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INTERNATIONAL ASSISTANCE FOR THE ECONOMIC REHABILITATION OF ANGOLA

Report of the Secretary-General

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
I. INTRODUCTION	1 - 4	2
II. ECONOMIC REHABILITATION OF ANGOLA	5 - 7	2
III. ASSISTANCE BY ORGANS OF THE UNITED NATIONS SYSTEM	8 - 25	3
IV. ASSISTANCE BY OTHER DONORS	26 - 30	7
V. ASSESSMENT AND OTHER MISSIONS	31 - 33	11
VI. CONCLUSIONS	34	12

I. INTRODUCTION

1. In its resolution 44/168 of 15 December 1989 on international assistance for the economic rehabilitation of Angola, the General Assembly:

(a) Expressed its solidarity with and support for the efforts of Angola to lessen the adverse effects caused by the acts of aggression and destabilization and to cope with the economic and social problems;

(b) Appealed to the international community to render the substantial financial, material and technical assistance, which is necessary for the economic rehabilitation of Angola;

(c) Requested the Secretary-General to enter into consultation with the Government of Angola for the purpose of determining the level of assistance required by Angola and to report to Member States and the relevant United Nations agencies on the results of those consultations;

(d) Requested the Secretary-General to report to the Assembly at its forty-fifth session of the implementation of the resolution.

2. Pursuant to paragraph 3 of that resolution, the Under-Secretary-General for Special Political Questions, Regional Co-operation, Decolonization and Trusteeship held consultations with the President of Angola at Windhoek on 21 March 1990, held discussions with the Permanent Representative of Angola to the United Nations in New York, and visited Angola from 11 to 15 August 1990.

3. The action taken by the organizations of the United Nations system in response to paragraph 3 of resolution 44/168 are described in the present report. Information is also provided on the action taken by the international community in response to the appeal contained in paragraph 2 of the resolution.

4. It should be noted that, in addition to the economic rehabilitation assistance called for in resolution 44/168, in April 1990, the Government of Angola requested the Secretary-General to appeal for emergency humanitarian assistance for the population of the drought-stricken provinces of southern Angola. That request led to an appeal to donor Governments by the Secretary-General, which was supported by a document.

II. ECONOMIC REHABILITATION OF ANGOLA

5. The initial approach to the question of the economic rehabilitation of Angola was defined at a meeting held at Abidjan on 28 and 29 November 1989, at which representatives of the Government of Angola, the United Nations Development Programme (UNDP) and the African Development Bank (AfDB) participated. The meeting made preparations for a donors' conference which, it was foreseen, would be convened in order to seek support for a three-year transitional plan for Angola, and established a list of studies to be carried out. The meeting also concluded

that UNDP and AfDB would join efforts in preparing and co-funding the donors' conference under a project executed by UNDP with which AfDB would be closely associated. Since the Government had concluded by then that it would return to a longer planning cycle, following the two-year economic recuperation plan of 1989-1990, assistance was requested from UNDP for the preparation of a future planning framework, through a project financed by the indicative planning figure (IPF) and executed by the United Nations Department of Technical Co-operation for Development.

6. It is expected that the first draft of the planning framework, taking into account the current emergency situation, will be ready by December 1990. A background study, financed by UNDP, has been provided by the World Bank in the form of a detailed introductory economic review. At the same time, a new project executed by the International Monetary Fund (IMF), is providing further inputs in the area of financial management.

7. Later, AfDB adopted a new way of thinking and elaborated an institutional support project for the Ministry of Planning in order to contribute to the preparation of the donors' conference. That project was approved by the Executive Board of AfDB in March 1990.

III. ASSISTANCE BY ORGANS OF THE UNITED NATIONS SYSTEM

8. Subsequent to the Abidjan meeting, the Angolan Government felt that the institutional support project proposed by AfDB might not be the optimal way of preparing for a donors' conference, taking into account the anticipated delays in putting in place the input required for the preparation of the studies. In a letter dated 4 April 1990, the Angolan Vice-Minister for Planning requested UNDP to assist with the preparation of a donors' round table to be held early in 1991.

9. UNDP responded positively to the request, indicating that preparations for the round table could be financed by IPF, while certain expenses not covered by IPF could be charged to the Netherlands Trust Fund.

10. Specifically, UNDP proposed to the Government of Angola the following approach:

(a) Expansion of the existing project for macro-economic planning which, in addition to providing assistance for the elaboration of a planning framework, would also prepare background documentation for the public and private investment programmes;

(b) A complementary project, also to be executed by the United Nations Department of Technical Co-operation for Development, which would cover preparations for the donors' round table.

11. The Government of Angola asked UNDP to give consideration to the question of how AfDB, which had made considerable preparations for the original envisaged donors' conference, might now be associated with the round table and how the Government of Portugal, which had expressed the wish to provide aid through

Portuguese consultants, might also be involved. It was subsequently agreed that AfDB would continue to prepare the various sectoral studies that had been agreed upon and it was expected that the World Bank would continue to produce its contribution, as planned. Thus, it was expected that all the studies and other material being prepared originally for the donors' conference, and now for the round table, would be produced as planned. However, it was felt that the proposed timing of early 1991 was no longer practical and that the round table should take place at a later date.

12. For its part, the Government of Angola remained committed to its economic and financial reform programme (Saneamento Económico e Financeiro) announced in 1987 and initiated in 1988. During that year, the Government enacted six basic laws on foreign exchange, economic activities, state enterprises, planning, foreign investment, and treasury bonds; however, in some cases, decrees for the implementation of the laws still remained to be issued. Early in 1989, and within the context of the reform programme, the Government announced the two-year economic recuperation plan (Plano de Recuperação Económica) for 1989-1990.

13. Although progress in the implementation of the economic and financial reform programme was visible in areas such as institutional reforms and price liberalization, particularly in agriculture, reforms in areas such as foreign exchange, monetary policy and salaries remained to be implemented. In a recent statement, the Politburo of the governing MPLA-PT party concluded that the overall balance of the implementation of the programme was unsatisfactory as a result, in part, of the aggravation of the war situation. At this point, management of the economy nominated new ministers of planning and finance and a new head of the National Bank of Angola.

14. During the Abidjan meeting, the idea of preparing two scenarios for the donors' conference - one based on present conditions, and the other on conditions of peace - was rejected, but no clear choice between the two was made.

15. Since the decision to hold a round table instead of a donors' conference was made, the Vice-Minister of Planning, as the designated Secretary-General for the round table, has been working with AfDB and the Government of Portugal.

16. On 25 June 1990, the Vice-Minister of Planning presided over a meeting held at Luanda, in which representatives of AfDB, the Government of Portugal and UNDP participated. The following conclusions were agreed upon by all participants:

(a) UNDP would assume the leading role in the preparation of the round table;

(b) The project financed by UNDP and executed by the Department of Technical Co-operation for Development would be revised to include, in addition to the preparation of the macro-economic framework, the public investment plan and private sector strategy to be presented at the round table;

(c) A complementary project would be formulated to cover preparations for the round table and logistical requirements for it;

(d) UNDP would transmit the revised project documents to the Government of Angola for circulation to AfDB, the World Bank and the Government of Portugal. Additional inputs might be sought from AfDB, the Government of Portugal and eventually the World Bank, in order to ensure thorough preparation for the round table.

17. The question of whether a transitional or definitive plan should be presented at the round-table meeting remains open. Regardless of the decision that may ultimately be taken, it has been assumed that the definition of rehabilitation is essentially infrastructural projects with expected major impact in the short term, and not ongoing projects for training or institutional support to sectoral ministries, nor emergency food and related aid for drought relief and other situations of humanitarian need. This definition has been followed in the preparation of the present report.

18. UNDP conducted a mid-term review of its country programme for Angola from 11 to 22 February 1990. The second country programme, covering the period 1987-1991 (i.e. UNDP's fourth cycle), had been approved by the UNDP Governing Council in April 1987 with an IPF of \$22,825,000, to which UNDP added a third cycle IPF balance of \$1,684,000. Therefore, together with additional UNDP-administered and other funds of \$3,543,000, the total was \$28,052,000.

19. The country programme had four central objectives, to which had been allocated in February 1990, in terms of approved project budgets, the following shares of IPF resources:

(a) Effective economic management and resource mobilization for reconstruction and development: 28 per cent;

(b) Reactivation and promotion of food and export crop production by the small holder sector: 29 per cent;

(c) Physical rehabilitation of industrial plant combined with improved management systems: 27 per cent;

(d) Universal basic education and training for managerial, administrative and technical functions: 16 per cent.

20. About one third of the initial allocation programmed for objective (a), effective economic management and resource mobilization for reconstruction and development, was committed to alleviating the results of the armed conflict in the south, through the "southern reconstruction" project, and generally in the country through a project entitled "Logistical Support to the Emergency". The next 40 per cent was programmed for the development of basic data through two projects - "National Accounts" and "National Statistics"; and to legislation through two projects - "Investment Legislation and Fiscal/Customs Reform" and "Mineral Legislation and Investment Support". The remainder was allocated to basic studies. Subsequent expansion of the programme included a second phase of the "Southern Reconstruction Programme", and furthered logistical support through a project, specifically for the war displaced.

21. The southern reconstruction project is assisting the Government of Angola in the creation of effective regional planning structures and policies at the central and local levels, and is also providing assistance in the co-ordination and monitoring of donor activities.

22. At the regional level, the project is contributing to the establishment of a functional planning structure and human resource base in the four provinces of Huila, Cunene, Namibe and Kuando Kubango. The main objective is the formulation, implementation, monitoring and evaluation of a regional investment and socio-economic development programme, as well as the co-ordination of sectoral activities in the region.

23. With regard to objective (c), physical rehabilitation of industrial plant combined with improved management systems, the programme was centred on two projects, "Industrial Maintenance and Repair Centre", extended to a subsequent phase valued at \$2.4 million, and one begun in 1988, to rehabilitate a wheat flour mill and yeast plant in Luanda, which will supply inputs for a network of industrial-scale bakeries in various parts of the country. The latter project has a total value of \$3.7 million, expected to be disbursed by the end of 1991. A third project, "Scrap Processing" was operationally completed early in the programme cycle. Finally, assistance is being provided to strengthen the Ministry of Industry's capacity to evaluate projects and prepare diagnostic studies.

24. The World Bank has indicated the possibility of loans/credits to Angola for a number of projects in priority areas identified in the UNDP/World Bank Economic Review. It is expected that in 1991 the implementation of the Lobito-Benguela urban rehabilitation project will begin as the first \$16 million phase of a project totalling \$38 million, with water supply, sewerage, solid waste, storm drainage, housing, sanitation, geographic information/project management and institutional development components.

25. The World Bank also plans to finance a social sector rehabilitation project in the provinces of Huila, Cunene and Namibe, using all or part of the eighth replenishment of the International Development Association (1988/90) for Angola of \$80 million. Because of the dramatic urban growth that has taken place in the capital city of Luanda, the population of which today exceeds 1.5 million and may reach 2 million inhabitants by the end of the decade, the Government has requested that attention be given to rehabilitation there. As a result, the World Bank has agreed to fund, together with other agencies, an urban rehabilitation plan with two main components - a short-term diagnostic and action plan and a long-term urban development scheme - which together cost \$2.6 million for Luanda.

IV. ASSISTANCE BY OTHER DONORS

26. The United Nations resident co-ordinator in Angola has been informed of the following commitments made since December 1989 for disbursement in 1990:

	<u>Millions of United States dollars</u>
(a) <u>France</u>	
Long-term loans through the Caisse Central for power-generating plants in Namibe and Lobito	13.4
Water pipeline network in Luanda (first phase)	12.5
Agricultural inputs in Huila province	12.1
Electrical distribution network, Luanda	11.4
Rehabilitation of coffee research stations	8.9
Industrial credit line, Benguela province	6.6
Water treatment in Luanda	5.2
Cotton production in Porto Amboim	5.1
Transport (Manauto 7 - Renault trucks)	3.6
Studies on electrical distribution in Luanda satellite telecommunications system and textile factory in Benguela	4.5
(b) <u>Italy</u>	
Construction of Josina Machel Public Health Institute	not announced
(c) <u>Netherlands</u>	
Truck and mobile crane assembly	1.0
Rehabilitation of sea vessels	0.1

Millions of United States
dollars

(d) Spain

Ophthalmology centre and other medical facilities	1.8
Agricultural experimental farm at Funda, Luanda	1.5

(e) Sweden

Import support programme (spare parts, etc.)	13.8
Telecommunications in Luanda	2.3
Electricity supply in Luanda	1.0
Gas turbine rehabilitation	0.1
Vehicle rehabilitation	0.1

(f) African Development Bank

Building of higher education establishments	not announced
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(g) European Economic Community

(Lomé III - European Development Fund Commission Budget, and European Investment Bank)

Road repair Namibe-Lubango-Matala	22.3
Sanitation in Luanda	19.7
Rehabilitation of Americo Boavida Hospital in Luanda	circa 10.0
Agricultural training institute in Huila	1.0
Cold store complex equipment in Namibe	0.6
Lobito-Benguela rehabilitation study	1.3
Sectoral import programme	4.6
"Action Concertee" - health and other support to displaced people (through non-governmental organizations)	10.5

Millions of United States
dollars

(h) Non-governmental organizations

(i) Development Workshop (Canada)

School rehabilitation and improvement of water supply in Luanda	0.4
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(ii) ADPP (People to People's Development
Aid-Denmark)

Rehabilitation school in Bengo	0.2
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27. Thus, the total estimated rehabilitation assistance announced so far by other donors for disbursement in 1990 amounts to approximately \$US 175 million.

28. The sectoral import programmes are seen by donors as an important contribution to rehabilitation initiatives, in that they reinforce projects through the import of equipment, raw materials and spare parts for health, education, agriculture, energy, transportation and industry.

29. The disbursements reported above are by donors for year 1990 against projects reportedly in progress. It should be noted that there have been no new pledges as such, since there have been no donor conferences since the Lobito-Benguela corridor rehabilitation conference held in January 1989. However, assistance now on the drawing boards which is expected to begin in 1991 is as follows:

Millions of United States
dollars

(a) Italy

Construction of infant creches at Viana near Luanda	2.8
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Rehabilitation of fish by-products factory at Namibe	5.7
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Water pipelines in Porto Amboim and Baia Farta	7.3
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Microwave telecommunications system in northern region	0.5
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(b) Sweden

Electricity distribution in Luanda	4.8
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Millions of United States
dollars

Continuation of telecommunications assistance	3.4
Gas turbines - Huambo, Cabinda, Luanda	2.0
Water and sewerage infrastructure at Lobito Port (with Norwegian Agency for Development Co-operation (NORAD))	1.7
Namibia-Angola road rehabilitation in the context of Southern Africa Development Co-ordination Conference (SADCC)	not announced
Urban rehabilitation Lobito/Benguela	0.6
Vehicle rehabilitation	0.6
(c) <u>European Economic Communities</u>	
Completion of road repairs Namibe-Matala	59.0
Integrated rural development support	circa 20.0
Completion of Americo Boavida hospital	19.7
Phase II of Sanitation project in Luanda	19.7
Rehabilitation of maternity hospital in Luanda	13.1
Rehabilitation agricultural training institute at Chivinguiro, Huila province	13.1
Municipal hospital, Cazenga	10.5
Lobito Benguela axis, five transnational projects (awaiting outcome of World Bank study)	circa 10.0
"Action Concertee"	circa 10.0
Water supply in Tombwa (Namibe province)	10.0
Three health centres in Luanda	2.6
(d) <u>Spain</u>	
Agricultural experimental farm, Funda	0.8
Completion of ophthalmology centre	0.5

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Millions of United States
dollars

(e) African Development Bank

Satellite telecommunications - domestic and
external

circa 5.0

(f) Other loans

Grants and long-term loans yet to be announced

30. From the above donor information, it is possible now to set out an approximate summary of rehabilitation assistance for the years 1990 and 1991, although figures are tentative and actual disbursement will depend on the commitments finally made by the World Bank, the evolution of the peace process, and the prevailing constraints to the implementation of projects. Very little information has been provided by donors outside the United Nations system regarding their plans for assistance to Angola for the year 1992 onwards:

Planned disbursement:	<u>Millions of United States dollars</u>	
	<u>1990</u>	<u>1991</u>
United Nations system (including World Bank)	4	17
Other donors	<u>175</u>	<u>223</u>
Total	179	240

V. ASSESSMENT AND OTHER MISSIONS

31. The most important missions are those of the World Bank, whose projects are still in the study phase, both at the macro and sectoral levels. They are sequels to an introductory economic review, which was finalized in 1989. Five studies are being done, namely, (a) the Luanda to Malanje rail corridor, (b) the Namibe Port to Matala corridor, (c) the Lobito to Benguela corridor, scaled down from a larger study for a corridor to Zambia, (d) the Angolan national highway network, and (e) the national power subsector, for which a funding report is expected in March 1991 with an investment proposal for World Bank funding also to be finalized in 1991. Other World Bank sectoral studies are in the agricultural and social sectors.

32. The Government of Spain is studying the rehabilitation of the electrical distribution system in Luanda; the Government of Sweden is preparing a transport and communications pilot study, while the European Economic Community is studying transport and port rehabilitation in the Lobito-Benguela corridor.

33. The United Nations Centre for Human Settlements (Habitat) has been requested by the Government of Angola to prepare an urban sector study of housing in Luanda, and to assist in the formulation of housing policies, and public administration management strategies for Luanda and Lubango.

VI. CONCLUSIONS

34. The total commitment of around \$US 419 million reported in sections II and III above, contains a high proportion of ongoing assistance and commitments rescheduled from previous years. It is evident that donors are hesitant to begin implementation of new projects for which funding is available. In many cases detailed subsectoral or individual feasibility studies are seen as the logical next step, together with the formulation of overall strategy for emergency assistance, rehabilitation and development. It is also important to note that information from donors indicates little commitment to the southern reconstruction programme, which has been seen by Government as the first component in a national plan.
