research to begin to develop a *comprehensive* and *cross-sector integrated* study of the Angolan informal economy. At the broadest level this research program will:

assess the potential that the informal sector holds not only for sustaining basic livelihoods but also for generating new opportunities for that vast majority of poor Angolans who do not benefit substantially from the “petroleum enclave economy”;

identify how transformations in the informal economy are re-structuring economic opportunity, vulnerability, and social exclusion.

assess the impact and potential of the informal economy for reconstituting social capital and revitalizing shattered local social institutions—both essential to the reconstitution and development of local war-torn communities and national economic networks throughout Angola.

More specifically this research program will:

significantly increase quantitative and qualitative understanding of **important sectors** of the informal economy. The programme will pursue studies of two sub-sectors (water and housing) that are of vital importance to the rapidly growing, and largely unregulated peri-urban areas where over 50% of all Angolans currently live.

conduct a **literature review** of all previous research and policy documents on the informal economy in Angola and a selective review of international research relevant to the three themes developed in the current programme. The review of Angolan literature will be conducted by Development Workshop’s documentation centre CEDOC during the first quarterly phase of the programme. The background documentation on Angola is not extensive and DW has been involved with producing much of it. The international literature review, with a focus of recent informal sector research in Africa and post-conflict situations, will be conducted by an intern under the supervision of the research programme coordinator and draw largely on internet sources and the libraries of institutions of research advisors.

carry out a **cross-sector study** that will document the strategic relationships, interactions, and inter-dependencies among different sub-sectors of the informal economy. This will examine three types of enterprise. The first type of enterprise is Home-Based-Enterprises (HBEs)(estimated to comprise over 50% of all urban SMMEs in Luanda): the study will examine both the role of residential/land tenure security as a factor in the development cycle of HBEs, and the importance of HBEs in the structuring of gender-specific socio-economic opportunity structures. The second type of enterprise is those based in urban marketplaces. This part of the study will focus on the strategies that marketplace vendors and service providers are formulating in response to new post-war challenges (including government enforced marketplace closures or relocations; and growing competition from large wholesalers) and opportunities (a rapidly growing urban client base, access to new markets and producers both in rural areas and abroad). The third part of the study will examine the role of street vendors in the informal economy.

foster **knowledge-based approaches** to public policy making through data organization, analysis, and dissemination activities that enhance knowledge access and utilization capacity of a broad range of public and policy-maker stakeholders; and by generating new knowledge about the mechanisms of governance that prevail in the vast peri-urban informal sector where both formal state and customary institutions are either absent or have lost legitimacy and relevance. The programme will track the influencing and awareness of policy issues related to the informal economy by monitoring debate in the official and independent media.

3. DW'S APPROACH:

The role of research in fostering contextually competent development programming, public policy, and social advocacy

As with all of its research, DW envisions that this proposed programme will:

- a) inform the re/design of development projects to account for new post-conflict realities
- b) foster practices of good governance and civil society capacity-building in Angola
- c) empower local communities through participatory approaches and enlarging the range of stakeholders who participate in public-policy making
- d) influence policy through research dissemination.

DW seeks to foster information-based approaches to policy-making, social advocacy, and development activities that address the key challenges of post-conflict peace-building and reconstruction problems Angola. In a country where prolonged war and urbanization have wrought profound socio-economic and cultural transformations and in which systematic and reliable socio-economic data is sorely lacking, DW has been—and intends to continue to be— a leader in producing the basic data and focused analysis that can and should inform effective policy-making and development programming. A record of twenty-five years of successful development and policy advocacy activity in Angola have reinforced DW's belief that effective programs must be informed by continuous context-specific research that tracks shifting local realities and perceptions—rather than by “cookie cutter” approaches and programs

Rigorous action-focused research can play a particularly vital role at this transformative moment in Angola's history, helping to secure the country's peace by informing the course of its transitional development. The country's post-conflict trends are clearly unlikely to reflect pre-war baselines. Yet it is equally problematic to assume that the wartime population distribution patterns and forms of socio-economic activity and organization will remain unaltered in the face of new post-conflict opportunities and challenges. DW's research-informed work during the war in basic services and infrastructure, land, and micro-finance have clearly demonstrated the importance of developing procedures, precedents, roles and rules that incorporate local understandings and institutions in the development, management and maintenance of services and infrastructure for the poor. Much as DW's operational effectiveness was greatly enhanced throughout the war years by its ongoing action research, we believe it is vital to establish new informational baselines that can productively recalibrate our programmatic activities (micro-finance, basic services provision, human settlements and municipal development) to account for important emergent socio-economic, demographic, and cultural changes in this new post-conflict period. It is important to also note that the data and studies that DW produces will continue to play the same vital role they have over the last decade in informing DWs the strategic programming of the development community at large. It is important to note that DW's research has also played an important role for the international development community in Angola as a

whole. Perhaps more than any other NGO, DW studies and data have been used and integrated into baseline studies, assessments, and programming studies of numerous other development organizations including World Bank, UNDP, UNHabitat, DFID some of who's recent studies have drawn extensively on data and analysis produced by DW.

DW has information accumulated through its research programmes and projects (of which the Land Research Programme and Post-Conflict Risk Research has been the most comprehensive), but has also a wealth of knowledge embedded within its personnel and its associated networks, which is largely as yet untapped in any explicit way. It has initiated processes for knowledge management, and has integrated various forms of knowledge storage (e.g. data and GIS). It has a sound track record of knowledge dissemination, mainly through reports, but also other publications such as books, newsletters and pamphlets, and it is planned to widen this activity through the proposed research. DW also intends to further build the capacity of its national research team and researchers associated with the project through training and staff development.

DW's also uses its research to reinforce the capacity of civil society and cultivate good governance in Angola. In particular DW's CEDOC (documentation and training services) implements programs that:

- a) Systematically collect, organize, and provide non-partisan analysis of vital social and political issues and trends and on social, demographic, and economic data—particularly as these pertain to the informal economy and to the livelihoods of Angola's peri-urban and rural poor
- b) Improve knowledge of and access to this data for a full range of stakeholders affected by, and engaged in public policy dialogue (including civil society organizations, the media, national and international development practitioners, and public officials);
- c) Strengthen the knowledge-utilization capacity of these stakeholders through training;
- d) Foster knowledge-based approaches that can improve the effectiveness, transparency, and accountability of public policy making and advocacy.

There is controversy around the issue of the informal sector in Angola where it is often seen by those in Government as harboring illegal activities outside of their control. DW takes care to address the issue in an objective manner using language which is not "politically loaded". DW employs research as a tool for policy influencing but takes care not to compromise our informants. DW does not anticipate encountering any ethical issues but we take particular care to ensure that those interviewed or offering opinions through focus groups and key-informant interviews are protected and are anonymous.

Finally, in using participatory approaches to explore issues of pressing relevance to Angola's poor, DW contributes to the processes by which local communities formulate solutions to key social and economic challenges; and by exposing policy-makers to the results of this research provides channels through which the perspectives of the poor gain greater voice in public policy-making.

Policy Influencing through Research Dissemination

All research outputs will be disseminated through reports and report summaries addressed to decision-makers, and through seminars that will discuss research outputs, as has been the practice in all recent DW research work. Evaluation of the research will cover evaluation of the awareness of the research and the impact that the research had on decision-makers (as was the case with the evaluation of the DW research on urban land issues). The National Urban Forum,

a recently created institution, will be used as a venue for feeding research findings directly into policy arena and as a platform to discuss and develop the research programme.

Policy-makers will be involved at the initial stages of the research to increase awareness and commitment for policy purposes. A sociologist from the Provincial Government of Luanda will be involved in the cross-sector study of the informal sector. The existing relationship with Ministry of Urbanism and Environment (built up during previous research on land tenure) will be further developed, especially in the housing rental market study. DW's membership of the National Water Policy Working Group chaired by DNA and supported by UNICEF. DW is one of the Government's key implementing partners on their urban community based water programme. This gives DW an opportunity to introduce lessons from research into the practical implementation of water projects that will be replicated widely by Government.

Building Capacity and Knowledge Management Skills

The research will be lead by DW's research unit CEDOC which is acknowledged as being one of the few knowledge centres in Angola today. The programme will be implemented under the leadership of national researchers in each of the thematic study areas. DW will engage experienced research associates and building national research team capacity through training and supervised in-the-field practice. University students and local mid-level professionals such as local teachers are trained as field researchers. Through its practical project work, DW has developed a network of base-level community workers, members and leaders who provide an in-depth and privileged access to local level knowledge.

Capacity building through training and supervised practice, is a key aim of this project. Related objectives include the strengthening of qualitative and quantitative research techniques and analytic tools through the:

- identification and evaluation of existing gaps in knowledge and skills of research team members.
- Identification of key personnel to benefit from enhanced research skills and knowledge management training;
- strengthen institutional basis for specific focussed research and training opportunities as well as for information management and monitoring activities.

The training programme will entail:

1. Dedicated training seminars and workshops with associated guided learning on:
 - a) qualitative research techniques;
 - b) use of rapid participatory appraisal tools;
 - c) quantitative research, sampling and statistical analysis;
 - d) building data bases, cleaning data and use of SPSS;
 - e) Geographic Information Systems and linking of data with spatial information and using GIS to layer and analyse information.
2. Practical "fieldwork" within DW and with research partners and collaborating institutions;
3. Training in techniques for public presentation of findings and the linked development of DW knowledge-based information services.
4. The training programme will contribute to clearer information policies and a DW's role of benefiting the wider Angolan society through enhanced knowledge development, dissemination and the use of action research in policy advocacy.

The personnel to be involved in the research programme and identified within DW for skills upgrading, are drawn from the current CEDOC unit who have been involved in past land research, risk mapping and monitoring projects. Some members of the team have been drawn from DW's development projects and have strong practical community based experience. They can have a range of educational levels, but only a few of the team yet have above Bachelor level degrees. Most team members have a good working knowledge of English to be able to access as wide a set of external information sources both Internet and document based.