Angola

MUCH TO REBUILD AS SA COMPANIES START TO INVEST

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Luanda promises to clean up its act

A year after the killing of Unita rebel leader Jonas Savimbi, expediting the end of 27 years of civil war in Angola, the majority of its 13m people have not seen the benefits of peace – only the absence of conflict.

"There is no dividend of peace yet in Angola, says Luanda-based economist Jose Cerqueira. "Social spending is only about 1% and there is no change in social services. The money is still going to finance the police, army and secret service and the activities of the party.'

Statistics show the toll the war has taken: at least 1m killed; 4m displaced; 150 000 children without families; 1,7m dependent on food aid; roads, railways, bridges and hospitals destroyed; and millions of land mines, which have maimed about 100 000.

But Angola's rulers have the potential to reverse the shattered economy and services after the war, with a clear strategy and budgetary commitment to reconstruction. Government has the money, if billions of dollars of oil revenue are channeled into reconstruction rather than the pockets of the elite.

About US$1bn was unaccounted for last year, according to a leaked IMF report, and Transparency International ranked Angola as the most corrupt country in the world.

Government predicts that in the next decade oil production – at about 900 000 barrels/day – will double in Angola, the continent's second-largest producer after Nigeria. The oil companies seem exempt from the constraints on other companies since they have a symbiotic relationship with government.

Diamond extraction is also set to expand now that Angola's diamonds are no longer branded "conflict diamonds". De Beers is in talks with government about resuming operations it suspended in 2001, and Tokyo Sexwale's Trans Hex last year invested $30m in concessions for two alluvial diamond mines.

But there needs to be a leap away from past practices for the profits of an economic recovery to span the divide between the ruling elite – which now includes former Unita leaders with their designer suits and luxury cars – and the 60% living below the poverty line.

"Government is spilling money and sooner or later this will have to change. If it can't manage $6bn (of oil money) now, how will it manage $26bn?" a Western diplomat asks.

The UN's consolidated inter-agency appeal for 2003 amounts to $334m, only slightly less than the 2003 government budget of $358m.

The country has a new finance team that is making moves in the right direction, even though several Western diplomats hold the view that president Eduardo dos Santos still rules with an iron fist. Angola's ruling MPLA, in negotiations with the IMF and World Bank, has passed laws to show it intends to be more accountable and transparent.

"We now have a body against corruption," says tourism minister Jorge Valentin, though this body is not yet operational. Prime minister Fernandos Da Piedade Dias dos Santos, has already been to visit the finance ministry several times and the central bank twice.

"This is a positive sign, an indirect warning," says Paul de Souza, a director on the KPMG Africa Board, KPMG has been in Angola six years and de Souza admits it has been a difficult place to operate but sees conditions improving.

"Investment in Angola is opportunity-driven rather than climate-driven. The opportunities are so attractive that companies are prepared to put up with the bureaucracy and corruption," he says.

A BusinessMap survey released this month found Angola was now SA's third largest investment destination in the SADC, after Mozambique and Zimbabwe. Last year retail giant Shoprite Checkers invested $13m in a country where nearly all goods are imported and can cost up to six times the price they do here. Angolans fly to SA specifically to shop and are the highest-spending visitors, says SA's ambassador in Luanda, Tony Msimang.

But new shops and businesses are opening up, particularly in the destroyed interior towns of Kuito and Huambo, where household and electronic goods are in demand.

More SA companies are tendering for work, particularly in construction and services for oil. Agriculture also offers vast potential in a country where only 3% is cultivated. Roughly 40% of the land is inaccessible because of damaged or nonexistent infrastructure and land mines.