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SECOND INDUSTRIAL DEVELOPMENT DECADE FOR AFRICA

(1991 - 2003)

NATIONAL PROGRAMME PROPOSED FOR ANGOLA

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Preliminary Version

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I - INTRODUCTION

The international experience accumulated by United Nation Industrial Development Organization points out that the industrial sector can have an important role in the economic and social growth of the developing countries. Thus, UNIDO decided to re-issue the programme for the II Industrial Development Decade for Africa (IDDA), in cooperation with the Economic Commission for Africa (ECA) and the Organization for African Unity (OAU), aiming at the self-sustained expansion of the African continent.

Based on the "Framework and Guidelines" elaborated for the II IDDA, and on the mission by consultant Carlos de Faro Passos, during a period of three weeks (28/01 to 18/02/91), a written report was elaborated containing a plan of action for the Industrial Rehabilitation and Development of Angola during the 1990's (1990 to 2000). This work was developed in close cooperation with the Angolan government and particularly with the Ministry of Industry and the Industrial Development Institute (IDI); this last organization which was created in September 1990, may have an important role in both the strategic management of industrial development and implementation of the proposed II IDDA programme for Angola.

The working methodology followed during the mission tried to gather and harmonize the most recent studies and politics about the sector, to optimize the use of available resources and define common guidelines to be followed by the local government, and eventually by donors countries and other international organizations concerned about the economic and industrial development of the nation. In this way, we used several UNIDO documents and researches, in particular the analysis, conclusions and recommendations of the report "Industrial Structure and Development of Angola" (1) which was approved both by UNIDO and the Angolan government. The studies and researches done by IDI and the support received from director Engineer Bernarda ANAPAZ and her staff were of great value for the execution of this work.

To conclude, we must observe that this proposal for the II IDDA was elaborated based on the obtained development level, on the availability of natural resources, on economic priorities and on Angola's social economic ambitions, as recommended by UNIDO. Therefore, the proposed investments include not only the industrial sector but also several important support programmes (development of human

PASSOS, Carlos de Faro - "Industrial Structure and Development of Angola". UNIDO, September 1990.

resources, substructure rehabilitation and expansion, small and medium enterprise promotion, and others) for the growth of industrial production in the country.

2 - ANALISYS OF THE INDUSTRIAL SECTOR

To have a precise idea of the potentialities and limitations of the Angolan manufacturing sector we have to place it in the political-economic context in which the country has lived for the last 30 years; we also need to evaluate the obstacles created by a deteriorated infrastructure and by lack of human, phisical or financial resources as a result of a long period of internal military conflicts.

As we know, the fight for national independence begun in the early 1960's, culminating with the retreat of the colonial Portuguese troops in 1975. However, internal hostilities have continued until the present moment damaging the infrastructure, reducing local production and wasting substantial financial resources which could have been used for economic and social development of Angola.

Therefore, the present government has tried to end internal hostilities by means of a direct negotiation with oposition (UNITA - União Nacional Para a Independencia Total de Angola) aiming at the pacification of the country and the implementation of a new multi-party political structure. The government has also tried to introduce

relevant economic reforms to create market economy and amplify the entrance of external financial resources, private or proceeding from governmental and multilateral sources. The rehabilitation, expansion and success of the manufacturing sector will depend mainly on results obtained from the mentioned reforms.

2.1 Actual Aspects of Angolan Economy.

On the first half of the twentieth century the growth of Angolan economy basically depended on railroad investments, diamond exploration, agricultural production and commercial development. The observed economic growth stimulated the advent of the portuguese colonizers, amounting 172.000 in 1960. However, available information indicates that local african population lived outside economic progress in a very difficult social situation.

As an answer to the anti-colonial military movement which begun in 1961, the Portuguese government decided to invest considerably on infrastructures and other sectors, aiming the acceleration of economic growth and stimulating the arrival of new Portuguese imigrants (340.000 in 1975). As a consequence, the GNP grew roughly 7% per year between 1960 and 1974, together with the expansion of the domestic market, stimulating the development of the local manufacturing sector, substituting importations and using basically imported raw material.

. Therefore at the end of the colonial period, Angola was an exporter of agricultural raw materials (coffee, sisal, corn, sugar, tobacco, cotton etc.) and mineral products (petroleum, diamonds, iron ore etc.) as follows:

TABLE I : MAIN EXPORTED PRODUCTS (%)

	1950	1960	1970	1975
Coffee	34,0	35,0	32,0	26,0
Diamonds	9,0	14,0	19,0	10,0
Petroleum	----	----	11,0	30,0
Sisal	9,0	11,0	2,0	2,0
Others	48,0	40,0	36,0	32,0

Sources: Bank of Angola, World Bank

At that time the country was nearly self-sufficient on basic food, being able to export exceeding corn and to explore the rich fishing coast of the south of Angola.

Since independence in 1975, after a frustrated effort to establish a coalition government bringing together Portuguese ministers and representatives of the three liberation movements (MPLA, FNLA and UNITA), the governmental control was taken over by the Movimento Popular de Libertação de Angola - Partido dos Trabalhadores (MPLA-PT) located in Luanda. Since then, the new Popular Republic of Angola has become a socialist country with all its public departments directly subordinated to the MPLA - PT.

The military conflict, which began in the 1960's and continues until today, has damaged domestic infrastructure, production activities and life quality of the population. In addition, the flight of specialized Portuguese workers, caused great disorder to economic life, because only a reduced number of Angolans were capable to manage domestic enterprises at the time of independence. To overcome these obstacles and recuperate production levels obtained at the beginning of the 1970's, the federal government invested great amounts of resources on the educational sector, although the results obtained are still modest regarding the country's needs.

As a consequence, many economic sectors reach lower production levels compared to those before independence. However, the mining sector is a rare exception, because there was a real growth in crude oil

production and diamond exploration which will probably attain 1973 levels in a near future.

TABLE 2 : MAIN MINNING PRODUCTION

	1973	1985	1986	1987	1988	1989
Crude Oil (1000 b/d)	144	232	282	359	451	453
Diamonds (1000 Carats)	2000	714	266	871	1045	1316

Sources: Planning Ministry, "The Economist Intelligence Unit" (EIU), World Bank and UNIDO.

Therefore, macroeconomic indicators show that Angolan economy depends significantly on mining activities, amounting to 56% of the GNP in 1989.

TABLE 3 : ORIGIN OF THE GROSS NATIONAL PRODUCT (GNP)

Z

SECTOR	1966	1970	1989
Primary:	32.0	23.0	10.5
Secondary:	14.0	21.0	62.0
- Mining	(I)	(I)	56.3
- Industry	(I)	(I)	3.6
- Construction	-	-	2.1
Tertiary:	54.0	56.0	27.5
(Transport, Services and Public Administration)			
TOTAL	100.0	100.0	100.0

Sources: Planning Ministry, World Bank

(I) unavailable data

Exports also depend basically on the mining sector, reaching more than 98% of total exports in 1989.

TABLE 4: MACROECONOMIC INDICATORS

	1985	1987	1989
EXPORTS (US\$ MILLIONS)	2.302,0	2.322,0	3.013,0
- Petroleum and derivatives	-	-	2.740,0
- Diamonds	-	-	230,0
- Coffee	-	-	12,0
- Others	-	-	31,0
TOTAL EXTERNAL DEBT (US\$ Millions)	-	-	6.950,0
INTERNATIONAL RESERVES (US\$ Millions)	170	154	1913
EXCHANGE RATE (Kz per US\$)	29.92	29.92	29.92

Sources: Planning Ministry, EIU

To solve existing economic problems that occurred during the 1970's and 1980's, in 1987 the Angolan government adopted a programme to liberalize and restructure the economy which was denominated Saneamento Economico - Financeiro (SEF). Soon after, an Economic Restructuring Plan (Plano de Reestruturação Economica - PRE) was elaborated for 1989 - 1990 directed to implement the desired reforms.

fixing rules for: macroeconomic adjustment, retaking of past production levels, both the exchange rate and foreign payments policies, budgetary and financial policies, wage policy, etc..

The results obtained by the (PRE) until the third quarter of 1990 were still modest in relation to the production levels of the beginning of the 1970's. In the manufacturing sector, for example, studies from the World Bank, show that production levels in 1989 amounted to less than 40% of those in 1980, when the process for recuperation of the industrial production started (in 1985 it amounted only 54% of the level obtained in 1973).

As a consequence, the Angolan government approved in september 1990 a number of new procedures to promote structural adjustment of domestic economy and to reduce the macroeconomic obstacles for the country's growth. Amongst the main procedures we can mention:

* The creation of new currency: the main objective for the change of the old currency for the New Kwanga was to reduce the liquidity of the economy, and as a consequence reduce black market demand (Candongas) where prices were 15 to 30 times higher than official frozen prices. Therefore, currency chngement caused a monetary confisc which varied between 87.5% and 95%, respectively on bank deposits and circulating currency; blocked resources will be invested in bank certificates of deposits and bonds of the public debt.

whose financial conditions (maturities, interest rates, etc) had still not been defined during the month of January 1991.

Soon after currency substitution there was a significant price reduction in the black market mainly due to a drastic reduction of the demand from the Angolan population. Afterwards, however, the prices returned to their normal traditional growth because there is a considerable lack of consumer goods due to the reduction of domestic, agricultural and industrial production, and also due to the use of significant financial resources for military purposes, in substitution to the purchase of popular consumer goods and inputs for agricultural and industrial production.

Taxes on Telecommunications (100%) and National and International Air Fares (400%) - With this measure the government intended to reduce international traveling (400% tax on tickets) by increasing significantly air ticket prices to save foreign exchange and reduce operational loss of transport enterprises; during the first four months of 1990, for example, considerable amounts were spent on traveling: US\$ 40 million, representing more than half of the expenses with goods imported during the same period.

The positive results of this policy may already be observed by the significant reduction of international trips; in 1990 when air tickets were subsidized by the government, it was possible to travel to Europe with the

proceeds from the sale of 2 tin beer crates in the black market.

Exchange Rate Devaluation - During the second half of 1990 the dollar value in the black market ("Candongá") was 70 to 80 times higher than the official rate (1 US\$ = 29,62 Kwanzas; and 2000/2500 Kwanzas in the black market). Thus, the government decided to devalue the currency approximately from 30 to 60 Kwanzas per dollar. Despite the permission received from the People's Assembly, the Government had still not implemented the real devaluation in february 1991; meanwhile, imported goods were already sold in the duty free shops ("lojas francas") with prices in dollars or convertible Kwanzas to approximately the double of their values in the international markets. This occurred basically because of the expected exchange rate devaluation and elimination of fiscal exemptions mentioned as follows:

Elimination of Fiscal and Customs Exemptions - Commercial enterprises which sell imported goods in foreign currency will not have any more the benefit of fiscal and customs exemptions.

Increase in Fuel Prices - Aiming to reduce the existing subsidies and to cover the industrial transformation costs, the government has raised the taxes and charges existing on petroleum by-products. Therefore, gasoline is now sold to the public at the price of 62 Kwanzas/liter, equivalent to more than US\$2.0 in the

official exchange rate and approximately US\$0.08 in the black market rate (February 1991).

* Flexibility of Frozen Prices - The Council of Ministers decided to give economic agents independence to fix prices, according to the local market demand, aiming to contribute positively for the reorganization and revigoration of economy. Therefore, the State could only fix the prices of a limited number of essential goods, such as: cement, fiber cement lining, nourishing flours, bread, fish, urban transport, post office services, etc.

* Profit Distribution - Aiming to increase work productivity, the government decided to distribute 30% of the operational net profit to the workers of state owned enterprises.

The measures approved by the government in september 1990, will certainly contribute in a favorable way to dynamise national economy, making it more efficient, less dependent on governamental subsidies, and nearer to market economy aspired by Angolan authorities. Meanwhile, real results are still difficult to be evaluated; previous experience with governamental regulations and projects were not totally satisfactory obligating the government to apply successive plans such as the SEF and after the PRE, to try to eliminate the obstacles to the country's economic development.

In the case of the industrial sector, there are still several macroeconomic obstacles for the development and rehabilitation of this sector, such as:

. Shortage of Foreign Exchange: Many of the visited companies mentioned that the lack of foreign resources (commonly denominated "plafonds"), to import raw materials, spare parts and equipments, is a great obstacle for the development of the sector. It is possible that still in 1991 there will be a lack of governmental resources for the industrial sector as the actual budget for the Ministry of Industry and Commerce (which was recently divided in two) is of only US\$ 59.3 million (of which US\$ 13.8 million for "plafonds") and the industry has an annual need of US\$ 400 million, according to declarations of industrial authorities to the local press in February 1991.

In other cases there is an unbalanced distribution of resources which are driven to the acquisition of imported consumer goods which could be produced locally: this was the case of the brewery sector that could not import production inputs, while there was available resource for the diversified import of beer.

. Over-Valued Exchange Rate: as we have seen before the dollar rate in the black market was 70 to 80 times higher than the official rate (US\$ 1 = 29,62 Kwanzas); and 2000/2500 Kwanzas in the black market); after last September economic measures the black market exchange rate

had a significant drop, but in the beginning of 1991 it already amounted to 30 times more than the official rate.

. Official Price Control: Several agricultural and industrial entrepreneurs demonstrated lack of interest in increasing their production and selling their products at very low prices (the companies visited pointed out that their products are usually sold in the "candonga" at prices 15 to 30 times higher than the official ones); meanwhile, several entrepreneurs are waiting for the recent changes to viabilize true price freedom, which will permit the production expansion and sell out of goods and services in an outstanding way.

. Demonetization of Economy: the wages are payed through a combination of the local currency plus an official "supply card", together with the goods produced by the employer enterprise, which are then sold by the employees in the black market. Besides reducing professional dedication and making the trading of goods difficult, these factors can eventually inhibit production and productivity increase, because a major supply tends to a reduction of prices in the black market and consequently a diminution of the employees income.

. Limited Banking System: the present configuration of the system almost dependent on a sole institution (National Bank of Angola: BNA) does not motivate any financial investment (generally with

no interest revenue) and very seldom provides credits for investments and working capital for enterprises.

. Excessive Participation of the State in the Economy: political and historical reasons the State became the owner of many economical units, even of some micro enterprises with no social or strategic importance in the country; the present privatization process underway would certainly bring more efficiency in terms of the resources distribution and the decentralization of decisions, leaving the State free to operate in important areas for the growth of the country.

. Excess of Centralization in Entrepreneurial Decisions: the "plafond", associated to other government requirements (over supply of statistic data, obedience to the governamental trading policy, inexistent freedom to hire and dismiss employees etc.), reduces dynamism of private and public enterprises that tend to be accomodated and to blame the federal government responsible for their inefficiencies. During our visits we verified different executive attitudes from entrepreneurs: some of them showed great professional dynamism, while others preferred to regret the lack of support and the excess of centralization in the decision making process concentrated in the hands of the of the State.

Besides the mentioned macroeconomic obstacles, there are several sectorial impediments for the industrial

growth which will be analysed in the following chapter 2.3
(Structure and Performance of the Industrial Sector)

2.2 - INFRASTRUCTURE AND RESOURCES AVAILABLE

History has demonstrated that many colonizing countries had invested first in infrastructures to facilitate territorial penetration and expand economic exploration of mines and other natural resources and also to enlarge agricultural production and cattle raising. Therefore, Angola fits perfectly in this colonizing model because it received many external investments for the construction of railroads, roads, ports, navigation companies and others.

Thus, in 1975 the country owned an enviable transportation system for African developing countries: trains, highways, air and sea transportation, making economic penetration and adequate passenger and merchandise circulation possible.

Mineral exploration and agricultural production were also improved with plenty of resources making these sectors responsible for a significant participation in the GNP (almost 44% of the total in 1970) and in Angolan exports (68% of the total in 1973) according to tables 1 and 3.

However, 30 years of war activities (1961-1991) damaged the accomplished investments hampering the domestic

production and demanding new financial resources for the infrastructure recuperation of the productive sectors (agricultural, mining and industrial). The II IDDA programme proposes new investments for the rehabilitation of the transportation, communication and other infrastructures which are very important for recovering and developing the industrial sector (Chapter 3).

A - TRANSPORTS AND COMMUNICATIONS

The Angolan transportation system continues with the same basic infrastructure existing before independence, composed by roads (72.300 km in 1991), 4 railroads (2.500 Km extension, specially the Caminho de Ferro de Benguela, CFB, with 1348Km, that reached Zaire and the copper producing region in Zambia) and 3 principal international ports (Namibe, Luanda and Lobito) for freighters, 9 secondary ports and 31 airports one of which international.

After independency, the war ended up by destroying a significant part of the existing transport infrastructure. Consequently, the domestic industry can not count on regular delivery of required inputs and therefore is obliged to discontinue its anual production for the domestic market; this situation is even worse inland, as in the case of the province of Huambo.

Mass transportation is also insufficient. In urban industrial zones we can usually find many workers walking to

go to work. This fact, in addition of being undesirable from the social viewpoint, stimulates the decline of productivity since labor gets to production unities tired after having walked several miles daily.

Some companies with financial surpluses, and governmental agencies try to solve the problem by means of the acquisition of vehicles (buses, trucks etc.) for bringing their employees to work. However this is not the best solution since the vehicles remain most of the day parked at the plants or at the state agencies' yards, while a large part of the population continues without public transportation in the cities (one of the interviewed public entrepreneurs intended to obtain the permission from the government to transport other passengers during the day, viewing to reduce mantainance cost and to optimize the frozen capital used for the acquisition of the fleet).

To summarize, the integration between productive sectors is very deficient particularly between the industrial enterprises and the transport sector be it for freight or passengers. As a consequence, the latter has had an income decrease during the 1980's.

TABLE 5 : TRANSPORTS AND COMMUNICATIONS
Indexes (I)

SECTOR	1974	1985	1987
TRANSPORTS			
- Roads	100	33	50
- Railway	100	12	12
- Naval	100	176	251
- Air	100	489	369
- Ports	100	15	13
COMMUNICATIONS	100	200	200
TOTAL	100	49	50

Sources: Ministry of Transports and Communications, The World Bank.

(1) Indexes based on the nominal value of incomes.

Communications: The communication system needs urgent improvements to optimize efficiency of the manufacturing sector and of the entire Angolan society. The Post Office services are slow and inadequate: during our visit inland several members of local governments mentioned that mail sent from Luanda took more than 30 days to arrive to the provinces (350 to 400 Km from the capital).

In Telecommunications, the number of installed telephone sets amount nearly 50.000, or more than the twice the number of units existing in 1974 (24.501). In spite of this, the service is still defficient, hampering communications even in the more developed regions of the country; until 1990 the service operated with deficit mainly due to subsidized tariffs which did not cover the operational costs. A recent The World Bank study shows that the sector needs major reforms in the following areas; tariffs, salaries, maintenance, technical training and efficient control of administrative and technical personnel.

Economic measures introduced in september 1990 may reduce, or eliminate, the operacional deficit of the sector because there has been a 100% tariff increase. The reforms proposed, however, are still needed to enlarge and improve the quality of the services.

B - AGRICULTURAL RESOURCES

Angola has an area of 1247 thousand km² (2.3 times larger than France), allowing a great variety of tropical plantations. In 1989, agriculture contributed with only 7.8% of the GDP, contrasting with the 1960's when the country was self-sufficient in the production of the main nourishing crops, cattles, and dairy products:

TABLE 6 - AGRICULTURAL AND CATTLE PRODUCTIONS (th. ton)

PRODUCT	1971 - 1973		1986 - 1988	
Cotton	86.015	(71)	2.224	(88)
Sugar Cane	80.000	(74)	14.000	(87)
Peanuts	26.936	(71)	1.688	(86)
Rice	57.604	(71)	124	(88)
Bananas	75.000	(73)	24.000	(86)
Potatos	138.757	(71)	5.818	(88)
Sweet Potatos	250.000	(73)	100.000	(87)
Coffee	240.000	(74)	3.278	(88)
Beans	65.500	(71)	684	(88)
Sunflowers	21.008	(72)	120	(86)
Wood	533.664	(73)	64.000	(86)
Manioc	1.134.262	(71)	7.552	(88)
Sorghum	74.000	(71)	4.642	(88)
Corn	710.000	(71)	35.075	(88)
Palm Oil	20.000	(73)	748	(88)
Sisal	47.920	(71)	238	(86)
Tobacco	4.800	(73)	31	(88)
Flour	22.500	(71)	210	(86)
Cattle Meat	24.500	(73)	3.536	(86)
Heads of Cattle	4.300.000	(73)	3.420.000	(87)
Heads of Goat	872.000	(71)	1.300.000	(87)
Pigs	500.000	(73)	150.000	(87)

Sources: Ministry of Planning, The World Bank and UNIDO

Since independence there was a significant decrease in agricultural production mainly due to the following factors: (i) the flight of Portuguese farmers, with consequent abandonment of farms directed and controlled by the colonizers, created an enormous shortage of specialized labor; (ii) the war destroyed infrastructure, making the access to agricultural regions difficult, and stimulating the exodus of Angolan workers to cities far away from military danger; (iii) the excessive intervention of both bureaucracy and a governmental policy without offering suitable incentives, support services and, finally, compatible selling prices to cover production costs.

More recently, between September 1989 and July 1990, a drought devastated the center and southeast of Angola reducing crop production drastically causing the death of thousands of people by inanition in the provinces of Benguela, Huila, Huambo, Cunene, Namibe and others. The United Nations estimates that approximately 1.900 thousand people were affected by hunger.

Trying to reduce this calamity, the country asked for support from the international community through the United Nations Organization. In the case of grains, for example, there is a need of 186 thousand tonnes of international aid that in addition to 200 thousand tonnes of import can cover the expected deficit (approximately 386 thousand tons); in 1990 local production (251 thousand

tonnes) covered only 39% of total grain needs (637 thousand tonnes).

C - FISHING RESOURCES

The Ministry of Fishing is responsible for all the fishing activities from fishing proper to the distribution of fish. The Angolan coast has an extension of 1.600 Km long, allowing for capturing different types of fishes, mainly in the south, in the regions of Namibe and Benguela.

During the period before independence, there were 700 to 800 fishing boats, many of which escaped the country after 1975; industries were also abandoned at the same time and many facilities were sabotaged by their ancient Portuguese owners.

By the end of 1989 the national fleet was composed of 575 boats, of which 273 were in operation (47%) and 302 paralysed (53%); the fish caught by local fleet amounted to 104,5 thousand tonnes in 1989, while foreign boats (European and Soviets) caught 218 thousand tonnes during the same period.

Main fish species caught are sardines and mackerel, representing approximately 90% of commercial capturing; also tuna fish and mollusks are found in the south.

D - LIVESTOCK RESOURCES

Cattle raising potential of Angola is very important, although it undergoes similar difficulties to those in the agricultural sector. Despite the lack of water being a major obstacle in some regions, the potential growth for near future is quite relevant considering that almost 50% of the animals are concentrated in relatively safe regions.

The livestock resources are very important for the development of the country, because they can supply natural fertilizers and animal traction to sow the land and seize the agricultural domestic production. Additionally it can contribute for the manufacturing growth supplying inputs for food and leather industries.

Despite present difficulties and the livestock reduction occurred between the 1970's and the 1980's (Table 6), Angola still has a high number of heads compared to other African countries if we consider that there are 4.87 million heads (cattle, goat, hog) for an estimated population of 9.8 million inhabitants (1989).

E - FORESTRY RESOURCES

Angola has a considerable forestry resource potential. In 1973, 550 thousand m³ were produced and 182,0 thousands tonnes of wood were exported; afterwards, during the 1980's there was a drop in exports and production.

TABLE 8 : WOOD PRODUCTION

	1962	1973	1980	1985	1988	1989
-Production (thousand m ³)	-	550.0	-	-	68.0(1)	75.0(1)
-Exports (thousand tonnes)	51.2	182.0	1.2	24.9	-	-

Sources: Bank of Angola, The World Bank and UNIDO

(1) Estimation

Forests are located in different regions of the country (Cabinda, Dembos and others) producing special wood such as: mahogany, mulberry, and exotic species as the eucalyptus and pine; eucalyptus plantation overcame 150 thousand hectares in the beginning of the 1970's. The

production was destined to the cellulose plant located in Alto Catumbela (out of operation today) and to the Benguela Railroad (CFB).

F - ENERGY RESOURCES

Angola is a country with plenty of energy resources, according to African standards. It has large petroleum and natural gas reserves, a significant hydroelectrical potential and considerable stocks of biomass.

Since 1983, it is the second largest oil producer in sub-saharan Africa, after Nigeria. The oil sector contributed with 41.9% of the GNP in 1989, producing 453 thousand barrels of crude oil daily.

Angola is also provided with a considerable hydroelectrical potential, due to the existence of several important rivers such as: Kwanza (960 Km), Cunene (945 Km), Kubango (975 Km) and Oueve. In 1985, the installed electrical capacity amounted 429 mw, out of which 289 mw were of hydroelectrical origin. However, due to sabotage acts carried out by UNITA, the current power availability is small which requires considerable investments for power rehabilitation (for example, to recover the 35mw hydroelectrical plant of Lamaum, of 35 mw, which is out of operation since 1983).

In addition, the government is building the new hydroelectrical project of Capanda (520 mw) which will double the country's installed power capacity; this is a US\$ 2 billion project that is being built by a Brazilian-Soviet Consortium. The first phase of the lake formation is expected for october 1992, when 90% of the construction works will be concluded; the rest will be concluded after the installment of the soviet equipments.

As to the electric power transmission lines, the Angolan government is presently carrying out an international bid to choose the supplier of equipment and services.

In spite of the available energy resources, there is no effective integration of the power sector with the industries. The lack of power, be it electrical or derived from oil, has been one of the major factors that affect the growth of industrial production, since there is no regular power distribution.

As a consequence of the lack of power, the distribution of water for household and industrial purposes has also been affected.

G - MINERAL RESOURCES

Angola has a multiple offer of mineral products, that has been charted and explored since the colonial period. The three main available products are: diamonds

located in the province of Luanda North, iron ore in Cassinga and phosphate in the provinces of Zaire and Cabinda.

There are also smaller reserves of: copper, gold, mica, kaolin, charcoal, marble, granite and quartz which need more intense exploration and charting.

The following state companies are responsible for mineral exploration : National Diamond Company of Angola (ENDIAMA), National Iron Company (FERRANGOL); state owned enterprises are also responsible for phosphate (FOSFANG), granite and marble (ROREMINA), quartz (MINAQUARTZO) and underground water (HIDROMINA).

The most important actual mining exploration is done by ENDIAMA with the help of RST International, which is a local subsidiary of ITM company from Luxemburg. In 1989, 1.316 thousand carats were produced, representing a growth of 26% regarding the production of the year before.

On the other hand the iron ore mine of Cassinga is not being explored now due to maintenance works done by the government. It was discovered in 1910 and exported 5 to 6 million tonnes per year between 1968 and 1973, after being developed the exploration project in association with the KRUPP group. The mine was closed in 1974 due to the uncertain political environment and to the exhaustion of the reserves known for their large amount of iron ore content. Therefore, future exploration may not be economically viable because, besides the end of the reserves, large extra

amount of investments would be needed to recover the rail access through Macamedes railroad and the loading equipment in the port of Namibe.

Phosphate and other mineral explorations are interrupted mainly due to militar insecurity, both unreal exchange rates and prices and lack of capable professionals to manage the mining companies.

H - HUMAN RESOURCES

The II IDDA programme could give special attention to human resource development because the low qualification and reduced offer of skilled people represent a great obstacle for social, industrial and economical growth of Angola.

After independence, the Angolan government made considerable efforts in the education field, viewing to minimize the problems arising from massive exodus of the Portuguese, who had specialized technical education and who worked both in the private and public sectors.

At that time, the rate of illiteracy reached approximately 90% of the population. Consequently, investments on primary education tripled the number of registered students between 1976 and 1979; lately in 1987, however, there was a reduction of students reaching only 60% of the registrations done in 1979, according to The World Bank data.

This drop was due to war, but also to lack of significant investments in educational equipment and in teacher's training; consequently, low rate of efficiency is causing waste of resources.

The development of secondary education, which also grew fast immediately after independence, is suffering now from lack of educational material, shortage of equipments and intense use of partime teachers.

The registrations of university students nearly doubled after independency; the university offered a diversified number of courses. But like in the above mentioned cases, the lack of qualified personnel, material and equipments affects the quality of learning.

In the field of technical training education the II Party Congress in 1985 decided to provide considerable support to the sector, aiming to train professionals to replace the foreign "cooperators" which should leave the country due to the compulsory reduction of domestic costs, stimulated by the drop in oil prices, during the second half of the 1980's.

Thus, several professional training courses were created in the industrial and other sectors, amounting to 135 institutions in 1989. However, teaching quality is not satisfactory according to a study (October 1989) conducted by the National Council for Professional Education (Ministry of Education); the total number of existing courses were ranked as follows:

	QUANTITY	Z
- Good	8	6,0
- Fair	71	53,0
- Poor	17	12,0
- Discontinued	34	25,0
- Unknown	5	4,0
	---	-----
	135	100,0

From the point of view of installed capacity utilization, the performance is also unsatisfactory since there are only 5.515 registered students (55% of the total) for a total of 10.040 existing vacancies.

TABLE 9 : PROFESSIONAL TRAINING CENTERS - 1989
(Installed Capacity)

SPONSOR	CENTERS	INSTALLED CAPACITY (1)	UTILIZED CAPACITY (2)	% (2):(1)
Agriculture	6	665	376	56,5
Social Studies	3	190	150	78,9
Trade	10	1.430	787	55,0
Construction	11	555	260	46,8
Culture	2	-	-	-
OMA	1	40	-	-
Defense	1	120	40	33,3
Education	17	2.100	1.251	59,6
Energy & Oil	8	664	437	65,8
Finances	9	280	200	71,4
Housing	1	-	-	-
Industry	9	1.120	720	64,3
Youth	1	-	-	-
Fishing	2	625	463	74,1
Health	21	370	220	59,5
Transport & Com	32	1.890	611	32,3
TOTAL	135	10.040	5.515	55,0

Source : " The Situation of Professional Formation in
Angola"
(MED/DNPF - OCTOBER/1989)

2.3 . - STRUCTURE AND PERFORMANCE OF THE INDUSTRIAL SECTOR

A - Current Situation

The basic industrial structure of the country was implemented before its independence, in 1975. Thus, the industrial employment grew from 15.650 to 125.370 workers, from 1961 to 1973; the manufacturing value added (MVA) grew by 11% per year in real terms during the same period.

Therefore, in 1974 there were approximately 4000 industrial companies of which the majority were small scale enterprises owned by European immigrants.

In 1987, the number of workers dropped to 104.440 (of which less than 3% were of foreign origin) according to data available at the Entrepreneurial Redimensioning Cabinet (GARE) from the Ministry of Planning.

TABLE 10 : STRUCTURE OF HUMAN RESOURCES
(1987)

	National	Foreign	Total	%
Basic Level	98.533	1.900	100.433	96.2
Medium Level	2.453	693	3.146	3.0
High Level	448	413	861	0.8

Source: GARE

However, during the 1970's and the 1980's there was a significant decline in the industrial production, which in 1987 amounted to only 43% of the levels achieved in 1973.

TABLE 11 : INDEX OF MANUFACTURING PRODUCTION
(1973 = 100)

	1973	1977	1983	1986	1987
Food Processing	100	37	48	48	42
Light Industry	100	31	87	88	61
Heavy Industry	100	24	45	52	36
Total	100	28	57	56	43

Source: Ministry of Industry, The World Bank

This radical change was a result of the escape of Portuguese immigrants that left many industrial companies after the country's independence; at the same time there was an exodus of skilled manpower and a reduction of domestic demand for manufactured products.

As a consequence, there was an important reduction of the number of institutions in operation. Thus, in 1990 the Ministry of Planning only registered 574 manufacturing enterprises (31% of the existing 1823 companies classified by GARE) in contrast with the almost 4000 existing in 1974.

The reduction of the number of companies has certainly fostered the industrial production decline, although this was not the only inhibiting factor of the industrial sector growth, as we will see ahead. Therefore,

in the end of the 1980's we observed a considerable drop of the manufacturing value added (MVA), presenting negative trends in 1987, according to data supplied by UNIDO.

TABLE 12 : ANNUAL GROWTH RATE OF MVA
(% of MVA at 1985 prices)

	1981	1982	1983	1984	1985	1986	1987(a)
Food Ind	53.0	-11.9	12.0	18.8	18.4	3.1	-7.5
Light Ind	43.6	-1.9	3.7	8.9	10.0	-2.5	-7.9
Heavy Ind	21.8	38.1	12.1	12.3	20.1	18.8	-10.1
TOTAL	41.5	2.2	7.3	11.8	14.3	3.6	-7.8

Source: Ministry of Industry, UNIDO

(a) Estimated

In relation to manufacturing production per sector, according to the Angolan classification, we may see that light industry occupies an outstanding position contributing with 49,8% of the Manufacturing Value Added (MVA) in 1987. This sector produces basically consumer goods, such as: textiles, clothing, shoes, cigarettes, processed wood, soaps and detergents, plastic products, paint, matches, glass etc.

TABLE 13 : BREAKDOWN OF MVA
(percentage)

	1980	1985	1987(a)
Food Industry	21.7	23.2	23.4
Light Industry	59.4	52.4	49.8
Heavy Industry	18.9	24.4	26.8
Value Added (b)			
(Million Kwanzas)	4622	9173	8665

Sources: Ministry of Industry, UNIDO

(a) estimated

(b) 1 US\$ = 29,62 KW at official exchange rate
(equal to 2000 to 2500 in the black market in
the mid of 1990)

Another factor that has contributed for the reduction of the industrial output is the use of production capacity at lower levels than those available; the latter is usually lower than the 60% of installed capacity of the industrial sector, due to aging and obsolescence of equipment in addition to a reduced supply of qualified man power.

In 1989, the domestic industrial production was still reduced amounting less than 25% of the available capacity according to data supplied by the Ministry of Industry.

TABLE 14 : MANUFACTURING SECTOR -
PRODUCTION CAPACITY AND REAL PRODUCTION
(Million Kwanzas)

INDUSTRY	INSTALLED CAPACITY	AVAILABLE		REAL PRODUCTION	
		CAPACITY	(2):(1)	1989	(3):(2)
	(1)	(2)	(2):(1)	(3)	(3):(2)
Food	42.347,7	21.587,3	50.1	5.090,1	23.6
Light	69.715,6	39.278,2	56.3	8.684,7	22.1
Heavy	30.695,6	23.574,8	76.8	6.691,0	28.4
TOTAL	142.758,6	84.439,8	59.1	20.465,8	24.2

Source: Ministry of Industry

For 1990 there is still no reliable official data could point out the trend to be achieved by the industrial production. However, data obtained by the mission, during

interviews with several local entrepreneurs, indicate an even lower use of the available production capacity compared with the previous year.

To conclude we will analyse the current situation of industrial companies ownership. Amongst 574 industries registered by GARE, private enterprises prevail, according to the following distribution: Private (339 = 59%), State-Owned (189 = 33%), mixed (11 = 2%) and others (35 = 6%).

B - Industrial Performance

The angolan industrial sector is coordinated and managed by several ministries that control their subsidiary companies. The most important is the Ministry of Industry which controls the highest number of units, distributed in the following sectors: food, light and heavy industries. The Ministries of Agriculture, Construction and Fishing also have several productive units as we will see further on.

The production capacity of companies controlled by the Ministry of Industry is very diversified. Therefore we will present a summary of the production in the main sectors which amounted to 18.830 million kwanzas in 1987.

TABLE 15 : PRODUCTION PER INDUSTRIAL BRANCH
(millions of kwanzas - 1987)

	Million KW	%
Food Processing	4.031	6.0
Beverages	1.565	2.3
Tabacco	410	0.6
Textiles	918	1.4
Clothing	2.675	4.0
Leather Products	254	0.4
Wood and Furniture	1.342	2.0
Paper and Printing	877	1.3
Chemical Products & Rubber	2.406	3.6
Metalic Products	1.212	1.8
Transport Equipment	2.415	3.6
Mechanical Machinery	285	0.4
Electric Products	440	0.7
SUB-TOTAL	18.830	28.2
Construction Material	1.233	1.8
Others	223	0.3
Mining Industry	2.657	4.0
TOTAL	22.946	34.2
Power Products (Petroleum, etc.)	44.215	65.8
GRAND TOTAL	67.158	100.0

Sources : Ministry of Industry and UNIDO

The companies coordinated by the Ministry of Industry are mainly located in the following provinces: Luanda, Benguela, Huambo and Huila.

TABLE 16 : GEOGRAPHICAL DISTRIBUTION OF THE INDUSTRY
(1983)

Provinces	Number	Z
Luanda	136	55
Benguela	47	19
Huambo	21	9
Huila	20	8
Others	23	9
	---	---
	247	100

Sources: General Company File and UNIDO

As we can notice, almost 75% of the industries are concentrated in Luanda and Benguela (the latter including the Industrial section of Lobito); besides having a quite diversified manufacturing complex, they are located by the sea, in a safe area from the military point of view and of easy access to get inputs coming from abroad and other regions of the country. However, Huila and Huambo which are located in the hinterland are affected mainly by the lack of land communication with the rest of Angola, making difficult the supply of foodstuff and raw materials essential for the industry; during our visit to Huambo, for instance, the

community was waiting for the arrival of 200 trucks, with basic products, that were stuck in Lobito due to military obstruction of the highway.

As previously mentioned, there are other Ministries that have their own subsidiary manufacturing companies. The Ministry of Construction, for example, manages cement and ceramic plants that produce bricks, roof tiles and lining plates.

The construction sector will have an important role in the reconstruction of buildings, roads, hydroelectrical plants and other projects that were effected by military activities. In addition, the sector may absorb an important part of the manpower that is available, or that over exceeds the requirements of the manufacturing sector.

During the 1980's, however, the building industry had an improper performance, as the majority of Angolan industries. The production of cement, for instance, dropped from approximately 770 thousand tonnes in 1973 to 126 thousand tonnes in 1984, according to EIU "Country Profile" for Angola, published by the magazine "The Economist".

As a consequence of the decline in the production of materials, added to the limited supply of currency for the import of inputs and qualified manpower, the construction sector underwent a decline during the past decade, as shown in 1985 and 1986.

TABLE 17 - BUILDING CONSTRUCTION OUTPUT
(Millions of Kwanzas)

Types	1985 (1)	1986 (2)	% (2):(1)
Provincial Delegations	42	77	183.3
Provincial Companies	1.226	337	30.4
National Companies	1.817	1.254	69.0
	<u>3.085</u>	<u>1.704</u>	<u>55.0</u>

Sources: The World Bank and Ministry of Construction

In order to resume the production of raw materials for construction at historical levels, the government adopted a policy of rehabilitating some cement and ceramic companies. The state owned company CIMANGOLA, which produces cement in the region of Luanda, received government investments to expand the production addressed to the local and international markets. This strategic company, located on the main raw material deposits, was able to raise its available production capacity to 500 thousand tonnes per year by the end of the last decade, although the currently used capacity is still 400.000 per year. CIMANGOLA intends

to expand its installed capacity by assembling a fourth furnace, which has already been purchased by the company.

The cement production is addressed mainly to priority government sectors, such as the building of CAPANDA hydroelectrical plant, a Brazilian - Soviet project of US\$ 2 billion which is being built at the Kwanza River.

Ceramics were also granted governmental support, viewing to recover their facilities and to increase the supply of products in the domestic market. UNICERAMICA, for instance, which has three units for the production of roof tiles, bricks and lining plates in the region of Luanda, is currently developing a programme for the expansion of its production capacity: it intends to increase the daily supply of bricks from 15 thousand to 45 thousand units still in 1990.

On the other hand, the Ministry of Fishing, manages the fishing processing industry, whose product is generally introduced in the local market.

TABLE 18 : FISHING PROCESSING INDUSTRY

	1987	1988	1989	1989 (Z) realized/forecast
Dry Fish	13.0	15.3	15.7	103
Frozen Fish	14.1	13.5	13.8	92
Semi-Cured Fish	3.7	5.3	4.7	50
Preserves	1.6	3.2	2.6	40
Fish Flour	0.9	0.6	0.2	16
Salt	65.1	55.3	66.3	95

Source : Ministry of Fishing (Plan Cabinet). UNIOO

The fishing industry has a very important social role to play in Angola as a supplier of food to a large part of the urban and rural population; additionally, it may obtain foreign currency, to reduce the foreign exchange crisis and to recover the manufacturing and fishing facilities, by exporting fish to African and European countries.

In 1989, however, its performance was below the government objectives, as one can see in Table 18, for similar reasons as pointed out by other industrial companies (Chapter 2.3). The aging and obsolescence of equipment and

boats are two important factors to be taken care of by the government.

In relation to the recovery of facilities, the Ministry of Fishing prioritizes the modernization of dry fish industries and salt for fish producers.

C - Industrial Policy and Development

C.1 - Major Institutions

The Ministry of Industry (MIN) occupies a key position in the definition of the industrial policy of Angola. Meanwhile, as there are other ministries (Construction, Fishing, Agriculture, etc.) managing several industrial companies, an efficient coordination of manufacturing activities is important, aiming at a suitable development of the sector.

The MIN, that incorporated national and international commercial activities until the end of 1991, is now facing many difficulties inherent to the lack of financial and human resources not available in the country; UNIDO is already supporting MIN's effort for professional qualification, however, it is desirable that this cooperation may be expanded in the near future, with the possible participation of other international organizations.

MIN plans, defines and controls sectorial policy by means of the following departments:

- Sectorial Redimensioning and Development Cabinet (GARDS) responsible for redimensioning the state sector related to economy, at MIN level; it takes care, especially of the recovery of existing industrial projects infrastructure.

- Plan Cabinet, in charge of sectorial activities planning in coordination with the Ministry of Planning (Law No 12/88);

- Human Resources Cabinet;

- Legal Cabinet;

- Inspection and Control Cabinet;

- Provincial Development Follow-up and Support Cabinet;

- Provincial Delegations that coordinate the industrial activities at regional levels;

The Industrial Development Institute (IDI) was created in the second semester of 1990 and will have an important future role towards industrial development, acting both as a coordinating cabinet for the strategic management of industrial development and as an executing agency for the II IDDA programme.

The Ministry of Planning (MINPLAN) has also an important role in the planning and support of industrial growth, through adequate introduction of the sector in national development plans or through the concession of "plafonds" (foreign currency made available to enterprises for the import of equipments and inputs), which occupies a very important role in the planning process due to excessive domestic dependence on imported products.

There are two very important structures in MINPLAN directed to industrial development and rehabilitation. The

first is GARE (Entrepreneurial Redimensioning Cabinet) which acts through the following phases:

- survey of the country's entrepreneurial universe;
- analysis and treatment of technical, economic, financial and other data, their qualitative and quantitative characterization;
- classification of the enterprises based on the received data;
- determination of the best solution for the company in function of the Economic Recovery Programme (PRE) in force in the country. In this case, the law (Act No32/89) provides the following options: maintenance of the company in the public sector and its management can be granted to others; conversion of the state-owned company into a public commercial; extinction by merger or division; extinction and liquidation of the company by selling its assets; and extinction and liquidation by joining its property and equipments to domestic or foreign private companies that will be incorporated.

The second important structure is GIE (Gabinete de Investimentos Estrangeiros = Foreign Investment Cabinet), responsible for the analysis of foreign investment proposals and requests, which are directed for:

- The creation of new companies;
- The creation of branches or subsidiaries of foreign companies;
- The acquisition of the totality or part of already

incorporated companies;

- The constitution of association in shares.

Consequently, GIE will be able to supply information about the opportunities for investment in the country, which can happen in the following modes:

- Capital: the effective entry of capital in convertible currency and credit means (namely goods and suppliers' credits)
- Capital goods : the entry of assets for the net worth of enterprises;
- Technology: rights on patented or non-patented industrial processes with which the foreign investor contributes to participate in the company's net worth:

The law concerning foreign investments was enacted in July 1988 (Law No 13/88) and regulated in January 1990.

The unitary investments accepted by the country attain a minimum amount of 3 million Kwanzas (US\$ 100 thousand at the official exchange rate). According to GIE, several foreign investors have made preliminary consultations that amount to US\$ 635 million in agriculture, trade, industry, tourism and hotels, cattle raising, fishing and services, in August 1990; predominant interest came from Portugal with consultations that attained US\$ 314 million (49%).

TABLE 19 - FOREIGN INVESTMENTS

PRELIMINARY CONSULTATIONS

(Set./90)

COUNTRIES	US\$ MILLION	%
Portugal	314,0	49.4
England	90,0	14.2
Luxemburg	80,0	12.6
Guinea Conakry	30,0	4.7
Korea (Rep. of)	24,1	3.8
Spain	21,0	3.3
Gabon	12,0	1.9
Channel Island	11,9	1.9
Italy	9,5	1.5
Congo	5,0	0.8
Japan	4,9	0.8
France	4,7	0.7
Others	27,9	4.4
T O T A L	635.0	100.0

Source: Foreign Investment Cabinet (GIE)

However, in the last quarter of 1990, there was a multiplication of external investment offers accumulating to US\$ 10.172,7 million in the month of December. Amongst the economic sectors mostly searched by investors in this last period, we have in first place the construction sector with investments amounting to US\$ 9.311,7 million (91.5% of the total).

TABLE 20 - FOREIGN INVESTMENTS

PRELIMINARY CONSULTATIONS (Dec.90/).

SECTOR	US\$ THOUSANDS	%
Agriculture	30.982,6	0.3
Cattle Rasing	8.805,0	0.1
Industry	318.591,8	3.1
Petroleum	5.445,0	0.1
Minning	91.056,6	0.9
Fishing	182.063,3	1.8
Construction	9.311.692,5	91.5
Turism and Hotels	25.500,0	0.3
Commerce	125.262,4	1.2
Services	73.304,7	0.7
T O T A L	10.172.703,9	100.0

Source: Foreign Investment Cabinet (GIE)

As to concrete investment proposals which are being analysed and approved by the Angolan government, the projects presented by foreign investors amounted to US\$ 919.7 million in February 1991.

TABLE 21 - FOREIGN INVESTMENTS - CONCRETE PROPOSALS

COUNTRY	US\$ MILLION	%
Portugal	822,8	89.5
England	28,1	3.1
Belgium	10,0	1.1
Namibia	18,2	2.0
Guinea Conakry	15,0	1.6
Korea (Rep. of)	4,0	0.4
Spain	5,0	0.5
Caiman Islands	3,6	0.4
Italy	6,4	0.7
Switzerland	1,8	0.2
France	3,5	0.4
Others	0,9	0.1
T O T A L	919,7	100.0

Source: Foreign Investment Cabinet (GIE)

There are other institutions which play an important role in the industrial sector, in addition to the already mentioned ones: The Ministry of Finance (MINFIN) and Banco Nacional de Angola (BNA).

The MINFIN participates together with the Ministry of Planning in the preparation and adoption of Economic Policies. It is structured through the following national departments: Budget, Customs, Taxes Financing and Accounting; also, the National Inspection of Finances, the National Department of Enterprises under Special Systems and other departments, such as State Net Worth, Administration, Staff and Data Processing.

In addition to contributing for the preparation of the economic policy, MINFIN can perform a very important role in industrial development. Thus, it stimulates the sector's growth through a suitable credit policy and also by means of granting fiscal subsidies and benefits that favour the national and foreign private investors.

BNA can also contribute positively for the country's industrial growth through the implementation of a credit policy that provides long-term financing of investments and the supply of resources on a short-term basis as working capital for companies; in addition, it can have an active participation in both mobilizing foreign capital to finance industrial imports, and granting fiscal

and credit subsidies required for the expansion of domestic and foreign investments.

To end, it is important to mention that BNA's effective performance will depend basically on the future revision of the Angolan financial system, because the banking sector still has a marginal participation in the financing of national economy.

C.2 Observed Industrial Policy

The foreign exchange policy observed by the country in the last decade forced the government to act saving currency, mainly by the reduction of imports, the increase of exports and the growth of foodstuff domestic production.

In such case, authorities emphasized the substitution of imports policy, which should be introduced by means of the rehabilitation of the industries producing goods for the local market.

The results obtained with this policy seem to be very limited because it has observed an annual reduction of the manufacturing value added (MVA), in addition to a drop observed in the the utilization of the available production capacity from the second half of the 1980's.

The main obstacles for the industrial development in Angola are presented ahead. On the other hand, we must emphasise that the inadequate allocation of foreign

resources ("plafonds") to the sector is considered by the majority of the interviewed entrepreneurs as the main obstacle for the good performance of the industrial complex; consequently, the companies do not reach the substitution of imports goals fixed by the central government.

Several entrepreneurs complained about the distribution process of the "plafonds", considering it bureaucratic, overcentralized, casuistic and subjected to unexpected changes (for example, the reduction of the annual amount) during the same fiscal year; the unbalanced sectorial distribution of "plafonds" is another observed distortion; therefore they lack of foreign currency for the acquisition of inputs while there is an excess of resource distribution for the import of the same consumer goods, which could be produced by the local industry (a beer company informed that it did not have sufficient credit to buy inputs for production, while the country spends tens of million dollars annually to buy the product abroad).

In conclusion, the meeting and data obtained during the mission to Angola indicated that the industrial output is very modest in comparison with the goals proposed by PRE. Thus, the manufacturing production reached in 1989 less than 40% of the industrial output in 1980, based on the information collected by The World Bank.

Additionally, the sector is still in operation, utilizing less than 25% of the available production capacity, as we analysed before (Chapter 2.3).

D - Domestic Environment for Industrial Development

The government performs a very important role in the industrial development of a nation. Consequently a large number of countries of the world maintain an industrial policy, be it centralizing or liberal, written or informal, looking forward to guide the economic agents towards the future growth of the manufacturing sector. In this manner, macroeconomic, fiscal and other policies are introduced, to strengthen the sector, using it as an important engine for national economic development; usually the manufacturing is stimulated by: subsidies, governmental purchases, regional incentives, sectorial reorganization with the participation of the State, support for research and development, investments in infrastructure projects, conjunctural policies aiming to increase demand, customs barriers to protect the local producer, be it national or foreign, etc..

In the case of Angola, we tried to analyse the main governmental support measures for industrial development, such as: taxation scheme, tariffs, financial rules for industrial investments, investment code.

Taxation System. Angola's tax revenue depends basically on the income obtained from oil industry (70% of the total in 1988) and on the income tax proceeding from: (i) transfers from public companies; (ii) taxes on private

companies; (iii) individual taxes; (iv) taxes on capital revenues.

Since 1986 public enterprises (National Bank of Angola, National Lotteries, and others) must transfer 50% of their profit to the State.

Private companies also contribute with an average of 50% of their profit. Individuals contribute with a withheld income tax which ranges from 3% to 60% of their salaries; however, in 1986 only 3% of their total salaries were taxable due to the existing difficulties to collect these contributions.

TABLE 22 - ANGOLA - TAX REVENUE

	1988 Kz Million	%
Oil Companies	32.061	70.8
Non Oil Companies		
(Industrial tax)	2.223	4.9
Individual Income Taxes	1.468	3.2
Capital Income	47	0.1
Foreign Trade Taxes	3.555	7.8
Property and Services	2.834	6.3
Other Taxes	3.104	6.9
TOTAL	45.292	100.0

Sources: National Budget Direction and IMF

Custom Duties. Having in mind that Angola has a relatively high importation level (20% of the GNP in 1988) , it was expected that the corresponding foreign trade tax would be an important source of revenue. However, in practice these taxes only reached an average of 9.9% of the imports between 1980-88.

TABLE 23 - ANGOLA - IMPORT AND TARIFF REVENUES

Year	Imports		Tariff Revenues	
	US\$ Million	Kz Million	(Million Kz) 1/	(% of Imp)
1980	1.354,8	40.933,9	4.139,0	10,1
1981	1.469,4	44.396,5	3.257,0	7,3
1982	1.273,9	38.489,6	5.236,0	13,6
1983	1.135,8	34.317,1	3.386,0	11,2
1984	1.559,6	47.121,8	4.137,0	8,8
1985	1.401,4	42.341,9	3.915,0	9,2
1986	1.085,9	32.809,4	4.395,0	14,3
1987	1.302,8	39.362,8	3.364,0	8,5
1988	1.371,9	41.452,0	3.324,0	8,0
Average (1980 -88)	1.328,4	40.136,1	3.989,2	9,9

Sources: National Budget Direction and IMF
1/ Includes service taxes

The current tariff is composed by several rates which come up to 30% of the imported goods (ad valorem), besides other specific taxes. However, there is an average

low real. importation tax (9,9% mentioned) mostly due to the following factors: the existence of generalized tax exemptions, smuggling (estimated to be more than 50% of imports) and a weak professional qualification for customs administration (insufficient material and human resources).

Having in mind the above-mentioned aspects, Angolan Government will hardly be capable to introduce an efficient substitution of imports policy, without simultaneously reviewing the existing tax policy, repairing customs deficiency and drastically reducing smuggling.

Investment Laws. The country's investment policy is regulated by the Act No12/87 dated 6th of July about the "General Basis for the Investment Process Regulation"; according to this document, investments are any resource allocation aiming at the maintenance and development of the country's productive forces, in the manufacturing sector or in the social environment. Consequently it previews resource application for: (i) replacement, rehabilitation, streamlining and enlargement of the productive capacities and social and economic infrastructures; (ii) establishment of new productive capacities and economic and social infrastructures; (iii) technical and scientific research, improvement and training of the work force, technology acquisition and preparation of economic and social studies.

Act No 12/87 does not mention specially Industrial or private investments, having been instituted for reinforcing the centralized decision making in a planned

socialist economy at the same time establishing mechanisms that guarantee a wide decentralized administration.

Available data does not permit a precise evaluation of the results of this act in the field of expansion and diversification of the investments. Meanwhile, several contacted institutions, in private and public sectors, agree that legislation has created several bureaucratic procedural steps that hamper the investment process.

The Economic Activity Law (No 10/88, 2nd of July), created in the Programme for Economic and Financial Restructuring (SEF), is an important instrument that defines the operation areas reserved to the State and also the participation of the private sector in economic activities; in summary, these last ones are those designed for: the production and distribution of goods and services, both as charged and for profitable purposes.

Law No 10/88 mentions that the economic activities must be developed in an entrepreneurial, familiar or individual way; the entrepreneurial activities will take place by means of state-owned companies, mixed enterprises (private, national and foreign participation up to 49% of the total net worth), private and co-operative enterprises.

The government will continue to maintain the control of activities referring to: military industry, financial activities of the Central Bank; water and electrical power distribution; sanitation;

telecommunications and mail; social communications; air, sea and rail long distance transportation; urban collective public transports; and ports and airports management

In the case of private activities, the law establishes that the State will support its development especially when it will benefit the: raise of the national productive capacity; creation of new jobs; technological progress; increase of export capacity and access to new markets and substitution of imports; and the achievement of a regional development policy and the settlement of populations.

Excess Investments. Law No 13/88 dated 16th of July reformulated the regulation about foreign investments in order to stimulate the entry of larger external resources in domestic economy.

Foreign companies may operate in the country in equal conditions to national institutions, excluding the above mentioned areas designed to the public sector. Therefore, the foreign investor has the guarantee of the rights arising from the investment including the: transfer of net profits abroad, upon authorization of the Minister of Finance; re-export of his share in the sale or liquidation of the company, under the provisions and upon authorization of the Minister of Finance; fair indemnity in case of expropriation of the company's assets, under the terms that will be enacted.

Foreign institutions will also be able to obtain domestic credit to finance their internal production.

Trying to attract foreign investors the regulation has fixed several fiscal incentives for projects supported by the national government: income tax reduction or exemption during a certain period; reduction or exemption of the customs taxes on the import of goods, equipment, inputs and spare parts, as well as on raw materials which do not exist in the country; reduction and exemption, one or more times of customs taxes on exports.

Fiscal benefits will be granted case by case, upon request of the interested parties addressed to the Minister of Finance, who may also grant general exemptions, according to regions, activity sectors and products.

Other incentives may be granted to foreign investors, such as benefits and special privileges, provided for in the legislation in force, specially when: reinvest exportable profits, develop relevant social actions; develop important actions in training national staff.

The Minister of Finance together with the Chairman of the Bank of Angola, may authorize foreign companies to use internal and external credit to finance their investments according to the legislation in force.

From the fiscal point of view, foreign investors will be submitted to the country's regulation in force in equal conditions to other companies in operation in Angola;

the celebration of agreements between Angola and other nations are also expected, to avoid double taxation on the capital and respective incomes.

On July 24th 1989 (Resolution No6/89) the Council of Ministers defined priority areas for the allocation of foreign resources. In this way, foreign investors should be specially used to promote exports and to substitute or reduce imports, namely in the following activities: agriculture, food processing industry, mining, fishing industry and by-products, light industry, specially the production of mass consumer goods, namely for agricultural support; construction material industry which would permit social housing developments in order to improve the standards of living of domestic population.

The Foreign Investment Cabinet (GIE) will be responsible for the selection of the projects according to the above mentioned priorities considering the actions being developed in each industrial sub-division; according to the PRE, special priority will be given to those which permit the recovery of existing equipment and infrastructures.

The regulation of the law about foreign investments occurred in the beginning of 1990 (Act No1/90 dated 8th of January) confirming GIE as an important organization to coordinate, stimulate, register and control the foreign capitals invested in the country.

In relation to the fiscal incentives which may be an important attractive factor for international investors, Act No 1/9 is still vague leaving the final decision to a casuistic solution made by the Minister of Finance and by the Chairman of National Bank of Angola; thus, we must mention that many developed and developing countries stimulate investments by means of a clear and objective regulation about which duties and benefits the foreign investor will have in case he wishes to operate in that country.

However, during the mission in Angola, we observed that the government had not yet regulated matters about:

- Dividends and Profits: once the company's capital has been fully subscribed, the State guarantees the annual export of dividends and profits out of the country.

according to the accounting criteria generally accepted by the Entrepreneurial Account Plan. The annual remittances of high amounts may be scheduled on time, in the conditions that will be fixed by the Minister of Finance, if they may be susceptible of aggravating the balance of foreign payment deficits.

- Domestic Credits: the foreign companies will be able to obtain internal short term credits (less than one year) in the same conditions in effect for the local companies. The Minister of Finance and the Chairman of the National Bank of Angola will regulate the access to internal medium and long term credits, which will only be used by companies with fully realized capital.

- External Credit: will also be regulated by the Minister of Finance and the Chairman of the National Bank of Angola.

- Fiscal Incentives: 90 days, after January 8th 1990, the Minister of Finance could approve the fiscal incentives to be granted for the promotion of priority activities reserved to the foreign investors.

- State-Owned Companies Law: the II MPLA Congress-Labour Party defined new rules for the State entrepreneurial activities, in order to improve the management conditions and increase autonomy to reach both major work and production efficiency; thus, it was considered indispensable:

- To improve the conditions for plan preparation and execution of state planning and strengthen public company's autonomy;

- To stimulate company's efficiency and profitability and the productivity of their workers;

- To create conditions for state-owned manufacturing companies to have major influence in the distribution and trade of their products;

- To improve the process regarding the constitution and organization of the state-owned companies.

Consequently, the Popular Assembly approved law No 11/88 dated 9th of July, known as State-Owned Company Law, which establishes several rules that will improve state-owned company administration and increase the growth of domestic industrial production; among the most important measures we can mention:

- Management Autonomy: the state-owned company may achieve wide management autonomy, being responsible for all issues related to its social and productive development. It provides that the management is of the entire responsibility of its agencies, once other entities outside the companies do not have the right to interfere in its management or functioning, except for in the cases and forms provided by law.

- Financial Autonomy: the state-owned company must obtain income revenue of its activity that may be granted under the laws and their by-laws, to cover every expenditure

related to the execution of its social objective; the financing of the state-owned company activity will be done by its own means, promoting the reimbursement of credits in the stipulated conditions.

- Economic Profitability: the state-owned company must perform its activity efficiently, in order to maximize the profits, without damage to its obligations related to rational resource exploration, labour protection and safety and environment protection.

Although positive aspects were found in the State-Owned Company Law, the results obtained until now do not make possible the retaking of the historical production levels reached during the 1970's and the 1980's. On chapter 2.3 the main obstacles for sectorial development have been analysed, but we must point out some of the most important factors that are hampering the industrial growth: inadequate labor training, lack of financial and material resources and excessive governmental centralization on entrepreneurial activities.

E - Factors That Hamper Industrial Growth

There are several factors of militar, macroeconomic and sectorial origins that hamper industrial growth in Angola, as mentioned on chapter 2.1.

During our visit to local enterprises we tried to detect the major problems affecting industrial production.

Interviewed entrepreneurs pointed out the following obstacles: (i) lack of production inputs from domestic or international origins; in this last case there is a general complaint about "plafond" limitations; (ii) frequent cuts or total absence of electrical power (iii) insufficient offer of qualified manpower; (iv) lack of water for domestic consumption and production obliging some companies to transport the product on trucks.

In several visited companies we verified that there was a lack of necessary imported inputs for industrial production; in others, however, production interruption occurred because of other factors, for instance, the major part of imported inputs were not used for production, between 1985 and 1986.

TABLE 24 - IMPORTED INDUSTRIAL INPUTS

(Billions of Kz)

	1985 to 1986		%
	Acquisitions	Consumption	
	(1)	(2)	(2):(1)
Inputs and Raw Material	122,0	60,0	-
Accessories and Spare Parts	204,8	61,4	-
T O T A L	326,8	121,4	37.2

Source:GARE(Consolidated Data from the Manufacturing Sector)

Amongst other factors that hamper production several companies mentioned the following:

- Improper maintenance of the equipments;
- Poor or even inexistent telephone communications;
- Insufficient passenger and cargo transportation;
- Employee's cafeteria with limited availability of food products once companies do not find them in the local market;
- Excessive state bureaucracy inhibiting entrepreneurial creativity and autonomy;

Afterwards we compared the data obtained during the interviews with the information stored by GARE about the major obstacles that hamper industrial production, obtaining the following results:

TABLE 25 - OBSTACLES TO PRODUCTION GROWTH (X)

Reasons	1985	1987			TOTAL
	TOTAL	Statal	Mixed	Private	
Human Resources	19	18	-	8	16
Inputs	43	52	42	61	52
Power	17	16	14	14	13
Water	7	5	3	8	6
Equipments	7	8	15	5	6
Others	7	11	7	3	7

Sources: GARE and UNIDO

3 - PROGRAMME FOR THE II DECADE

3.1 - Governmental Objectives and Strategies

Since the country's independence in 1975, Angola's industrial policy has not been defined with clear objectives. One year after, the Central Committee of the Popular Movement for Freedom of Angola (MPLA) adopted a favourable attitude towards the recovery of domestic production; however, it did not point out the national priorities.

Later on, relatively important new investments were made in the textile and siderurgical sectors; in this last case, the government wanted to stimulate the development of heavy industries.

The 1980's, however, were negative for the sector's growth because the foreign exchange crisis prevented the acquisition of industrial inputs, of which the major part came from foreign suppliers.

Consequently, in 1985 the Second Congress of the MPLA emphasized the need to save foreign currency. Therefore, the production of mass consumer goods which reduce imports, the concession of incentives for agriculture, and growth of exports, started to have an important role in the industrial development policy of Angola.

Policies that stimulated industrial growth, however, did not give the necessary attention to the economic-financial feasibility studies for the existing industrial complex; the majority of industries were installed in the colonial period, and started to work after independence in a different industrial environment, with lower availability of human, material and financial resources.

Thus, the economic feasibility studies for state-owned projects can be a very important tool for future industrial development of the country, because it will allow

for the efficient resource allocation and will indicate which are the institutions that must have to be closed.

At this point, we must emphasize the important work done by MIN viewing to evaluate a set pilot companies that will be kept in operation, absorbed by viable institutions, or will be finally closed by the government. In short, this evaluation methodology should be also followed in other sectors of economy, aiming to optimize the use of what is so scarce in the country: available capital for economic and social development.

More recently the II Congress of MPLA/Labour Party decided to adopt an ambitious programme of economic and political rehabilitation viewing to meet the main objectives in the period 1986-1990:

- To give absolute priority to the country's defense needs;

- To attain major efficiency of production, and to improve the supplies of goods to the population as a pre-condition to guarantee the economic stabilization process;

- To give priority to economic relationships with foreign countries and increase exports as a determinant factor for the national economy equilibrium;

- To give priority to the basic use of national staff and streamline international cooperation;

- To improve the socialist planning methods;

To reformulate the Economy Direction and Management methods, applying more effectively the value rates.

The proposed objectives, however, were not totally attained until the beginning of 1987, with exception of the absolute priority for militar activities. Thus, the Central Committee of MPLA decided to adopt an ambitious programme of Economic and Financial Restructuring (SEF) aiming specially at: the improvement of the the planning management system, the currency stabilization and the economic recovering.

The most important steps to achieve financial stabilization include: the reduction of budgetary deficits; financial recovering of public enterprises; establishment of new roots to finance the public deficit; the reform of domestic credit system; the rescheduling of the external debt; the adjustment of both the exchange rate and government controlled prices.

Later on, the Plan for Economic Recovering (PRE) was prepared for 1989-1990. in order to coordinate the implementation of the reforms, establishing regulation for: macroeconomic adjustment; resume of past production levels; exchange rate and foreign payments policies; budgetary and financial policies; as well as the salary policy.

In the area of manufacturing industry three major goals were fixed: rehabilitaion of prior ty productions, promotion of small and medium scale enterprise, and

reorganization of state-owned economic unities. Thus, the government intended to: increase national production, stimulate imports substitution, improve entrepreneurial management, increase inter-industrial relations, and give priority to industries depending on domestic inputs.

During the meetings in Angola, the mission noted that authorities are adopting other favourable measures for industrial development besides the imports substitution policy fixed by the PRE; thus, the government tries to speed up the introduction of the following principal measures:

- Stimulate the entrance of foreign capital according to regulamentation of January 1990;
- Restructure and increase public company's autonomy;
- Develop or regulate exchange rate and currency policies which will stimulate sectorial development;
- Rehabilitate production of state-owned units which are considered obsolete;
- Stimulate major participation of private capital in the manufacturing sector;
- Privatize non priority state-owned companies ;
- Improve the technical qualification of local workers by means of professional training programmes according to the country's needs;
- Raise the use of the available production capacity, instead of making new investments to enlarge the production industrial complex;

- Deconcentrate and decentralize the industrial production by means of governmental support to small and medium scale enterprises;

- Re-dimension the public sector stimulating companies to solve their financial difficulties;

3.2 - Selection of Priority Investment Programmes

The selection of priority programmes was done according to the basic objectives of the II IDDA and the already known governmental plans to recuperate and elevate industrial production of Angola; we also took in consideration several analysis done by UNIDO, The World Bank and other public and private organizations indicating which indicated the main policies adopted in the last decades for industrial development in subsaharan Africa.

Thus, in cooperation with the Ministry of Industry and IDI, other ministries and public and private companies, we selected priority projects according to the following criteria:

- Rehabilitation and expansion of existing productive unities viewing at the recuperation of historical production levels to meet the local population needs;

- Stimulate imports substitution and foreign currency savings, by means of major utilization of the already installed industrial capacity;

- Major use of existing industrial capacity and domestic available resources for local market production;

- Development and expansion of Angolan agro-based industry;

- Intensified use of domestic labor for production and assembly of industrial products addressed to local and regional markets;

- Incentive for the export growth of manufactured goods;

- Development of industries based on mineral, forest and other national resources;

- Investments in necessary infrastructures for manufacturing rehabilitation and growth;

- Improve the quality and expand professional training of human resources viewing to minimize elevated absence of capable labor;

- Maintenance and production of spare parts for used and obsolete equipments, many of which are no longer produced by world-wide industry.

The major part of available data on the selected projects and the amounts of proposed investments were obtained by the technical team of IOI, in cooperation with other private and governmental institutions. Due to obstacles found to collect information, it is possible that the data are not totally reliable. Consequently, a future review of the investments per project will be necessary (during the first two years of the II IDDA) trying to

evaluate its economic-financial viability, and to effectuate an eventual reallocation of resources for solid and feasible projects. Thus, IDI, in collaboration with other Angolan ministries, will be able to coordinate and propose measures to increase the efficiency, competitiveness and profitability of projects, stimulating cost reductions and the growth of operational revenues of industrial enterprises. In such case it would be convenient to use the UNIDO team (UNIDO Economic-Industrial Feasibility Studies) that is actually supporting GARDS (MIN).

4 - INVESTMENTS PROPOSED FOR THE II DECADE

4.1 - Rehabilitation and Consolidation Programmes

These programmes are very important for Angola's industrial recovering and production growth. The analysis of the sector (Chapter 2.3) points out that the country has a diversified manufacturing complex that, however, operates inadequately, having attained less than 25% of its available capacity in 1989. Thus, we propose the three main action programmes for the I. IDOA:

A - Rehabilitation of Enterprises and Industrial Policy

The present stage of domestic development, demands a coordination of national efforts to set up an efficient industrial policy that must avoid waste of scarce available resources. Thus, the government decided, with the support of UNIDO (1), to create the IDI to act as the domestic agency for coordinating the Strategic Management of Industrial Development of Angola, according to communication from the Ministry of Industry to UNIDO ("Assistance to the Industrial Recovering Programme of Angola" - No 2945/GVMI/90), and the conclusions of the report on "Industrial Structure and Development of Angola" (2) for the period of 1991-1995 (5th Programme Cycle of UNDP). Consequently, IDI, acting in the highest ministry level, will have an important role in the coordination and development of industrial rehabilitation programmes, stimulating the cooperation between the main agents: public and private industries, suppliers, distributors, transporters, financial institutions, technology and

(1) UNIDO - "Report on High Level Headquarters Mission to the People's Republic of Angola", Vienna, 22 November 1990.

(2) PASSUS, Carlos de Faro - "Estrutura e Desenvolvimento Industrial de Angola"; UNIDO, September 1990.

formation centers, etc. Additionally it can also contribute for sectorial growth through the following main activities:

- Stimulate increased participation of the private sector in industrial development;

- Direct industrial growth to value the potentialities in order to fulfill the needs of the population;

- Strengthen small and medium scale industries working with large local industrial projects, using their products and supplying the necessary inputs;

- Transform the present industrial repair and maintenance structures into more dynamic units;

- Develop a national system of normatization and quality control;

- Intensify the technical training of skilled labor;

- Promote technological innovation through the creation, implementation and operation of the future Institute of Industrial Property;

- Propose macroeconomic measures and an industrial policy that provides growth for the sector and the country as a whole;

- Support the promotion and coordination of activities to obtain foreign resources for industrial development (The World Bank, IFC, BAD, etc.);

- Propose, with competent channels, the creation of fiscal and credit subsidies favorable to industrial development;

- Define the main institutions that would take part in the IDI activities, such as: the Ministries of Industry, Commerce, Planning, Finance, Construction, Fishing, Transport, Agriculture, Education, Energy and Petrol, etc., BNA (National Bank of Angola);

- Propose a medium and long term industrial policy, which suits national needs and takes into consideration the following aspects: public purchasing, subventions and direct transfers, research and development support, industrial reorganization and restructuring with support from the State, subsidies for the development of poor regions, implementation of infrastructure projects to increase demand, a temporary macroeconomic growth policy to increase demand, establishing customs tariffs to protect the local industry, etc.

B - Public Enterprises Revitalization

The state-owned enterprises play an important role in the industrial sector of many African countries. In Angola, it is even more important, because after independence in 1975, there was a growing intervention of the state in the country's economic life, once the socialist government system was established.

In the manufacturing sector, the results of an excessive centralization of the decision making process has contributed for the drop of productive and financial efficiency of public companies. However, we must mention that other military, macroeconomic and human resource factors also contributed significantly for the productivity drop of the public sector.

Angolan government, therefore, becoming aware of the low dynamism of its enterprises decided to introduce a redimentioning, recuperating and revitalizing entrepreneurial programme that must be supported by international community by means of the following projects:

Entrepreneurial Redimentioning programme means a partial, or total privatization and/or rehabilitation of public enterprises. Thus, the government selected several institutions of the following priority branches which are being submitted to rehabilitation and restructuring (3):

A - Food Processing Industry: Breadmaking, grinding, sugar-yielding, oils and soaps, beverages.

B - Light Industry: Textiles and clothings, shoes, school suppliesmaterial, packaging and construction materials.

C - Heavy Industry: Metal-mechanics, packaging, working means and equipments for agriculture and rural productions.

(3) PASSOS, Carlos de Faro - Op. cit.

We must emphasize that the rehabilitation process must be directed to those enterprises that present, in a preliminary analysis, the technical, economic and financial feasibility conditions, because the present situation of the country does not permit any waste of financial and other resources. This work will be complemented with the support of other sources of financing. Thus, it is important to complete each enterprise evaluation by making a study of the economic and financial viability of the projects; in case the undertaking shows technical, operational and financial inviability, authorities should direct the available resources to the rehabilitation of another priority institution.

Evaluation and Privatization - Total or partial privatization, of public enterprises must be proceeded with foreign technical support for the revision of entrepreneurial evaluation methodology and for the recycling of professionals who will have such tasks (specially in the case of medium and small scale enterprises to be privatized in the provinces).

The II IDDA programme must preview a permanent perfectionement of public and private managers in the most important industrial regions, such as Luanda, Benguela, Huila and Huambo.

C - Preventive Maintenance and Spare Parts Production.

Preventive maintenance of equipment is nearly inexistent in Angola; corrective maintenance is also inadequate, and not realised in a timely way, as there is a great shortage of both specialized labor and spare parts. Consequently, the II IDDA should give considerable support to industrial maintenance, through domestic organizations, such as the Industrial Maintenance Enterprise (Empresa de Manutenção Industrial EMIN), in Luanda, that has received technical and financial support from UNIDO, and has developed an important role in industrial maintenance in Angola.

Thus, the II IDDA programme should support governmental request sent to UNIDO for the implementation of: (i) classification and evaluation of the maintenance centers existing in the country and (ii) a training programme for industrial maintenance.

4.2 - Programme of Expansion and New Investments

Based on the criteria indicated on chapter 3.2 we selected the priority enterprises to participate on the programmes of expansion and new investments following the

Angolan classification of manufacturing subsectors: food processing , light and heavy industry.

The enterprise selection prioritized the state-owned institutions due to their size, strategic importance and productive delicate situation compared with the ones of the private sector.

A - Food Processing Industry

In this subsector there was a selection of the enterprises indicated on Table 26 which have investment plans amounting to US\$ 47 million during the 1990's.

B - Light Industry

In this subsector there was a selection of 13 enterprises with previewed investments amounting to US\$ 107 million (Table 27).

C - Heavy Industry

In the same way as the above subsectors, heavy industry is coordinated by the Ministry of Industry; there were previewed investments amounting to US\$ 79,7 millions for the II IDDA (Table 28).

During the mission to Angola, an investment programme for each company was prepared in cooperation with IDI and manufacturing enterprises, prioritizing: destination of resources (building construction, equipments, etc.); location of the project, production capacity forecasted; sources of raw materials, consumer market, etc. In order to simplify the present document, we decided to maintain the available detailed information at MIN and IDI for future use during the implementation of II IDDA.

TABLE 26 - NEW INVESTMENTS
Food Processing (US\$ Thousand)

COMPANY	PRODUCT	PUBLIC PRIVATE	REHABILITATION	NEW INVEST.	CAPITAL	TOTAL
CUCA (Huanbo)	Beer	PU	4.400	-	-	4.400
FAL	Fish Paste & smoke-cured	PR	-	830	-	830
HEROIS DE CAXITO	Sugar	PU	-	795	-	795
1º DE MAIO		PU	-	450	-	450
4 de FEVEREIRO		PU	-	355	-	355
INDUVE	Edible Oil	PR	-	12973	-	12.973
MATADOURO (Luanda)	Cattle	PU	-	8.000	-	8.000
MOIBEN (Lobito)	Wheat & Corn Flour	PU	-	750	-	750
OTHERS (25 companies)	Bakery	PU	-	8.300	-	8.300
SOFANCO (Refrinor)	BEVERAGES	PU	10.126	-	-	10.126
TOTALS			14.667	32.453		47.120

Sources: Ministry of Industry, GARE, IDI, Companies.

TABLE 27-NEW INVESTMENTS
Light Industry (US\$ Thousand)

COMPANY	PRODUCT	PUBLIC		REHABILITATION	NEW INVEST.	CAPITAL	TOTAL
			PRIVATE				
AFRICA TEXTIL	Textile	PU		-	5.000	-	5.000
AGRAN	Insecticide	PR		-	2.000	-	2.000
ENEPA	Plastic Goods and Spume	PU		-	1.000	-	1.000
RATION PLANT (Luanda)	Animal Rations	PU		-	14.760	-	14.760
RATION PLANT (Benguela)	" "	PU		-	10.620	-	10.620
FIBREX	PVC Tubes						
	Raffia Bags	PU		-	375	-	375
GADIL	Cleaning Prod.	PU		-	391	-480	871
IMAVEST	Clotheswear	PU		-	5.000	-	5.000
MAKUTANGA	School Books	PU		-	2.000	-	2.000
PANGA - PANGA	Presses Wood	PU		1.100	43.833	2.864	47.797
SACOLAS	Glues	PU		-	5.000	-	5.000
SODETE	Soaps & detergent	PU		4.949	-	-	5.000
TEXTANG II	Textiles	PU		7.933	-	-	7.933
TOTALS				13.982	89.979	3.344	107.305

Sources: Ministry of Agriculture, Industry, GARE, IDI, Companies.

TABLE 28 - NEW INVESTMENTS

Heavy Industry (US\$ Thousand)

COMPANY	PRODUCT	PUBLIC		REHABILITATION	NEW INVEST	CAPITAL	TOTAL
			PRIVATE				
ALGAG	Agricultural Tools		PU	-	340	-	340
AVILA	Electric Cables and Wires		PU	-	5.000	-	5.000
ECL	Paper Packages		PU	-	3.422	-	3.422
ELAN	Electrodes		PU	-	-	224	224
ENEMEL	Metal Furniture for offices		PU	-	123	-	123
ERT	Radio, Television and Sound Sets		PU	-	5.000	-	5.000
FATA	Galvanized Tubes		PU	-	34.981	1.472	36.453
METANG	Ondulated Zinc Sheets		PR	-	4.430	15.682	20.112
FUNDAL	Foundry		PU	-	1.000	-	1.000
METANGOL	Metal packages		PU	:	2.765	-	2.765
VULCAP	Rubber and Tire recapping		PU	4.480	-	800	5.280
TOTALS				4.480	57.061	18.178	79.719

Sources: Ministry of Industry, GARE, IDO, Companies.

. . D - Construction Material Industry

The perspectives for the development of this sector are promising, once Angola owns large mining resources which are easy to explore, for the production of cement, tiles, glazed tiles, and other products for the construction sector.

Presently, in the case of ceramic products the government is developing a project for industrial rehabilitation and conversion, together with a foreign enterprise, aiming at the modernization of factories located in the region of Luanda (First of May, N'GOLA and KILUANGE, Eleventh of November). For the II IDDA programme other projects were selected that attained an amount of US\$ 7,8 million.

TABLE 29 - NEW INVESTMENTS: CONSTRUCTION SECTOR
(Uniceramica)

FACTORIES	PRODUCTS	US\$ THOUSAND
10 de Maio (Cacuaco)	Bricks	658
N'Gola Kiluange	"	765
11 de Novembro	"	1.260
Kilamba Kiayi	"	665
Kifangondo	"	565
Catete	"	595
Cafra	Bath fixtures	1.286
Projects	Glazed Tiles	80
Other		1.886

T O T A L		7.761

Sources: UNICERAMICA, Ministry of Construction

E - Fishing Industry

The Ministry of Fishing selected some shipyard and fishingsupport rehabilitation projects amounting to US\$ 6,7 million.

TABLE 30 - NEW INVESTMENTS: FISHING SECTOR
(US\$ Thousands)

ENTERPRISE	PROJECT	LOCATION	ANNUAL CAPACITY	INVESTMENTS
EMIPESCA	shipyard	Cabinda	21 BOATS	2.200
Crafstman fishing	support	Bengo	720 tons	1.500
"	"	Kwanza do Sul	"	1.500
"	"	Zaire	"	1.500
T O T A L				6.700

Source: Ministry of Fishing. IDI

F - Mining Industry

The Angolan government selected projects for mining exploration and production amounting to US\$ 10.35 million.

TABLE 31 - NEW INVESTMENTS: MINING INDUSTRY
(US\$ thousands)

UNITIES	PRODUCTS	LOCATION	MARKET (Nat/Int'l)	INVESTMENT
Pocarica na Conda	Quartz	South Kwanza	Int'l	7.200
Quindonocaxa	Phosphorus	Zaire	Nat/Int'l	1.207
ROREMINA	Marble	Lobito	"	497
ENDIAMA	Diamonds	Lucapa	Int'l	680
INAGED	Geological Research	--	--	766
T O T A L				10.350

Sources: Ministry of Industry, IDI.

6 - Pharmaceutical Industry

The Ministry of Health decided to set up an essential medicament industry (antiseptics, aspirins, ointments, suppositories, etc.) with production unities located in Luanda and Benguela; the enterprise also previews professional training, better domestic distribution, and production quality control. An investment amounting to US\$ 37.7 million is expected.

4.3 - SUPPORT PROGRAMMES

The Rehabilitation, Consolidation, Expansion and New Investments programmes presented above (Chapters 4.1 and 4.2) have an important role in industrial expansion of Angola during the II IDDA. We must emphasize, however, that the following support programmes are important tools for integration between the several industrial subsystems and for the self-maintained growth of the manufacturing sector.

A - Human Resources Development

Like other Latin American and African countries, Angola has a shortage of qualified professionals, to manage the different sectors of economic life. In the manufacturing sector, for example, the lack of qualified professionals is known as one of the major obstacles for production growth.

Therefore, the programme of II IDDA proposes significant support for training and development of human resources necessary for industrial expansion. Consequently, is previewed an investment amounting to US\$ 20 million until the year 2000 according to the following priorities:

A.1 - Professional Education

To evaluate the needs, optimize existing resources and train workers in the professional education area, mainly in the field of maintenance and industrial repair, providing an opportunity for skilled training (lathe operator, milling machine operator, etc). This work must be done according to a Multisectorial Commission level created by the government for this purpose with the support of the International Labour Organization (ILO).

It is important to mention that the government has made a tremendous effort to educate workers by creating 135 professional centers installed throughout the country. However, results are still very limited due to low use of installed capacity - only 55% (5.515 over 10.040 available seats).

UNIDO must concentrate its support in the evaluation of the present situation of professional training in the manufacturing sector, and the introduction of measures that will allow adequate professional training, optimizing the scarce available resources.

A.2 - Entrepreneurial Financial Information

It is necessary to set up a new information system to facilitate the professional autonomy of public and private managers and the business performance follow-up that must be done by the government at Provincial, Sectorial and National levels .

Consequently there is a need for training workers and supporting the implementation of accounting-financial systems compatible with the several industrial subsectors. This kind of assistance will be very important for the enterprises redimentioning and privatization processes, because the data presently supplied by the companies is not totally reliable; this support must be coordinated with the IDI, GARE (Ministry of Planning) and GARDS (Ministry of Industry).

The reactivation of accounting centers located in main industrial regions is also previewed, as well as the introduction of information systems for management and project supervision on a sectorial level.

Information development is a very important tool to qualify public and private managers for preparing feasibility studies, viewing to detect solid enterprises from the economic-financial point of view.

A.3 - Top Management of Enterprises

Evaluate the needs and prepare top and middle level executives from state-owned companies which need more autonomy and better operational efficiency. Considering the present economic, educational, industrial, political and military situation in the country, it is desirable to implement educational programs in the area of industrial organization and management such as: production, planning and control, quality control, organization and methods, financial management, inventory control, industrial plant lay-out, etc.

A.4 - Improvement of University Courses

Agostinho Neto University carries out several courses in Luanda (70% of inscriptions) Huambo (10%) and Lubango (7%), besides correspondence courses (13%). The University offers low quality teaching, mainly due to: (i) divergence between social needs and the given courses; (ii) insufficient number of full-time teachers; (iii) low efficiency in the use of available resources (in Luanda, for instance, inefficient urban transportation prevents the adequate use of buildings spread out around the city); (iv) inadequate offer of books and other reading materials; (v) low qualification of students in preparatory courses (vi)

low quality of equipments and laboratories in courses such as Engineering, Agriculture, Medicine which need adequate acquisition of material and maintenance.

Consequently, the II DIDA programme recommends support for the improvement of university teaching, specially in the faculties of Agriculture, Engineering, Economy and Sciences.

B - Infrastructure Rehabilitation and Development

Angolan infrastructure is very deteriorated, mainly due to a long military conflict period (30 years). Rehabilitation and reconstruction are, therefore, very important factors for the recovering of industrial growth.

B.1 - Energy and Oil

The Ministry of Energy and Oil prepared an investment programme for II IDDA estimated in US\$ 1.378 million.

Energy - The operational start-up of the Hydroelectric of Capanda (520 mw) will be the main development in the sector during 1990 - 2000, to cover the shortage of power from 1993 onwards and to make possible: (i) the linkage of North, Center and South systems; (ii) the regulation of River Kwanza's current; (iii) the growth of Cambembe's production capacity.

During the first half of this decade the government intends to concentrate activities towards the rehabilitation of this sector in the following areas:

- Production: recuperation of generating unities in Cambembe; rehabilitation of Lomaum power plant; recuperation of Bipio river dam and generators; recuperation of Nataka river dam; recuperation of Gove river dam.

- Transmission: Rehabilitation and enlargement of Cabinda, Biopo, Viana, Luanda and Gabela sub-stations; rehabilitation of the transmission lines Biombo-Huamba, Cambembe-Luanda, Metalo-Namibe.

- Distribution: Rehabilitation of the electrical network of the main cities in the country: Luanda, Benguela, Huambo, Namibe, Cabinda, Malange, Quito, Sumbe and others.

In the field of sectorial expansion and development, the following investments outstand (second half of the 1990's):

- Production: Operating start of Capanda (2 x 130 mw); emergency diesel group in Lubango, Tombwa and Kuito.

- Transmission: Construction of the lines: Capanda-Cambembe, Gabela-Biopio, Chinguar-Kuito, Cambembe-Luanda, Capanda-Lucala, Lucapa-Ndalantado, Biopio-Lobito, Lamaun-Lubango.

TABLE 32 - NEW INVESTMENTS

Energy Sector

INVESTMENTS	OPERATION	US\$
	START	THOUSANDS
. 3 MW Diesel in TOBWA	1990	1.184
. 3rd group 13,6 MV in Matala	"	3.538
. 68 KV Line CATUMBELA-BENGUELA	"	1.709
. 68 KV Line CHIGUAR-KUITO	1991	4.526
. 220 KV Line GABELA -BIOPIO	1992	22.400
. 220/150KV Substation BIOPIO with a transformer 150 MVA	1992	3.628
. 6 MW Diesel in LUBANGO	1992	3.690
. Central with 2 groups 130 MV CAPANDA	1993	1.105.000
. 220 KV Line CAPANDA-LUCALA with a 220 KV fixed cost substation LUCALA	1993	9.213
. 220 KV Line CAPANDA-CAVAMBE	1993	13.220
. 110 KV Line LUCALA-PAMBOS of SONHE	1993	5.777
. 150 KV Line BIOPIO-LOBITO	1993	2.400
. 3 MW Diesel in TOBWA	1994	1.845
. 220 KV Line CAPANDA-GAMBELA	1995	20.564
. 220 KV Line GABELA-BIOPIO	1995	24.935
. 60 KV Line CATUMBELA-BENGUELA	1995	1.065
. 6 MW Diesel in Kuito	1995	3.690
. 150 KV Line LOMAUM-LUBANGO	1996	25.992
. Static Compensator - 50,100 Mvar in LUANDA (VIANA)	1998	9.385
. 3rd Group 130 MW central in CAPANDA	1999	80.000
. 6 MW Diesel in TOBWA	1999	3.590
. 6 MW Diesel in KUITO	1999	3.690
. 150 KV Line BIOPIO-BENGUELA	2000	4.433
T O T A L		1.378.045

Source: "Contribution for the Country's Programme (Decade
1990 - 2000)

Ministry of Energy and Oil

Oil - The following main activities are previewed for the II IDDA (i) Continuation of non deep "ofshore" research; (ii) reevaluation of the "onshore" (Cabinda, Congo and Kwanza); (iii) start-up of deep "ofshore" research; and(iv) reevaluation of onshore basins of Namibe, Etosha, Okavango and Casange.

The results of the first three activities may be obtained until 1995, permitting an increase of production and commerce of crude oil, and the construction of one more oil refinery (possibly in the south of the country, that will sell output to neighbor countries).

The production of natural gas makes possible local development of a petrochemical industry, of which feasibility will depend on the existence of new external markets, once the internal market is very restricted.

The Ministry of Energy and Oil did not provide information about investments for the oil sector during the decade of 1990; we know, however, that financial restrictions may hamper the installation of new projects. To avoid difficulties it would be suitable to explore one of the following ways: association between private national and foreign capitals as it is the case of Cabinda today; association with neighbor countries that could be potential importers of oil by-products; and permission for foreign capital investments.

B.2 - Transports and Communications

The Ministry of Transport and Communications intends to invest US\$ 660 million during the II IDDA to rehabilitate and expand ports, railroads, civil aviation, telecommunications and mail.

TABLE 33 - NEW INVESTMENTS:
TRANSPORTS AND COMMUNICATIONS

PROJECTS	US\$ THOUSAND
- PORTS:	
. Luanda	21.900
. Lobito	82.500
- RAILROADS:	
. Benguela (CBF)	346.300
- CIVIL AVIATION	
. Airport recuperation (12)	160.000
. Navigation system recuperation (18)	30.000
- TELECOMMUNICATIONS	
. International	14.700
- MAIL	
. Post Office (Luanda)	1.760
. Post Qualification School	2.500
T O T A L	659.660

Sources: "Strategy for the Preparation of the Second Decade of the United Nations for Transports and Communications in Africa", Ministry of Transports and Communications

B.3 - Highways

The Ministry of Construction is responsible for planning, construction and maintenance of highways, performing through the INEA (Highway Institute of Angola).

The present road network is 72.323 Km long, of which only half operate all year round.

. Paved roads:	8.923 Km.
. Soil roads:	26.900 Km.
. Rudimentary roads	26.500 Km.

The highway network needs urgent repairing, because, besides the erosion caused by military action, there are 5.000 Km of paved roads that had already gone out of use in 1979; additionally more than 200 bridges are not in usefull conditions.

This factors difficult passenger and load transportation throughout the country hampering the economic expansion and industrial growth. During the mission it was not possible to obtain data refering to necessary investments during the II IDDA, despite the effort done by IDI to collect information. Thus, it is desirable that Angolan government may include these new investments in future revision of the programme for 1990 -2000.

C - Promotion and Development of Small and Medium Scale Industries

The recent creation of the National Institute of Entrepreneurial Promotion (INAPEME) is an important step for promotion of local small and medium scale industries. However, much additional work must be developed with

governmental support, such as the concession of fiscal and financial incentives for the expansion of the sector. Additionally the support of international organizations (UNIDO, World Bank, ECA, ILO, etc.) will be very important in the fields of: absorption and transfer of technology; product developments; marketing, general and financial managements; industrial plant lay-out; quality control; training and others.

The programme proposed for the II IDDA, previews the destination of resources amounting to US\$ 5 million for the promotion of these industries during the 1990's.

D - Industrial Credit Promotion

Angolan banking system is still very limited, constituted by only two financial institutions, with agencies spread out around the country: National Bank of Angola (NBA) and Popular Bank of Angola. Consequently, industries cannot count on long term credits which can stimulate the expansion of the installed capacity, and the liberation of resources for the companies' working capital. Thus, the programme for II IDDA may support the improvement of the efficiency of the Industrial Credit Department of the banking system, or the creation of a development bank based on the experience of other African or South American developing nations.

The implementation of such institutions must explore the main sources of available funds, public (budget allocations), private (term deposits) or international (The World Bank, International Finance Corporation, ADB, etc). On the other side, comes the use of funds where it is important to emphasize its main purpose, the terms of the financing and the eventual subsidized interest rates.

E - Projects Promotion

Private sector or foreign capital may perform an important role in the country's industrial development by means of direct investments in productive enterprises, or in the rehabilitation and expansion of infrastructures. For so, it is important that the Angolan government, through the Ministries of Industry and Planning, may select, evaluate and prepare a portfolio of existing or projected projects to be offered to private investors.

UNIDO may support project disclosure and promotion through their offices located in several developed countries (Europe and others). Additionally, technical support may be provided through the "Industrial Investment Division" selecting available projects and orienting the government, (GIE), on the preparation of dossiers to be directed to potential investors.

5 - MODALITIES FOR THE FORMULATION AND IMPLEMENTATION OF THE PROGRAMME

5.1 Modalities for Formulation

The government decided to adopt the methodology of "Strategic Management" (1) to support Angolan industrial development. Thus, in September 1990 the Industrial Development Institute (IDI) was created, linked to the Ministry of Industry, that must receive UNIDO's support to elaborate the "terms of reference" of the strategic management project (first semester 1991).

Consequently, it is recommended that the management and execution of the II IDDA Programme must be done in the field of action of MIN/IDI supported by one national coordination committee having the highest level of interministerial decision power.

(1) This multi disciplinary methodology is based on the concept of Industrial Subsystem, which is a network of productive activities and services which are developed around a basic resource, a final market and/or a technology.

A - National Coordination Comitee

The comitee that may act with the secretarial support of IDI, will be composed as follows:

- 1 - Ministry of Industry (Presidency)
- 2 - " of Planning
- 3 - " of Finance
- 4 - " of Agriculture
- 5 - " of Construction
- 6 - " of Energy and Oil
- 7 - " of Fishing
- 8 - " of Transports and Communications
- 9 - " of Commerce
- 10 - " of Education
- 11 - " of Interior
- 12 - " of Foreign Affairs
- 13 - " of Health
- 14 - " of Labor
- 15 - National Bank of Angola
- 16 - Popular Bank of Angola
- 17 - Industrial Development Institute (IDI)
- 18 - National Institute of Medium and Small Scale Enterprise (INAPEME)
- 19 - Industrial Association of Angola (IAA)
- 20 - Commercial Association of Angola (CAA)
- 21 - Agostinho Neto University : Faculties of Agriculture, Economy and Science
- 22 - Agostinho Neto University - National Research

Center

5.2 - Modalities for Implementation

The execution of the programme must planify the cooperation between several governmental and private agencies. Consequently, subsectorial strategic management committees must be created or must utilize the existing ones, trying to avoid duplicity of functions and bureaucratization of process; thus, these comitees must be objective, agile and with high decision taking power to avoid hamper the rehabilitation and industrial development process during the II IDDA.

A - Subcommittee for Public Enterprise Rehabilitation and Reform

- 1 - Ministry of Industry (Presidency)
- 2 - " of Planning
- 3 - " of Fishing
- 4 - " of Construction
- 5 - " of Agriculture
- 6 - " of Transports and Communications
- 7 - " of Education
- 8 - " of Labor
- 9 - " of Finance
- 10 - Entrepreneurial Redimentioning Cabinet (GARE)
- 11 - Foreign Investment Cabinet (GIE)

12 - Sectorial Development and Redimensioning Cabinet
(GARDS)

13 - Industrial Development Institute (IDI)

14 - National Bank of Angola

B - Subcommittee of Industries Based on Domestic
Resources

- 1 - Ministry of Industry (Presidency)
- 2 - " of Planning
- 3 - " of Agriculture
- 4 - " of Construction
- 5 - " of Energy and Oil
- 6 - " of Fishing
- 7 - " of Transports and Communications
- 8 - " of Commerce
- 9 - " of Interior
- 10 - " of Labor
- 11 - National Bank of Angola
- 12 - GARE
- 13 - GARDS
- 14 - IDI
- 15 - IAA

C - Subcomitee of Medium and Small scale
Industries

- 1 - Ministry of Industry (Presidency)
- 2 - " of Planning
- 3 - " of Agriculture
- 4 - " of Construction
- 5 - " of Fishing
- 6 - " of Transports and Communications
- 7 - " of Commerce
- 8 - " of Labor
- 9 - National Bank of Angola
- 10 - INAPEME
- 11 - IDI
- 12 - GARE
- 13 - GARDS

D - Infrastructure Subcomitee

- 1 - Ministry of Transports and Communications
(Presidency)
- 2 - Ministry of Construction
- 3 - " of Planning
- 4 - " of Industry
- 5 - " of Energy and Oil
- 6 - " of Interior
- 7 - " of Labor
- 8 - " of Commerce

- 9 - National Bank of Angola
- 10 - IDI
- 11 - IAA

**E - Maintenance and Spare Parts Production
Subcommittee**

- 1 - Ministry of Industry (Presidency)
- 2 - Ministry of Planning
- 3 - " of Construction
- 4 - " of Energy and Oil
- 5 - " of Fishing
- 6 - " of Transports and Communications
- 7 - " of Education
- 8 - " of Labor
- 9 - National Bank of Angola
- 10 - Industrial Maintenance Company (EMIN)
- 11 - IDI
- 12 - IAA
- 13 - INAPERRE

G - Human Resource Development Subcommittee

- 1 - Ministry of Planning (Presidency)
- 2 - " of Education
- 3 - " of Labor
- 4 - " of Transports and Communications
- 5 - " of Industry

- 6 - " of Construction
- 7 - " of Fishing
- 8 - " of Energy and Oil
- 9 - ERIN
- 10 - IDI
- 11 - IAA
- 12 - INAPEME

6 - FINANCING PROPOSED FOR THE PROGRAMME

The mobilization of financial resources is one of the main obstacles for the implementation of the II IDDA Programme. As it is known the external debt crisis during the 1980's obliged the Third World countries to count basically on domestic financial resources because they did not receive new external loans and started to export capital for the repayment of old foreign credits.

Domestic resources for investments are also scarce as the major part of developing countries have chronic public deficits together with an increase demand for funds to promote urgent economic and social growth of these nations.

Angola is not different from the general rule, and may be it is in an even more difficult situation, due to elevated military expenses that the government hopes to eliminate by negotiating a cease fire. In 1989, for instance, public deficit amounted to 54.8 billion Kwanzas.

or rather, 25% of the GDP according to the International Monetary Fund (IMF).

In the case of investments, the proposed budget for 1991 concentrates resources into major projects: President Agostinho Neto mausoleum (around US\$ 33 million and 0.7% of the budget) and the Hydroelectrical Plant of CAPANDA (US\$ 170 MILLION and 3.5%). Consequently, little resources will be left for industrial rehabilitation and modernization.

6.1 - The Need for Funds

The II IDDA Programme previews an investment of financial resources of about US\$ 2.490 million for projects indicated on chapter 4, during the period of 1990 - 2000.

TABLE 34 - TOTAL INVESTMENT

PROJECTS	RESPONSABLE MINISTRY	US THOUSAND
1 - CONSOLIDATION, EXPANSION AND NEW INVESTMENTS:		
Food Processing Industry	Industry	47.120
Light Industry	"	107.305
Heavy Industry	Industry	79.719
Construction Industry	Construction	71.761
Fishing Industry	Fishing	6.700
Mining Industry	Industry	10.350
Pharmaceutical Industry	Health	39.700
2 - SUPPORT PROGRAMMES		
. Human Resource Develop.	Education	20.000
. Energy and Oil	Oil	1.378.045
. Transports and Communications	Transport	659.660
. Small and Medium Ent.	Industry	5.000
3 - PREVENTIVE MAINTENANCE AND SPARE PARTS		
	Industry	10.000

		2.371.360
4 - OTHERS (5%)		118.640

T O T A L		2.490.000

Sources: Tables 27, 28, 29, 30, 31, 32, 33.

Information about the projects indicated above were obtained by the Ministry of Industry/IDI directly from other Angolan Ministries. During the final investments selection, we noted that informations were not always complete and presented in a convincing way. Thus, we decided to include a budgetary amount of US\$ 118,6 million for other non related projects such as the roads and highways recuperation (no available data).

We must emphasize, however, that the allocation of these resources, and the feasibility studies of projects, should be submitted to a final revision by the Angolan government during the three first years of the II IDDA Programme.

6.2 Sources of Funds

Amongst the traditional domestic sources of funds available for the Third World Countries, Angola will possibly obtain budgetary resources. Other sources, such as: domestic savings, bank financing, private investments, will hardly be available in large amounts during the first half of the decade, as they depend on future development of the banking system, major monetization of economy and a better income distribution.

Another traditional source could be state-owned enterprises' surplus. However, in view of the existing

obstacles to make them rentable in a short term, we can only expect for some extra resources, hard to estimate nowadays, in the second half of the decade.

As to other external source of funds, Angola can count on :

- . Multilateral Loans
- . Contributions from Donors Countries
- . Technical Cooperation from UN
- . Foreign Investments

A - Budgetary Resources

Governmental finances have presented significant deficits in the last years. In 1988, for instance, there was negative balance of 56.6 billion Kwanzas, or 28,4 of the GDP.

TABLE 35 - GOVERNMENTAL FINANCES (Kw million)

	1988	1989	1990
	real	estimated	budget
- TOTAL REVENUE	63.109	64.875	76.700
- TOTAL EXPENDITURES.	119.730	119.717	132.468
Of which			
Capital Expenditure	16.412	17.894	28.850
- BALANCE	(56.621)	(54.842)	(55.768)
FINANCING:			
- Domestic (net)	46.391	47.740	52.26
- External (net)	10.230	7.102	4.50
- GDP (market prices)	199.900	221.900	-

Sources: Ministry of Planning, EIU/(1 US\$ = 29,62 Kw)

Available information does not indicate which is the annual amount invested in capital formation. If we consider, however, total annual known capital expenditures (Kw 28.850 million = US\$ 974 million on 1990) we may conclude that it could be possible to allocate an annual amount of US\$ 50 million for the II IDDA programme.

B - Multilateral Loans

Angola has received multilateral loans from several African, European agencies and OPEC countries. However, the World Bank did not provide credits until the end of 1990, because the country was not a member of the Bank; the government counts on these loans in the near future, considering that several staff members of this international institution have visited Angola recently.

TABLE 36 - MULTILATERAL LOANS
(US\$ thousands)

ORGANIZATIONS	1989	1990	1991
BAD/FAD	3.820	6.992	ne
BADEA	916	1.100	3.700
CEE (TED)	11.490	23.186	ne
OPEC FUND	-	885	1.770
T O T A L	16.762	31.631	6.157

Source: Ministry of Planning

Considering Angola's recent experience, it is possible to obtain loans from the above organizations, amounting to US\$ 25 million per year, during the 1990's.

From The World Bank Group (including IFC and IDA) we can expect to receive an annual amount of US\$ 50 million considering of the Bank's past performance in African and Latin American countries.

C - Contributions from Donors Countries

Several European countries have contributed with annual grants to help development of developing countries. Considering recent experiences, contributions amounting to US\$ 50 million may be expected.

TABLE 37 - CONTRIBUTIONS FROM DONORS COUNTRIES

COUNTRIES	1989	1990	1991	1992
SPAIN	5.541	4.040	4.219	1.405
FRANCE (CCCE)	5.250	5.078	8.684	11.050
FRANCE (donations)	1.240	1.129	2.219	1.658
ITALY	2.531	7.000	10.000	ne
KUWAIT	1.099	834	1.200	-
NORWAY	2.463	638	580	-
SWEEDEN	30.369	31.677	24.233	18.000
USSR	500	350	-	-
T O T A L	48.993	50.746	51.140	31.881

Source: Ministry of Planning

D - Technical Assistance from the United Nations

The United Nations system has contributed with diversified support for economic and social development of Angola. Therefore an annual contribution of US\$ 25 million may be possible.

TABLE 38 - TECHNICAL COOPERATION FROM UNITED
NATIONS ORGANIZATION
(US\$ Thousand)

ORGANIZATION	1989	1990	1991	1992
PNUD	6.483	10.982	9.563	4.692
UNIDO		79	10	43
FAO	390	857	844	327
FNUAP	381	672	849	412
FENU	362	311	900	1.000
PAN	n.e	n.e	n.e	n.e
OMS	1.417	1.156	1.135	1.000
UNICEF	5.856	6.530	7.700	7.700
OTHERS UN	800	664	221	156
TOTAL	15.689	21.251	21.222	15.330

Source: Ministry of Planning

To conclude we must mention that external assistance to development (multilateral loans, contribution from donors countries and technical cooperation from UN) may contribute even more for Angola's development and for the implementation of the II IDDA programme. Available information indicates, however, that the country has not been very efficient in liberating previously agreed financial grants: between 1989-90, for instance, only 25% of

the total amount of resources was disbursed. The government, therefore, must evaluate the inefficiencies (of unknown origins now) in order to solve them and increase the entrance of foreign aid.

TABLE 39 - EXTERNAL PUBLIC AID FOR DEVELOPMENT

DESTINATION	AGREED AMOUNT (US\$ thousand)	%
Agriculture	133.182,4	13.0
Culture	896,4	0.1
Education	45.328,9	4.4
Energy and Oil	28.309,8	2.8
Housing and Urban Develop.	107.781,9	10.5
Industry	115.767,2	11.3
Commerce	1.698,8	0.2
Fishing	84.079,3	8.2
Mineral Resources	573,5	0.1
Transports and Communications	167.669,2	16.3
Health	122.110,7	11.9
Administration, Work and Planning	16.144,1	1.6
Multisectorial	48.524,5	1.8
Construction	2.664,5	0.3
Others	179.836,9	17.5
TOTALS : AGREED	1.027.639,2	100.0
DISBURSED(89/90)	259.056,7	25.2

Source : Ministry of Planning, IDI

E - Foreign Investments

Foreign capital may contribute positively for economic and social development of Angola. After the enactment of the law on external investments in January 1990, there was a sizable interest from international investors: preliminary consultations amounted to more than US\$ 10.1 billion in December 1990.

Recently, foreign investments amounted to US\$ 130 to 200 million per year, according to the EIU Country Report no.4 of 1990. Thus, it is valid to expect an annual income of US\$ 80 million of risk capital for the II IDDA Programme.

In short, the sources of funds mentioned above supply a preliminary indication of the resources that could be available for the II IDDA Programme, which must be reviewed during the first years of the decade.

	US\$ million
- Budgetary Resources	500.0
- Multilateral Credits	750.0
- Donors Countries Contributions	500.0
- Technical Assistance from UN	250.0
- Private Foreign Investments	800.0

- T O T A L	2.800.0

7 - CONCLUSIONS AND RECOMENDATIONS

During the last decade, Angola has lived with several obstacles for its industrial, economic and social developments. Among these we may remark the internal war as one of the most important set-backs that has destroyed infrastructure, damaged the domestic production sector and has spent almost 1/3 of the federal budget besides being responsible for the disappearance of many human lives; in 1991, for example, the proposed budget still assigns 32.6% of the total (US\$ 1.590 million by the official exchange rate) for defense (19.9%) and security (12.7%) activities.

The 1990's, however, are introducing various managing, economic and political indicators that permit to expect a better domestic economic performance. Thus, the political reforms (such as multipartidarism, direct elections, major opening for foreign capital, restructuring of the State and Public enterprises) and the negotiated end of the war, previewed for June 1991, bring positive hope for the future economic, social and politic development of Angola.

In this new scenery, the industrial sector will be able to grow again and perform a positive role in Angolan society through the creation of wealth, enlargement of the labor market, together with a less external dependence on consumer goods which are actually imported. Consequently, the programme we propose for the II IDDA (US\$ 2.490

million), is objectively viable according to the new conditions planned for 1991 - 2000.

We must emphasize, however, that industrial growth will depend on the solution of several macroeconomic obstacles (2.1 Actual Aspects of Angolan Economy), such as: (i) shortage of resources for importing raw material, equipments and spare parts (ii) overvalued exchange rate; (iii) severe official prices control which unbalances relative prices and inhibits domestic production; (iv) demonetization of the economy; (v) limited performance of the banking system; (vi) excessive State participation in the economy; (vii) excessive centralization of entrepreneurial decisions.

Additionally, there is still a lack of efficient governmental measures to support industrial investments, in opposition to what occurs in other developed and developing countries. For example, there are no clear and transparent rules about: credit policy for the manufacturing sector; available governmental subsidies (tax exemption, reduced interest rates, donation of industrial land properties, etc); and concerning the foreign investment profit remittances policy (investment entrance was regulated in the beginning of 1990, but dividend remittances are basically defined through casuistic decisions taken by the authorities .

Regarding the sectorial policy, we must mention that there are also several obstacles for the industrial

development (2.3 - Structure and Performance of the Industrial Sector) which need to be eliminated viewing to permit the future growth of the manufacturing sector and the efficient implementation of the II IDDA Programme. Amongst the main obstacles we can mention (1): (i) absence of an efficient coordination of industrial policy which the government pretends to eliminate by means of the "strategical management" that will be introduced by the Industrial Development Institute (IDI); (ii) inadequate integration between the industrial subsectors and the service sector; (iii) insufficient industrial labor training; (iv) inadequate equipment maintenance; (v) excessive dependance on imports, in a moment of foreign currency crisis; (vi) low utilization of available production capacity; (vii) serious technology gap in some industrial enterprises; (viii) limited labor mobility, resulting in an excessive use of the labor factor; (ix) slow implementation of the intreprenurial redimentioning process; (x) little attention dedicated to interindustrial liasons; (xi) little trust on enterpreneurial financial informations to increase enterprises autonomy; and (xii) inadequate wage policy that stimulates parallel commercial activities, reduces productivity and inhibits professional development.

Consequently, in view of the mentioned obstacles

(1) - Passos, Carlos de Faro - Op. cit.

and the objectives defined by the "Framework and Guidelines" for the II IDDA, we propose the following Programme which will involve the investment that are presented in chapters 3,4,5 and 6 of this document:

	US\$ thousands
1 - CONSOLIDATION, EXPANSION AND NEW INVESTMENTS	298.655
2 - SUPPORT PROGRAMMES	
. Human Resources	20.000
. Energy and Oil	1.378.045
. Transports and Communications	659.660
. Small and Medium Scale Enterprises	5.000
3 - PREVENTIVE MAINTENANCE AND SPARE PARTS PRODUCTION	10.000
4 - OTHERS NON LISTED (5%)	118.640

T O T A L	2.249.000

Source: Table 34

Sao Paulo, April 1991.

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