

**A Framework for Transitioning
To
Rural Economic Growth in Angola**

Final Report

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Executive Summary, Findings and Conclusions

Summary

Angola ranks 161 out of 173 countries in the UNDP Human Development Index for 2002. Over two-thirds of Angola's population lives in poverty, while almost one in three Angolans is extremely poor. Over the past 35 years, widespread insecurity, macroeconomic mismanagement, the post-independence loss of technical and managerial capacity, and deteriorating human and physical infrastructure have resulted in the collapse of economic activity in all sectors except subsistence agriculture and the enclave oil and diamond sectors.

The key question for the US government at this stage is how to help Angola transition from emergency to stability and from poverty to development. The purpose of this Framework for Rural Economic Growth in Angola is to develop a road map for long run agricultural development that proceeds in sensible and feasible steps. In laying out the steps, the report aims to:

- provide a vision, strategy, and immediate priorities for the agriculture sector to serve as a source of economic growth, poverty reduction and development for the 60 percent of Angolans living in rural areas, and
- Recommend specific programs options for USAID as it works with the Government of the Republic of Angola, donor community, private sector, non-governmental organizations and community-based organizations to transition from relief to development.

The Framework lays out a vision for agriculturally led economic growth in Angola based on improving the food security, incomes and quality of life for rural Angolans by increasing their agricultural productivity and competitiveness on domestic, regional and international markets, as well as their capacity to advocate in their own interests as mature members of civil society.

The road map is laid out in three phases and includes:

- Phase I: Short-term interventions (October 2003 – September 2005) heavily focused on addressing emergency requirements. To the extent possible, these interventions will be designed to strengthen household food security and incomes through agriculturally focused development activities (e.g. seed multiplication, distribution and banks, tools). Some activities will necessarily focus on directing bolstering individual and household nutrition.
- Phase II: Medium-term interventions: empowerment of people to be responsible for their own livelihoods while establishing appropriate safety nets. In this stage, interventions will build the human capacity and infrastructure for needed growth as well as the links between farmers associations, research institutes, the private sector, and government. Activities include: multiplying seeds, entrepreneurial skills, farm management, organizing storage and establishing mills, organizing farmers, building feeder roads and continuing food aid funded activities that support the development process while providing a safety net for

families and communities that don't progress towards sustainability or are affected by several possible 'shocks', both natural or man made that have historically been reoccurring in Angola and elsewhere in sub-Saharan Africa.

- Phase III: Long-term interventions supporting a commercially led agricultural growth strategy as laid out in the vision.

Conclusions

Angola has the agricultural potential to bring rapid growth in incomes for the bulk of the rural population, to absorb some of the excess population settled in Luanda, and to eliminate rural poverty. That potential requires a successful transition followed by rapid commercialization and intensification of the smallholder sector. Those are farms of on the order of ten hectares with animal traction and some highly intensive farms of less area. Those will be the most productive and efficient producers. However they require support from research, extension, input supply, marketing and credit systems that have major scale economies. And they also require that an adequate social safety net is in place to ward off the effects of catastrophic shocks. Without that support the small farmer sector cannot do the job. A large-scale farm sector could prosper without those supports, since it can provide them for itself. Under Angolan conditions a large scale sector will require very low wage labor and thus a situation of a few high income farmers, a large number of very low income laborers, and a small rural non-farm sector servicing the large farmers will predominate. Such a system has proven socially explosive in South Africa and Zimbabwe.

To achieve rapid growth smallholder agriculture requires: (1) initial emphasis on the areas that will respond with the highest returns to investment in agricultural growth, the Planalto and Huambo Province; (2) rehabilitating the trunk transport system; (3) institution of a complete grid of feeder roads; (4) a large, competitive private sector agricultural input supply system; (5) an agricultural research system concentrated on a very few key crops and covering research, trials, demonstrations and foundation seed production; (6) widespread small farmer associations to facilitate marketing, input supply and credit supply; (7) a banking system oriented to loans to the smallholder sector; 8) a social safety net in place to cover the most vulnerable to "shocks".

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Figure 1: Map of Angola



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Acronyms

| | |
|----------|---|
| ADRA | Adventist Development and Relief Agency International |
| Africare | US NGO |
| AFR/SD | Office of Sustainable Development, Africa Bureau (USAID) |
| AIDS | Acquired Immuno-Deficiency Syndrome |
| CARE | US NGO |
| CBO | Community Based Organization |
| CIMMYT | International Center for Improvement of Maize and Wheat |
| CRS | Catholic Relief Services – NGO |
| DA | Development Assistance |
| DAP | Development Assistance Program |
| DCHA | Democracy, Conflict, and Humanitarian Assistance |
| DG | Democracy and Governance |
| ESF | Economic Support Funds |
| FAO | Food and Agriculture Organization of the United Nations |
| FFP | Food for Peace |
| FY | Fiscal Year |
| GDP | Gross Domestic Product |
| GRA | Government of the Republic of Angola |
| IDP | Internally displaced persons |
| IDA | Instituto para Desenvolvimento Agrario (GRA agricultural extension service) |
| IEHA | Initiative to End Hunger in Africa |
| IEC | Information-Education-Communications |
| IIA | Institute for Agricultural Research |
| IMF | International Monetary Fund |
| MINADER | Ministry of Agriculture and Rural Development |
| MINPLAN | Ministry of Planning |
| NGO | Non Governmental Organization |
| OCHA | UN Office for the Coordination of Humanitarian Affairs |
| OFDA | Office of Foreign Disaster Assistance (USAID) |
| P.L. 480 | Public Law 480, of the U.S. Ag Trade Dev Act of 1954 |
| PVO | Private Voluntary Organization (same as NGO) |
| REDSO | Regional Support Office for East and Southern Africa (USAID) |
| RCSA | Regional Center for Southern Africa (USAID) |
| SADC | Southern Africa Development Community |
| SAVE/US | Save the Children Federation – United States |
| SO | Strategic Objective |
| SCF | Save the Children Fund – NGO |
| UNDP | United Nations Development Program |
| UNITA | National Union for the Full Independence of Angola |
| USAID | United States Agency for International Development |
| USDA | U.S. Department of Agriculture |
| USG | United States Government |
| WFP | World Food Program |
| WV | World Vision (Visao Mundial) NGO |

1. Introduction

Angola is at a critical juncture in its history as it begins the transition from war to peace. The August 2002 end of the country's 27-year civil war has opened new opportunities for Angolans and the international donor community to come together to affect real and lasting political, economic and social development.

The need is great. Angola ranks 161 out of 173 countries in the UNDP Human Development Index for 2002. Over two-thirds of Angola's population lives in poverty, while almost one in three Angolans is extremely poor. Over the past 35 years, widespread insecurity, macroeconomic mismanagement, the post-independence loss of technical and managerial capacity, and deteriorating human and physical infrastructure have resulted in the collapse of economic activity in all sectors except subsistence agriculture and the enclave oil and diamond sectors. The war caused massive dislocation of the population, with as much as four million, or one third of the population either internally displaced or refugees in 2001 (USAID Bureau for Democracy, Conflict, and Humanitarian Assistance, 2003).

The international community has contributed huge sums of emergency assistance to help stabilize the humanitarian emergency. USAID alone contributed \$129.4 million in FY03 (USAID Bureau For Democracy, Conflict, and Humanitarian Assistance, Nov. 2003). Yet Angola is a potentially wealthy country, with a population of only 13 million and substantial natural resources. The country has enormous reserves of oil (8 billion barrels), gas, and diamonds as well as considerable hydroelectric potential, varied agricultural land, and adequate rainfall. There are signs of economic progress as initial steps are underway to move from a command to a free market economy.

1.1 The Objective of the Mission

The key question for the US government at this stage is how to help Angola transition from emergency to stability and from poverty to development. The purpose of this Agriculture and Food Security Review is to develop a road map for a long run agricultural development that proceeds in sensible and feasible steps. In laying out the steps, the report aims to:

- provide a vision, strategy, and immediate priorities for the agriculture sector to serve as a source of economic growth, poverty reduction and development for the 60 percent of Angolans living in rural areas, and
- recommend specific programs options for USAID as it works with the Government of the Republic of Angola, donor community, the private sector, non-governmental organizations and community-based organizations to transition from relief to development.

This report thus outlines the salient features of the Angolan economy from the point of view of broad inclusion of the population in rising incomes and reduction in

poverty (Section 1.2). It then offers a vision and a development strategy for the type of agriculturally-led economic growth that that would be broadly inclusive and reduce poverty (Section 2). Within the context of that vision and strategy, Section 3 describes how USAID might adapt its current strategy and program activities to assist Angola in reaching those goals. Resource and timing implications are included in Sections 3.2 and Annex 6.

1.2 Review

The review was conducted in June 2003 by a team of USAID staff from the Angola Mission, the Africa Bureau AFR/SD), the Regional Center for Southern Africa (RCSA) and Food for Peace Office of USAID/REDSO. Three consultants from Abt Associates Inc. assisted this team. The team met with representatives from the Government of the Republic of Angola (GRA) including officials from the Ministry of Agriculture, Ministry of Finance, and provincial governments. It also met with numerous farmers, farmer associations, donors, multilateral finance institutions, USAID staff, and implementing partners. Accompanied by USAID hosts, members of the team journeyed to Huila, Huambo, and Kwanza-Sul Provinces to visit activities run by non-governmental organizations (NGOs) working with USAID. (For additional details on the Persons Contacted, see Annex 2.

1.3 Key Findings

Angola's macro-economic situation is not currently conducive to agricultural growth. To begin with, the data is so sketchy and unreliable that the International Monetary Foundation (IMF) was unable to conclude its 2002 review of the country's current situation. (Available data are presented in Annex 4). Inflation remains very high (over 100 percent per year), due primarily to persistent, uncontrolled and unmonitored public sector spending. As much as 50 to 75 percent of government expenditures are above and beyond the budget put together by the Treasury. The Angolan economy is extremely dependent on and distorted by oil, and to a lesser extent diamond revenues (Figure 2 and Figure 3). This has lead to a severe case of "Dutch disease" or the "resource curse", a syndrome common to countries that receive large inflows of foreign exchange relative to their economies. The resulting appreciation in the real exchange rate biases the terms of trade against domestic industries, including agriculture. "Dutch disease" has also caused a strong urban bias, further exacerbated by insecurity in rural areas during civil war and a heavily centralized government.

Figure 2: Composition of Angolan Exports (Average 2000 & 2001)

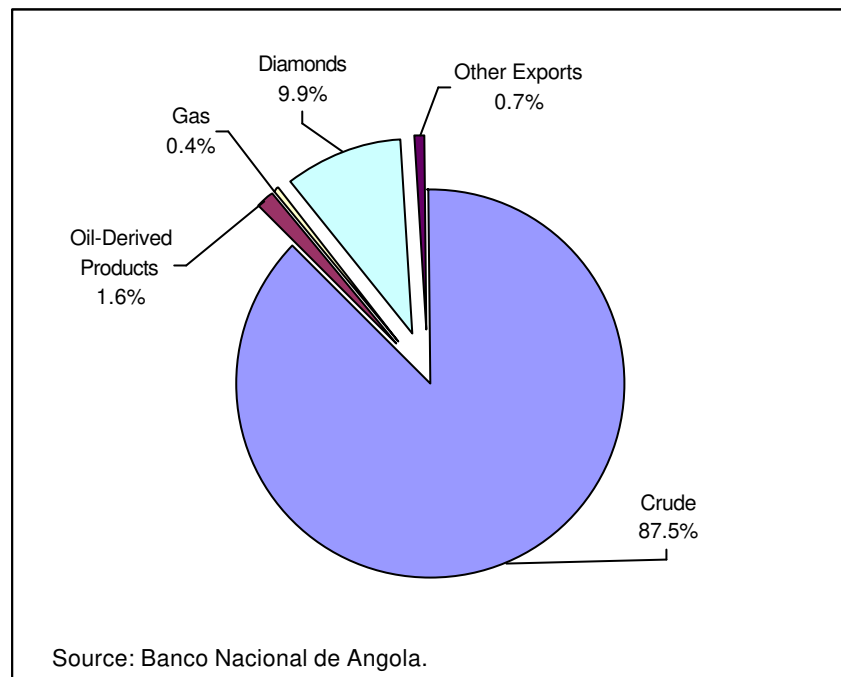
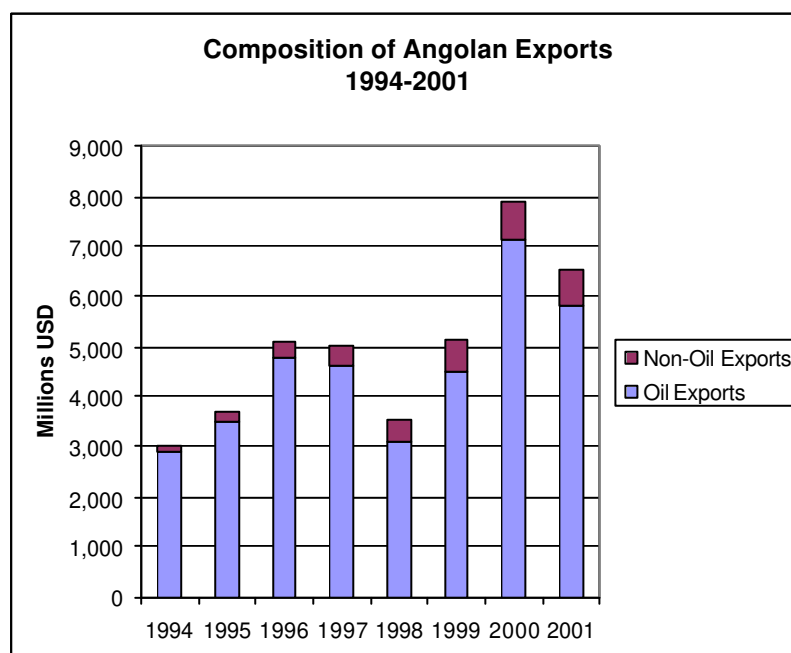


Figure 3: Oil and NonOil Export Revenues in Angola



Source: Banco Nacional de Angola

Although Angola is potentially wealthy from huge oil revenues, rampant corruption and heavy involvement of government in the economy also serve as a disincentive to the private sector investment needed for economic growth. Angola has the dubious distinction of being one of the most corrupt countries in the world.¹ Since independence, the availability of oil and diamond revenues in a conflict environment has created tremendous opportunities for corruption. Privileged access to state contracts, regulatory agencies, foreign partnerships, elite health and education facilities, privatized state assets, and subsidized credit and foreign currency enriched a few at the expense of the many. It also resulted in a hugely inefficient allocation of resources; high levels of consumption; and a business climate characterized by favoritism, kickbacks, connected transactions, and other distorting and non-transparent practices. Severe weaknesses in Angola's fiduciary framework have led to the occurrence of very large unexplained discrepancies in the country's fiscal accounts, varying from 2 to 23 percent of GDP between 1997 and 2002. It has been estimated that total unexplained discrepancies in 2001 amounted to 10 percent of GDP, or more than \$900 million.

Powerful vested interests are also part of the explanation; a political and economic elite has obtained large rents from Angola's social structures and has also been loath to lose them. (World Bank 2003)

The prospect of real policy and economic reform is unclear. Words of reform have yet to be backed up by substantial progress. Some donors, such as the IMF and World Bank, have taken the position that if the Angolan government fails to make significant progress in terms of issues such as transparency, macro management, and governance, they cannot offer any major assistance.

Nevertheless, it is the view of this assessment team that even without major political and economic reform, there is still need and scope for USAID to work towards a development-focused agenda. The command nature of the economy is being loosened as prices are liberalized and exchange rates allowed to float. There has been widespread private sector activity and improved economic growth in the last four years. Although a market-oriented growth strategy cannot deliver sustained economic growth without major government investments in infrastructure and a considerable decrease in corruption and government control, the establishment of peace and security provides scope for USAID development investments to improve people's lives in Angola.

The analysis indicates that revenues from oil and diamonds provide a poor foundation for broad based economic growth and poverty reduction in Angola. Oil reserves, though huge, are not infinite. World oil prices fluctuate considerably, subjecting this highly oil dependent economy to enormous shocks. The economic distortions that are occurring due to Angola's heavy reliance on oil punish the largest and poorest segments of society, including the vast majority of rural smallholders. Gross domestic product (GDP) per capita in Angola is relative high for Sub-Saharan Africa, somewhere the range of \$500-600 per year, though there is substantial uncertainty

¹ Transparency International in 2002 ranked Angola among the five most corrupt countries in the world (in a list of 102 countries).

about this figure due the lack of an accurate recent census. The benefits from the oil economy are not trickling down fast enough to improve livelihoods and welfare.

Food security in Angola, while rapidly improving, remains precarious. According to the Angola Transition and Development Assessment (USAID 2002, page 35):

Angola – once a net food exporter – currently produces only 50% of its food needs, and relies on food imports to meet its requirements. Subsistence agriculture had been the primary livelihood activity for nearly 85 percent of Angolans. However, constant population movements, insecurity, and the threat of landmines have prevented many farmers from cultivating their land. Moreover, insecurity and poor infrastructure have hampered trade between regions. Consequently, in addition to commercial imports, the country will require at least 220,000 metric tons (MT) of food aid per year in 2003/2004.

According to staff at the Early Warning Unit of the Ministry of Agriculture, preliminary results from the just-released WFP/FAO 2003 food and crop assessment indicate a substantial increase in production over last year's levels (exact figure unavailable), and a decrease in the gap between food consumption requirements and domestic production. The food balance sheet shown in Table 1 indicates that there are still major deficits in both cereals and other products. Large deficits are evident in the principle staple foods, including maize, cassava, millet and sorghum. With production reaching only 47 percent of consumption needs, that gap, however, remains quite large, with the need to import over 650,000 MT of cereals. In the past, about a third of this deficit was met with food aid (Figure 4).

Hunger thus persists, as does the need for an ongoing relief and resettlement. As of June 2003, a total of 2.2 million people have resettled and another 1.4 million IDPs remain to be settled. Of the 2.2 million that have already resettled, 70 percent went back with little or no assistance to areas where no preconditions for adequate livelihoods were met. Almost all have found minimal functioning infrastructure, social or otherwise, and there are some reports of people returning to relief distribution points, usually in the municipalities, from their communes in the rural areas because of the lack of support services there. Regarding the former UNITA combatants, 31 of 35 of their quartering areas have been closed and approximately 295 000 have returned home but at least 31 000 are reported among those still in the 45 transit areas that have been established by the government in or near municipalities. Nearly 130 000 refugees have already returned spontaneously as UNHCR-assisted repatriation is just getting underway with the first 1,000 of the 170,000 caseload returning in June 2003.

Although the overall situation in Angola is much improved over the past year, a June assessment of food insecurity in Angola which involved participation from more than 40 different agencies and government bureaus suggests as many as 2.7 million Angolans are vulnerable to food insecurity, or 21% of the population (Vulnerability Analysis and Working Group, 2003). Most affected is the central part of the country. Of the total 2.7 million, 1.0 million are in need of immediate assistance while another 885,000 will need assistance during the upcoming lean season. The rest face a risk of food insecurity, depending on conditions in upcoming months. Of the 2.7 million total, 52 percent are returnees, 29 percent are residents, 10 percent are IDPs, 5 percent are resettled and 4 percent are socially vulnerable groups. Geographically, the

number of food insecure and highly vulnerable people is highest in the Provinces of Huambo, Bie, Kwanza Sul, Kuando Kubango and Benguela (see Figure 5). Such food shortages, coupled with the end of civil conflict, will provide market opportunities for domestic agriculture producers. Angolan small-scale producers, gifted with vibrant entrepreneurial spirit, are not shy to identify and supply several food and agricultural markets. International and local NGOs already assist small scale producers to market produce to city markets, however estimates suggest over 75 percent of Angola's food market is supplied by imports. Table 2 provides a cursory overview of the domestic market for agricultural products in Angola.² In the immediate future, there is substantial demand for staple and convenience foods in urban areas (e.g., Luanda, Benguela, Huambo and Melange). Additional long-term market opportunities emerge from the energy and mineral sectors (Cabinda, for example), as well as food aid providers, or national strategic food reserves.

² Some donor funded programs have begun to fund studies to identify food and agriculture market sectors: (1) French NGO: Demand of horticulture products in Luanda urban market; (2) ACDI/VOCA fruit and vegetable assessment of Cabinda market including some petroleum companies; (3) July 2002 Assessment Team report on the demand for staple products by food aid agencies; (4) CLUSA market assessment done prior to their current agribusiness projects.

Table 1: Angola Food Balance Sheet

| Crop Year 2002-2003, Marketing Year 2003-2004 | Cereals (tons) | | | | | Other products (tons) | | | |
|--|----------------|--------------------|----------------|----------------|------------------|-----------------------|---------------|--|--------------------------------|
| | Maize | Millet/ Sorghum | Rice | Wheat | Total cereals | Beans | Goundnuts | Cassava (fresh prod.) ^a | Potatoes/ Sweet potatoes |
| A. Total availability | 628,684 | 88,090 | 14,831 | 5,000 | 736,605 | 234,408 | 60,849 | 6,647,758 | 817,524 |
| A.1. Initial stocks | 10,000 | 5,000 | 4,000 | 5,000 | 24,000 | 2,000 | 2,000 | 20,000 | 5,000 |
| Commercial sector | 4,000 | 0 | 4,000 | 5,000 | 13,000 | 1,000 | 1,000 | 0 | 0 |
| Producer stocks | 6,000 | 5,000 | 0 | 0 | 11,000 | 1,000 | 1,000 | 20,000 | 5,000 |
| A.2. Total production (2002-2003) | 618,684 | 83,090 | 10,831 | 0 | 712,605 | 232,408 | 58,849 | 6,627,758 | 812,524 |
| B. Utilization | 717,360 | 200,419 | 243,827 | 225,225 | 1,386,830 | 320,792 | 67,567 | 3,082,992 | 830,156 |
| B.1. Human consumption | 641,496 | 186,343 | 239,059 | 213,225 | 1,280,123 | 302,922 | 61,059 | 1,339,952 | 703,228 |
| B.2. Other uses | 65,864 | 9,076 | 768 | 0 | 75,707 | 15,870 | 4,508 | 1,723,040 | 121,928 |
| Seed | 16,369 | 2,429 | 551 | 0 | 19,349 | 10,263 | 4,508 | 0 | 29,760 |
| Feed | 6,187 | 2,493 | | 0 | 8,680 | 0 | 0 | 689,216 | 27,166 |
| Losses | 43,308 | 4,155 | 217 | 0 | 47,679 | 5,607 | 2,354 | 1,033,824 | 65,002 |
| B.3. Final stocks | 10,000 | 5,000 | 4,000 | 12,000 | 31,000 | 2,000 | 2,000 | 20,000 | 5,000 |
| C. Imports | 88,676 | 112,328 | 228,996 | 220,225 | 650,225 | 86,384 | 6,718 | | 12,633 |
| Surplus | | | | | | | | 3,564,776 | |
| D. Exports | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Deficit | 88 | 44 | 6.1 | 2.2 | 53 | 73 | 90 | 216 | 98 |

Source: MINADER.

Figure 4: Food Aid and Commercial Imports in 1987-1998

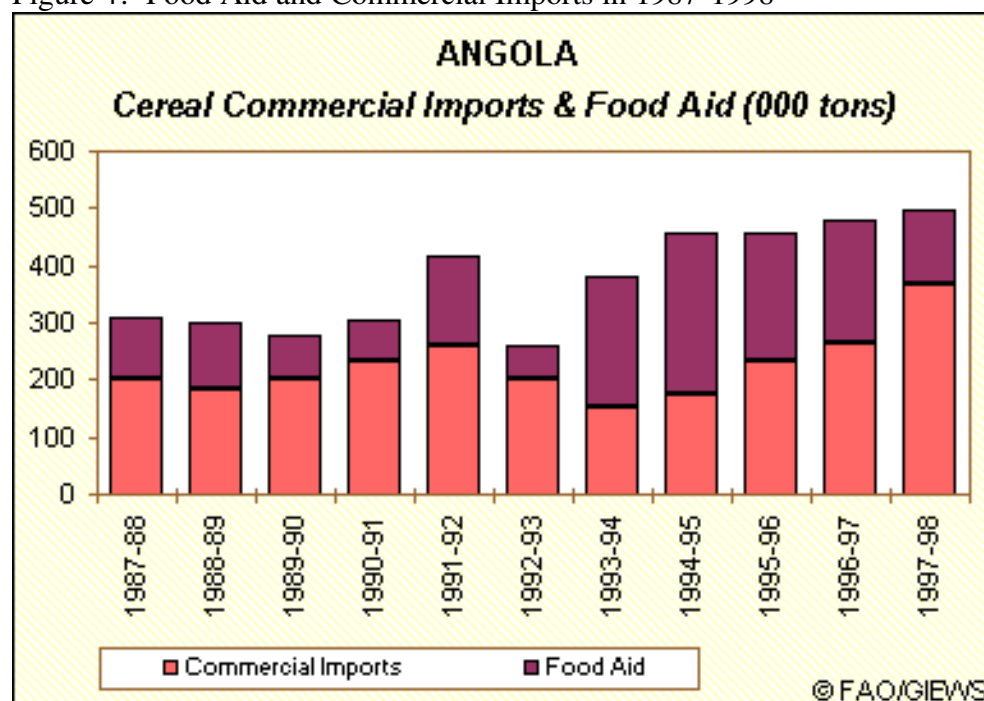
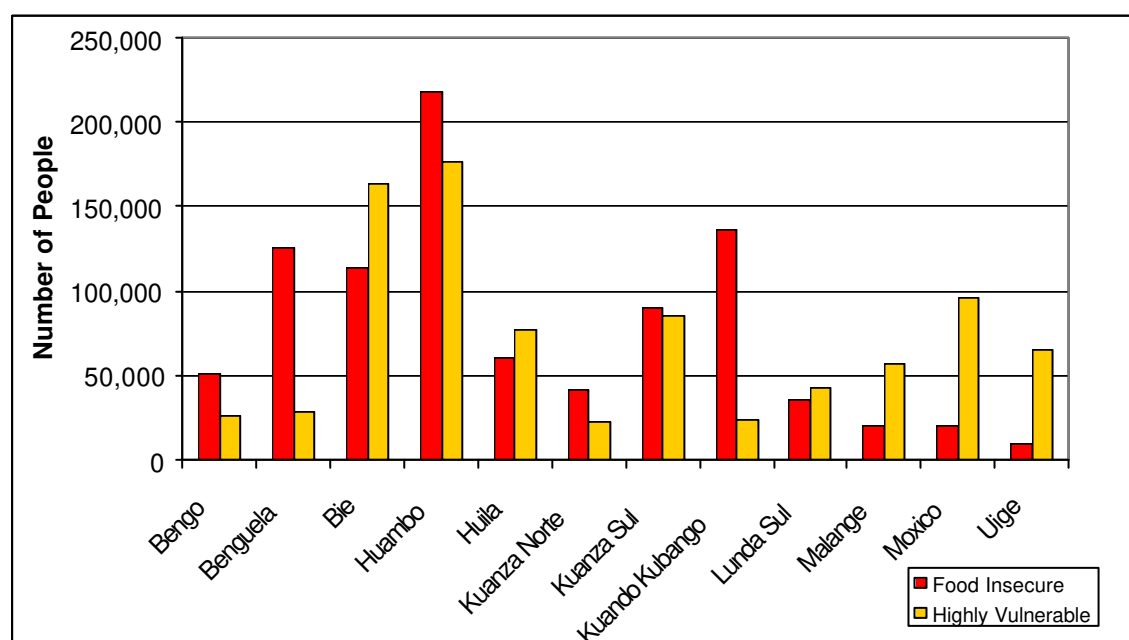


Figure 5: Food Insecure and Highly Vulnerable Populations by Province



Source: Vulnerability Analysis and Food Aid Working Group 2003.

Table 2: Overview of Domestic Market for Agricultural Products

| Market Segment | Size of Market | Market window | Products |
|---|--|------------------------------|--|
| Food aid programs to vulnerable pop. | Over 1 million | 6-12 months for next 2 years | Maize, maize seeds cassava, cassava plants Bean, green manure |
| Urban: City markets (Luanda, Lobito, Huambo, Benguela, Lubango) | Approx. 500,000 no good data available | 12 months | Horticulture, seafood, meat and poultry, some grains, legumes |
| Supermarkets: all major cities | Approximately 5 million no good data available | 12 months | Horticulture, seafood and meats, poultry, processed foods and legumes |
| Informal Markets: Urban and Rural | Approximately 10 million, no good data available | 12 months | Maize, maize seeds, legumes and legume seeds, livestock, meat and poultry, processed foods, horticulture |
| Petroleum and mineral companies | Approx. 10,000 no good data available | 12 months | Horticulture, seafood, meat and poultry, processed foods |
| Hotel, restaurants, tourist sectors | Approx. 300,000 no good data available | 12 months | Horticulture, seafood, meat and poultry, processed foods |

Overtime, Angolan producers should also be able to penetrate regional and international markets, should other prerequisites (infrastructure, policies, technologies, and people) evolve. Traditional crops like coffee, cotton and sisal remained linked to world markets when Angola was a major exporter of high quality commodities. The World Coffee Foundation and the International Coffee Organization in collaboration with the GRA held its annual meeting in Angola in 1999. The meeting sparked a resurgence of interest and investment in Angola's superior quality *robustas* and its emerging quality *arabicas*. Angola's National Coffee Association is gradually reentering the global coffee market. Little is publicly known about this resurgence.

However, commercial farmers, small and large, need not limit themselves to traditional crops. Industrial crops, especially for the pharmaceutical, organic and health food industries bask in vibrant European, Asian and U.S. markets. Valued at \$40 billion in the U.S. in 2002, these crops lend themselves to the traditional agriculture knowledge base of small-scale collectors/producers of local teas, culinary herbs and indigenous plants. For example, lemon grass, important to the beverage and non-toxic cleaning industries, is a staple in Angolan households as a hot beverage. With a \$20 million annual market in the U.S., it is in high demand due to leaf rust in Guatemala, its principal producer.

But Angolan farmers need not look so far. Regional markets for seafood, grains and livestock are significant. The Namibia/Angola seafood shelf is the third largest in the world. The EU sent a delegation in 2001 to investigate a strategy to begin to industrialize this sub sector. South Africa, Namibia and Angola have established a commission to operationalize a production and marketing strategy for the region. While significant investments are needed, the GRA has already begun implementing monitoring of fishing off its coast of shellfish out of season. The seafood sub-sector

alone could ignite the southern African regional market access for other Angolan food and agriculture products.

However, the challenge for domestic producers to get agriculture products to the domestic, regional and international markets is daunting. Devastated by war and neglect, Angola's infrastructure, roads and transport preclude success in both input and output markets. Insecurity prior to the April 2002 UNITA ceasefire was another obstacle, but has been replaced by centrally planned economy policies. In May 2003, the government of Angola passed a law creating a central purchasing authority for all essential imported commodities. While this appeared to protect domestic embryonic producers and markets, in retrospect, it does not. The government, since May, employs commercial police to crush informal vendors of most products, including food and agriculture products. This latter action is annihilating informal entrepreneurship and informal market development, thus strangling the rural economy.

In sum, the team finds a mix of negative and positive economic and political conditions. Some, such as Dutch Disease, corruption, government control of markets and a lack of infrastructure discourage economic growth. Others, such as peace, a rapidly improving humanitarian situation, a rich agricultural base and tremendous petroleum and mineral wealth offer great opportunities. The strategy laid out below attempts to navigate the narrows presented by this situation.

2. A Vision, and Strategy for Agriculturally-led Economic Growth

In the broadest of terms, the team offers the following long-term vision for agriculturally led growth in Angola:

To improve the food security, incomes and quality of life for rural Angolans by increasing their agricultural productivity and competitiveness on domestic, regional and international markets, as well as their capacity to advocate in their own interests as mature members of civil society and protect themselves against future shocks.

Creating the dynamic for sustained agricultural growth on the level needed to eradicate poverty in Angola involves several different groups of people. The strategy is targeted at commercially viable smallholder farmers as this group can produce much needed food, offers the economic potential for jumpstarting the rural economy, and can serve as a key constituency to advocate for the reforms needed to unleash the private sector. At the same time, the strategy requires the involvement of senior level decision makers, such as high level government officials and the groups that support them, as well as the local authorities and local organizations (NGOs, CBOs) that serve as "connectors" to rural populations.

The vision involves a progression from low income, subsistence farming on small farms of one to two hectares to high income market-oriented farming on larger farms of up to ten hectares. Marshalling the combined forces of the government, private sector investors, donors and NGOs, as well as farmers and their associations, the

strategy focuses on increasing smallholder labor productivity by increasing crop yields through investments in improved seed, widespread distribution of affordable appropriate technologies, animal traction and irrigation. Priorities and sequencing are critical. The focus should be on areas with highest potential for high-yielding small-holder agriculture that also happen to be the most food insecure and contain a high number of vulnerable populations (namely, the Planalto, or central highlands), and within those areas, focus on a few major field crops and other livelihood enhancing interventions.

Key to both investments in both people and products is good physical and human infrastructure. Essential to this market oriented smallholder strategy is the building and maintenance of all weather roads and rail to greatly decrease transportation costs and attract services to rural areas. At a minimum, the transportation network must link coastal cities and central marketing hubs in agricultural districts (a central grid of trunk highways) as well as provide a full grid of feeder roads or farm to market roads in selected rural areas.

In a parallel fashion, a network of farmers organizations is needed to provide markets for agricultural inputs, ensure the quantity and quality for marketing agricultural outputs, offer guarantees for loans and serve as an avenue for other programs like literacy, health service delivery and HIV/AIDS.

Given the current state of the macro-economy, it will be imperative to accompany these sector interventions with a dynamic dialogue between various groups in government (both high level and provincial), donors, the private sector, NGOs, community based organizations (CBOs) and farmer associations. As part of laying out a plan for pursuing the strategy outline above, the dialogue must address ways promote to private sector involvement in agricultural markets for inputs, finance and outputs.

The justification and sequencing of the key strategic elements of this vision are elaborated below.

2.1 *Focus on commercially viable small farmers*

As described in Section 1.2, the Angolan agricultural sector is endowed with the human and natural resources to respond to demand on domestic, regional and international markets for agricultural products. The strategy here is to provide small-scale farmers with the inputs, infrastructure and policy environment they need to respond to that demand.

Small farmers are taken as those with one to two hectares, who can be lifted from subsistence production by massive intensification of agriculture, those with two to fifteen hectares who can farm intensively with the aid of animal traction and some hired labor, and to some extent those with 15 to 50 hectares who will farm with substantial mechanization and hired labor. These are the farmers who can earn incomes sufficient to allow substantial spending on the rural non-farm sector and bring general prosperity to the rural regions and their associated towns and cities.

Raising incomes of commercial, smallholder farmers trigger powerful economic multipliers that drive the expansion of the rural non-farm sector (Mellor 1995, Mellor and Desai 1985, Mellor 2001, Delgado et. al. 1998, Hazell and Roell 1983, Liedholm and Meade 1987). (See Annex 5 for more details on how these multipliers contribute to growth). The rural non-farm sector is highly employment intensive and produces largely non-tradable goods and services such as housing construction and expansion, local furniture, local garments, and a wide range of services. Demand for these goods and services must come locally since such products are in general not salable on international markets because of low quality and high transport costs (Liedholm and Meade 1987, Meade and Liedholm 1988). Without rising farm incomes, the rural nonfarm sector stagnates. The strength of those income and poverty reduction multipliers depends on how rapidly incomes in smallholder agriculture can grow which in turn is a function of the productivity of the underlying agricultural resources, the pace of technological change, and rural population density.

In Angola, employment in the rural non-farm sector can be expected to quickly expand to on the order of half of all rural and market town employment. The very poorest may initially be in the least productive parts of subsistence agriculture. Their rise from poverty will depend on expansion of the rural non-farm sector; driven by demand from prospering farmers.

For farm incomes to rise rapidly enough to eliminate poverty, agricultural production must rise faster than the domestic demand for agricultural products. That is possible for at least several years by displacing imports that can be produced more cheaply in Angola than imported, but eventually attention will have to be given to commodities that can be exported. Maize for example can be produced, with high yielding varieties and ample fertilizer, at low cost and compete, as it once did, on international markets. Potato and vegetables also have potential on regional markets. Coffee could return as an important export – but the comparative advantage for Angola is now with high quality coffee grown at higher elevations.

Rapidly raising labor productivity is particularly essential in a country like Angola where there is an abundance of productive land. However, in the Planalto the most cost effective way to immediately raise labor productivity is by increasing crop yields – the large cost of preparing the fields is rewarded with a far larger output. But, soon animal traction must be reintroduced to allow farming larger areas. Along the way many farmers will add high value crops to their output mix while others will add livestock production.

For the rural economy to take off as described here the near to medium term priority needs to be on re-establishing farmers on their farms as the first step to achieving basic food subsistence after the war. The resettlement process, begun in mid-2002, is not projected to be fully completed until the end of 2005. Planning numbers for assistance programs underway, always difficult to conjure in the Angolan context, seem to have underestimated the number of returning families, nevertheless a minimum of 900,000 returnees will need to be accommodated in 2004. These resettling families are extremely poor, remain vulnerable to shocks and are in need of ‘recapitalization’ assistance. This assistance as planned entails a ‘two harvests of support’ concept and ensures that the majority of returning families receive minimal inputs.

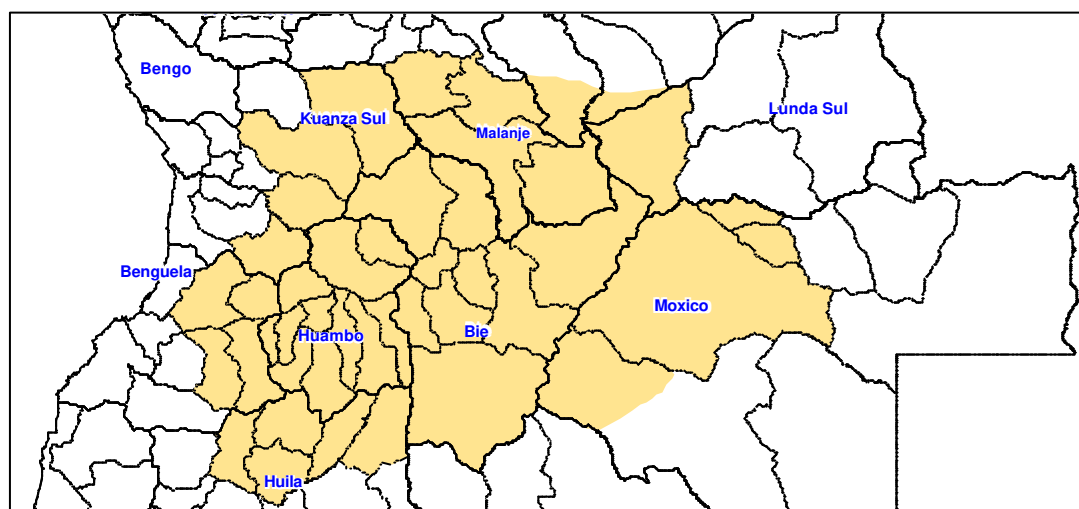
After the resettlement phase a ‘safety net’ may also need to be supported to ensure that any shocks endured during the recovery period will not reverse previous gains. Such a program would run concurrently with longer term agricultural development programs for a 2-3 year period and would allow farmer organizations and community groups to strengthen and eventually assume social safety net responsibilities towards vulnerable groups. The role of the government in social support is expected to improve as well. The safety net program could be seen as stabilizing factor, “topping off” the local food basket and a guarantee of household food security via community development activities.

2.2 The Central Highlands (Planalto)

Strategic focus is placed on areas with highest potential for high-yielding small-holder agriculture. That area is the Central Highlands, or Planalto, where high population densities attest to its innately productive agricultural conditions. In general, areas with favorable agricultural conditions respond best to modern agricultural science. They typically offer the lowest cost infrastructure per capita. Most important these are the areas that can demonstrate success thereby reinforcing the case for an agriculture-led strategy. All the breakthroughs of the green revolution in Asia started in the already most productive areas and then gradually spread to profitable but less dramatic areas (Mellor et al 1973). The same could be repeated in the Planalto. Within the Planalto, Huambo has the highest rural population densities allowing greater efficiency in operation of extension activities and other interventions, a major city with the second largest urban market in Angola, availability of basic grain storage facilities, a major agricultural research station and high potential for agricultural production and rural economic development.

For the current purposes, the Planalto is defined as the northern part of Bei, Benguela, Huambo, Northern Huila, the southern part of Kuanza Sul, and southern part of Malanje. This is essentially consistent with the recommendation of the Oct 2002 USAID Angola Transition and Development Assessment which recommended a shift in USAID’s focus to the six provinces with the most IDPs and demobilized UNITA Military Forces plus Luanda, the largest population center: Bie, Benguela, Huambo, Huila, Kuwanza Sul, and Malanje (thus dropping Kuanza Norte from the original focus for the FY 2001-2005 strategy).

Figure 6: Map of Planalto



Source: FEWNET/Angola

2.3 Commodity Priorities

Commodity priorities are important because of the commodity specificity of complementarities of various growth requirements. Demonstration programs, policy, research and many other aspects of growth are commodity specific. Priority must be given to commodities that are widely grown in the target region and have the greatest potential increased productivity and marketing.

In terms of cropped area, maize is the single most important crop in the Planalto, followed by beans and cassava (Figure 7, data in Annex 4). The picture is reversed in terms of tonnage; cassava moves into first place, followed by maize, Irish potato and sweet potato (Figure 8). This contrast points up the extremely low yields obtained for the most important food crops (see also yields data in Annex 4). Maize, for example, shows yields less than one ton per hectare in every province except Huila. These are extremely low yields by any standards, but the situation for many smallholders is even worse given that the reported figures are provincial averages, implying that many get yields even lower than the figures reported.

The low yields mean that there is substantial potential for quick increases in production based on yield improvements. A doubling of yields would still leave them below the averages in many other Sub-Saharan African countries, many of which have less favorable conditions for agriculture than does Angola. These crops are highly responsive to varietal improvement and fertilizer, and easily traded over long distances. The focus should be on 3-4 crops that are more nutritious than crops like cassava, and can also play a major role in the transition from a subsistence to a market-oriented strategy.

Figure 7: Area Planted by Commodity and Province, 2002-2003

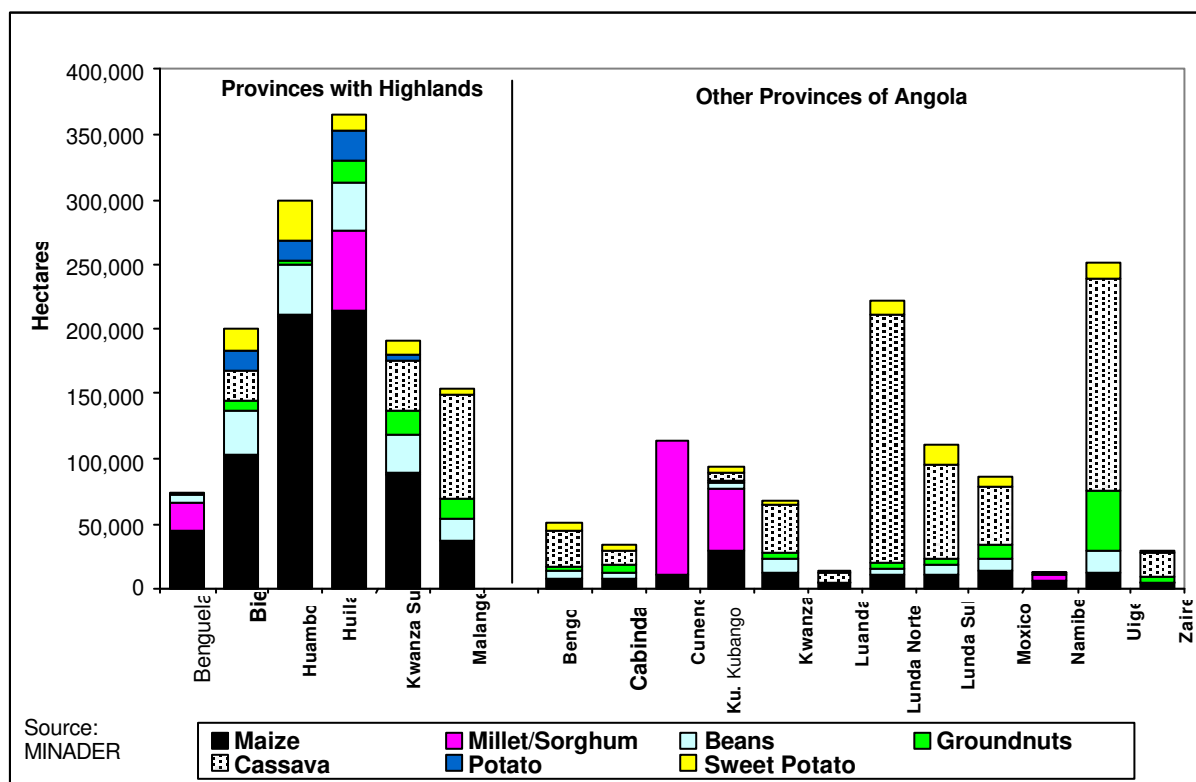
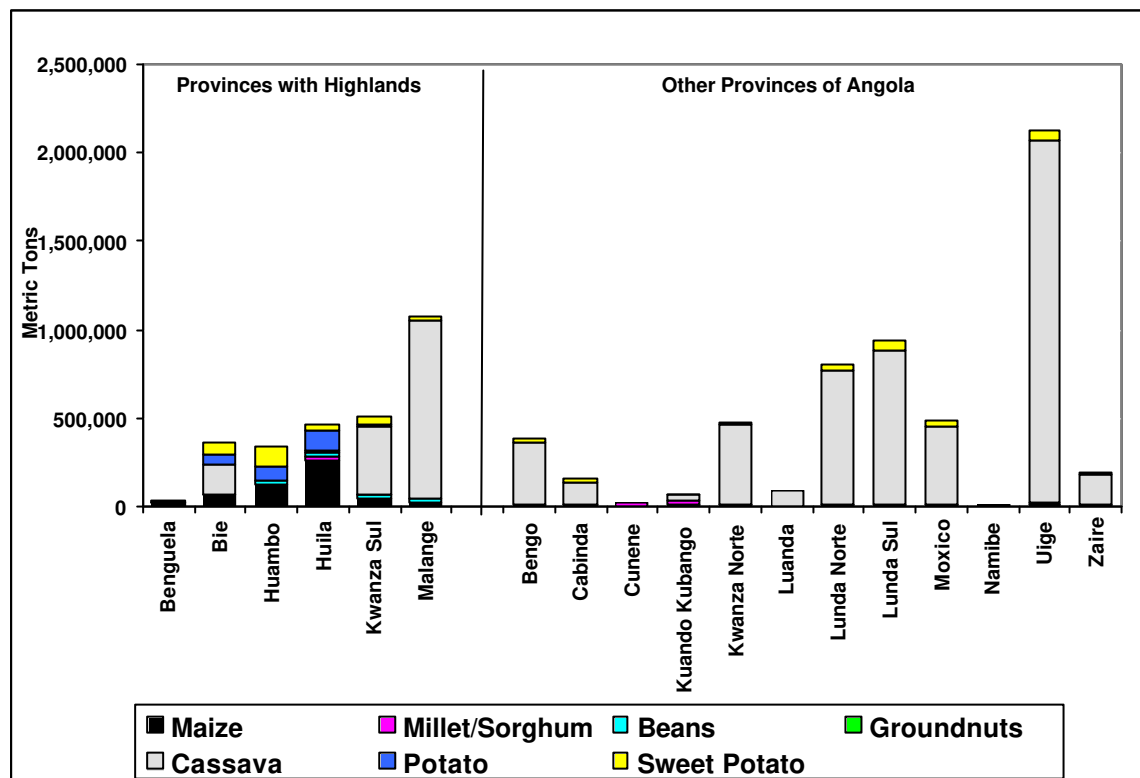


Figure 8: Tonnage Produced by Commodity and Province, 2002-2003



Source: MINADER

Irish potato, vegetables, and wheat have a major potential for increasing farming intensity, especially close to the major cities and transportation links. Beans are highly responsive to fertilizer in the Planalto and could move to commercial production on farms with animal traction. Coffee could return to importance, with emphasis on the high quality coffee that has a comparative advantage in the higher elevations characterized by the Planalto (*see box on Considerations for Investing in Coffee*). Yields and marketing on all of these crops must be improved in a complementary manner to diversify farm portfolios and dietary diversity.

Livestock production should also come up quickly as incomes from crops increase. That may start with small ruminants and expand to dairy as well as smallholder poultry. The soils of the Planalto are not only deficient in inorganic fertilizers, but in organic matter as well. As the livestock production develops the organic matter will further improve the crop farming.

Considerations for Investing in Coffee

Angola's long history as a major coffee exporter makes it important to address the potential for this crop. In short, it is very unlikely that Angola can return to its status as a major world exporter, or that it should even try to initiate a major effort to promote exports of this crop. There are several reasons for this assessment.

1. Coffee was produced before independence in large holdings that relied on coercive methods on the part of the colonial regime to assure a cheap labor supply. There is no chance of a return to such policies and consequently no chance of a large, cheap, and readily available labor supply for any effort to recreate large plantations in the present.
2. There is substantial human capital involved in coffee production. Growing this crop and producing high quality output requires specialized knowledge that has been largely lost in many former coffee areas. With negligible coffee production and massive population movements during the last twenty years, many of the workers who formerly worked on coffee are no longer available.
3. The world coffee market is in a state of oversupply and chronic low prices. Indeed, one of the major exporters, Viet Nam, recently announced plans to eliminate 20 percent of its coffee area in an effort to reduce the problems of oversupply.
4. Angola is a producer primarily of *Robusta* coffee, rather than the more desired and higher value *Arabica* varieties, for which there is a better market. While a switch would certainly be possible in some areas, in others it would be more difficult.

This is not to say that there is no role at all for coffee production. It is a viable smallholder crop and one that can provide cash income for farmers whose primary activity is food production. Certainly there is a very real market potential for supplying domestic needs. However, a return to Angola's former status as a major exporter is unlikely to be a viable goal.

2.4 Physical Infrastructure

There is an urgent need to build and maintain an all weather transportation system to key areas. Farms cannot be modernized without all-weather roads and rails. Such infrastructure greatly decreases transportation costs for critical productivity enhancing inputs such as fertilizer and for exporting agricultural surpluses beyond local markets. Transportation infrastructure is also essential for building the institutions needed to support the rural economy, such as extension services, rural finance, sophisticated producer and trade organizations, health and education. It is very hard to recruit and support trained personnel in isolate places where transport is unreliable.

Infrastructure efforts should focus on linking coastal cities and central marketing hubs in agricultural districts (a central grid of trunk highways) as well as a full grid of feeder roads or farm to market roads in selected rural areas.

- **Trunk roads and Rail.** Restoring the railroad from the coast to Kaala and the main highway from Luanda to Huambo are obvious first priorities. Rail and trunk roads are typically the responsibility of the central government, usually funded through loans from major donors such as the World Bank, the EU or the US. However, such loans have long been withheld due to the government's inability to comply with IMF conditionality. This remains the case to date, raising the real possibility that a program of rural road rehabilitation could proceed without major interprovincial linking roads being restored. It appears the GRA is financing road and rail rehabilitation in many areas, including on primary roads. However, the extent and quality of this work could not be determined in the course of this mission.
- **The Feeder Road System.** Initially many farmers will be on the rejuvenated trunk highway system or on the few roads, largely near urban centers that are in good shape. But, rapid growth requires providing access to secondary and tertiary roads for the bulk of farmers. The redevelopment of the system of feeder roads will require a provincial-level plan for virtually complete coverage of marketing centers with an all weather road within 10 years. Priority should be given to the best agricultural areas, working out from the trunk system and urban centers.

Rural feeder roads are often considered the responsibility of the agricultural sector and as such are included in agricultural development plans of both the ministry and major donors (the European Union being a prime example). Already various NGOs are also involved in some road rehabilitation, while the World Food Program has a small program to rebuild bridges to restore access to areas in need of food distributions. Using a significant portion of the food aid Angola receives to cover a major portion of costs (as food-for-work) should be the centerpiece of the transition strategy. However, food aid must be complemented with the essential cash costs required for some specialized labor (engineers, foremen and supervisors) and complements to labor including culverts and road surfacing materials. More than half the cost of a labor-intensive rural road is in non-labor costs. The World Food Program can play an important role but its efforts should be supported by other donors such as the EU, Canada, Japan and the World Bank, to provide the complementary non-food, non-labor resources.

2.5 Technology Generation and Dissemination

Pursuing a high yield, market-oriented agricultural strategy requires a concentrated focus on generating and disseminating new technologies to smallholders. The current agricultural recovery of the Planalto is based on recently resettled farmers "catching up" to their previous levels based on old knowledge and techniques. "Catching up" will likely take a few more years and will also require strengthening communities' and individuals' ability to cope with future shocks. To compete in the global

economy and to achieve long term rural prosperity however, Angola must aim at being at the forefront of technology at least for a small number of high priority commodities. That can only be done by a strong commitment to quality research, an initially very narrow set of commodity priorities, and strong international cooperation in that narrow set of priorities. Building quality research should start with building a first class research and testing facility, culminating in foundation seed, and with strong links to farmers associations through the work of PVOs. The research capability must constantly grow in quality through continuous training at foreign facilities. As quality is established with one or more commodities, other commodities should be slowly added. NGOs working at grass roots level should offer appropriate technology packages, with a complementary focus on maize, beans, potatoes and vegetables for risk and dietary diversification.

2.5.1 Support to Agricultural Research

Rapid agricultural growth can only occur if scientific advances constantly increase yields per hectare so that the country can compete in regional and global markets. While some of the basic research may be done out of the country, perhaps in regional collaborations, the research to adapt these advances to local agronomic conditions must be done in Angola.

Setting up and maintaining a premier research institution is of course costly. But countries not at the forefront of science and technologically gradually drop out of commercial agricultural production and regress to subsistence agriculture and poverty. That has been the story of Africa relative to Asia – most dramatically in oil palm for which Africa was preeminent in research and production, but increasingly in coffee, cereals, and perhaps even cocoa.

While African countries have, on average, invested in agricultural research at about the same rate as other developing countries (Table 3), returns have been somewhat lower than in other major geographic areas (Table 4). That is primarily because priorities are not set. In general, African agricultural research systems have been only modestly productive because research resources are spread too thinly over a multitude of crops and practices. Thus, Angola must set a small number of research priorities and then pursue them vigorously.

Table 3: Selected public research intensity ratios, 1976-95

| | Expenditures as a share of AgGDP | | | Expenditures per capita agricultural population | | | Expenditures per economically active agr. pop. | | |
|----------------------|----------------------------------|-------|-------|---|-------|-------|--|-------|-------|
| | 1976 | 1985a | 1995a | 1976 | 1985a | 1995a | 1976 | 1985a | 1995a |
| | (percent) | | | | | | (1993 international dollars) | | |
| Developing countries | 0.44 | 0.53 | 0.62 | 1.5 | 2.0 | 2.5 | 4.6 | 6.5 | 8.5 |
| Sub-Saharan Africa | 0.91 | 0.95 | 0.85 | 3.5 | 3.0 | 2.4 | 11.3 | 10.6 | 9.4 |
| China | 0.41 | 0.42 | 0.43 | 0.7 | 1.3 | 1.7 | 1.8 | 3.1 | 4.1 |
| Other Asia | 0.31 | 0.44 | 0.63 | 1.1 | 1.7 | 2.6 | 3.8 | 6.1 | 10.2 |
| Latin America | 0.55 | 0.72 | 0.98 | 3.4 | 4.0 | 4.6 | 26 | 36 | 45.9 |
| Developed countries | 1.53 | 2.13 | 2.64 | 9.6 | 11.0 | 12.0 | 238.5 | 371 | 594.1 |
| TOTAL | 0.83 | 0.95 | 1.04 | 3.3 | 3.8 | 4.2 | 12.9 | 15.3 | 17.7 |

Source: Table 3 in Pardy and Beintema (2001).

NOTES: These are provisional estimates and exclude Eastern European and former Soviet Union countries. Developed countries include only high-income countries specified by the World Bank in 1996, the latest year of our data series. The number of countries included in regional totals are shown in parentheses.

a. Three-year averages centered on 1985 and 1995.

b. Developing-country total includes Greece, designated as a middle-income country in 1996 by the World Bank (1996) criteria we used to group the countries here.

Among commodities, rates of return to maize research are particularly high (Table 5) and consistent with the strategic focus explained above. The first research effort should be to build a world-class capability in maize and a few other major field crops at the IIA Field Station, Faculty of Agrarian Sciences and Agricultural College (Faculdende de Agricultura e Ciencias Agrarias) in Huambo. To do so the International Center for Improvement of Maize and Wheat (CIMMYT) should be asked to provide a major technical assistance. That would commence with sharing genetic materiel, providing continuing technical assistance, training key Angolan staff, sending a small number of staff for higher education. The work should carry through to producing foundation seed and developing interactions with private sector producers of seed for sale to farmers. That might well include apex farmer's organizations and large-scale farmers. On the government side, it is essential to provide fully adequate finance for personnel and operating costs.

IIA needs further to develop an extensive system of on farm trials for fertilizer and other soil-enhancing techniques and then link those with demonstrations. Again the first emphasis should be on the major cereals, but then fertilizer work could quickly expand to other responsive crops. Interaction with farmer's organizations would be critical to success.

Table 4: Rates of return by geographical region of research performer

| Geographical region | Number of estimates (count) | Rate of return (percentage) | | | | |
|--|--------------------------------|--------------------------------|------|--------|---------|---------|
| | | Mean | Mode | Median | Minimum | Maximum |
| Developed countries | 990 | 98.2 (278.1) | 19.0 | 46.0 | -14.9 | 5,645 |
| North America ^a | 740 | 102.4 (306.9) | 22.0 | 46.5 | -14.9 | 5,645 |
| Europe | 85 | 93.9 (152.0) | 19.0 | 62.2 | 0.0 | 1,219 |
| Australasia ^b | 154 | 83.7 (177.9) | 20.0 | 28.7 | -1.3 | 1,736 |
| Other developed countries ^c | 11 | 55.6 (36.1) | 22.2 | 37.4 | 22.2 | 125 |
| Developing countries | 683 | 60.1 (84.1) | 46.0 | 43.0 | -100.0 | 1,490 |
| Africa | 188 | 49.6 (113.0) | 10.9 | 34.3 | -100.0 | 1,490 |
| Asia and Pacific | 222 | 78.1 (93.2) | 49.0 | 49.5 | 6.0 | 1,000 |
| Latin America and Caribbean | 262 | 53.2 (39.3) | 46.0 | 42.9 | 3.0 | 325 |
| West Asia and North Africa | 11 | 44.2 (19.6) | 28.0 | 36.0 | 28.0 | 80 |
| Multinational | 74 | 58.8 (98.3) | 32.0 | 34.0 | -47.5 | 677 |
| International agricultural research center | 62 | 77.8 (188.6) | 26.0 | 40.0 | 9.9 | 1,490 |

Notes: Standard deviations are given in parentheses. Sample excludes two extreme outliers and includes only returns to research only and combined research and extension, so that the maximum sample size is 1,772. In some instances further observations were lost owing to incomplete information on the specific characteristics of interest.

^aUnited States and Canada.

^bAustralia and New Zealand.

^cJapan and Israel.

Source: Table 17 in Alston et al, (2000).

Table 5: Rates of Return by Commodity Orientation

| Commodity orientation | Number of observations | Rate of return | | | | |
|-----------------------------|------------------------|------------------|------|--------------|---------|---------|
| | | Mean | Mode | Median | Minimum | Maximum |
| | (count) | | | (percentage) | | |
| Multicommodity ^a | 436 | 80.3 (110.7) | 58.0 | 47.1 | -1.0 | 1,219.0 |
| All agriculture | 342 | 75.7 (110.9) | 58.0 | 44.0 | -1.0 | 1,219.0 |
| Crops and livestock | 80 | 106.3 (115.5) | 45.0 | 59.0 | 17.0 | 562.0 |
| Unspecified ^b | 14 | 42.1 (19.8) | 16.4 | 35.9 | 16.4 | 69.2 |
| Field crops ^c | 916 | 74.3 (139.4) | 40.0 | 43.6 | -100.0 | 1,720.0 |
| Maize | 170 | 134.5 (271.2) | 29.0 | 47.3 | -100.0 | 1,720.0 |
| Wheat | 155 | 50.4 (39.4) | 23.0 | 40.0 | -47.5 | 290.0 |
| Rice | 81 | 75.0 (75.8) | 37.0 | 51.3 | 11.4 | 466.0 |
| Livestock ^d | 233 | 120.7 (481.1) | 14.0 | 53.0 | 2.5 | 5,645.0 |
| Tree crops ^e | 108 | 87.6 (216.4) | 20.0 | 33.3 | 1.4 | 1,736.0 |
| Resources ^f | 78 | 37.6 (65.0) | 7.0 | 16.5 | 0.0 | 457.0 |
| Forestry | 60 | 42.1 (73.0) | 7.0 | 13.6 | 0.0 | 457.0 |
| All studies | 1,772 | 81.2 (216.1) | 46.0 | 44.0 | -100.0 | 5,645.0 |

Notes: See notes to Table 12. Standard deviations are given in parentheses. Sample excludes two extreme outliers and includes only returns to research only and combined research and extension, so that the maximum sample size is 1,772. In some instances further observations were lost owing to incomplete information on the specific characteristics of interest.

^a Includes research identified as “all agriculture” or “crops and livestock,” as well as “unspecified.”

^b Includes estimates that did not explicitly identify the commodity focus of the research.

^c Includes all crops, barley, beans, cassava, sugar cane, groundnuts, maize, millet, other crops, pigeon pea or chickpea, potato, rice, sesame, sorghum, and wheat.

^d Includes beef, swine, poultry, sheep or goats, all livestock, dairy, other livestock, pasture, dairy, and beef.

^e Includes “other tree” and “fruit and nuts.”

^f Includes fishery and forestry.

Source: Table 15 in Alston et al, (2000).

2.5.2 Extension and Outsourcing

Extension is a key component of a successful program to raise productivity of small farmers. It is the view of the team that such a system must be closely linked to the research efforts now getting underway at the research institute in Huambo, and must be sensitive to local concerns of farmers.

The government extension system at present has no significant presence in rural areas and little experience interacting with smallholders. The Ministry's extension arm, the Instituto para Desenvolvimento Agrario (IDA) is very underfunded and has no real presence in the rural areas of Huambo. It is not clear that investing in the current system would bring adequate payoffs. IDA's rural extension system is based on Estacoes de Desenvolvimento Agrario (EDA's) which are combination offices/storehouses/residences for extensionists. Many municipios in the country lack an EDA and at the present time only 72 out of 158 are considered operational. The government says that it has the capacity to reactivate about 5-6 more each year given current funding constraints.

Discussions with various Ministry officials suggest the need for rigorous discussion of the role of extension in rural development and the relative merits of providing these services through government versus outsourcing to NGOs or others who have more experience in grass-roots work.

Other possible approaches to extension include:

- Linking research to NGOs. At present, the organizations with the closest contacts at the grass roots level are NGOs, of which World Vision is the one currently active in Huambo. It is envisioned that future efforts will build upon this experience, perhaps involving additional NGOs in the future.
- Creating a small very high quality extension service associated with AAI, linked to farmer's organizations.
- Forming alliances with the private sector in the area of research and extension. Under this model seed multiplication and distribution and extension would be linked and a primary role given to the private sector, through contracts or public-private partnerships.

2.6 Improved Soils and Fertilizer Distribution Systems

Widespread, intensive soil conservation and soil enhancing techniques including greater use of fertilizer is essential to the high yielding agriculture needed to bring prosperity to the Planalto and to the economy of Angola. Soils in the Planalto are severely depleted in terms of macronutrients though they are otherwise well suited to agriculture. It is not possible to expect increased (or even stable) yields in many areas without replacing the nutrients that are removed with each crop. Adoption of new high yielding crop varieties will further increase the crop yield and hence the extraction of nutrients.

Historically, soil conservation and management were the responsibility of the land owners with some assistance from the Ministry's IDA. With the collapse of small holder farming in the Planalto any such techniques have long gone by the wayside. Fertilizer distribution has also been the responsibility of the Angolan government. As with such government-controlled programs elsewhere in the world, the result has been disastrous. The government fertilizer monopoly, DINAMA, never did a good job of getting fertilizer to smallholder. Now that DINAMA no longer has any actual presence in the countryside, there is an urgent need to establish a competitive distribution system capable of delivering affordable fertilizer and other inputs to smallholders. In addition to that, establishing linkages with specialized institutions such as ICRAF (agro-forestry) and CIAT (tropical soils) can help disseminate basic, low cost soil management techniques.

When the Planalto moves to a high level of farm income and production, annual use of fertilizer alone will exceed 300,000 tons of nutrients or over 600,000 tons of material. In 1992, only 24 thousand tons of fertilizer were used and that quantity is even lower at present. Of course, reaching that high level requires development of high yielding, fertilizer responsive varieties, massive on farm demonstrations, an efficient, competitive private sector distribution system, development of substantial export markets for cereals and meeting rapidly growing domestic and regional demand for vegetables and other high value crops.

It may be tempting initially, when use is low, to institute government import and distribution and to subsidize the use of agricultural inputs. Already, the Japanese have been providing free fertilizer aid, which is then distributed by the government through provincial arms of the agriculture ministry. Such free distributions have very pernicious long run consequences:

- On the farmer side they promote a patron-client relationship based on free or subsidized handouts that makes it very difficult to promote a more realistic attitude toward the role of development aid and the operation of a market economy.
- In terms of fertilizer supply, such distributions completely undermine development of private sector companies since they never know when government dumping of this free product in their area will spoil their market.
- Finally, such programs are not sustainable. The huge quantities needed in the long run will almost certainly be beyond the government's capability to either finance or to manage, leading to rationing and shortages.

Instead, the strategy must focus on developing a private sector distribution chain which would include fertilizer and other agricultural inputs. The expected volume is sufficient to attract a competitive (not monopolistic) private sector. Assisting the private sector to become a large scale, efficient, competitive agricultural input supplier will require:

1. A vastly improved network of trunk and feeder infrastructure (as described above).
2. An explicit policy of no parastatal operations in the agricultural input sector, no taxes on inputs, no subsidized inputs (with the possible exception of below), and no restrictions on entry into import and distribution;

3. Consideration of a time-bound transport subsidy while the trunk transport system is being rehabilitated. This would be on the order of \$100 per ton to end in three years when the trunk transport system is fully rehabilitated.
4. Promoting soil conserving and soil enhancing techniques as well as the use of fertilizer through an extensive system of on farm trials, and then demonstrations, with participation of farmers and input distributors. In the long run distributors may provide promotional services but not in the short run;
5. Developing a first class agricultural research system, starting with cereals and gradually expanding to a few other fertilizer-responsive field crops such as potato and vegetables;
6. Linking agricultural research with privatized seed multiplication and extension efforts;
7. Providing market analyses of the scope for fertilizer and other input use, and market information on supplies, and promulgating that to prospective private importers and distributors
8. Urging the oil industry to undertake a study of the economics of a natural gas based nitrogen plant. A study of development of phosphate reserves and their use would also be useful.

2.7 Farmers Organizations

Farmer associations are viewed as integral to the overall strategy. Small farmers have immense advantage over large farms in efficient production. They are at a major disadvantage in accessing critical services that have scale economies such as input distribution, marketing, and finance. The best way to deal with this problem is for farmers to organize into farmers associations. Those associations can then serve as an entry point for interventions relating to inputs, improved varieties and credit. On the output side, they are very useful for marketing activities, allowing smallholders to bulk up their marketed surplus in order to obtain a better price. Such associations can also serve as an avenue for providing other services to farmers, such as HIV/AIDS prevention, and for building the constituencies needed for advocacy.

The process of forming successful, independent, farmer associations takes time, and given the unsettled state of rural areas in the Planalto, may require three or more years of direct support and assistance. This process has already begun in Huambo province where World Vision is active. An apex association, Epungu, has operated for some time, and includes between two and three hundred base level associations as members. “Epungu” is the Mbundu word for maize, reflecting the organization’s focus on that crop. It is officially recognized by the government and is the recipient of government funds though it does not appear to be run directly by the government. It is the owner of much of the marketing infrastructure (mainly warehouses) along the main transport routes between the Planalto and demand centers on the coast and elsewhere.

Organizations such as this could be a partner for market promotion activities, though they will need support to perform these tasks adequately in a liberalized market context. For example, the organization has no experience (indeed, few in Angola do) operating in an environment where prices are variable. Nevertheless, given its

ownership of the majority of warehouses in some of the most important grain producing regions, it may be well situated to replace some of the functions of the former agricultural parastatals.

To promote farmer organizations, the GRA and its partners should work to:

- Develop human capital to improve agricultural incomes for subsistence farmers and develop political voice to work on underlying political and economic weaknesses.
- Help such organizations access inputs, improved varieties, and credit as well as to improve output marketing (e.g., World Vision's work in Huambo).
- Explore the capacity of the apex farmer organizations, Epungo, to serve as a partner for market promotion activities.
- Scale up efforts of Banco Sol and similar banks with USAID's Development Credit Authority credit guarantee program to extend micro-credit to farmer organizations and other small and medium enterprises.
- Work with farmer associations on vulnerability assessments and in planning community-based disaster mitigation strategies.

2.8 Promoting Private Sector Development

Promoting a greater role for the private sector in agriculture depends, at least in part, on pressures mounting outside the sector. Unless the GRA establishes overall macro stability, transparency and curtailed corruption, as is aggressively being promoted by the World Bank and IMF, the private sector will have difficulty growing. In agriculture this is particularly important in the area of marketing, where government intervention is almost uniformly counterproductive and where the private sector is needed to take on the task of linking farmers with demand centers in cities and abroad as well as to producers of inputs and consumer goods that they need. Specific reforms needed to encourage private sector participation in agriculture are:

- **Lifting controls on marketing margins and announce that change widely to avoid confusion and corruption.** One holdover from command economy days is the remnants of the old system of controlled prices. At the time prices were decontrolled, the government still insisted on maintaining control of profit margins at the retail and wholesale levels. Retailers are currently limited to a 25 percent markup over wholesale, while rural traders are allowed a marginally higher markup. There is some confusion over whether these controls remain in force or whether they have been abolished. Thus, it is not only the level of the margin controls that is problematic, but also the mere fact of their existence, which gives an excuse for authorities to harass small and medium business owners.
- **Simplify licensing and regulation of small and medium enterprises by creating a unified small business administration.** Development of private sector companies is severely constrained by the still prevalent bias toward regulation and government control that pervades the Angolan government at the central and lower levels. Creating a unified small business administration would combine all required licenses and permits under one sole authority (one-, rather than the current ten-stop shopping). This sole authority could

also issue licenses certifying overall compliance, which would greatly reduce the scope for corruption or extortion by various authorities that occurs at the present time.

- **Eliminate numerous police checkpoints.** A related reform would be a central government effort to eliminate the numerous police check points on major roads which serve little purpose beyond shaking down drivers and traders for money. It is now virtually impossible to transit between Luanda and Huambo (for example) without passing through many such checkpoints, which raise marketing costs both in terms of wasted time and money.
- **Halt free distribution of agricultural inputs by development projects,** as described in Section 2.6.
- **Promote private sector seed multiplication** which will include some hybrids as the private commercial agriculture production takes place. Encouragement and support for international seed companies to open office and to produce seed in Angola is critically needed.
- **Dismantle agriculture-related parastatals.** Most parastatal organizations operating in the agricultural sector are moribund after the many years of limited access to rural areas. At this point, those remaining should not be resuscitated; like their counterparts across the continent, none of them operated efficiently even under the best of circumstances. This includes: DINAMA, Mecangaro (mechanization), ANGOSEMENTES (seed) and the Instituto de Cereais de Angola (which promotes cereal production). Smallholders rarely received these services, while large farms have the funds (or credit) to rely on the private sector. The very presence of such parastatals undermines and prevents the emergence of private sector entities devoted to marketing agricultural inputs and outputs.

2.9 Policy Dialogue

Rapid growth in farm production and incomes presents a constantly changing set of policy issues. Some of these, such macro economic reform, improved governance and basic infrastructure are so fundamental that, ultimately, inertia will choke off all growth, including agricultural sector growth. Once the enabling environment is friendly to agricultural growth, however, there are still sector-specific policies needed to permit farmers to access the land, finance and inputs needed to produce and sell their goods. In addition, the government needs a capacity for diagnosing those needs, ensuring provision of high quality analysis, providing for emergencies, or “shocks”, and the means of monitoring implementation of policy recommendations.

The vision for agriculture cannot be achieved without coordination, consensus and action by all of the stakeholders to the broadbased development strategy outlined above. Representatives of central and provincial governments, local community and farmer organizations, and their development partners, the donors and NGOs must group – and regroup – in various forums, depending on the particular context. Priority topics include:

- Development of a long-term, consensus, strategy for agricultural development
- Macroeconomic and governance reform

- Infrastructural development
- Community-based disaster mitigation strategies
- Improved integration of Angola into the SADC region

2.9.1 Developing a consensus, long-term agricultural development strategy

This report presents a broad vision and strategy to speed economic growth and reduce poverty through rapid, sustained increases in smallholder incomes. As such, it provides USAID with a structure for guiding its program in the transition from relief to development. This strategy, however, does not yet represent the consensus and support of the various stakeholders who are necessary participants, nor does it fully reflect the nuances of the Angolan situation.

Of immediate priority, therefore, is to develop a forum for such stakeholders to lay out a long run strategy for rapid growth in agricultural incomes once post war resettlement and stabilization is achieved. The strategy should focus on commercializing and intensifying smallholder agriculture while supporting appropriate social safety nets. It must set only a few short-term priorities and then state the sequence of later actions. It should have a monitoring and evaluation capability to ensure that the plan is kept up to date in the face of changing conditions and is progressing adequately to meet growth and poverty reduction targets. Such a plan is most successful if it is developed in a participatory manner with open discussion and active participation of farmer's organizations, private sector business people, the banking sector, and NGOs.

There are several related strategic efforts to be incorporated.

- MINADER has a strategy encompassing the entire country but lacks operational plans for specific projects for the developmental phase to be begun after 2005.
- Fitful efforts towards development the Poverty Reduction Strategy Program (PRSP).
- FAO in-depth agricultural sector study (September 2003). The FAO has long had the closest relationship with MINADER of any donor agency, and is the sponsor of the last major agriculture sector study and evaluation in 1996-97. The FAO typically cooperates closely with the government at all stages of the study, and gives careful attention to inclusion of all stakeholders both in the capital and in the provinces. This enables the government to readily endorse the recommendations of the evaluation. The study is intended to serve as the basis of a Sector Investment Plan that can serve as the foundation for all donors to coordinate assistance in rural areas.
- The World Food Programme now receives major US support for its Protracted Relief and Recovery Operation (PRRO). As such it is playing a key role in addressing the immediate priorities for re-establishing basic food security in rural areas. Its role after 2005 will have to be determined given the likelihood of persistent food insecurity in some areas.

Particular topics to be addressed are:

1. Market information systems, especially for the inputs (e.g., fertilizer, seed) and outputs associated with the high-yielding field crops strategy outlined above. Prices need monitoring to ascertain progress on competitive markets.
2. The feeder road plans of the Provinces need coordinating and monitoring with an input into the immediate needs for commercialization and intensification of smallholder agriculture.
3. Research priorities, quality of the system, and the impact of its output need monitoring with appropriate policies following.
4. Inputs distribution policies, related to elimination of parastatal involvement and free distributions, removal of most taxes and/or subsidies, dialog with potential private sector distributors to determine more specific needs for reform and information.
5. Land policy and land tenure: need to implement and make people aware of the laws.
6. To what extent vulnerable populations, food insecurity, and potential “shocks” will persist beyond 2005, and what prevention or mitigation actions will be incorporated into the planning

2.9.2 Macroeconomic and Governance Reform

Because exporters are important to agriculture and oil and diamond resources tend to over valuation of the exchange rate, constant monitoring of the exchange rate and its implications to agricultural exports is needed. Other macro policies of importance to agriculture also need monitoring and the interests of agriculture aggressively pursued. Those include inflation rates, interest rates, monetary policy and overall national budget allocations.

2.9.3 Rehabilitation and Maintenance of Infrastructure

A forum must be established to work with GRA to develop an infrastructure strategy that:

- Prioritizes the rehabilitation and maintenance of all-weather infrastructure linking provinces (trunk roads and rails) and feeder roads;
- Is based on an accurate assessment of the current state of infrastructure in the Planalto;
- Clarifies GRA plans for rehabilitation of rail system;
- Put emphasis on maintenance and a system to incorporate local responsibility (tolls, block grants); and
- Takes into consideration the interface between economic development and social development. Not just roads that meet the production and marketing needs of farmers, but that also serves the complementary need for rural health and education.

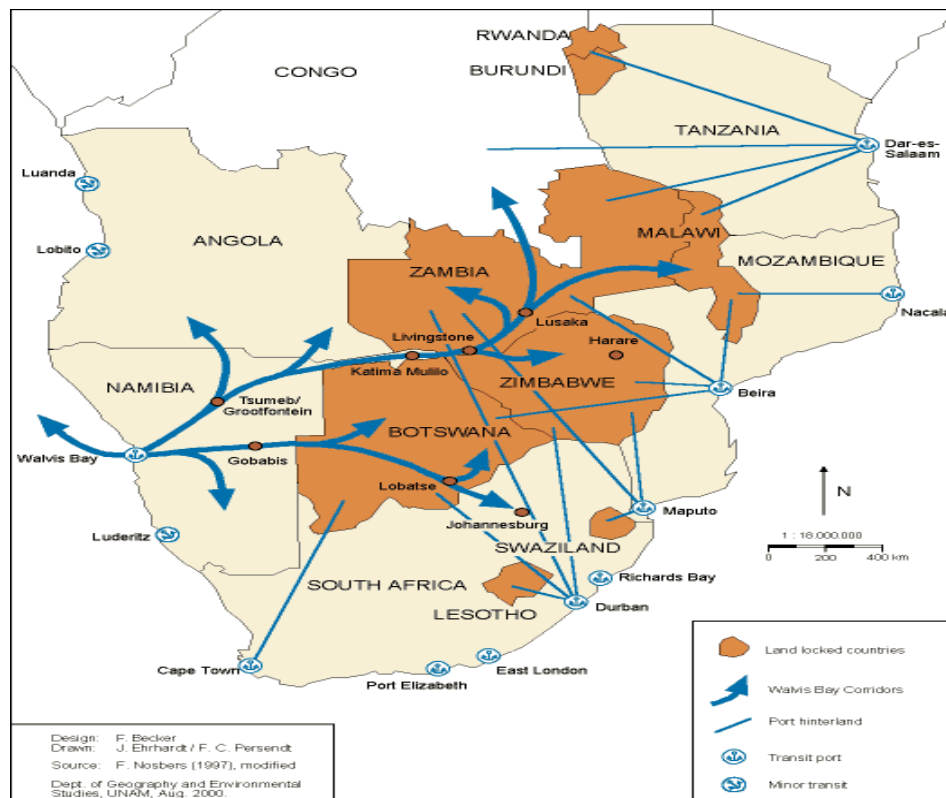
2.9.4 Community-Based Disaster Mitigation Strategies

As stated in the recent reporting cable for the September 2003 AEPS Conference in Johannesburg; “USAID should direct food aid to alleviate human suffering, save lives and prevent the reversal of development gains....Food for Peace PL 480 programs can provide complementary inputs to sustainable development programs by enhancing the ability of individuals, households and communities to cope with shocks in order to reduce their vulnerabilities.” An integral part of any long term food security strategy therefore, and especially one for a nation coming out of long term insecurity, is community-level planning for disaster mitigation, or “safety nets”. Towards this end food aid and development assistance programs must be integrated for maximum overall impact.

2.9.5 Improved Integration of Angola into the SADC Region

There is a need to build bridges between and its Southern African neighbors. Angola is a member of the Southern Africa Development Community (SADC) as well as the Common Market for Eastern and Southern Africa (COMESA). President dos Santos of Angola is currently the chairman of SADC. With the establishment of peace and increasing stability, Angola is increasingly seeking to develop its role and participation in regional activities.

Figure 9: Angola's Trade Links in Southern Africa



2.9.6 Possible Bodies for Policy Dialogue

Possible fora for dialogue and action on these issues are a high-level agricultural stakeholders committee, the establishment of an independent think-tank for economic and business policy, and a donor group.

- **High-level agricultural stakeholders committee**

A host country national "champion" will be needed to keep these issues at the programming forefront of the government, donors and PVO/NGOs.

- **Independent Economic Policy and Business Development Hub at Catholic University in Luanda.** This Hub will be composed of two centers with the first being the Center for Economic Studies and Scientific Research (CESSR) that will promote transparency and accountability in policy decisions. This center will serve as a catalyst and clearinghouse for key economic and private sector reforms, particularly in the macroeconomic and agriculture arenas and create the foundation for a joint public/private sector dialogue to promote such reforms. It would provide a monthly newsletter and quarterly bulletin on key economic and business issues related to economic development in Angola.

This center (Centro de Estudos e Investigacao Cientifica- -CEIC), already established with assistance of the previous IMF representative, is an autonomous research center at the Catholic University in Luanda. The US proposal to build upon the CEIC to establish an independent, autonomous economic policy institute at Catholic University received strong support and endorsement from donors at a recent USAID-sponsored meeting. Several donors have expressed interest in supporting an independent economic policy think tank, including the Canadian International Development Agency (CIDA) and GTZ. In addition, Esso Oil Company has indicated interest to provide \$100,000 a year to this center.

The objectives of this nascent research center are to:

- Foster informed public debate on public policy issues, including through the publication of research findings and the promotion of research centers;
- Contribute to the development of national capacity in the area of public policy formulation and evaluation; and
- Assist Catholic University to reach its full research and teaching potential, including through the promotion of research by professors and establishing links with other research organizations.

The short to medium-term focus of the proposed institute would be on “macro-economic and agricultural policy” complemented by business development and support services. The rationale for focusing on the two policy areas is to create a movement toward macroeconomic stability and to improve the enabling environment for agriculture in Angola, thus vastly increase the probability of success in agricultural strategy outlined above.

In addition, the Hub will have a second track called Center for Enterprise Development (CED) that will focus on small and medium enterprise development

by providing training in business skills, computers, marketing, accounting, finance, information technology, English as a second language and human resources management. The target audience would include a range of entrepreneurs, including the unskilled, employees wishing to start businesses; those formalizing their businesses, women, and firms that wish to become subcontractors or direct contractors to oil companies and international firms. The business center would greatly benefit from the analytical framework and dialogue necessary to improve the enabling environment for business in the country and visa versa.

The CED has strong support from the ChevronTexaco Sustainable Development Company and is providing an initial grant through USAID of \$100,000. They, along with other donors and private sector entities are expected to provide additional funding as the center is more fully defined.

- **Donor Group**, possibly with an Agriculture Sub-Committee, to build strong partnership between donors via USAID/Angola, US Embassy and other donor organizations.

3. USAID's Role

According to USAID webpages, United States national interests in Angola are based on substantial U.S. economic interests and on the need to promote stability and development in southern and central Africa. U.S. goals in Angola promote achievement of lasting peace; a successful democratic transition with protection of human rights; Angola's economic development and integration into the region; U.S. economic and commercial interests; and humanitarian and rehabilitation assistance to those affected by conflict. The United States is the largest foreign investor and producer in Angola's oil industry, making Angola one of the United States' largest investment sites in sub-Saharan Africa. In addition, Angola is one of the United States' largest trading partners in Africa and the eighth-largest oil supplier to the U.S.³

USAID started operations in Angola in 1996 after the 1994 Lusaka Protocol was signed. USAID's current strategy (2001-2005) aims to improve the food security, health status, and participation in political processes for Angolans in targeted areas.⁴ The strategy includes strategic objectives in food security, democracy and governance, and health as well as a special objective for economic reform activities: This special objective is currently under revision and is expected to be approved this year. Various activities such as assistance to small and medium enterprises, credit and banking assistance along with the "think tank" or policy component mentioned above will be shifted to this special objective, when approved.

SO5: Enhanced Household Food Security in Targeted Communities.

IR5.1 Vulnerable households become more food self-sufficient.

IR5.2 High-value crops produced and marketed more effectively.

³ <http://www.usaid.gov/pubs/cbj2002/afr/ao/>

⁴ Taken from USAID *Angola Transition and Development Assessment*, Oct 2002, page 12.

SO6: Constituencies Promoting Democratic Governance Strengthened.

IR6.1 Greater availability of information on key issues.

IR6.2 Improved civic advocacy on key issues.

IR6.3 Improved Government-constituency relations.

SO7: Increased Use of MCH and HIV/AIDS Services and/or Products and Improved Health Practices.

IR7.1 Increased access to MCH services.

IR7.2 Increased demand for MCH services.

IR7.3 Increased quality of MCH services.

IR7.4 Increased demand for condoms.

IR7.5 Increased access to condoms.

IR7.6 Improved enabling environment.

SPO: More Market-Oriented Economic Analysis Used in the Decision-Making Process is under revision.

The current USAID strategic framework is broad enough to encompass activities during the transition to an agricultural-led growth strategy. Eventually, as the transition continues, USAID will wish to consider revising SO5 to more closely reflect Agency thinking for agriculturally-led economic growth and that for “fragile, failing and failed states”. For example, the performance monitoring plan currently proposed (but not yet approved) for the Initiative to End Hunger in Africa (IEHA) focuses on meeting the Millennium Development Goal of cutting hunger in half by 2015 by *increased rural incomes*. The proposed IRs relate to 1) growing commitment of partners to rural growth; 2) increased productivity of on-farm and off-farm elements of targeted value chains; 3) increased cooperation and complementarity of rural producers, firms and services; and 4) increased linkages of rural products/services to growth markets (domestic, regional, and/or global). When the current USAID Angola strategy is revised in 2006, it should reflect these Agency priorities. FFP’s concept paper stresses addressing the “in” in food insecurity by tackling its broader causes and erasing that gap between emergency and development programming.

In the meantime, USAID should operate within the current results framework to make its current activities more robust. As part of the transition from emergency to development planning, USAID should focus on assisting vulnerable households to become more food self-sufficient, gradually increasing small holder incomes to achieve food security, improving the enabling environment and marshalling greater financial and human resources in support of its agriculture and food security agenda.

The time is ripe to shift from emergency management to development, even though the Angolan government has committed itself neither to rural public works nor to tackling corruption and Dutch Disease. USAID must take short-term steps towards a long run vision of agriculturally-led economic growth described above. The Agency must work at the highest levels of government to set in motion the needed political and macro-economic reforms. While waiting for government commitment and reform, USAID must push head with an agricultural development strategy that allows large numbers of impoverished and recently resettled farmers meet their food needs and maximize their incomes and, as a result, increase their capacity to advocate for

the needed reforms. This roadmap lays out stopgap measures to jump start rural economy and develop the political force to advocate for change while being mindful of the need to carefully monitor the reform process.

3.1 *Improving the Enabling Environment*

There are several reasons why USAID must address Angola's poor political and economic environment. First, as Angola economic growth and governance performance fail to meet minimal foreign assistance criteria (free and fair elections, sustained economic growth over five years, etc) for USAID to expand program activities, USAID/Angola will need, first, to identify specific programs and initiatives that strengthen "fragile, failing and failed states".

Second, establishing momentum for the dynamic, market-oriented growth proposed above requires a careful sequencing of the strategic elements. In particular, growth requires a foundation of adequate infrastructure, key macro-economic reforms to encourage private sector development and a certain degree of human capital development, particularly for building private sector capacity and the demand for economic and political reform.

Further, the work of Dollar and Kray at the World Bank (amongst others) suggests that donor investments in countries with poor policy environments are at best a waste, if not a contributor to ongoing mismanagement and retarded development. Recent US administration policy has incorporated these lessons. Major development initiatives such as the Millennium Challenge Account and IEHA, are targeted to countries that have both the government commitment and enabling policies to allow development interventions to succeed.

Several elements of the agriculture-led vision and strategy in Section 2 involved measures to improve the enabling environment. Within that agenda, USAID should particularly focus on policy dialog, engaging the private sector, and improving the links between current USAID efforts both nationally and regionally.

3.1.1 Support Stakeholder Policy Dialogue

As described in Section 2.9, USAID should promote policy dialog at several levels of civil society and with other donors. It should initiate, partially fund, and participate in the high level forum for developing consensus on a national long-term agricultural development strategy (Section 2.9.1). As part of that effort, USAID will want to identify a host country national "champion" who will be needed to keep these issues at the programming forefront of the government, donors and PVO/NGOs. It will also need to forge a strong partnership with other donors and the US Embassy. These partnerships will be needed to help develop a common understanding of the sectoral and macro economic challenges to agricultural development. USAID can contribute technical assistance to the FAO team conducting a study of the agricultural sector in September of 2003 as a way of laying the common foundation for a "National Agriculture Strategy" (Section 2.9.1).

3.1.2 PL-480 Title III

With FFP integration into the Bureau for Democracy, Conflict and Humanitarian Assistance (DCHA) and the emphasis on the decision that fragile, failed, and failing states should be the organizing principles for the Bureau, Title III could fit easily into the guiding principles of strengthening and encouraging responsible behavior (i.e. capacity building) for fragile and failing states. PL-480 Title III can be used to encourage good governance, leverage in-country government contributions and demonstrate commitment to ideals set forth in the Millennium Challenge Account.

3.1.3 Engage the Private Sector

The private sector cannot thrive without a proper enabling environment and smallholders cannot expand from subsistence to commercial farming without at least a modicum of private sector architecture. Furthermore, given the currently enfeebled political and economic environment, USAID must find ways to engage the private sector in support of policy reform. This is not a foregone conclusion in the Angolan context where “private sector” intimates of government control many economic assets and rents in a less-than-transparent fashion.

A national approach for engaging the private sector figures prominently in the strategy for agriculture-led growth described above (Section 2.8). USAID can contribute to that agenda by supporting the Business and Economic Research Center, serving as a convener of the private sector, expanding financial collaboration with the private sector, and developing the capacity of farmer organizations as both marketing channels and advocacy groups.

1. Establish the Catholic University Economic Research and Business Center.

The Center described in Section 2.9.6 is specifically designed to promote transparency and accountability in policy decisions. As a result of investments in the center, USAID and other contributor should expect significant policy reform, particularly transparency and accountability issues in macroeconomic management, to take place in conjunction with the more “micro” activities being planned at the sector level. In addition to these contributions to the foundations for private sector development, the Business Development and Services Support component of the Center will address the more specific needs of individual enterprises.

USAID plans to assist the Center by contributing both the intellectual leadership and financial support needed to develop this important policy forum. In this vein, the Mission has received a proposal and is trying to provide a grant to AEAF during this financial year to expand program and accelerate this work. Additional assistance will be obtained from RCSA and possibly EGAT program to prepare define the work plan for the initial year and to carry out important analytical and business development work. Mission will also explore funding opportunities from other USAID and USG sources (e.g., ESF, the Global Development Alliance, USAID Global, Africa Bureau, PL-480 Title III) as well as other international and private sector donors. Some of this funding is already materializing and can be used to generate additional interest:

- USAID will contribute \$480,000 in currently available ESF funding to establish the CESSR, including the incorporation of the proposed CED training center.
- In early July 2003, the USAID/GDA Secretariat agreed to contribute \$100,000 for the CED along with \$100,000 from CTSDC.

Other possibilities include:

- U.S. land grant universities, which could leverage significant resources in terms of agricultural economic policy analysis and a variety of USDA programs, including the training programs available under USDA's Cochran Program.
- Donors such as CIDA and GTZ who have either expressed interest in or actively started contributing to CEIC.
- Private sector concerns, such as Chevron/Texaco or another interested firm, the Luso-American foundation in Lisbon, which may be willing to support such an "enabling environment" for business and the private sector. Such contributions might be matched using food aid funds, and could conceivably be used to establish an endowment of approximately \$2.5 to \$3.0 million.
- Fees for classes will be sliding scale, with fundraising and scholarships an important part of this process.

A thorough look at funding possibilities will be included as part of implementation and design activities..

2. **Convening the private sector.** The Mission and possibly US Embassy can serve as convener to attract medium and large-scale private sector in Angola to join in the food security and agriculture development efforts.
3. **Expanding USAID's financial collaboration with the private sector partners,** as with ChevronTexaco and some of the partners maintained by CRS and CLUSA.
4. **Developing the capacity of farmer organizations** as both marketing channels and advocacy groups. USAID, working through its cooperating sponsors, should assist farmer organizations to replace dysfunctional agricultural parastatals:
 - Help such organizations access inputs, improved varieties, and credit as well as to improve output marketing (e.g., World Vision's work in Huambo).
 - Explore the capacity of the apex farmer organizations, Epungo, to serve as a partner for market promotion activities.
 - Scale up efforts of Banco Sol and similar banks to extend micro-credit to farmer organizations
5. **Developing a forum with large-scale commercial farmers in the Planalto** to create demand for private sector input and output marketing in that region and to join forces with the small-scale farmers in advocating for better roads and policy reform.

These activities focusing on private sector development fit generally various SOs in USAID's current strategic framework.

- Special Objective for Economic Reform
- SO6, *Constituencies Promoting Democratic Governance Strengthened*
- SO5, *Enhanced Household Food Security in Targeted Communities*,

3.1.4 Maximize Interactions Between USAID Programs

In pursuing the vision and strategy for agricultural-led growth, USAID must draw heavily on synergies between its three strategic objectives and one special objective. Activities that cut across strategic objectives will greatly enhance the effectiveness of investments in agriculture development. A better-integrated program will also provide additional opportunities for leveraging scarce program funding. Several such links have been identified above, including greater information on key issues (SO6, IR6.1), improved civil advocacy on key issues (SO6, IR6.2). There is an additional need to link to SO7 *Increased Use of MCH and HIV/AIDS Services and/or Products and Improved Health Practices* and to other USAID activities in the region.

1. **Links to health to protect rural labor and assets.** In Angola, as elsewhere in Southern Africa, there is an urgent need to avoid, or at least dampen, the devastating impacts of HIV/AIDS on food security, rural livelihoods and economic growth. Although Angola is reported to have a fairly modest prevalence of HIV/AIDS – on the order of 5.5 percent of the adult population according to USAID – there is great suspicion of the data and even greater concern that massive population movements will rapidly spread the disease. Just as the political economy must provide encouraging price signals and stable institutions, so too must the social environment provide a healthy, skilled labor force. Without this basic human asset, the Angolan smallholder sector cannot develop. Furthermore, food and nutrition are key elements of an HIV-mitigation strategy and even may help to decrease biological and economic vulnerability to the disease. Thus USAID/Angola must work methodically to mainstream HIV/AIDS into all agricultural policy discussions and program design.

In 2002 under SO7, USAID allocated \$2.5 million toward HIV/AIDS programs in Angola. Programs focus on condom social marketing and HIV/AIDS information, education, and communication activities targeting vulnerable populations. In 2003, USAID's HIV/AIDS program was expanded to include condom social marketing in additional provinces, technical assistance to strengthen the National AIDS Commission and the PNLS, the start-up of a faith-based HIV activity, and the distribution of unbranded condoms.

At present, USAID HIV/AIDS funding is earmarked for traditional health sector interventions and cannot be directly applied to attempts to reduce susceptibility to HIV by building incomes and non-risky economic opportunities. This may change with increased funding through the Global Fund, World Bank, and President Bush's HIV/AIDS Initiative for African and the Caribbean. In the meantime, USAID/Angola can target both SO7 HIV/AIDS intervention and SO5 food security activities to the same geographic areas (to the extent possible). For example, SO7-funded Information, Education and Communication (IEC) specialists should be asked to bring prevention messages to all SO5 project staff. Income generating projects and home gardens supported by cooperating sponsors

could be linked to any HIV/AIDS home-based care activities. Food aid could be used where the target population for agricultural projects is too weak to participate or too impoverished to undertake required investments. Eventually, when drug therapies become practical in Angola, there will be a need ensure adequate nutrition, most likely through food aid, to patients and their households (as Food For Peace is currently doing elsewhere).

Additionally, the team recommends that Mission staff from SO5 and SO7 should help target populations and implementing partners become aware of how HIV is influencing their lives, activities, and economic decisions. This goes beyond the traditional prevention messages used by IEC specialists to include teaching frontline development workers how to apply an “AIDS lens” to all their activities, asking the key question “How Does HIV/AIDS come into play here” at every junction. Team leaders for SO5 should require, assist, and provide funds for, implementing partners to conduct AIDS audits of their programs. Each cooperating sponsor, business, organization, or research institutions receiving USAID support should a) evaluate the potential impact of HIV/AIDS on their staff, clients, operations and bottom line, b) offer HIV prevention programs, c) offer HIV/AIDS awareness programs, and d) develop HIV workplace policies.

Project designs for major infrastructure projects should include AIDS awareness and prevention campaigns, whether funded by USAID or others. (The World Bank has particular experience with linking HIV/AIDS activities to infrastructure projects, a la the pipeline in Chad).

A multi-sectoral commitment to preventing, treating, and mitigating the impacts of HIV/AIDS need be incorporated into M&E measures for agricultural and food security interventions. Indicators should include the effects of these activities in building nutritional status of HIV-affected households. In the future, USAID/Angola may want to consider the experience of USAID/Zambia, which has included HIV/AIDS in a freestanding SO, outside the confines of health.

2. Links to other USAID activities in Southern Africa: The mission must aggressively explore Southern African regional agriculture research, market and trade facilitation opportunities. The USAID Regional Center for Southern Africa (RCSA) has proposed two new strategic objectives that add value to the USAID/Angola agricultural program. USAID’s Regional Center for Southern Africa (RCSA) foresees opportunity to support the USAID/Angola Strategy through its Sorghum-Millet Improvement Program and the Southern Africa Regional Research Network (SARRNET) for cassava and sweet potato activities. Both activities are already well established and quick response is believed possible. In addition, there would also appear scope for RCSA to provide support through the newly established Trade Hub. One of the objectives of the Trade Hub is to facilitate harmonization of customs and sanitary and phytosanitary regulations in the SADC region. Both of these issues have been mentioned to the Team as barriers to the importation of seed into Angola and to private sector investment in a commercial seed industry. Trade Hub staff might also assist with the analysis of intra-regional trade opportunities for Angola agricultural produce.

Though of a longer-term nature, the RCSA, through its support to the SADC Food, Agriculture and Natural Resource unit, may also be able to contribute to policy analyses on re-vitalizing the agricultural economy of Angola, the regional dimensions of a national food security strategy, and intra-regional trade opportunities.” (Regional Support for Angola’s Agriculture Recovery, August 2002)

RCSA’s strategic objective for Improving Competitiveness aims to ensure that selected policies, regulations, and laws support free trade and competition, that the quality of tradable goods and services meets international standards, and that key transaction costs are reduced. The Competitiveness framework explicitly seeks to increase the role of Southern Africa in global trade, including building the capacity of SADC countries to fully benefit from the African Growth and Opportunity Act (AGOA) and the prospective SACU-US Free Trade Agreement. RCSA work through the Southern African Global Competitiveness Hub to improve Southern Africa’s capacity to participate in the global trading system. Initially, RCSA will concentrate on countries with the highest potential to achieve concrete improvements in competitiveness. These countries are linked along an “economic corridor” stretching from the Indian Ocean to the Atlantic: Mozambique, South Africa, Swaziland, Lesotho, Zambia, Botswana, and Namibia (Figure 9). However, other countries in the region can benefit from spillover effects from activities in the target countries, as well as from activities that are regional by nature. This would tie Angola into this economic corridor, particularly through Namibia.

RCSA’s strategic objective to improve rural livelihoods aims to increase exports by emerging commercial farmers of high-value agricultural commodities to regional and international markets, diversify crop-livestock systems replace maize monoculture systems in pilot vulnerable communities, and increase regional coordination on agricultural development and rural livelihoods research and policy. This activity is the regional component of the Initiative to End Hunger in Africa. It strongly complements the agricultural programs of the New Partnership for Africa’s Development and the Forum for Agricultural Research in Africa.

These activities have been designed to be the regional implementation component of the Presidential initiatives to End Hunger in Africa (IEHA) and promote trade and investment in Africa (TRADE). While Angola does not benefit from these two Presidential initiatives, in the long run, 10 years, the country could reap benefits should it demonstrate long term economic growth

FEWS NET is also receiving one half of its funding from RCSA and this program should continue (see below).

3. Increasing Smallholder Incomes and Food Security

Under SO5, USAID/Angola runs several programs to improve food security, develop markets, and support agribusiness development. The largest, by far, is the **Development Relief Program (DRP)**, a \$52 million, eighteen-month activity designed to facilitate the resettlement of 827,000 persons (165,000 families) back on land from which they have been displaced for up to 30 years. The objective of

the DRP is to improve household food security in targeted rural resettlement areas in six provinces in post conflict Angola. The services provided include distribution of food for farmer startup, for reconstruction of rural basic roads, food to vulnerable groups, agricultural tools and seeds provision, seed replication, agricultural extension, mine awareness, conflict resolution, farmer group formation, and health basic issues including nutrition and HIV/AIDS awareness.

Set to run from March 2003 to September 2003, the DRP involves a consortium of international NGOs, working in six provinces with internally displaced persons (IDPs) to improve household food security in resettlement areas. The Consortium for Development Relief in Angola (or C/DRA) comprises Africa, CARE (as lead agency), Catholic Relief Services (CRS), Save the Children Foundation-US (SCF-US) and World Vision.

According to the CDRA,⁵ DRP funding (including food resources) is \$18.8 million USD for FY03 (\$7.3 million in commodities, \$7.6 million from ITSH, \$1.0 million from 202(e) and \$2.9 million in DA mission funds, including the contribution of Chevron/Texaco. Chevron/Texaco contributed \$4.0 million to the DRP (out of a total contribution to USAID of \$10 million they plan to provide over five years from 2002-2007). The Chevron/Texaco contribution provides services to support private sector-based agricultural initiatives, by placing households back in their high production farming areas with resources to enable them to produce both surplus and cash crops/animals for sale and marketing. This is supplemented with \$3.8 million in funding from other sources (OFDA, FAO, EuronAid, and PVO contributions in-kind and cash). The FY04 DRP program will be \$32.3 million with \$12 million for food and freight, 14.1 million for ITSH, \$2 million for 202 (e) and \$4 million of DA/Ag including \$2 million from CTSDC.

Another USAID program focused primarily on food insecurity is the **Famine Early Warning System Network** (FEWSNET), managed by Chemonics International. The project works to strengthen the abilities of African countries and regional organizations to manage risk of food insecurity through the provision of timely and analytical early warning and vulnerability information. It is funded at \$400,000 per year from RCSA and OFDA.

Two other USAID programs are more focused on the development end of the spectrum:

- **Rural Group Enterprises and Agricultural Marketing Activities:** This initiative aims to improve rural incomes by identifying market opportunities and developing approaches to help farmers establish farming enterprise on a cost-effective basis. Launched in May 2002, this market-oriented program is being implemented by the Cooperative League of the USA (CLUSA) in Huila, the Luanda greenbelt and Bengo and has recently been expanded to Benguela and Kuanza Sul. It is funded entirely from USAID's development assistance (DA) resources.
- **Agribusiness Development** activities have still not begun but are expected to be run by ACDI/VOCA in Cabinda. The aim is to reduce import of food

⁵ Powerpoint presentation: Development and Relief Program. Given June 9, 2003 at USAID/Angola.

commodities and improve rural incomes. Funding comes from a Public/Private Alliance between ACDI/VOCA, Chevron/Texaco (\$3.4 million) and USAID (\$1 million).

All of these programs can play an important role as USAID works along continuum from relief, to rehabilitation and recovery, to development.

Most of the activities supporting a transition first to subsistence and then to market-oriented smallholder agriculture will draw heavily on FFP Title II food aid. (FFP's large contributions to WFP are not managed by USAID/Angola and as such, are not addressed here). In FY 2003, general distributions to IDPs and vulnerable groups will account for more than 80 percent of FFP food aid, with the remaining 20 percent supporting resettlement and recovery. The overall trend for food aid in 2003 is a tremendous increase in the emergency general food distribution caseload and in the geographical coverage. Within this trend, the share of emergency distributions is decreasing while that for resettlement and recovery activities is increasing. Although the numbers in the first category still exceed pre-April 2002 numbers, the numbers in need of resettlement and recovery assistance are even larger. Already, most beneficiaries under the DRP are receiving food for agriculture production (either before or after the harvest) and not receiving food under emergency general distribution.

With the understanding that there remains a need to maintain the capacity and food resources to tend to the diminishing, but still significant humanitarian crisis, USAID now has the opportunity draw on the considerable capacity of its current implementing partners to support the transition to an agricultural-led growth agenda.

It is therefore recommended that USAID Angola build on the successes of its current cooperating sponsors by supporting their efforts to move ahead with (1) organizing farmers; (2) doing on farm demonstrations in linkage with IIA; (3) developing simple, low cost, extension systems that link to IIA; (4) developing input supply systems through the private sector and apex farmers organizations; (5) developing marketing systems through the private sector; (6) developing rural infrastructure; (7) supporting resettlement efforts and helping insure that farmers receive 2-10 hectares; (8) building an effective lobby for issues important to smallholder welfare; (9) supporting HIV/AIDS awareness, prevention and care; (10) providing supplemental nutrition to the most vulnerable; (10) supporting work to expand, conserve and enhance productive land; (11) Food for Training targeting health activities and community organization; and (12) supporting community disaster mitigation and conflict resolution activities.

3.1.5 Geographic Focus

A key element of the strategy outlined in section 2 was a national focus on market-oriented smallholder development in the Central Highlands or Planalto. Most – but not all – of USAID’s focus is already in this region. That focus should continue and even intensify. The Rural Group Enterprises and Agricultural Marketing Activities run by CLUSA should

- Continue in the four provinces where they are but expand operations
- And expand the market development and information portion of its activities to other areas in the Planalto in a couple of years.

Agribusiness Development activities planned by ACDI/VOCA in Cabinda should be expanded in the future, if successful

FEWSNET, however, should continue to monitor food insecurity across the country, with special emphasis to the areas where CDRA is working.

Furthermore, there will be an ongoing need to maintain some flexibility about targeting emergency food assistance. The period of July 2003 to June 2004 is widely regarded as the final stage of the emergency relief phase of assistance to Angola: yet the last of Angola’s remaining 1.4 million IDPs are not expected to be fully stabilized until August 2005. Population movements occurring in the next two years will result in large variances between regions in the security situation, numbers of people resettled, and agricultural productivity. Emergency pockets will exist alongside areas where the recovery process is well underway either because of inaccessibility due to poor roads or mines, or because of insufficient support. Although emergency pockets are likely to be in the Planalto, they will also persist on a smaller scale in the easternmost provinces.

3.1.6 Farmer Associations

This roadmap for USAID views farmers associations and their apex organizations as the backbone for using food aid resources and NGO talents to move Angolan smallholders from food insecurity to subsistence agriculture, and even a few steps beyond. (Ultimately, as stated earlier, the blossoming of commercial smallholder agriculture will only occur as key elements of Angola’s political, economic and physical infrastructures are laid down). USAID’s implementing partners, especially C/DRA and CLUSA, have a wide, albeit varied, experience with organizing rural people into cohesive units that can accomplish various tasks, both relief and developmental oriented. They have a comparative advantage for work in three programmatic areas that are essential to future food security in Angola: agricultural extension and development of farmer associations; provision of inputs and services; and rural infrastructure. Linkages with other partners are required in each of these areas - with agricultural research institutions, the private sector, other donors, the GOA – but because of their unique position vis-à-vis smallholder associations and civil society organizations, the cooperating sponsors provide the essential base ingredient for community-wide recovery and development. The need now is to increasingly redirect this experience to development activities that will permanently

lift people out of poverty and put them on the road to sustainable prosperity, while ensuring insurance against shocks that could potentially reverse development gains.

3.1.7 Rural Infrastructure

FFP's comparative advantage is also to focus on rural infrastructure, especially rural feeder roads, preferably linked to a National Trunk Road rehabilitation program of the World Bank and other donors. Such labor-intensive activities serve to alleviate food insecurity while laying the infrastructure needed for the free circulation of people and goods that are essential to any economy. Cooperating sponsors can develop plans for road grids that are part of a comprehensive system for promoting increased food production in a given area. They can field teams to rehabilitate or build roads and they can also field groups responsible for maintenance. The bulk of direct distribution commodities, combined with the proper level of cash resources, can go to Food for Work schemes aimed at rehabilitating rural market infrastructure with a focus on feeder roads. Hopefully the World Bank and other donors can link this feeder road program to the major construction program of the National road network.

3.1.8 Support to Research and Dissemination

The US has a clear comparative advantage in agricultural technology not only because of general competence and experience but also because of political commitment to the most recent breakthroughs in basic science (biotech.) It is crucial that that comparative advantage be focused on clear initial priorities. Cereals are the clear first choice for such a priority. IIA in Huambo is the logical focus for this effort. Given the strength of the CG system, and CYMMT in particular, it seems logical to bring CYMMT in to lead in first testing new varieties that can bring large increases in production, gradually upgrading the analytic ability of IIA, and integrating demonstrations and trials into the farmers association effort managed by the PVO's. On seed, the effort should be to establish a full capacity to produce foundation seed and then link with PVO efforts and the private sector for larger scale multiplication. When maize for example is showing itself well under control with a first class effort at IIA consideration should be given to repeating the exercise with other crops. Logical choices would be wheat (partly because CYMMT will already be there), potato (CIP), and perhaps beans (CIAT). It should be kept in mind that in the meantime PVOs will be working on other crops to bring in good varieties from outside and develop capacity within the country – that will be particularly the case for vegetables. Those other crops will not be completely neglected.

It is critical that a narrow priority be set for research system development and most important that the whole CG system not be brought in with a resultant spreading of effort far wider than what can be built on a quality basis. That is the main reason for the relative lack of success of African agricultural research systems. If as an alternative to CYMMT, an American Land Grant University were brought in to work with IIA and the University faculty to develop that institution concurrently, then it is essential that the initial priorities for that effort be kept very narrow.

Seed multiplication efforts that are underway are successfully working with contract farmers and already showing a cost benefit from imported seed. They are creating a market (demand) by supplying seed to farmers and a supply by building the capacity of individual farmers and associations to produce seed. There is a lot of discussion about the role of the private sector and how to 'hand over' to it. This linkage is essential and should be encouraged wherever possible. But perhaps the focus of FFP cooperating sponsors should really be on teaming with agricultural researchers on improving varieties and introducing new technologies through extension services. A farmer will quickly produce his own seed but will need outside help to source new seeds and new techniques to increase yields.

3.1.9 Support to Fertilizer and Other Agricultural Inputs and Services

According to the agricultural-led growth strategy, Angola needs a massive program to increase the use and distribution of inputs.

The Mission should include fertilizer sector assessments by IFDC and fertilizer use in all production programs.

Farmer associations can provide the demand and even some of the initial architecture for improving distribution. The services that FFP can help develop are improved seeds and technologies including farmer demonstrations with fertilizer to show dramatic improvements in yields; extension networks; animal traction; animal production; credit; HIV/AIDS education; water management systems; and training. These 'inputs' are the services that make the community-based organizations relevant. They also make them self-sustaining and thus create the foundation for all developmentally oriented activities.

3.1.10 Expand Emphasis on Marketing

- Expand market development and information activities to the Planalto, possibly with CLUSA
- Incorporate marketing activities in USAID's support of the Business and Economic Research Center at Catholic University as well as AAI in order to help these organizations to develop quality assurance and quality control capacity for all the crops promoted in the strategy.
- Work with financial services institutions to develop credit and savings products to target small-scale rural enterprises and farmers.
- Work with all CDRA partners to develop standards for support of producer organizations.

3.1.11 Extend the time period for current programs

The current DRP, begun in March 2003, ends in September 2004. In order to obtain funding from FFP for a new program in 2005, either new DAPs must be in by February 15, 2004 or the existing program can be extended. Because a unified monitoring and evaluation plan was only established in November, it is too early to be

able to evaluate progress under the ongoing DRP. In addition, the situation in Angola has been and will remain very fluid and requires maximum focus on the target populations. The USAID Angola mission along with the REDSO/FFP office and FFP/W have examined several options to best accommodate fluid needs on the ground, the transition agricultural strategy outline here, and various deadlines internal to USAID.⁶

The team considers that the C/DRA request for an extension for three years through October 2006 is probably too long and therefore recommends that the current DAPs be extended for one more year to provide the time needed to for C/DRA to disseminate information, technology and lessons learned. Such an extension also provides the opportunity to identify the additional financial resources needed to replace the one-time contribution of Chevron/Texaco and to accomplish the ambitious growth agenda set out in this report.

By mid 2004 a detailed review of the DRP would take place to evaluate the performance of CDRA and to lay out a framework for a future concept design to guide the mission's new ISP from 2006 onwards.

3.1.12 Additional Analyses and Design Activities

In the course of gathering information for this report, team members identified several important gaps in our understanding of the determinants of growth in Angola's rural sector. Studies on the following topics, ideally in collaboration with government and other partners, would greatly improve USAID's ability to hone its agricultural program and establish results packages.

- **Evaluation of the current road situation in Planalto**, including a feasibility study for construction, rehabilitation and maintenance for the secondary road network. A European Union evaluation in 1996-97 could provide a useful starting point for a study of the needs for secondary and tertiary roads. If the European Union does not plan a follow up to the 1996-97 evaluation of those networks, PPIAF funds might be available.
- **FAO Agriculture Sector Study in 2003.** The FAO is actively soliciting other major donors to contribute through funding of consultants to work on the study (described in Section 2.9.1). Given that no single donor (USAID included) can hope to equal the depth or coverage of the multi-donor FAO effort, it makes sense to continue USAID's strategy work in agriculture in coordination with other donors via this mechanism, rather than "go it alone". Since a sector investment plan is intended to permit various donors to "buy into" the plan where and how they see best, participation in a multi-donor strategy effort would neither constrain USAID to follow the specific recommendations nor would it rule out later projects taking a different tack. Seen in this light, participation could yield benefits without imposing any limits on future initiatives by USAID. Thus, it is recommended that USAID use available mechanisms to ensure US participation in the upcoming work in

⁶ Alex Deprez, "The Role of Food Aid in Angola's Agricultural Transition Strategy", July 16, 2003.

September 2003. The scope for this study needs to be expanded to include rural roads and land reform.

- **Fertilizer studies** related to the economics of fertilizer use on various crops in Planalto, the feasibility and utility of a fertilizer transport subsidy. One possibility would be to undertake the proposed international Fertilizer Development Center fertilizer sector assessment that needs to include the prefeasibility of indigenous fertilizer production in Angola using flared gas and phosphate deposits.
- **Establishing the Catholic University Business and Economic Research Center.** USAID should assist the Center by contributing both the intellectual leadership and financial support needed to develop this important policy forum. Preliminary design of the program has already occurred and USAID expects to provide a grant late in the year to begin work.
- **The feasibility of establishing a PL-480 Title III program** (a Government to Government program designed to bolster policy reforms) aimed at specifically supporting AICHA agricultural development objectives in Angola.
- **Assessment of the comparative advantage** of various smallholder crops to include maize and vegetables.
- **Assess the impact of Angola's recent legislation** centralizing purchase of key commodities through a government controlled buying agency.
- **Propose a set of issues providing parameters** to initiate policy dialogue to support a food security and agricultural development transition road map. Highlight those issues that will not cost money.
- **Development Credit Authority (DCA)** should be asked to conduct a review of several banks in Angola with an objective to provide funding and credit guarantees for an SME/Agriculture type programs.
- **A feasibility type study needs** to be done of the apex farmer organization association, Epungu, with the view that support could be given if a truly private sector based entity.

3.2 Program Resources

Table 6: USAID Program Summary

| BUDGET | FY 2002 (actual) | FY 2003 (actual) | FY 2004(estimate) |
|---|------------------|------------------|-------------------|
| Development Assistance & Child Survival | \$14.5 million | \$16.4 million | \$13.7 million |
| (Of which HIV/AIDS) | (\$2.5 million) | (\$2.5 million) | (\$7 million) |
| Economic Support Funds | \$3.4 million | \$3.3 million | \$3.5 million |
| International Disaster Assistance | \$0 | \$2.9 million | \$3.8 million |
| P.L.480 Title II Monetization | \$7.8 million | \$3.1 million | \$0 |
| P.L. Title II Develop/Relief | \$0 | \$17.8 million | \$25.6 million |
| P.L. Title II Food Aid | \$31.6 million | \$86.1 million | TBD |
| Humanitarian Assistance | \$20.4 million | \$19.5 million | \$10 million |
| Total | \$77.7 million | \$149.1 million | \$56.6 million |

Source: USAID Fact sheet, November 7, 2003

Notes: USG resources include, food aid and development assistance, ESF, etc. Current private sector sources include (ie Chevron ,Texaco, GDA)

Estimated food aid levels. As the transition proceeds from relief to development, the need for emergency-type food aid will diminish and be replaced by the need to support very targeted programs aimed at increasing food security, improving rural livelihoods and providing for social safety nets. The work begun with farmer associations during the resettlement phase will need to be expanded to absorb higher productivity enhancing inputs, help develop markets and human capacities and to combat the spread of HIV/AIDS. Food aid will also be needed to contribute to the re-establishment of basic services in the areas of roads, health, education, and water. The volume of food aid needed can and should stabilize around the needs of these programs, and include provisions made for emergencies arising from natural disasters and direct feeding of the most vulnerable. At this stage it is too early to state exactly at what level these needs would stabilize but it would be safe to say that in terms of volume they will diminish by 25% a year for each year of the three years beyond FY 04 and possibly plateau in FY 08 at \$ 25 million or approximately 25% of current (FY 03) needs. The bulk of the cut would be in resourcing WFP's PRRO while US cooperating sponsors programs would gradually increase their share of total FFP program resources to reach 50% by FY 06.

Cash needs. With diminishing needs for emergency food aid in terms of volume of commodities from FY 05 onwards, rural recovery and development programs will require increasing cash resources. USAID/A has been informed that they are currently only budgeted with DA Agriculture funds of \$ 2 million in FYs 04 and 05. This funding is not adequate to meet the current mortgage under the DRP, and certainly not adequate for an expanded agricultural development efforts starting in FY 05. Unless DA funding or other sources of cash funding are found, it will not be possible to continue any type of meaningful agriculture/rural development program. This is especially the case since ChevronTexaco funding, currently at \$ 4 million for the DRP for FY 03-04, is not likely to be available in the future. Were cash resources not to be available elsewhere, they can be met with a monetization program to generate enough proceeds to cover non-food costs associated with the programs. In order to ensure that enough cash or other non-food resources are behind the programs and can trickle down to support field level activities as they scale up in FY 05, cash or monetization commodities should be provided from FY 05 onwards using the DRP as

the baseline cash need and be gradually adjusted upwards. The estimated cash needs (not including ITSH) total approximately \$ 6 million a year for health, are to be covered.

Issues about this budget:

- How to fund DRP in the future
- This is a huge part of USAID's budget for ag in Angola; FFP has promised \$54 million for Angola in FY03-04.
- CTSDC has indicated interest in reviewing a proposal for possible funding of the proposed FY 05 extension.

3.2.1 Broaden Funding Sources

In that context, USAID should work with other branches of the US government as well as the private sector to consolidate and leverage support. The current \$52 million of Food for Peace funds (FY03) must be leveraged with greater public/private sector partnerships. The mission should continue to explore public and private sector partnerships much like the one established with Chevron-Texaco.⁷ Chevron Texaco's strategic plan for public and private sector investments (small and medium enterprises development through agriculture, training) in targeted provinces in Angola might serve as a model for other companies desiring to generate private sector led economic growth.

USAID must work creatively with PVOs to help them access a wider array and larger amount of funding. Within USAID, members of the CDRA consortium should explore possibilities offered by 1) the EGAT matching grant fund, and 2) competitively allocated funds from the Office of MicroEnterprise Development funding. In addition to the private sector funding currently offered by Chevron/Texaco, the PVOs could work with the US/Angola Chamber of Commerce to identify companies with social responsibility funds. Another possibility is the Global Environment Fund.⁸ The Mission's role should be to serve as the interlocutor on behalf of CDRA, helping the PVOs identify and apply for such alternative financial resources.

3.2.2 Monetize Food Aid

At the present time most of US food aid is non-monetized; that is, it is distributed free of charge. This is entirely appropriate for populations which are in a state of emergency, and who would not in any case be able to purchase food commercially. It is likely that the emergency situation will continue in some areas for several more years, but it is clear that rural areas are gradually returning to a more settled and stable state as the process of resettling refugees and displaced people continues. Food for

⁷ Memorandum of Understanding Between the U.S. Agency for International Development and Chevron Texaco Corporation for Enterprise Development Alliance in Angola. May 2003. See also Wilkinson, Betty and Colette Cowey (2003).

⁸ <http://gefweb.org>

work projects focused on road building are likely to be a viable mechanism for assistance over the next few years, allowing food aid to be used to promote alleviation of hunger while at the same time alleviating one of the most serious constraints to progress - the abysmal state of the rural road network. However, as production is reestablished and marketing links to urban demand centers are rehabilitated, it will be essential to transition from direct provision of food to monetization to the extent possible. This is for two reasons: First, monetized food aid will be one of the more important sources of funding for USAID/Angola. Second, non-monetized food distributions can undermine the very market development we are trying to promote. (For an in-depth discussion of the issue related to monetization of US food aid in Angola, see Brown et al, 2002).

3.2.3 Address Human Resource Needs

Need for an additional USAID staff members. The Mission is obtaining two extra DH positions in FY 04 and 05. The first position is a direct hire agriculturalist who has already been selected and late in the year will replace a USPSC who is currently the Team Leader for Food Security. Mission is also recruiting an Agric/Econ with private sector experience for FY 05.. The task of successfully establishing and maintaining a sprightly policy dialog with multiple groups in Angola on a number of points will require much time and skill. It would involve such activities as identifying and cultivating Angolan *champions*, linking them in networks as appropriate, identifying and supporting key analytical needs, and organizing workshops and study tours. Related is the need to link Angola to other regional institutions and interests, such as RCSA, SADC, and COMESA. Furthermore, overseeing the process of establishing and funding the Catholic University Business and Economic Research Center will also require substantial effort. It is unrealistic to think that USAID/Angola could handle these responsibilities on top of the ambitious agricultural agenda outlined above. The team thus proposes that USAID/Angola recruit a Portuguese-speaking direct hire economist and private sector specialist as soon as possible with expertise in policy and consensus-building processes. This individual's mandate would be to help USAID work with high level policy makers, local government authorities, donors, private sector groups and representatives from civil society to move ahead necessary economic and political reforms needed to support long run agriculture and economic growth.

4. Timing and Road Map

This annex draws upon the August 2003 document *A Framework for Transitioning to Rural Economic Growth in Angola- -Angola Agriculture and Food Security Review*. The purpose is to operationalize the vision and key recommendations of the full assessment into a practical plan for USAID/Angola to adjust its own relief and development programming in response to fluid and uncertain conditions in Angola.

The Framework lays out a vision for agriculturally led economic growth in Angola based on improving the food security, incomes and quality of life for rural Angolans by increasing their agricultural productivity and competitiveness on domestic, regional and international markets, as well as their capacity to advocate in their own interests as mature members of civil society and protect themselves against future

shocks. The strategy aims to develop the commercial capacity of smallholders in the Planalto region by increasing the productivity and marketing of agriculture through a massive increase in improved inputs (seed and fertilizers), support of producers organizations, development of a first class research system, improved market information and an energetic effort to stimulate policy dialog at many levels of Angolan society in order to improve transparency, enterprise development, economic and trade policy and infrastructure development.

This strategy reflects USAID's belief that although the humanitarian situation in Angola continues to require significant support, there is an urgent need to jump start economic growth. The recent (September 2003) upsurge in returning refugees only underscores the need to pursue an integrated relief to development program in which programs are consistent with the vision of creating a vibrant sector of commercial smallholders while varying the mix of relief and development activities. Furthermore, given the dynamic and uncertain environment, USAID may have to employ different phases with different populations, possibly move back and forth between phases as the situation dictates. There are no rigid breaks moving between phases. They are designed to overlap as needed to build momentum from relief to capacity building to long run growth.

The road map is laid out in three phases and includes:

- Phase I: Short-term interventions heavily focused on addressing emergency relief requirements. To the extent possible, these interventions will be designed to strengthen household food security and incomes through agriculturally focused development activities (e.g. seed multiplication, distribution and banks, tools). Some activities will necessarily focus on directing bolstering individual and household nutrition.
- Phase II: Medium-term interventions: empowerment of people to be responsible for their own livelihoods. In this stage, interventions will build the human capacity and infrastructure for needed growth as well as the links between farmers associations, research institutes, traders, and government. Activities include: multiplying seeds, entrepreneurial skills, farm management, establishing mills, organizing storage, and organizing farmers, and building feeder roads.
- Phase III: Long-term interventions supporting commercially led agricultural growth strategy laid out in the vision.

In the short term, the assessment team recommends: (1) intensive resettlement and emergency relief activities to be completed in the next 24 months (Oct 2003-Sept 2005); (2) private sector led economic policy dialogue initiated by the US Government and headquartered at the Catholic University in Luanda; (3) market intelligence and food supply monitoring systems established; (4) market driven crop production systems established; (5) environmental management system requisite to guide intensive agricultural development; (6) standardization and enhancement of farmers association development; and (7) revitalization of agriculture research in Angola.

| | Phase I: Short term interventions | Phase II: Medium term interventions | Phase III: Long term interventions |
|---|--|--|--|
| Market Intelligence and Food Supply Monitoring Systems | <ol style="list-style-type: none"> 1) Building on FEWSNET, CLUSA market reports, PVO food production reports, publish a quarterly market situation report 2) Carry out commodity market studies for maize beans, cassava, horticultural crops (CLUSA) 3) Through CLUSA, initiate twice annual market demand forum for PVOs, govt. and farmer associations. 4) Conduct food needs and vulnerability assessments in conjunction with WFP and FEWS. 5) Nutrition monitoring. | <ol style="list-style-type: none"> 1) Set up market news service 2) Participate in Southern African regional marketing studies to include coffee, sisal, natural products, livestock and seafood 3) Develop strategy to enter processed food market 4) Develop local capacity to conduct food needs and vulnerability assessments 5) Continuing nutrition monitoring. | <ol style="list-style-type: none"> 1) Maintain market news service 2) Continue to expand into processed and specialty food markets |
| Farmers Association Development | <ol style="list-style-type: none"> 1) Establish standards, norms and menu of services for farmers' association development for all US/PVOs 2) Set up PVO/CLUSA 6 province-wide goal for % of FA growth 3) Link to SO3 (D&G) results relevant to strengthen civil society development & advocacy 4) Stress value of market situation reports (PVOs) 5) Microfinance assessment in Planalto to support ag production strategy (OMD) 6) Investigate with PVOs a strategy of HIV/AIDS awareness, prevention and care. 8) Obtain FA participation in | <ol style="list-style-type: none"> 1) Continue to focus on FA development and re-assess rate of growth. 2) Revisit women focused Huambo microfinance activity for literacy and numeracy activity. 3) Provide support to provincial and/or national associations of small scale farmers. 4) Initiate second generation of farmer association standards, norms for service delivery and outreach. 5) Expanded HIV/AIDS awareness, prevention and care activities. 6) Farmer association participation in community-based | |

| | Phase I: Short term interventions | Phase II: Medium term interventions | Phase III: Long term interventions |
|-------------------|---|---|---|
| | rural infrastructure identification, planning, rehab. and maintenance. | disaster mitigation and conflict resolution strategies. 7) Expanded FA involvement in infrastructure planning, rehab and maintenance. | |
| Crop Focus | 1) cereals and field crops commodity focus, based on market research permitting 3-4 commodities to dominate production activity in the Plan Alto/Huambo bread basket area 2) Initiate on station natural product crop trials 3) Continue horticultural crop focus especially in Benguela and Huila 4) Continue cassava and beans crop focus, especially outside of Huambo 5) Continue to promote vegetable gardens (vitamin A) and other crops (protein) to improve nutritional in take at household levels for vulnerable populations 6) Monitor through PVO's PMP and CLUSA PMP and WFP demand for staple food vis-à-vis food supply activities. 7) develop seed multiplication and extension services using lead farmers, farmer field schools and contract farmers in collaboration with the MINADER. | 1) Collaborate with Min. of Ag. and National Coffee Assn. to develop coffee revitalization plan 2) Ascertain intermediate results from "maize plus" commodity focus and adjust if necessary 3) Develop a horticultural supply strategy (Benguela and Huila) in line with market feedback 4) Participate in food vulnerability assessment to determine if "maize plus" strategy hits projections 5) Initiate natural plant products to diversify staple crop production 6) Challenge target province to generate vegetable gardens through intra provincial garden competitions | To be determined |

| | Phase I: Short term interventions | Phase II: Medium term interventions | Phase III: Long term interventions |
|--|--|--|--|
| Infrastructure Development | <ol style="list-style-type: none"> 1) Make the case to national government re: the importance of well maintained principal trunk road through the breadbasket of the country. 2) Develop feeder/secondary road repair program through Food for Work | <ol style="list-style-type: none"> 1) Expand feeder/secondary road program through food and cash for work. 2) Encourage farmer associations to promote road repair & maintenance by local and national governments. 3) Engage World Bank, IMF, national government to invest in trunk rails and roads. 4) Engage in small scale irrigation, water and land management activities. 5) Engage in reconstruction of schools and health posts | National and local road improvement program continued. |
| Policy Dialogue and Formulation | <ol style="list-style-type: none"> 1) Initiate dialogue with GOA re: road network rehabilitation plans. Survey geographic focus, linkages between potential production areas and local markets 2) At village level, thru OTI funded activity collaboration, work with farmer associations to advocate, articulate civil society skill needs, land tenure, increase land acquisition for IDP and x combatants resettlement. | <ol style="list-style-type: none"> 1) Develop a forum for such stakeholders to lay out a long run strategy for rapid growth in agricultural incomes. 2) Support analytical agenda as needed 3) Pursue Title III intervention with FFP and GOA, | To be determined |

| | Phase I: Short term interventions | Phase II: Medium term interventions | Phase III: Long term interventions |
|---------------------------------------|--|---|--|
| Technology Transfer | <ol style="list-style-type: none"> 1) University of Huambo to investigate irrigation, water management and soil management options for small scale farmers in conjunction with appropriate CGIAR experts. . 2) Seed multiplication and ag. input distribution managed by a consortium of private sector supported by PVOs and donors | <ol style="list-style-type: none"> 1) University of Huambo, US/PVOs and donors will collectively take responsibility for presenting the materials (local language) and identify most appropriate systems and set up demonstrations. 2) World Vision to take the lead to secure additional private funds to increase number of seed interventions. 3) Private sector partnership established for agricultural input distribution. | <ol style="list-style-type: none"> 1) U.S. PVOs and the private sector will continue to present new technologies and work closely with MINADER to record farmers interested and the farmers perceived impact. 2) Private sector seed industry producing all major seed in country. |
| Environmental Management | <ol style="list-style-type: none"> 1) Conduct pest risk analysis survey (CLUSA) 2) Though RCSA, survey potential for better water management and identify and share basic tools for farmers to improve soil fertility. 3) Increase knowledge of organic production techniques | <ol style="list-style-type: none"> 1) Assessment of post-war environmental endowment of Angola 2) Explore markets and start production of natural products | To be determined |
| Private Sector Development | <ol style="list-style-type: none"> 1) Urge oil industry to undertake a study of 1) the economics of a natural gas based nitrogen plant and 2) the phosphate reserves and their use for establishing a fertilizer plant in Angola. | <ol style="list-style-type: none"> 1) Develop private sector indigenous seed industry with help of International Seed company (s). 2) Facilitate private sector importation and distribution of fertilizer and other agriculture inputs. 3) Develop a public/private sector partnership for | <ol style="list-style-type: none"> 1) Scale up efforts of Banco Sol and similar banks with USAID's Development Credit Authority credit guarantee program to extend micro-credit to farmer organizations and other small and medium enterprises. |

| | Phase I: Short term interventions | Phase II: Medium term interventions | Phase III: Long term interventions |
|---|---|--|---|
| | | <p>research on maize through the University of Huambo College of Agriculture and the Institute for Agricultural research (IIA) field station</p> <p>4) Develop public/private partnership to establish the Economic Policy Institute and Business Training Center at the Catholic University in Luanda</p> | <p>2) Develop a public/private sector partnership for coffee research and marketing</p> <p>3) If study is feasible construct a regional fertilizer plant in Angola.</p> |
| Emergency Relief (2003-2005) & Direct Food Distribution (2005 onwards) | <p>1) New “caseload” (i.e.,beneficiaries not included in FY 03-05 workplans) to be folded into new WFP PRRO; a timeline should be prepared to show the DRP emergency caseload declining to zero by September 2005 (i.e., transfer completed to WFP PRRO)</p> <p>2) Provision of seed protection rations and other types of short term food for agriculture assistance in conjunction with seeds and tools. .</p> <p>3) Support for seed multiplication.</p> <p>4) Selection of Farmer Associations to be included in Phase II</p> | <p>1) Food for Training targeting health and nutritional activities and community health organization.</p> <p>2) Food for Education, within the context of a broader rural education revitalization program, to provide incentive for attendance, particularly female.</p> <p>3) Ongoing support to Food for Agriculture activities</p> <p>4) Supplemental and vulnerable feeding.</p> | |

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Annex 2: Persons Contacted

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Jim Conway, OFDA Representative

USAID Implementing Partners

CDRA, PVO Consortium for Development Relief in Angola
Africare
CARE
CRS
SCF-US
World Vision
FEWSNET
CLUSA

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Annex 3: Statistical Appendix

ANGOLA – Area (Hectares) Planted by Crop, 2002-2003

| <i>Provinces</i> | <i>Maize</i> | | <i>Millet/Sorghum</i> | | <i>Rice</i> | | <i>Beans</i> | | <i>Groundnuts</i> | | <i>Cassava</i> | | <i>Potato</i> | | <i>Sweet Potato</i> | |
|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|
| | <i>Total area planted</i> | <i>% Area planted</i> | <i>Total area planted</i> | <i>% Area planted</i> | <i>Total area planted</i> | <i>% Area planted</i> | <i>Total area planted</i> | <i>% Area planted</i> | <i>Total area planted</i> | <i>% Area planted</i> | <i>Total area planted</i> | <i>% Area planted</i> | <i>Total area planted</i> | <i>% Area planted</i> | <i>Total area planted</i> | <i>% Area planted</i> |
| NATIONAL TOTAL | 818,445 | | 242,860 | | 7,872 | | 232,408 | | 150,281 | | 720,430 | | 59,521 | | 142,116 | |
| NORTH | 102,105 | | 0 | | 3,037 | | 71,911 | | 90,391 | | 609,030 | | 549 | | 56,864 | |
| Cabinda | 6,486 | 14.5 | 0 | 0.0 | 0 | 0.00 | 5,010 | 11.2 | 7,514 | 16.8 | 10,064 | 22.5 | 0. | 0.0 | 4,160 | 9.0 |
| Zaire | 4,111 | 12.0 | 0 | 0.0 | 0 | 0.00 | 514 | 1.5 | 4,111 | 12.0 | 18,259 | 53.3 | 0 | 0.0 | 1,644 | 5.0 |
| Uige | 12,484 | 4.5 | 0 | 0.0 | 166 | 0.06 | 17,062 | 6.2 | 45,220 | 16.3 | 163,681 | 59.0 | 0 | 0.0 | 12,762 | 4.6 |
| Bengo | 7,818 | 15.0 | 0 | 0.0 | 0 | 0.00 | 6,254 | 12.0 | 2,606 | 5.0 | 28,666 | 55.0 | 0 | 0.0 | 5,212 | 10.0 |
| Luanda | 3,637 | 25.0 | 0 | 0.0 | 0 | 0.00 | 1,455 | 10.0 | 0 | 0.0 | 7,273 | 50.0 | 0 | 0.0 | 1,164 | 8.0 |
| Kwanza Norte | 11,415 | 15.7 | 0 | 0.0 | 0 | 0.00 | 10,688 | 14.7 | 4,871 | 6.7 | 37,516 | 51.6 | 73 | 0.1 | 2,399 | 3.3 |
| Malange | 35,925 | 22.0 | 0 | 0.0 | 0 | 0.00 | 17,721 | 11.0 | 15,304 | 9.5 | 80,226 | 49.8 | 0 | 0.0 | 5,316 | 3.3 |
| Lunda Norte | 10,958 | 5.0 | 0 | 0.0 | 2,859 | 1.0 | 4,288 | 2.0 | 5,717 | 2.0 | 190,572 | 80.0 | 476 | 0.2 | 10,005 | 4.2 |
| Lunda Sul | 9,273 | 7.9 | 0 | 0.0 | 12 | 0.01 | 8,920 | 7.6 | 5,047 | 4.3 | 72,772 | 62.0 | 0 | 0.0 | 14,202 | 12.1 |
| CENTRAL | 458,197 | | 24,698 | | 4,836 | | 118,336 | | 40,337 | | 104,627 | | 36,037 | | 68,462 | |
| Kwanza Sul | 87,642 | 44.0 | 1,992 | 1.0 | 0 | 0.00 | 29,878 | 15.0 | 17,927 | 9.0 | 37,845 | 19.0 | 3,984 | 2.0 | 11,951 | 6.0 |
| Benguela | 44,817 | 52.0 | 20,685 | 24.0 | 0 | 0.00 | 6,809 | 7.9 | 1,120 | 1.3 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Huambo | 209,508 | 65.0 | 967 | 0.3 | 0 | 0.00 | 38,678 | 12.0 | 3,223 | 1.0 | 0 | 0.0 | 16,116 | 5.0 | 30,620 | 9.5 |
| Bie | 102,303 | 47.5 | 862 | 0.4 | 0 | 0.00 | 34,460 | 16.0 | 6,461 | 3.0 | 23,261 | 10.8 | 15,938 | 7.4 | 16,799 | 7.8 |
| Moxico | 13,927 | 14.4 | 193 | 0.2 | 4,836 | 5.0 | 8,511 | 8.8 | 11,606 | 12 | 43,521 | 45.0 | 0 | 0.0 | 9,091 | 9.4 |
| SOUTH | 258,144 | | 218,162 | | 0 | | 42,161 | | 19,553 | | 6,774 | | 22,934 | | 16,790 | |
| Namibe | 5,612 | 43.0 | 4,568 | 35.0 | 0 | 0.00 | 1,305 | 10.0 | 0 | 0.0 | 0 | 0.0 | 131 | 1.0 | 1,175 | 9.0 |
| Huila | 213,757 | 54.6 | 62,639 | 16.0 | 0 | 0.00 | 36,018 | 9.2 | 17,617 | 5.0 | 0 | 0.0 | 22,707 | 5.8 | 11,745 | 3.0 |
| Cunene | 9,745 | 8.0 | 103,539 | 85.0 | 0 | 0.00 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Kuando Kubango | 29,030 | 30.0 | 47,416 | 49.0 | 0 | 0.00 | 4,838 | 5.0 | 1,935 | 2.0 | 6,774 | 7.0 | 97 | 0.1 | 3,871 | 4.0 |

ANGOLA – Area Planted, Production and Utilization, 2002-2003

| <i>Utilization</i> | | <i>Products</i> | | | | | | | |
|----------------------------|----------|-----------------|----------------------------|-------------|--------------|-------------------|----------------|---------------|---------------------|
| | | <i>Maize</i> | <i>Millet/ Sorghum</i> | <i>Rice</i> | <i>Beans</i> | <i>Groundnuts</i> | <i>Cassava</i> | <i>Potato</i> | <i>Sweet Potato</i> |
| Area planted | Hectares | 818,445 | 242,860 | 7,872 | 232,408 | 150,281 | 720,430 | 59,521 | 142,116 |
| Production | Tons | 618,684 | 83,090 | 10,831 | 93,184 | 58,849 | 6,892,161 | 269,204 | 543,319 |
| Seed | Kg/ha | 20 | 10 | 70 | 30 | 30 | 0 | 500 | 0 |
| | Tons | 16,369 | 2,429 | 551 | 6,972 | 4,508 | 0 | 29,760 | 0 |
| Feed | % | 1 | 3 | 0 | 0 | 0 | 10 | 0 | 5 |
| | Tons | 6,187 | 2,493 | 0 | 0 | 0 | 689,216 | 0 | 27,166 |
| Post-harvest Losses | % | 7 | 5 | 2 | 4 | 4 | 15 | 8 | 8 |
| | Tons | 43,308 | 4,155 | 217 | 3,727 | 2,354 | 1,033,824 | 21,536 | 43,466 |
| Total other uses | Tons | 65,864 | 9,076 | 768 | 10,700 | 6,862 | 1,723,040 | 51,297 | 70,632 |
| Total human consumption | Tons | 552,820 | 74,015 | 10,063 | 82,485 | 51,987 | 5,169,121 | 217,907 | 472,688 |

Source: MINADER.

ANGOLA – Production and Yields by Crop, 2002-2003

| <i>Provinces</i> | <i>Maize</i> | | <i>Millet/Sorghum</i> | | <i>Rice</i> | | <i>Beans</i> | | <i>Groundnuts</i> | | <i>Cassava</i> | | <i>Potato</i> | | <i>Sweet Potato</i> | |
|-----------------------|------------------------------------|----------------------------|------------------------------------|----------------------------|------------------------------------|----------------------------|------------------------------------|----------------------------|------------------------------------|----------------------------|------------------------------------|----------------------------|------------------------------------|----------------------------|------------------------------------|----------------------------|
| | <i>Total produc- tion (mt)</i> | <i>% Yield (mt/ha)</i> | <i>Total produc- tion (mt)</i> | <i>% Yield (mt/ha)</i> | <i>Total produc- tion (mt)</i> | <i>% Yield (mt/ha)</i> | <i>Total produc- tion (mt)</i> | <i>% Yield (mt/ha)</i> | <i>Total produc- tion (mt)</i> | <i>% Yield (mt/ha)</i> | <i>Total produc- tion (mt)</i> | <i>% Yield (mt/ha)</i> | <i>Total produc- tion (mt)</i> | <i>% Yield (mt/ha)</i> | <i>Total produc- tion (mt)</i> | <i>% Yield (mt/ha)</i> |
| NATIONAL TOTAL | 618,684 | | 83,090 | | 10,831 | | 93,184 | | 58,849 | | 6,892,161 | | 269,204 | | 543,319 | |
| NORTH | 73,788 | | 0 | | 3,578 | | 29,612 | | 35,855 | | 5,888,581 | | 860 | | 222,113 | |
| Cabinda | 5,189 | 0.80 | 0 | 0.00 | 0 | 0.00 | 2,004 | 0.40 | 6,012 | 0.80 | 125,800 | 12.50 | 0 | 0.00 | 18,719 | 4.50 |
| Zaire | 2,672 | 0.65 | 0 | 0.00 | 0 | 0.00 | 206 | 0.40 | 1,850 | 0.45 | 182,592 | 10.00 | 0 | 0.00 | 7,400 | 4.50 |
| Uige | 9,363 | 0.75 | 0 | 0.00 | 133 | 0.80 | 5,119 | 0.30 | 13,566 | 0.30 | 2,046,014 | 12.50 | 0 | 0.00 | 51,046 | 4.00 |
| Bengo | 4,691 | 0.60 | 0 | 0.00 | 0 | 0.00 | 2,502 | 0.40 | 1,042 | 0.40 | 358,320 | 12.50 | 0 | 0.00 | 20,848 | 4.00 |
| Luanda | 2,182 | 0.60 | 0 | 0.00 | 0 | 0.00 | 509 | 0.35 | 0 | 0.00 | 87,277 | 12.00 | 0 | 0.00 | 4,655 | 4.00 |
| Kwanza Norte | 6,849 | 0.60 | 0 | 0.00 | 0 | 0.00 | 5,344 | 0.50 | 2,192 | 0.45 | 450,193 | 12.00 | 145 | 2.00 | 10,797 | 4.50 |
| Malange | 30,536 | 0.85 | 0 | 0.00 | 0 | 0.00 | 8,860 | 0.50 | 6,887 | 0.45 | 1,002,828 | 12.50 | 0 | 0.00 | 23,923 | 4.50 |
| Lunda Norte | 7,671 | 0.70 | 0 | 0.00 | 3,430 | 1.20 | 1,501 | 0.35 | 2,287 | 0.40 | 762,289 | 4.00 | 715 | 1.50 | 35,018 | 3.50 |
| Lunda Sul | 4,636 | 0.50 | 0 | 0.00 | 14 | 1.20 | 3,568 | 0.40 | 2,019 | 0.40 | 873,268 | 12.00 | 0 | 0.00 | 49,708 | 3.50 |
| CENTRAL | 269,044 | | 11,305 | | 7,253 | | 40,184 | | 14,486 | | 976,485 | | 154,290 | | 271,423 | |
| Kwanza Sul | 52,585 | 0.60 | 896 | 0.45 | 0 | 0.00 | 11,951 | 0.40 | 7,171 | 0.40 | 378,455 | 10.00 | 9,959 | 2.50 | 53,780 | 4.50 |
| Benguela | 22,408 | 0.50 | 9,515 | 0.46 | 0 | 0.00 | 953 | 0.14 | 157 | 0.14 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Huambo | 125,705 | 0.60 | 454 | 0.47 | 0 | 0.00 | 13,537 | 0.35 | 1,547 | 0.48 | 0 | 0.00 | 80,580 | 5.00 | 122,482 | 4.00 |
| Bie | 61,382 | 0.60 | 362 | 0.42 | 0 | 0.00 | 10,338 | 0.30 | 969 | 0.15 | 162,824 | 7.00 | 63,751 | 4.00 | 58,797 | 3.50 |
| Moxico | 6,963 | 0.50 | 77 | 0.40 | 7,253 | 1.50 | 3,404 | 0.40 | 4,642 | 0.40 | 435,207 | 10.00 | 0 | 0.00 | 36,364 | 4.00 |
| SOUTH | 275,852 | | 71,786 | | 0 | | 23,388 | | 8,508 | | 27,095 | | 114,054 | | 49,783 | |
| Namibe | 3,367 | 0.60 | 1,827 | 0.40 | 0 | 0.00 | 326 | 0.25 | 0 | 0.00 | 0 | 0.00 | 326 | 2.50 | 2,936 | 2.50 |
| Huila | 256,508 | 1.20 | 31,320 | 0.50 | 0 | 0.00 | 21,611 | 0.60 | 7,928 | 0.45 | 0 | 0.00 | 113,534 | 5.00 | 35,235 | 3.00 |
| Cunene | 1,462 | 0.15 | 19,672 | 0.19 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 |
| Kuando Kubango | 14,515 | 0.50 | 18,966 | 0.40 | 0 | 0.00 | 1,452 | 0.30 | 581 | 0.30 | 27,095 | 4.00 | 194 | 2.00 | 11,612 | 3.00 |

Source: MINADER.

ANGOLA – Smallholder Families, Crop Season 2002-2003

| <i>Provinces</i> | <i>Number of smallholder families, Dec. 2002</i> | | |
|-----------------------|--|-------------------------|-------------------------------------|
| | <i>Total</i> | <i>Normal situation</i> | <i>Displaced/Recently resettled</i> |
| NATIONAL TOTAL | 1,864,026 | 1,737,984 | 126,042 |
| NORTH | 771,558 | 733,095 | 38,463 |
| Cabinda | 33,441 | 31,120 | 2,322 |
| Zaire | 51,450 | 38,900 | 12,550 |
| Uige | 231,188 | 231,188 | 0 |
| Bengo | 37,228 | 37,228 | 0 |
| Luanda | 8,378 | 7,006 | 1,372 |
| Kwanza Norte | 63,183 | 60,069 | 3,114 |
| Malange | 135,770 | 133,486 | 2,284 |
| Lunda Norte | 144,826 | 134,840 | 9,986 |
| Lunda Sul | 66,093 | 59,258 | 6,835 |
| CENTRAL | 714,611 | 654,575 | 60,036 |
| Kwanza Sul | 111,244 | 100,174 | 11,070 |
| Benguela | 71,267 | 50,548 | 20,728 |
| Huambo | 268,600 | 268,600 | 0 |
| Bie | 185,165 | 175,418 | 9,747 |
| Moxico | 78,326 | 59,835 | 18,491 |
| SOUTH | 377,857 | 350,314 | 27,543 |
| Namibe | 13,289 | 8,594 | 4,695 |
| Huila | 196,729 | 177,112 | 19,617 |
| Cunene | 102,623 | 100,713 | 1,910 |
| Kuando Kubango | 65,216 | 63,895 | 1,321 |

Source: MINADER.

ANGOLA – Total Area Planted, 2002-2003

| <i>Provinces</i> | <i>Total</i> | <i>Area planted by families</i> | | <i>Average area per resident family</i> | <i>Average area per displaced/ resettled family</i> |
|-----------------------|------------------|---------------------------------|-----------------------------|---|---|
| | | <i>Residents</i> | <i>Displaced/ Resettled</i> | | |
| NATIONAL TOTAL | 2,555,375 | 2,456,466 | 98,909 | | |
| NORTH | 1,012,470 | 991,628 | 20,842 | | |
| Cabinda | 44,729 | 43,568 | 1,161 | 1.40 | 0.50 |
| Zaire | 34,258 | 31,120 | 3,138 | 0.80 | 0.25 |
| Uige | 277,426 | 277,426 | 0 | 1.20 | 0.00 |
| Bengo | 52,119 | 52,119 | 0 | 1.40 | 0.00 |
| Luanda | 14,546 | 13,311 | 1,235 | 1.90 | 0.90 |
| Kwanza Norte | 72,706 | 72,083 | 623 | 1.20 | 0.20 |
| Malange | 161,097 | 160,183 | 914 | 1.20 | 0.40 |
| Lunda Norte | 238,215 | 229,228 | 8,987 | 1.70 | 0.90 |
| Lunda Sul | 117,375 | 1112,590 | 4,785 | 1.90 | 0.70 |
| CENTRAL | 919,780 | 882,743 | 37,037 | | |
| Kwanza Sul | 199,187 | 190,331 | 8,856 | 1.90 | 0.80 |
| Benguela | 86,186 | 75,822 | 10,364 | 1.50 | 0.50 |
| Huambo | 322,320 | 322,320 | 0 | 1.20 | 0.00 |
| Bie | 215,375 | 210,502 | 4,874 | 1.20 | 0.50 |
| Moxico | 96,713 | 83,769 | 12,944 | 1.40 | 0.70 |
| SOUTH | 623,124 | 582,094 | 41,030 | | |
| Namibe | 13,050 | 11,172 | 1,878 | 1.30 | 0.40 |
| Huila | 391,496 | 354,224 | 37,272 | 2.00 | 1.90 |
| Cunene | 121,811 | 120,8956 | 955 | 1.20 | 0.50 |
| Kuando Kubango | 96,767 | 95,843 | 925 | 1.50 | 0.70 |

Source: MINADER.

Annex 4: Agriculture as an Engine of Growth

The basic engine of growth in a significantly rural economy, such as that of Angola, is growth in the agricultural sector. It is growth in incomes of the commercial small farmer sector, not the large farms, that drives poverty reduction through powerful multipliers to the rural non-farm sector. The strength of those income and poverty reduction multipliers is a function of how rapidly incomes in smallholder agriculture can grow which in turn is a function of the productivity of the underlying agricultural resources, the pace of technological change, and rural population density which in turn drives the rate of return to the expensive rural physical infrastructure, particularly roads.

Table 1 provides a notional picture for Angola of the division of the labor force and GDP among sectors. The picture is post recovery from the disruptions of war. That is it is assumed that the population to be resettled has been resettled and has reached a basic level of productivity that supports a normal sized rural non-farm population.

However, it is not assumed that the roughly one-quarter of the urban population that is now in excess (virtually unemployed) returns to the rural sector. If the wartime disruptions had not occurred that 10 percent of the total population would have remained in the rural areas, raising the rural percent to 70 percent. In fact, with rapid growth in agriculture and its massive employment multipliers to the rural non-farm sector much of that urban population might indeed shift to the prospering market towns of the Planalto and some even back to farming. But, that is not assumed in these numbers.

The 40 percent of GDP due to oil and diamonds is subtracted out, as representing an investment resource for other sectors rather than a directly productive resource. The GDP show the other sectors as a percent of total without oil and diamonds. That gives a more useful picture of the division of the rest of the economy. The issue then is how the oil and diamond resources will be invested in order to bring economic growth and development and along the way to involve the bulk of the population in the business of development. It should be noted that Indonesia made those investments in economic growth and Nigeria did not. The former experienced not only massive growth but also massive poverty reduction; the latter experienced little growth and substantial increasing poverty. The exposition that follows is more in line with the Indonesian experience than that of Nigeria.

Table 2. Population/Labor Force and GDP (excluding oil and diamonds) Proportions, Angola, Estimated, Post Recovery

| Sector | Labor Force/Population Share | GDP Share (without oil and diamonds) |
|----------------|------------------------------|--------------------------------------|
| Rural | 60 | 45 |
| Agriculture | (30) | (25) |
| Rural Non-Farm | (30) | (20) |
| Urban | 40 | 55 |
| TOTAL | 100 | 100 |

The following points are noteworthy in Table 2. (1) With normal expenditure patterns by small farmers, the rural nonfarm sector provides as much employment as agriculture and 80 percent as much GDP – it is a large sector. (2.) Farmers have income from both labor and land and therefore have incomes at least one-quarter higher than those in the rural non-farm sector. It is the rural non-farm sector that encompasses the bulk of poverty not the farming sector.

We know from numerous studies of similar countries that farmers spend about 60 percent of additions to their income on labor-intensive rural goods and services and two-thirds of that on the rural non-farm sector. With an income multiplier of 2 (consistent with the expenditure pattern) that provides an initial rural non-farm sector with 20 percent of non-oil and diamonds GDP. With rapid agricultural growth the rural non-farm sector will grow substantially faster than agriculture (because of the rapid growth in consumption of rural non-farm goods and services with rising incomes.) The rural non-farm sector can be expected to grow to twice the size of the agricultural sector in terms of employment and somewhat larger in terms of share of GDP (Mellor and Gavian 1998, Gavian et. al. 2001)

Numerous studies show (e.g. Timmer 1997, Ravallion 1995, Datt and Ravallion 1998) that large farms have little impact on poverty reduction. That is because large farms are often absentee and in any case their incremental expenditure patterns have a large import content and are towards capital-intensive goods and services. The critical point, to which we will return later, is that it, is small farmers that drive the large, employment intensive, rural non-farm sector. Keep in mind that in such a healthy rural economy consumption expenditure by small farmers has three times the rural employment impact of input and marketing expenditures. Thus, if small farmers can be made productive, the subject of the next sections, they have a far greater impact on growth in income and GDP and in poverty reduction than large farms.

The key to the growth and poverty reduction impact of small farmers is growth in their per capita income. Thus, growth rates substantially in excess of the population growth are essential to broad participation and poverty reduction. It follows that emphasis must be on areas of high growth potential. That will be reinforced by the high cost of the essential infrastructure of roads and related investments. That investment will be much lower per family and provide higher rates of return where highly productive agricultural resources provide high rural population densities.

Annex 5: The Current Landscape

| Name of Project/Activity | Implementing Institution | Relationship to Priorities |
|---|---|---|
| Rural Group Enterprises and Agricultural Marketing in Angola | Cooperative League of the USA | Association development and Market intelligence and linkages |
| Emergency Demobilization and Reintegration Project | World Bank | Resettlement of X- UNITA soldiers into the productive sector |
| Emergency health and nutrition to vulnerable groups; Support to farmers associations in Huila | Action Against Hunger | Food Security and Agriculture |
| PIC Viana Project Resettlement of IDPs in Huambo Bunjei Food Distribution Program | Adventist Development and Relief Agency International | Child feeding in IDP camp Luanda Province Emergency food of newly accessible people in Huila |
| Focus in Bie and Cabinda Provinces | AFRICARE | Seed Multiplication, household food security, resettlement and nutrition. |
| FARMER Bie Emergency Relief Project | CARE | Food security in Bie province by promoting increased agriculture production Increase food security for displaced and vulnerable IDPs |
| Agriculture recovery in Benguela Emergency | Catholic Relief Services | Increase access to agric inputs and extension services; increase productivity and diversity; improve post harvest storage, and preservation techniques. Seeds and tools, nutrition and feeding program in Quartering and Family Areas |
| Microenterprise | Christian Children's Fund | Income generating activities for youth |
| Action by Churches Together International network | Church World Services | Food assistance, landmines and AIDS awareness |
| Rural Rehabilitation and Food Security | Concern Worldwide | In Bie, Huambo and Malange provides ag inputs, seed multiplication, small animal breeding and env. protection via tree crops. |
| Food Security | Save the Children | Feeding programs in Moxico and Kwanza Sul |
| Multi-sectoral program in food aid, agricultural production, health and nutrition, water, mine awareness and demobilized soldiers | World Vision | In Kwanza Sul, Huambo, Malanje, Cabinda and Luanda, focus on roads, agriculture, rural development, assistance to IDPs and demobilization. |

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(World Vision)

