

**T.C.
ISTANBUL GEDİK UNIVERSITY
INSTITUTE OF GRADUATE STUDIES**



**WHY AFRICA IS UNDEVELOPED CONTINENT EVEN THEY
HAVE ABUNDANCE RESOURCES: A CASE STUDY ON
ANGOLA**

MASTER'S THESIS

Hafiza Iqra LATIF

Department of Political Science and International Relations

Political Science and International Relations (Thesis- English) Program

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ISTANBUL**

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Istanbul 2025



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DECLARATION

I Hafiza Iqra LATIF as a result of this declare that this thesis titled “Why Africa Is Undeveloped Continent Even They Have Abundance Resources: A Case Study on Angola” is the original work I did for the award of the Master's degree in the faculty of International Relations (English) Program. I also declare that this thesis or any part of it has not been submitted and presented for any other degree or research paper in any other university or institution. (14/02/2025)

Hafiza Iqra LATIF



FOREWORD

The African continent, despite its vast natural resources, has long been characterized by persistent underdevelopment. This paradox of resource abundance coexisting with widespread poverty has been a subject of intense academic debate and policy analysis. My thesis, **Why Africa Is an Undeveloped Continent Even Though It Has Abundant Resources: A Case Study on Angola**, aims to explore the multifaceted causes of this phenomenon, using Angola as a representative case study to delve into the complex interplay of factors that hinder sustainable development in resource-rich African nations.

This example best fits with the country endowed with valuable natural resources. In this case, Angola is Africa's largest oil producer. Although it has potential in the light of oil and minerals reserves that can catapult the economy to the most prosperous among the African states, the situation is otherwise with Angola, battling issues like poverty, corruption, political instability, and weak infrastructure. This thesis seeks to identify and critically examine the internal and external factors that have prevented Angola from fully harnessing its resource wealth for long-term development.

Throughout this research, I have sought to investigate key issues such as the over-reliance on oil exports, the impact of corruption and poor governance, the challenges of economic diversification, and the role of human capital deficits in shaping the country's development trajectory. The case of Angola is not unique but rather represents a broader trend observed across many African countries, where resources have not led to the expected levels of growth and development.

This thesis also acknowledges the contributions of many scholars and policymakers who have shaped the discourse surrounding Africa's development challenges. It is an attempt to offer a nuanced understanding of why, despite its vast resource wealth, the continent continues to face significant barriers to progress.

I am deeply grateful to my professors, mentors, and colleagues for their invaluable guidance and support throughout this journey. Their insights have been instrumental in shaping the direction of this thesis, and their encouragement has kept me motivated through the most challenging aspects of my research.

The conclusions of this study go beyond an academic exploration of the development challenges facing Angola and reflect on the broader implications for Africa's future. The insights from this research are expected to contribute to the ongoing debates on how Africa can overcome its development challenges and embark on a path of inclusive and sustainable growth.

February 2025

Hafiza Iqra LATIF



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WHY AFRICA IS UNDEVELOPED CONTINENT EVEN THEY HAVE ABUNDANCE RESOURCES: A CASE STUDY ON ANGOLA

ABSTRACT

Africa is home to a vast wealth of natural resources, including oil, minerals, and arable land, yet the continent remains underdeveloped and struggles with widespread poverty, inequality, and economic instability. This paradox, often referred to as the "resource curse," has been a central issue in debates about Africa's development. This thesis seeks to explore the reasons why Africa, despite its abundant resources, has not achieved sustainable development, with a particular focus on Angola as a case study.

Angola, one of the largest oil producers in Africa, has immense natural wealth but continues to face significant challenges in translating this wealth into broad-based economic growth and development. Through a comprehensive examination of Angola's political, economic, and social dynamics, this research identifies key factors that contribute to its underdevelopment. The thesis investigates the over-reliance on oil exports, the detrimental effects of corruption and poor governance, barriers to economic diversification, and deficits in infrastructure and human capital. Additionally, it considers external factors such as the global economic environment, foreign debt, and foreign direct investment flows, which further limit the country's ability to achieve sustainable development.

Drawing on both qualitative and quantitative research, including case studies, government reports, and scholarly articles, the thesis argues that Angola's development challenges are deeply rooted in historical legacies, institutional weaknesses, and systemic mismanagement of natural resources. It also highlights the critical role of governance, institutional reform, and economic diversification in breaking the cycle of underdevelopment.

The findings of this thesis contribute to a broader understanding of Africa's resource curse and offer policy recommendations for Angola and other resource-rich African nations on how to harness their resources effectively for long-term, inclusive, and sustainable development.

Keywords: *Africa, Angola, African resources, Reasons for underdevelopment*

BOL KAYNAKLARA SAHİP OLMASINA RAĞMEN AFRIKA NEDEN GELİŞMEMİŞ BİR KİTADIR? ANGOLA ÜZERİNE BİR VAKA ÇALIŞMASI

ÖZET

Afrika, petrol, mineraller ve ekilebilir araziler de dahil olmak üzere çok sayıda doğal kaynağa ev sahipliği yapmaktadır, ancak kıta gelişmemişliğini sürdürmekte ve yaygın yoksulluk, eşitsizlik ve ekonomik istikrarsızlıkla mücadele etmektedir. Genellikle "kaynak laneti" olarak adlandırılan bu paradoks, Afrika'nın gelişimiyle ilgili tartışmalarda merkezi bir konu olmuştur. Bu tez, Afrika'nın bol kaynaklarına rağmen sürdürülebilir kalkınmayı neden başaramadığını araştırmayı amaçlamaktadır ve özellikle Angola'ya bir vaka çalışması olarak odaklanmaktadır.

Afrika'nın en büyük petrol üreticilerinden biri olan Angola, muazzam doğal zenginliğe sahiptir ancak bu zenginliği geniş tabanlı ekonomik büyüme ve kalkınmaya dönüştürmede önemli zorluklarla karşı karşıya kalmaya devam etmektedir. Angola'nın politik, ekonomik ve sosyal dinamiklerinin kapsamlı bir incelemesi yoluyla, bu araştırma, az gelişmişliğine katkıda bulunan temel faktörleri belirlemektedir. Tez, petrol ihracatına aşırı bağımlılığı, yolsuzluğun ve kötü yönetimin zararlı etkilerini, ekonomik çeşitliliğe yönelik engelleri ve altyapı ve insan sermayesindeki açıkları araştırmaktadır. Ek olarak, ülkenin sürdürülebilir kalkınmayı başarma yeteneğini daha da sınırlayan küresel ekonomik çevre, dış borç ve doğrudan yabancı yatırım akışları gibi dış faktörleri de ele almaktadır.

Vaka çalışmaları, hükümet raporları ve akademik makaleler de dahil olmak üzere hem nitel hem de nicel araştırmalardan yararlanan tez, Angola'nın kalkınma zorluklarının tarihsel miraslarda, kurumsal zayıflıklarda ve doğal kaynakların sistematik kötü yönetiminde derinden kök saldığını savunmaktadır. Ayrıca, az gelişmişlik döngüsünü kırmada yönetişimin, kurumsal reformun ve ekonomik çeşitliliğin kritik rolünü vurgulamaktadır.

Bu tezin bulguları, Afrika'nın kaynak lanetinin daha geniş bir şekilde anlaşılmasına katkıda bulunmakta ve Angola ve diğer kaynak zengini Afrika ülkelerine kaynaklarını uzun vadeli, kapsayıcı ve sürdürülebilir kalkınma için etkili bir şekilde nasıl kullanacakları konusunda politika önerileri sunmaktadır.

Anahtar Kelimeler: *Afrika, Angola, Afrika kaynakları, Gelişmemenin nedenleri*

1. INTRODUCTION

Africa, a continent rich in natural resources, holds a unique place in the global economy. It possesses vast deposits of oil, minerals, and fertile land, making it one of the most resource-abundant regions in the world. However, this wealth has not translated into widespread prosperity or sustainable economic development for many African nations. Instead, Africa continues to face a range of development challenges, including poverty, political instability, corruption, and inadequate infrastructure. This phenomenon, often referred to as the "resource curse" or "paradox of plenty," raises a fundamental question: why does a continent endowed with such abundant resources remain underdeveloped?

One country that exemplifies this paradox is Angola. Angola is one of Africa's largest oil producers, with oil and gas accounting for over 90% of its export revenues and a significant portion of its GDP. Despite its vast oil wealth, Angola's development has been characterized by high poverty rates, insufficient infrastructure, weak institutions, and a lack of economic diversification. For many years, the country has struggled with political instability, having endured a prolonged civil war that only ended in 2002. Since the end of the conflict, Angola has made some strides toward rebuilding its economy, but it remains heavily dependent on oil exports, leaving the country vulnerable to fluctuations in global oil prices. The oil sector, rather than serving as a catalyst for broader economic growth, has often been a source of social inequality, corruption, and environmental degradation, contributing to Angola's inability to diversify its economy and improve the living standards of its population.

This thesis seeks to explore the reasons behind Angola's failure to achieve sustainable development despite its natural resource wealth. The research will examine the historical, political, and economic factors that have shaped Angola's development trajectory. A key focus will be on Angola's over-reliance on oil exports and the challenges posed by this dependence, which stifles innovation, limits job creation in other sectors, and fuels governance challenges. The thesis will investigate

how the country's political and institutional structures, shaped by years of civil war and corruption, have hindered efforts to foster a more diversified and inclusive economy. Moreover, the research will assess the role of foreign investments, international aid, and the global oil market in shaping Angola's development outcomes.

In addition to internal challenges, the thesis will also address external factors that have impacted Angola's ability to achieve economic diversification. These include the effects of global economic trends, trade relationships, and international financial institutions. Furthermore, the thesis will examine the strategies that have been implemented to address these challenges, such as the government's diversification plans, economic reforms, and efforts to combat corruption.

By using Angola as a case study, this thesis aims to shed light on the broader issue of why resource-rich African countries, despite their wealth in natural resources, continue to face developmental stagnation. Through a detailed exploration of Angola's economic structure, governance, and policy responses, this research hopes to contribute to the ongoing discourse on Africa's development and offer insights into how resource-rich nations can break free from the cycle of underdevelopment.

The research will draw on a combination of qualitative and quantitative data, including case studies, government reports, academic literature, and statistical analysis. By examining both the successes and failures in Angola's development strategy, this thesis aims to provide a comprehensive understanding of the complex relationship between resource wealth and underdevelopment, offering valuable lessons for Angola and other African nations in similar situations.

2. HISTORICAL CONTEXT AND THE LEGACY OF COLONIALISM IN ANGOLA

2.1 Background and History of the Angola

Angola is a natural resource-rich country in Sub-Saharan Africa; it faces the paradox of super-abundant natural wealth with highly spread underdevelopment. As the second-largest oil producer in Africa, Angola derives more than 90% of its export revenue and approximately 60% of government income from oil (World Bank, 2023). Despite this wealth, the country struggles with high poverty rates, with nearly 50% of the population living below the poverty line, and an unemployment rate of around 30%. Angola's economic structure is highly dependent on oil, which has led to limited diversification and vulnerability to fluctuations in global oil prices. This over-dependence has retarded the development of other sectors like agriculture and manufacturing, which together contribute less than 20% of GDP (African Development Bank, 2023). Further, the country's colonial history and subsequent civil war (1975-2002) have left a legacy of weak institutions, infrastructure deficits, and limited human capital development.

For example, only 40% of the population has access to electricity, and the education system fails to meet the demands of a modern economy, with just 12% of adults aged 25-34 completing secondary education (UNDP, 2023). The challenges of governance, corruption, and inequality exacerbate the under-utilization of resources and impede sustainable development. This research shall, therefore, dwell on the root causes of the underdevelopment of Angola, focusing on the economic structure, governance challenges, and resource management. The analysis will provide an understanding of why Angola, despite its vast resources, still faces serious developmental challenges.

Angola's history is deeply rooted in its diverse ethnic composition and rich natural resources. The region was inhabited by various Bantu-speaking groups long before European colonization, which began in the late 15th century when Portuguese

explorers arrived. Over centuries, Angola became a crucial hub in the transatlantic slave trade, with millions of enslaved people exported to the Americas (Miller, 1988). Following the abolition of the slave trade, the Portuguese intensified their colonial presence, exploiting Angola's resources and labor (Davidson, 1974). This period of colonial domination lasted until the mid-20th century, culminating in the War of Independence (1961–1974), driven by nationalist movements like the MPLA, FNLA, and UNITA (Chabal, 2002). Independence was achieved in 1975, but the nation plunged into a devastating civil war that lasted nearly three decades, fueled by Cold War rivalries and Angola's oil wealth (Hodges, 2001). The civil war ended in 2002, but the legacy remains through economic inequality and underdeveloped infrastructure. The country still has huge oil and diamond reserves but still struggles with poverty, corruption, and a need for diversification of its economy to reach sustainable development (Soares de Oliveira, 2007).

2.2 Angola Under Portuguese Colonial Rule

Angola's experience under Portuguese colonial rule was marked by exploitation, forced labor, and economic extraction. From the late 15th century, Portuguese settlers established trade links, eventually transforming Angola into a central hub for the transatlantic slave trade, exporting millions of enslaved Africans to the Americas (Miller, 1988). After the abolition of slavery in the 19th century, Portugal shifted its focus towards agricultural and mineral resource exploitation by imposing harsh policies that included forced labor and land expropriation (Clarence-Smith, 1979). The colonial economy was structured to serve Portuguese interests, with little investment in local development or infrastructure that could benefit the indigenous population (Davidson, 1974). Resistance to colonial policies developed over time to eventually form full-blown nationalist movements in the middle of the 20th century, for example, in the form of the MPLA and FNLA, which emerged to fight colonial oppression (Birmingham, 2002). The Portuguese administration was oppressive, maintaining policies such as assimilation that aimed to remove native cultures and giving preference to the European settlers (Chabal, 2002). The economic and social disparities created during this period continue to shape Angola's challenges in the post-colonial era (Hodges, 2001).

Portugal's initial involvement in Angola was largely driven by a desire to exploit the valuable commodities available within the colony, which included ivory, slaves, and later agricultural produce. In the 19th century, during the abolition of the transatlantic slave trade, the Portuguese gradually shifted attention toward agriculture. The crops were made up of cotton, coffee, and sugar; plantations lined the coastal areas and reached further inland. These plantations were worked by a system of forced labor that continued to exploit the Angolan people. Local people suffered under heavy work in plantations with conditions that were often brutal, with a lack of basic rights or protections.

During the late 19th century, Portugal formalized its control over Angola through the establishment of several settler colonies. The Portuguese government actively encouraged Portuguese settlers to establish themselves in Angola to further exploit its agricultural and mineral resources. However, the interests of the settlers and the central government often clashed, with the settlers wanting more autonomy in the colonies, while the central government sought to maintain tight control over its colonies.

Oil exploration in Angola began in earnest in the 1950s, although oil was known to exist offshore long before this time. The discovery of significant oil deposits in the 1950s was a pivotal moment for the colony. The Portuguese government, alongside multinational oil companies, focused heavily on the extraction of these resources to fuel both domestic and international economic growth. The rights for oil exploration were given to large companies such as Shell, Chevron, and Texaco. Offshore drilling took place mainly off Cabinda's coasts and the region grew increasingly valuable for Portugal, but its oil wealth would not benefit the Angolan people. Angola's resources would be exploited to help serve the interests of the colonial government and foreign corporations. The local population received minimal benefits from the newfound wealth, as the Portuguese authorities kept strict control over the distribution of oil revenues. The infrastructure surrounding the oil industry, such as roads and ports, was built for the sole purpose of facilitating resource extraction, with little attention given to improving living conditions for the local people. As the 1960s and 1970s unfolded, Angola's oil sector grew more prominent, but the vast majority of the profits were siphoned off to Portugal and foreign investors.

As Angola's resources, especially oil, became increasingly valuable, the social divisions between the colonial rulers and the Angolan population grew. In return, the comfort in which Portuguese settlers lived - primarily concentrated on the coastal region - was met by the severe poverty of most Angolans, especially rural inhabitants, who received inadequate healthcare and education. The forced labor system continued well into the mid-20th century, and political participation was restricted to the Portuguese settlers and a small elite within Angola, with no political rights afforded to the majority of the population.

The increased wealth from oil and other resources did not begin to alleviate the plight of the indigenous population. Hundreds of thousands of Angolans, particularly in the backcountry, lacked full access to simple commodities like foodstuffs and clothing. While oil revenues were entering the pockets of foreign corporations and Portuguese elites, this transfer greatly widened inequalities, and by the late 1960s, the social and economic differences were a primary driver for the emergence of nationalists in Angola.

By the 1960s, resistance to Portuguese rule in Angola was gaining momentum. Various nationalist groups, such as the Popular Movement for the Liberation of Angola (MPLA), the National Front for the Liberation of Angola (FNLA), and the National Union for the Total Independence of Angola (UNITA), began organizing against Portuguese colonial rule. The oil-rich regions, particularly Cabinda, were strategic focal points for both the nationalist groups and the Portuguese military, as control of these areas was vital for both economic and political reasons.

The MPLA, initially supported by the Soviet Union, led the charge for independence, but the country remained divided along ethnic and political lines. The nationalist movements were often fragmented, with different groups vying for control. Despite Portugal's repressive military measures, including the use of force against the nationalist movements, the push for independence continued to gain support among Angolans, both at home and abroad.

The discovery and subsequent exploitation of Angola's oil resources played a significant role in the independence struggle. Oil became both a symbol of economic wealth and a strategic asset. The Portuguese, eager to maintain control over Angola's

resources, sought to protect their oil interests while simultaneously attempting to suppress the independence movements. Meanwhile, the nationalist movements recognized that control over Angola's oil resources would be key to the country's economic future and independence.

During the independence struggle, Angola's oil resources were also contested by foreign powers, including the United States and the Soviet Union, who supported different factions in the civil war. The MPLA, for instance, received backing from the Soviet Union, while UNITA and FNLA were supported by the United States and other Western powers, who were primarily interested in ensuring that the country's oil industry remained under their influence.

Despite the independence achieved in 1975, the legacy of Portuguese colonial rule left an indelible mark on Angola's oil sector. The infrastructure and development of Angola's oil industry were heavily influenced by foreign companies and Portuguese control, and after independence, the Angolan government faced significant challenges in taking full control of the sector. The lack of local capacity to manage the oil industry, combined with the continuing dominance of foreign multinational corporations, meant that Angola's oil revenues remained heavily skewed in favor of foreign interests for many years after independence.

The Portuguese colonial administration's failure to create an inclusive economic structure that benefited the local population also meant that Angola's oil wealth did little to improve the living standards of the majority of Angolans. When Angola gained independence, the oil industry remained a central source of revenue for the state, but the benefits were not equitably distributed, and the economy remained heavily reliant on the oil sector.

Portugal's colonial rule over Angola was marked by exploitation, economic inequality, and the extraction of resources for the benefit of the metropole. The discovery and exploitation of oil in the 1950s added a new dimension to Angola's colonial economy, but this wealth was controlled by the Portuguese and foreign corporations, with minimal benefits reaching the local population. As Angola fought for independence, the struggle for control over oil resources became a key aspect of the national liberation movement. Today, Angola's oil sector continues to be a critical component of its economy, but the legacy of colonial exploitation is still felt,

as the country works to address the social and economic disparities that were entrenched during the colonial era.

2.3 Economic Exploitation and Resource Extraction During Colonialism

Angola's economy, throughout most of Portuguese colonial rule, was principally designed for resource extraction in the interest of the colonial administration and metropolitan Portugal. Throughout the early period of colonial rule, Angola took centre stage in the transatlantic slave trade as millions of enslaved Africans were transported against their will to the Americas between the 16th and 19th centuries (Miller, 1988). The slave trade not only devastated local populations but also disrupted traditional economies and social structures. Following the abolition of slavery, Portugal redirected its colonial efforts toward agricultural production. Large plantations were established for cash crops such as coffee, cotton, and sugar, and these industries relied heavily on forced labor systems that exploited the indigenous population under brutal conditions (Clarence-Smith, 1979). By the late 19th and early 20th centuries, mineral extraction became a dominant feature of Angola's colonial economy.

Diamonds discovered in the early 1900s and oil in the mid-20th century further entrenched the extractive nature of colonial rule (Hodges, 2001). These resources were exported to Portugal or sold on global markets, enriching Portuguese elites and foreign corporations while leaving local populations impoverished. Colonial policy rigorously ensured that the Angolans had little access to education and training, thus not allowing them to participate meaningfully in higher-value added economic activities. In infrastructure development, railways and ports were "designed with the sole intention of facilitating the export of raw materials and had done little to integrate and develop" the economy locally (Davidson 1974, cited in Birmingham 2002). The economic exploitation during Portuguese rule left Angola with a dual economy, characterized by a wealthy settler and corporate elite on one side and a marginalized, impoverished majority on the other (Chabal, 2002). Taxation policies such as the "hut tax" compelled indigenous Angolans to engage in low-wage labor, perpetuating economic dependency (Soares de Oliveira, 2007).

This led to the creation of structural inequalities in the colonial administration, which placed more emphasis on resource extraction rather than sustainable

development. These entrenched legacies of colonial economic policies have hampered post-independence efforts at rebuilding the economy in Angola and contribute to the current struggles with poverty, inequality, and dependency on resource exports.

2.4 Independence and the Aftermath: Building a Nation Post Colonialism

Angola finally gained independence from Portugal on November 11, 1975, after a protracted war of liberation led by nationalist movements such as the MPLA, FNLA, and UNITA (Chabal, 2002). However, this transition to self-rule was far from smooth and was marred by ideological and ethnic divisions between these movements that quickly escalated into a brutal civil war that lasted until 2002. Cold War rivalries also fueled this conflict, as the MPLA was supported by the Soviet Union and Cuba, whereas UNITA received support from the United States and South Africa (Hodges, 2001). It destroyed the infrastructure of Angola, displaced millions of people, and hindered nation-state building. The big task that lay in front of Angola after the civil war was economic and institutional rebuilding.

Despite being endowed with oil wealth, corruption and inequality ran high, since revenues derived from natural resources usually did not cascade down to the public services or infrastructure development projects (Soares de Oliveira, 2007). The legacy of colonial dependency on resource extraction and the concentration of wealth and power in the hands of a small elite hindered efforts to diversify the economy (Birmingham, 2002). Moreover, limited investment in education during colonial rule resulted in a shortage of skilled human capital, creating significant obstacles to sustainable development (Davidson, 1974). Notwithstanding these challenges, Angola has indeed made progress on some fronts in terms of post-war reconstruction and economic growth propelled by oil exports. However, the benefits of such growth remain unevenly distributed, and the nation still grapples with high levels of poverty and unemployment (Hodges, 2001).

Governance reforms and efforts to combat corruption have shown mixed results, underscoring the difficulty of overcoming the entrenched political and economic structures inherited from both colonialism and the civil war. Angola's journey toward stability and development remains a complex process, reflecting both

the enduring legacies of its colonial past and the challenges of nation-building in a resource-dependent economy.

2.5 Colonial Borders, Political Instability and Economic Challenges

The borders created by the European powers of the Berlin Conference of 1884–1885 contributed substantially to Angola's political instability and economic challenges within the post-colonial period. These borders have been described to negate the ethnic, cultural, and linguistic diversity existing in the region by forcing distinct groups into one political entity that fell under the rule of Portuguese colonialism (Davidson, 1974). The independence of Mozambique in 1975 merely provided the seedbed for the ensuing tension between rivalries that resulted from ethnic and regional competitions following nationalist movements from MPLA, FNLA, and UNITA (Chabal, 2002). Lack of inclusive governing mechanisms deepened mistrust with the resultant nearly three decades civil war. Economic challenges were also rooted in the colonial legacy, as the Portuguese had structured Angola's economy around resource extraction and export-oriented industries, leaving it ill-prepared for self-sufficiency (Clarence-Smith, 1979).

This dependency on oil and diamond exports created a rentier state, where wealth was concentrated in the hands of a political elite while the majority of the population remained impoverished (Soares de Oliveira, 2007). These structural inequalities, coupled with widespread corruption and mismanagement of public resources, have hindered efforts to rebuild the economy in the aftermath of the civil war (Hodges, 2001). Furthermore, the colonial era's failure to invest in education, healthcare, and infrastructure created a weak human capital base for Angola, which worsened its development issues (Birmingham, 2002). The arbitrary borders also limited Angola's economic integration with neighboring countries, which restricted opportunities for regional trade and collaboration (Miller, 1988). These interlinked political and economic challenges highlight the long-term impact of colonial borders and policies that have shaped Angola's governance, development, and national cohesion struggles.

3. The RESOURCE CURSE IN AFRICA: A GENERAL OVERVIEW

3.1 Africa's Rich Resource Endowment

Africa is known to be the continent of the natural resources and possesses vast deposits of minerals, oil, gas, and arable agricultural land. The continent accounts for the largest share of the world reserves of diamonds, gold, platinum, and cobalt, among other minerals. Thus, the continent plays an important role in global resource markets (Ross, 2004). Additionally, Africa is home to some of the world's largest oil and gas reserves, with countries like Nigeria, Angola, and Algeria serving as major energy exporters (Soares de Oliveira, 2007). The Democratic Republic of Congo, for example, possesses over 60% of the world's cobalt, a key mineral in modern technology (Auty, 1993). Alongside these mineral resources, Africa's vast arable land and favorable climate provide immense potential for agricultural productivity, though much of this remains underutilized due to infrastructural and governance challenges (Collier, 2007). Despite these riches, the continent has struggled to translate its resource wealth into sustainable development.

The phenomenon commonly described as the "resource curse" points to a situation in resource-rich countries frequently experiencing economic stagnation, poor institutions, and corruption instead of growth and development (Sachs & Warner, 1995). Resource extraction has, more often than not, been owned by foreign multinational corporations and a few elite elites, and relatively little trickles down to most people (Acemoglu & Robinson, 2012). Furthermore, resource wealth has often fueled conflicts, as seen in Angola and the Democratic Republic of Congo, where competition over valuable resources has exacerbated political instability (Le Billon, 2001). Africa's rich resource endowment presents both opportunities and challenges. While the continent has the potential to drive global economic growth and innovation, achieving this requires addressing systemic issues such as poor governance, corruption, and inadequate infrastructure. Effective management of these resources, coupled with investments in human capital and diversification of economies, is crucial for unlocking the continent's full potential (Collier, 2007).

3.1.1. Exploring the potential and pitfalls of Africa's natural wealth

Africa possesses some of the world's richest natural resources, and Angola, holding vast reserves of oil, diamonds, and other minerals, is probably one of the perfect illustrations of what the continent could possibly be. These natural resources could therefore portray immense opportunity for great economic growth and development in the country; however, history has proved that the process has brought about significant pitfalls. Angola's oil industry, for instance, has been a major driver of its economy, accounting for over 90% of its export revenues (Soares de Oliveira, 2007). However, despite this wealth, Angola has faced severe challenges in translating its resource endowment into broader prosperity. The concentration of wealth in the hands of a few elites and multinational corporations has led to widespread inequality, with many Angolans continuing to live in poverty despite the country's vast resources (Hodges, 2001). According to Le Billon (2001), the country's reliance on oil has also stunted the development of other sectors such as agriculture and manufacturing, leaving the economy vulnerable to fluctuations in global oil prices. Furthermore, the political and institutional challenges associated with Angola's resource wealth have contributed to the persistence of corruption and poor governance.

As argued by Soares de Oliveira (2007), the country's oil wealth has been a source of power for the ruling elite, leading to a lack of transparency and accountability in the management of natural resources. This concentration of wealth and power has undermined efforts to diversify the economy and improve public services such as education, healthcare, and infrastructure (Birmingham, 2002). The Angolan government's reliance on oil revenues has also made it difficult to invest in long-term development initiatives that would reduce the country's dependence on oil and foster more sustainable economic growth (Sachs & Warner, 1995). Despite these challenges, Angola's natural resources still offer significant potential if managed effectively. By fostering better governance, improving transparency in resource management, and investing in infrastructure and human capital, Angola could use its resource wealth to fuel broader economic diversification and sustainable development (Acemoglu & Robinson, 2012). However, without structural reforms and a commitment to addressing the pitfalls associated with its resource wealth,

Angola risks falling further into the cycle of underdevelopment that has plagued many resource-rich nations across Africa.

3.1.2. Challenges and prospects in leveraging Africa's resource wealth for development

Africa's rich natural resource endowments have immense potential for economic development, but there are many challenges to overcome. Many African countries are still grappling with underdevelopment, poverty, and inequality despite being endowed with some of the richest reserves of oil, minerals, and agricultural resources in the world. For Sachs and Warner (1995), the most critical issue consists of the "resource curse," with dependency on these commodities impeding the process of structural economic diversification, weakening an institution, or heightening corrupt tendencies. In countries like Nigeria and Angola, for example, oil wealth has often led to a concentration of power and wealth in the hands of a few elites, preventing broad-based economic growth and contributing to political instability (Ross, 2004; Soares de Oliveira, 2007). Moreover, the shocks of global fluctuations in commodity prices often leave many resource-rich countries in Africa externally vulnerable, raising the difficulties over long-term investment and planning in sectors other than mineral extraction (Auty, 1993). Weak governance, and institutional weaknesses, further compound this challenge in putting Africa's natural resource wealth effectively to work on development.

In many African countries, corruption and poor resource management have prevented natural resource revenues from being invested in infrastructure, education, and healthcare, essential drivers of long-term growth (Le Billon, 2001). This issue is particularly evident in the Democratic Republic of Congo, where mineral wealth has fueled conflict and contributed to the country's enduring instability (Birmingham, 2002). Similarly, Angola's oil wealth has been mismanaged, with much of the revenue concentrated among the political elite, leaving little for social development and infrastructure projects (Hodges, 2001). As noted by Collier (2007), Africa's resource wealth often fails to translate into development due to the lack of robust institutions capable of ensuring transparent management and equitable distribution of resource revenues. However, there are also prospects for leveraging Africa's resource wealth for development.

For instance, several African countries have begun to implement reforms aimed at improving governance, transparency, and accountability in resource management. Initiatives such as the Extractive Industries Transparency Initiative (EITI) have made progress in increasing transparency in resource extraction industries (Bergen, 2017). Furthermore, countries like Botswana have demonstrated how resource wealth can be effectively managed to promote long-term development. Through prudent fiscal policies and the establishment of strong institutions, Botswana has successfully utilized its diamond wealth to diversify its economy, invest in education and health, and build infrastructure (Auty, 1993). If other African nations can adopt similar approaches, the continent's resource wealth could serve as a foundation for sustainable development, rather than an obstacle to progress. However, this will require significant political will, institutional reforms, and a long-term commitment to investing in human capital and infrastructure to ensure that natural resources benefit the broader population.

3.1.3. A Study of sustainable development in Africa's resource-rich regions

Sustainable development in Africa's resource-rich regions presents both opportunities and significant challenges. While the continent's abundant natural resources, including oil, minerals, and agricultural products, offer potential for economic growth, the long-term sustainability of this development is often compromised by poor governance, environmental degradation, and the resource curse. As highlighted by Sachs and Warner (1995), Africa's over-reliance on its natural resources has prevented the development of diversified economies, leaving countries vulnerable to global commodity price fluctuations and economic instability. For example, Angola, despite its vast oil reserves, has struggled to translate its wealth into sustainable development. Oil revenue has largely benefitted the elite, while many people remain in poverty, and critical sectors such as education and infrastructure have been underfunded (Soares de Oliveira, 2007). This reliance on oil, without significant investment in other areas, poses a threat to long-term development, especially if resource extraction leads to environmental harm or if the resources run out.

One of the main challenges in achieving sustainable development in Africa's resource-rich regions is the management of environmental and social impacts associated with resource extraction. Resource exploitation often leads to deforestation, soil degradation, water contamination, and loss of biodiversity, which can undermine local ecosystems and the livelihoods of communities dependent on these resources (Le Billon, 2001). The Democratic Republic of Congo (DRC), for example, has seen widespread environmental damage from the mining of minerals like cobalt and coltan, which are vital for global technology production (Birmingham, 2002). Despite the immense economic value generated by these resources, the environmental costs and the social displacement of communities can significantly undermine the long-term prospects for sustainable development. Thus, without strict environmental regulations and inclusive policies, resource extraction can jeopardize both the environment and the future well-being of the population.

On the other hand, there are successful examples where resource-rich African countries have managed to utilize their wealth for sustainable development. Botswana, often cited as a model of resource management, has leveraged its diamond wealth to build a stable economy, diversify its industries, and improve public services (Auty, 1993). The country's strong governance, commitment to transparency, and investment in human capital have allowed it to avoid the pitfalls of the resource curse. In addition, the government has invested diamond revenues in infrastructure development, education, and healthcare. This has increased the quality of life for the greater population (Collier, 2007). This shows that with proper management, resource wealth can be a factor in long-term, sustainable development. Conclusion In conclusion, Africa's resource-rich regions face many challenges in achieving sustainable development, but there are also great opportunities.

Countries that implement transparent, environmentally responsible, and inclusive policies can harness their natural resources to promote long-term growth and stability. However, this requires strong institutions, political will, and a commitment to diversifying the economy, investing in human capital, and mitigating environmental risks. The path to sustainable development in Africa's resource-rich regions will depend on the ability of governments to balance economic growth with social and environmental sustainability, ensuring that natural resources benefit all members of society.

3.1.4. The role of resource governance in Africa's economic growth

Resource governance plays a crucial role in shaping Africa's economic growth in that proper management of natural resources is likely to spur development, while poor governance is likely to deepen inequalities and reverse gains. Institutional structures and arrangements have significant implications for resource use and revenue distribution, which in turn determine the style of governance in resource-rich countries. According to Ross (2004), weak governance structures in many African nations have allowed elites to capture resource wealth, leading to widespread corruption and mismanagement. For example, in Angola, despite its vast oil wealth, the lack of transparency and accountability in the management of oil revenues has meant that much of the wealth has been concentrated among a small political elite, with little investment in public goods such as healthcare, education, or infrastructure (Soares de Oliveira, 2007). This has led to inequality and prevented the country from diversifying its economy, making it vulnerable to fluctuations in oil prices.

Resource governance can, however promote economic growth if the wealth generated from natural resources is used for the benefit of the broader population. Such institutions as are evident in Botswana are transparent and accountable, demonstrating the potential of resource wealth to contribute to sustainable development. Botswana has managed to control its diamond resources by having good institutions that make sure the revenues are invested in infrastructure, education, and healthcare, which has helped the country in long-term economic growth and stability (Auty, 1993). The Botswana government's commitment to transparency, including its partnership with De Beers in the management of diamond resources, has allowed the country to avoid the negative effects commonly associated with resource extraction, such as corruption and conflict.

The role of resource governance in Africa's economic growth also involves managing the environmental and social impacts of resource extraction. In many African countries, mining, oil, and gas activities have led to environmental degradation, including deforestation, water pollution, and loss of biodiversity. Without effective environmental governance and regulations, the long-term economic benefits of resource extraction can be eroded by these negative impacts. As Le Billon (2001) highlights, countries like the Democratic Republic of Congo have faced severe environmental and social costs associated with resource extraction,

where mining activities not only degrade the environment but also fuel conflict and displacement of local populations. Effective resource governance involves not only the regulation of environmental impacts but also the inclusion of local communities in decision-making processes, ensuring that they benefit from resource wealth and that their rights are protected.

3.2 Defining the Resource Curse: A Theoretical Framework

The resource curse, also known as the paradox of plenty, refers to the phenomenon where countries rich in natural resources tend to experience slower economic growth, weaker institutions, and higher levels of inequality compared to resource-poor nations (Sachs & Warner, 1995). The theory suggests that while abundant natural resources should, in theory, contribute to wealth and prosperity, they often lead to negative outcomes, including economic stagnation and political instability. One key explanation for this paradox lies in the "Dutch Disease," a term coined to describe how a resource boom can cause a decline in other sectors, particularly manufacturing and agriculture, by driving up the country's currency value and making exports from other industries less competitive (Corden & Neary, 1982). This overreliance on a single resource sector can leave an economy vulnerable to global price fluctuations and environmental degradation, preventing the development of a diversified economy. Furthermore, the resource curse is closely linked to governance and institutional quality.

According to Auty (1993), the presence of valuable resources can foster rent-seeking behaviors, where both the government and private actors divert resource wealth for personal gain, rather than investing in public goods and services. This can lead to corruption, weak institutions, and a lack of accountability, which undermines long-term development. Acemoglu and Robinson (2012) argue that resource wealth tends to aggravate pre-existing political and social inequalities because elites end up capturing control over resources, disenfranchising the majority of the population and leaving them dependent on the state for survival. Concentration of wealth and power in the hands of a few further deepens societal divisions and fuels conflict. The resource curse framework also emphasizes the importance of external factors such as global markets and foreign interventions. Le Billon (2001) highlights how international actors, including multinational corporations and foreign governments,

can exacerbate the negative impacts of resource wealth by exploiting local resources and supporting corrupt regimes.

These external influences, combined with domestic governance failures, make it difficult for resource-rich countries to achieve sustained and inclusive development. The resource curse is therefore not merely a result of the presence of natural wealth but is shaped by the interplay of economic, political, and institutional factors that can either facilitate or hinder effective resource management and sustainable growth.

3.3 The Paradox of Resource Wealth and Underdevelopment

The paradox of resource wealth and underdevelopment highlights the contradictory situation where countries endowed with abundant natural resources often experience slower development and persistent poverty compared to those with fewer resources. The most obvious explanation for this paradox is that resource wealth may be a hindrance to diversification and can foster an over-reliance on the extraction of raw materials, leaving countries vulnerable to volatile global commodity prices. As Sachs and Warner (1995) noted, economies dependent heavily on resource exports are more likely to be economically unstable when prices fluctuate, making long-term growth hard to sustain. This over-reliance on resources often results in the neglect of other sectors such as manufacturing and agriculture, preventing the development of a diversified economy that could provide stable, long-term growth. Additionally, the resource curse is often linked to poor governance and weak institutions.

According to Auty (1993), the abundance of natural resources can foster rent-seeking behaviors, where elites and political actors use their control over resource wealth to perpetuate their power, rather than investing in broader public goods such as education, healthcare, and infrastructure. This concentration of wealth and power often leads to corruption, undermining efforts to establish the strong institutions needed for sustainable development (Acemoglu & Robinson, 2012). In some cases, the distribution of resource wealth exacerbates inequality, as large segments of the population remain excluded from the benefits of the nation's natural resources, leading to social unrest and political instability (Collier, 2007). The paradox is further compounded by the external dynamics of global capitalism. According to Le

Billon (2001), multinational corporations, in cooperation with local elites, often exploit resources without any concern for the environmental or social impact, leading to environmental degradation and worsening poverty.

In addition, the international demand for resources creates an avenue for external players to influence the domestic politics by sustaining regimes that preserve the unequal allocation of wealth and power. In this regard, natural resource-rich countries are often ensnared in exploitation cycles, in which their riches are not being used for national development but rather are used to enrich domestic and international players. The paradox of resource wealth and underdevelopment thus reflects complex interplay's of economic, political, and social factors that prevent the prosperity of most resource-rich nations.

3.4 Global examples of the Resource Curse

The resource curse, or paradox of plenty, refers to the phenomenon where countries rich in natural resources often experience slower economic growth, political instability, and social challenges instead of the expected prosperity. Despite having valuable resources such as oil, minerals, and gas, many resource-rich countries struggle with issues like corruption, poor governance, and economic dependency on global commodity prices. Examples from around the world, including countries like Nigeria, Angola, Venezuela, and the Democratic Republic of Congo, demonstrate how natural wealth can sometimes hinder development rather than promote it, leading to ongoing cycles of underdevelopment and instability.

Nigeria:

Nigeria, often considered Africa's oil powerhouse, is an excellent example of the resource curse. While it is one of the world's largest oil producers, the revenue accrued from oil has not translated into broad-based development. Instead, Nigeria has faced persistent economic instability, corruption, and a lack of infrastructure. According to Ross (2004), oil wealth has contributed to the concentration of wealth in the hands of a small elite, while the broader population remains impoverished. The oil industry's dominance has led to the neglect of other sectors, such as agriculture and manufacturing, which historically supported the Nigerian economy. This over-reliance on oil exports has left Nigeria vulnerable to global oil price fluctuations, and

when prices fall, the economy struggles significantly. Additionally, oil wealth has exacerbated the country's corruption problem, with elites in both the government and military siphoning off oil revenue for personal gain (Hodges, 2001). The Niger Delta region, which houses most of the country's oil reserves, has become a site of intense conflict between local militants and the government, further destabilizing the nation (Le Billon, 2001).

Democratic Republic of the Congo (DRC):

The DRC offers a stark example of how resource wealth, combined with weak governance, can fuel conflict and underdevelopment. The country is rich in minerals such as cobalt, diamonds, and copper, but its wealth has been a source of conflict rather than prosperity. The civil war that erupted in the late 20th century was largely fueled by the competition for control of these valuable resources. According to Le Billon (2001), both local warlords and multinational corporations exploited the DRC's natural wealth, which exacerbated political instability and fostered corruption. The conflict, which involved neighboring countries, was driven in part by the desire to control the DRC's mineral resources. Despite the end of the formal war, the country continues to experience violence, as armed groups and international actors vie for control of mines and other resource-rich areas (Birmingham, 2002). Furthermore, as noted by Auty (1993), the DRC's dependence on extractive industries has hindered the development of other sectors and infrastructure, leaving the country in a state of perpetual economic underdevelopment.

Venezuela:

Venezuela is another classic example of the resource curse. As one of the world's largest oil exporters, Venezuela was once one of Latin America's richest nations. However, decades of over-reliance on oil exports and mismanagement of oil revenues have led to severe economic decline. The collapse of oil prices in the mid-2010s exposed Venezuela's vulnerability, as the country had not diversified its economy beyond the oil sector. According to Sachs and Warner (1995), the lack of economic diversification made Venezuela highly dependent on global oil prices, and the drop in prices in the 2010s triggered a catastrophic economic collapse, leading to hyperinflation, mass migration, and widespread poverty. The country's political instability has been exacerbated by the concentration of power in the hands of the

ruling elite, who control the oil industry. According to Acemoglu and Robinson (2012), the political institutions of Venezuela grew more and more authoritarian over time, using oil revenues for their own political machinations: "repression, crony capitalism, and poverty traps." Such investment in public goods and lack of diversification has led this oil-rich nation into a crisis that it will be difficult to emerge from.

Angola:

Angola is among Africa's biggest oil-producing nations, while diamond resources further enrich its economy. Despite the wealth generated by these resources, Angola remains one of the poorest countries in the world, with widespread poverty and inequality. The country's civil war, which lasted from 1975 to 2002, was partly fueled by the competition for control over its valuable resources, including oil and diamonds. According to Soares de Oliveira (2007), oil revenues have been held by the hands of Angola's political elites-the ruling party-along with corrupt use and inefficiency in nation building. Its wealth in terms of oil was badly managed by corruption and non-transparency; therefore, development of infrastructure or enhancement of social services has faced various setbacks. Angola's dependence on oil has meant that when global oil prices fell, the country faced economic challenges, unable to generate the revenue needed for diversification (Hodges, 2001). Furthermore, the lack of human capital development and investments in education and health, which are linked to the country's colonial past, has perpetuated its underdevelopment (Birmingham, 2002).

Kazakhstan:

Kazakhstan, a resource-rich country in Central Asia, has also experienced the negative effects of the resource curse. The country possesses large reserves of oil, natural gas, and minerals, but much of the wealth from these resources has been concentrated in the hands of a small elite. Auty (1993) suggests that Kazakhstan's over-reliance on oil and gas has resulted in economic stagnation outside of the extractive sectors. Although there has been economic growth fueled by energy exports, Kazakhstan's reliance on these resources has prevented the development of other industries, leaving the economy vulnerable to global price fluctuations. Additionally, as Collier (2007) notes, Kazakhstan's political system remains highly

centralized and authoritarian, with the ruling elite maintaining control over resource revenues, leading to weak institutions and corruption. The lack of political accountability and transparent management of resource wealth has limited the country's ability to achieve long-term, sustainable development and reduce inequality.

Iraq:

Iraq, much like Venezuela and Nigeria, provides a case study in the link between oil wealth and political instability. Despite its vast oil reserves, Iraq has faced decades of violence and economic mismanagement. This would give the government control over the revenues from oil, which the Saddam Hussein regime could use to finance its authoritarian rule and fund military adventures such as the Gulf War and the invasion of Kuwait, which eventually resulted in international sanctions (Acemoglu & Robinson, 2012). The oil wealth in Iraq turned into a bone of contention after the U.S. invasion in 2003 as various factions vie for control of the country's oil fields. According to Ross (2004), Iraq's oil wealth has been misused, with the revenues not contributing to the country's infrastructure or social services. Instead, it has exacerbated sectarian conflict and political instability, as elites vie for control of the lucrative resource base, while the general population continues to suffer from poverty and unemployment.

4. THE IMPACT OF THE CIVIL WAR ON THE DEVELOPMENT OF ANGOLA

4.1 Overview of Angola's Civil War (1975- 2002)

Angola's civil war, which lasted from 1975 to 2002, was one of the longest and most devastating conflicts in Africa's history, with far-reaching political, social, and economic consequences. This was after Angola gained independence from Portugal in 1975. Conflicting political groups, mainly the Popular Movement for the Liberation of Angola (MPLA), the National Union for the Total Independence of Angola (UNITA), and the National Front for the Liberation of Angola (FNLA), started a struggle for power, which marked the beginning of the war. As Hodges (2001) notes, the MPLA, which had received support from the Soviet Union and Cuba, emerged as the dominant force in the immediate post-independence period, but this did not end the political conflict. UNITA, led by Jonas Savimbi, with backing from the United States and apartheid South Africa, refused to accept MPLA rule, leading to a brutal and prolonged civil war.

This was not only a political conflict but also a proxy war, considering the civil war was concurrent with the Cold War era. Here, both superpowers and regional actors supported different factions to achieve their desired interests. According to Birmingham (2002), the involvement of external powers heightened the conflict, prolonging the violence and complicating peace efforts. The Cold War dynamics played a crucial role in fueling the civil war, as the MPLA's ties to communist countries clashed with UNITA's anti-communist stance, which was supported by the West and South Africa. This external involvement not only prolonged the war but also exacerbated the humanitarian crisis, as the Angolan population suffered from violence, displacement, and famine.

The human toll of the civil war was immense, with an estimated 500,000 people killed and millions more displaced. The war severely disrupted the country's infrastructure, agriculture, and economy, leaving Angola with widespread poverty

and underdevelopment. As Soares de Oliveira (2007) observes, the conflict's devastation also affected the country's social fabric, with communities torn apart by violence and displacement. The war's legacy can still be seen today, as Angola struggles to recover from the long-lasting impacts on its economy and society. However, despite the destruction, the war also played a role in shaping Angola's post-war political landscape, with the MPLA remaining in power after the conflict ended in 2002, continuing its dominance in the country's political scene.

With the death of Jonas Savimbi and the defeat in UNITA's capability to continue armed struggle, this war officially ended in 2002. Upon the signing of the Luena Memorandum of Understanding, Angola entered into the period of reconstruction and stabilization. However, as Ross (2004) points out, the peace that followed did not bring an immediate resolution to the challenges of governance, poverty, and inequality, as the country's resource wealth continued to be mismanaged and concentrated in the hands of a few elites. Thus, while the civil war formally ended in 2002, its legacy continues to affect Angola's economic and political development.

4.2 Destruction of Infrastructure and Economic Structures

The civil war in Angola (1975-2002) left a profound impact on the country's infrastructure and economic structures, with widespread destruction that continues to hinder its development even after the conflict ended. The war's devastation was not only a result of direct combat but also due to the deliberate targeting of key infrastructure, including roads, bridges, schools, hospitals, and power plants. According to Hodges (2001), the MPLA and UNITA forces both engaged in scorched-earth tactics, destroying infrastructure to cripple the opponent's capacity to wage war. The destruction of roads and railways, for instance, severely affected the transportation of goods and people, disrupting economic activity and hindering access to essential services. The rural areas saw the destruction as more acute with farmers being forced out, their agricultural tools being destroyed as well as a full stoppage of food production resulted in worsening of food insecurity and poverty. Soares de Oliveira, 2007

During the war, the economic structures also collapsed as the conflict brought with it hyperinflation, economic contraction, and capital flight. With most of the

country's resources being allocated to the war, little investment was made in rebuilding the nation's industrial and agricultural sectors. The war saw industrial output decline as many factories were either destroyed or converted for military use, according to Birmingham (2002). In addition, disruption of trade routes and collapse of financial institutions had created an economic environment that could not produce sustainable growth or attract foreign investment. The destruction of the oil industry's infrastructure, which had been Angola's primary source of revenue, also significantly impacted the economy, as production and exports were hindered by both the civil conflict and the international embargoes placed on the country by some Western nations (Le Billon, 2001).

In the post-war period, Angola faced the monumental task of rebuilding its war-torn infrastructure and economy. However, as noted by Ross (2004), the process of reconstruction has been slow and uneven, with much of the rebuilding efforts concentrated in urban centers like Luanda, while rural areas continue to suffer from inadequate infrastructure and underdevelopment. The country's oil wealth has been central to its reconstruction efforts, but the mismanagement of resource revenues and corruption have often undermined the progress, with substantial portions of the wealth concentrated among political elites rather than being invested in public goods (Soares de Oliveira, 2007). The slow pace of recovery, compounded by the ongoing challenges of governance and inequality, means that Angola continues to face significant obstacles in overcoming the lasting effects of the war's destruction. In conclusion, the civil war's destruction of infrastructure and economic structures has left Angola with a long-lasting legacy of poverty, inequality, and underdevelopment.

Despite efforts to rebuild, the country's infrastructure remains fragile, and economic progress has been hindered by the mismanagement of its natural resources. Only through effective governance, transparent resource management, and a commitment to equitable development can Angola hope to overcome the deep scars left by the war and create a foundation for sustainable economic growth.

4.3 The Role of Natural Resources in Financing the Conflict

Natural resources played a pivotal role in financing the Angolan civil war, with both sides of the conflict relying heavily on the exploitation of the country's abundant oil, diamonds, and other mineral resources to fund their military operations.

The MPLA and UNITA, despite their opposing ideologies and external backing, shared a common reliance on these resources to sustain their war efforts. According to Le Billon (2001), the control of Angola's lucrative diamond fields, particularly in the eastern provinces, became a significant source of revenue for UNITA. The group's ability to extract and sell diamonds, often illicitly, allowed it to purchase weapons and supplies from international arms dealers, bypassing international sanctions. This illegal trade of "blood diamonds" further extended the conflict, as financial flows that the trade provided enabled UNITA to continue fighting against the MPLA even after losing the whole territorial control over vast parts of the nation.

In the same way, the MPLA with oil-rich regions of the country, with enormous revenues generated by the export of oil, financed its military operations. As Soares de Oliveira (2007) correctly points out, the oil industry became a key pillar of financing the MPLA's war effort, with revenues from oil exports being substantial and secured by the government. Due to the strategic importance of the oil sector, the MPLA could use such revenues to fund its military campaigns, especially when supported by foreign allies such as Cuba and the Soviet Union. However, the concentration of wealth and power in the hands of a few elites, many of whom were closely tied to the government's control over oil revenues, fueled corruption and economic mismanagement, further deepening the economic crisis and contributing to the prolonged nature of the conflict (Hodges, 2001).

The involvement of international actors also played a key role in financing the conflict through the extraction and trade of natural resources. As Birmingham (2002) highlights, both the MPLA and UNITA were supported by foreign powers that were keen to advance their own political and ideological agendas during the Cold War. For example, the United States and South Africa provided financial and military assistance to UNITA in exchange for access to Angola's mineral resources, while the Soviet Union and Cuba backed the MPLA, largely due to its alignment with communist interests. This external involvement, combined with the lucrative trade in natural resources, not only prolonged the war but also escalated the scale of violence, as competing international interests fueled the conflict.

In conclusion, natural resources were not just a backdrop to Angola's civil war but a driving force behind its financing. The exploitation of oil, diamonds, and other minerals allowed both the MPLA and UNITA to sustain their war efforts, with

illicit trade and corruption enabling the conflict to continue for decades. The control and management of these resources became a central element of the war, as both sides sought to capture key resource-rich areas to fund their military activities. This resource-driven conflict highlights the complex relationship between natural resources and armed conflict, with the mismanagement and illegal exploitation of resources playing a central role in prolonging violence and undermining peace efforts.

4.4 Post War Reconstruction and Persistent Development Challenges

The end of Angola's civil war in 2002 marked the beginning of a new era of reconstruction and nation-building, but the country has faced persistent development challenges in its post-war period. The peace agreement brought an end to nearly three decades of conflict, allowing the government to focus on rebuilding critical infrastructure, reviving the economy, and addressing the humanitarian crises that had resulted from the war. According to Hodges (2004), Angola embarked on an ambitious reconstruction program, financed primarily through its oil revenues. Major investments were made in rebuilding roads, bridges, and power grids, which had been destroyed during the conflict, as well as restoring access to essential services like healthcare and education. However, despite these efforts, the distribution of resources and development outcomes have been uneven, with rural areas often neglected in favor of urban centers like Luanda.

One of the main challenges in Angola's post-war reconstruction has been addressing the widespread poverty and inequality exacerbated by the war. While the country's oil wealth has fueled significant economic growth, much of this wealth has been concentrated in the hands of political elites, leaving large segments of the population in poverty. Soares de Oliveira (2007) highlights the disconnect between Angola's macroeconomic performance and the living conditions of its citizens, noting that high levels of corruption and mismanagement have undermined the effectiveness of reconstruction efforts. Despite being one of Africa's largest oil producers, Angola struggles with high unemployment rates, poor public services, and limited access to basic needs for many of its citizens, particularly in rural areas.

Another persistent challenge has been the reintegration of displaced populations and former combatants. The war displaced millions of Angolans, many of whom returned to devastated communities with little support for rebuilding their

lives. Le Billon (2005) observed that the process of reintegration of ex-combatants has been tortuous, with the majority of the former fighters not being gainfully employed or provided opportunities for economic activities. In addition, the landmines sprinkled across the country during the war continued to threaten the lives of rural populations and interfered with agricultural pursuits, a critical part of the economy in ensuring food security and livelihoods in Angola.

Environmental degradation caused by resource extraction and urbanization has also emerged as a challenge in Angola's post-war reconstruction. The rapid expansion of the oil and mining industries has led to significant environmental damage, including deforestation, water pollution, and soil erosion. As Collier (2007) argues, the lack of effective environmental governance has exacerbated these issues, making it difficult for Angola to achieve sustainable development in the long term. Moreover, the country's over-reliance on oil exports has left its economy vulnerable to fluctuations in global oil prices, highlighting the need for economic diversification to ensure stability and resilience.

Angola has made considerable progress in post-war reconstruction, significant challenges remain in achieving inclusive and sustainable development. Corruption, inequality, environmental degradation, and a lack of economic diversification continue to undermine the country's potential for long-term growth and stability. Addressing these challenges will require not only effective governance and transparent resource management but also greater investment in human capital, infrastructure, and rural development to ensure that the benefits of peace and reconstruction are shared equitably across the population.

4.5 The Role of Corruption in Resource Allocation

Corruption has played a significant role in shaping resource allocation in Angola, particularly in the post-war period, where the country's vast natural resource wealth has often been mismanaged. Despite being one of Africa's largest oil producers and possessing rich diamond reserves, the misallocation of resource revenues due to corruption has hindered economic development and exacerbated inequality. Soares de Oliveira (2007) has indicated that the Angolan oil wealth has only benefited a small political elite, with the rest of the population still remaining in poverty. The lack of transparency and accountability in the management of resource

revenues has allowed such a concentration of wealth to occur, with considerable amounts of money reportedly siphoned off through embezzlement and corrupt practices.

Mechanisms of corruption in resource allocation run deep in the political and economic systems of Angola. Le Billon (2001) discusses the ways in which the wealth of natural resources has been used to cement political power, often at the expense of state institutions and contracts allocated through patronage rather than by merit. This has created a rent-seeking economy where political elites and their associates reap disproportionate benefits from resource wealth, while critical sectors such as healthcare, education, and infrastructure are underfunded. The absence of effective checks and balances has allowed corruption to thrive, which undermines public trust in government institutions and reduces the efficiency of public spending.

The oil sector, which is the source of most of Angola's revenue, is particularly vulnerable to corruption. As noted by Hodges (2004), the lack of transparency in oil revenue management has led to widespread misallocation of funds, with billions of dollars reportedly unaccounted for over the years. This has had a direct impact on development, as resources that could have been used to improve living standards and invest in economic diversification have instead been diverted for private gain. International organizations, including the International Monetary Fund (IMF), have repeatedly called for greater transparency in Angola's oil sector, but progress has been slow due to the entrenched interests of powerful elites.

Corruption has also undermined efforts to promote equitable resource allocation across Angola's regions. Rural areas, which were heavily affected by the civil war, have often been neglected in favor of urban centers like Luanda. According to Collier (2007), this uneven distribution of resources has contributed to persistent inequality and underdevelopment in rural communities, where access to basic services such as clean water, electricity, and healthcare remains limited. This regional disparity highlights how corruption not only affects national resource allocation but also deepens social and economic divides within the country.

4.6 Governance Failures: Weak Institutions and Poor Policy

Implementation

Governance failures in Angola have significantly hindered its economic and social development, despite the country's abundant natural resources. A central issue has been the concentration of power within a small political elite, which has limited accountability and transparency in decision-making processes. According to Soares de Oliveira (2007), Angola's governance structure is heavily centralized, with power and wealth concentrated in the hands of the ruling party and its affiliates. This has resulted in a system where public institutions are merely tools for maintaining elite control rather than serving the broader population. The absence of checks and balances has perpetuated corruption, weakening the capacity of the country to manage its resources effectively.

Corruption and mismanagement of resources have been common, especially in the oil and diamond sectors. Hodges (2004) notes that billions of dollars in oil revenues have reportedly been misappropriated, leaving critical sectors like education, healthcare, and infrastructure underfunded. This systemic corruption has not only diverted funds from public welfare but has also fostered a rent-seeking economy, where opportunities are allocated based on political connections rather than merit. The overreliance on oil revenues has further exacerbated these challenges, making the economy vulnerable to global price fluctuations and limiting the government's ability to invest in diversification.

Weak institutional capacity has also played a major role in Angola's governance failures. Le Billon (2001) highlights how the country's institutions lack the technical and administrative capabilities to implement policies effectively. For instance, programs aimed at fostering economic diversification and improving social services often fail due to poor coordination and execution. This inefficiency is compounded by inadequate frameworks for monitoring and accountability, which allow for the mismanagement of resources and projects. As a result, many government initiatives fail to achieve their intended outcomes, perpetuating underdevelopment and inequality.

Another critical issue is the neglect of rural development and the persistence of regional disparities. Collier (2007) observes that while urban centers like Luanda

have benefited from significant investments, rural areas remain marginalized and underserved. Poor infrastructure, limited access to basic services, and inadequate institutional presence in these regions have left many rural communities in poverty. This has led to uneven development, fomenting social tensions and undermining efforts to attain inclusive growth. In addition, it has resulted in environmental mismanagement due to extraction and further exacerbated the challenges with the weak governance inability to handle deforestation, pollution, and other ecological concerns.

In short, governance failures in Angola, driven by corruption, weak institutions, and poor policy implementation, have hindered the country's development despite its resource wealth. Addressing these challenges requires comprehensive reforms to promote transparency, strengthen institutions, and ensure equitable resource allocation. By prioritizing good governance and effective policy execution, Angola can better harness its natural wealth to drive sustainable and inclusive development.

Weak institutions and poor policy implementation have significantly constrained Angola's development and its ability to effectively manage its natural resources. Institutions responsible for governance, resource management, and public service delivery are often plagued by inefficiency and a lack of accountability. According to Soares de Oliveira (2007), Angola's institutional framework is heavily influenced by political elites who prioritize personal and political interests over national development. This has resulted in a governance structure where key institutions are underfunded, poorly staffed, and unable to operate independently or effectively.

This inefficiency is further reflected in the country's inability to implement policies aimed at diversifying the economy and reducing dependence on oil revenues. Le Billon (2001) notes how many government programmes to stimulate agriculture, manufacturing, and other non-oil sectors failed due to improper planning, coordination, and execution. The case of Angola is an example of this point. The country has had multiple development strategies with international support to build a viable agricultural sector but to no avail; the economy is still susceptible to external shocks like price fluctuations in world oil markets. This demonstrates the critical role

of institutional strength in ensuring that policies are not only well-designed but also effectively executed.

Another aspect of weak institutions in Angola is the lack of transparency and accountability mechanisms, which undermines trust in governance. Hodges (2004) points out that corruption is deeply embedded in Angola's institutional fabric, with large sums of public funds diverted from development projects to private accounts. This lack of accountability hinders the implementation of policies equitably, as resources meant for public welfare are often misallocated or embezzled. Moreover, the lack of effective regulatory frameworks has allowed extractive industries to operate with minimal oversight, contributing to environmental degradation and social discontent.

Poor policy implementation is most evident in Angola's post-war reconstruction efforts. While significant resources have been allocated for rebuilding infrastructure and restoring essential services, weak institutional capacity has resulted in delays, cost overruns, and uneven development. Collier (2007) notes that rural areas have been disproportionately neglected in these efforts, exacerbating regional disparities and perpetuating poverty in marginalized communities. This failure to implement inclusive policies has not only hindered development but also undermined social cohesion and stability.

Weak institutions and poor policy implementation remain significant barriers to Angola's sustainable development. Strengthening institutional capacity, enhancing transparency, and improving policy coordination are critical steps toward addressing these challenges. By building robust institutions and ensuring effective policy execution, Angola can better manage its natural wealth and achieve more inclusive and sustainable growth.

Weak institutions and poor policy implementation have deeply hindered Angola's ability to translate its resource wealth into sustainable economic growth and equitable development. The legacy of colonial exploitation, compounded by decades of civil war, left Angola with fragile governance structures incapable of addressing the complex challenges of post-conflict recovery. Soares de Oliveira (2007) points out that Angola's institutions were largely designed to facilitate the extraction and export of resources, rather than to foster development or provide essential services.

This historical trajectory has made it difficult for the government to pivot toward inclusive governance and effective policy implementation.

One of the most significant weaknesses in Angola's institutional framework is its lack of independence and professionalism. Many public institutions operate under the influence of the political elite, prioritizing loyalty over meritocracy. Hodges (2004) notes that this political interference has eroded the capacity of civil servants to design and execute policies effectively. Without strong, autonomous institutions, Angola struggles to implement even well-conceived development strategies, resulting in wasted resources and missed opportunities for progress.

Policy implementation in Angola is also hindered by widespread corruption, which diverts public funds and undermines confidence in government initiatives. Le Billon (2001) highlights how Angola's reliance on oil wealth has created an environment ripe for rent-seeking behavior, with public officials often prioritizing personal gain over public service. For example, large-scale infrastructure projects are frequently plagued by cost overruns and delays, as contracts are awarded based on patronage rather than competitive bidding. This inefficiency not only drains public coffers but also delays the delivery of critical infrastructure needed to support economic diversification and improve living standards.

The poor implementation of policies aimed at economic diversification further illustrates the institutional weaknesses in Angola. Despite repeated commitments to reduce dependence on oil, the agricultural and manufacturing sectors remain underdeveloped. Collier (2007) attributes this to a combination of inadequate funding, poor infrastructure, and limited access to credit for small and medium enterprises. Policies designed to address these issues often falter due to a lack of coordination among government agencies and insufficient monitoring of progress.

Another challenge is the failure to integrate local communities into policy implementation processes. Many government programs are designed at the national level without input from local stakeholders, resulting in initiatives that are poorly suited to regional needs. This top-down approach has left rural areas, where poverty and underdevelopment are most acute, marginalized. The World Bank (2018) has

emphasized the importance of strengthening local governance structures to ensure that policies are tailored to the specific challenges faced by different regions.

Finally, the lack of transparency and data availability exacerbates governance failures. Accurate and timely data are critical for planning, monitoring, and evaluating policy effectiveness. However, Angola has struggled to establish reliable systems for collecting and disseminating information. This data deficit makes it difficult for policymakers to identify priorities, track progress, and make informed decisions, further undermining the country's development efforts.

The challenges of weak institutions and poor policy implementation in Angola are deeply intertwined and have hindered the country's development. This calls for comprehensive engagement: strengthening institutional capacity, reducing corruption, encouraging local governance, and enhancing data systems. In so doing, Angola will have a stronger framework for implementing policies and unlock the potential of its resource wealth for the benefit of all citizens.

5. ECONOMIC DEPENDENCE ON OIL

5.1 Angola's Oil Economy: Significance and Challenges

Angola's oil economy has defined the national development of the country, significantly contributing to the GDP, government revenues, and export earnings. However, despite its vast wealth in oil, Angola still faces considerable challenges in fully capitalizing on its resource wealth for sustainable development. It started in the 1950s, and it became a backbone of the Angolan economy with nearly 50% of the GDP and over 90% of export revenues (Hodges, 2004). This dependence on oil has created economic instability and sensitivity to the changing prices of global oil prices. When oil prices are high, the economy experiences growth, but when prices fall, Angola suffers from economic contraction, demonstrating the instability caused by a lack of diversification.

The oil industry's dominance has also led to a phenomenon known as the "resource curse," where an abundance of natural resources paradoxically results in negative economic outcomes such as corruption, inequality, and poor governance. Le Billon (2001) argues that Angola's dependency on oil has entrenched a rentier state structure, where political elites have maintained control over the country's wealth, often diverting resources for personal gain rather than reinvesting them into public services or infrastructure. This wealth concentration in a few hands has been the cause of poverty for most people, mainly in rural areas, where not much development has occurred relative to the cities.

Besides these governance issues, the oil industry has also led to environmental degradation. Hodges (2004) notes that oil extraction activities, particularly in offshore oil fields, have caused significant environmental damage, including oil spills and habitat destruction. The lack of strong environmental regulations and enforcement has meant that oil companies are often able to operate with minimal regard for the ecological impact of their activities. This has raised

concerns about the long-term sustainability of oil extraction in Angola and the need for more stringent environmental protection measures.

Angola's oil wealth has also been a source of conflict, particularly during the civil war. The resource-rich areas of the country became strategically important during the conflict, with various factions seeking control over oil-producing regions. According to Collier (2007), the centrality of oil in the conflict fueled the prolonged civil war, as both the government and rebel groups fought to control the revenue streams generated by the oil industry. Even after the war ended, the legacy of resource-driven conflict persists, as the control of oil wealth remains a contentious issue that continues to influence political dynamics.

Another challenge stemming from Angola's oil economy is the neglect of other sectors of the economy, particularly agriculture and manufacturing. Le Billon (2001) highlights how oil revenues have been used to finance imports rather than stimulate domestic production. The result has been an underdeveloped industrial base, with Angola relying heavily on imports for essential goods and services. Efforts to diversify the economy away from oil have faced significant hurdles due to institutional weaknesses and the entrenched dominance of the oil sector.

Angola's oil economy has been a major source of wealth, it has also created numerous challenges, including economic instability, corruption, environmental damage, and limited diversification. Such solutions call for the opening up of governance towards more transparency, diversification of the economy, and stricter environmental policies. By reducing reliance on oil and investing in other sectors, Angola can build an economy that is stronger and more sustainable and can benefit all citizens.

5.2 Labor Market and Poverty Impact

The labor market in Angola is deeply influenced by the country's reliance on oil and its post-war reconstruction efforts. The oil sector, while a significant driver of economic growth, has not translated into widespread employment opportunities or improvements in the livelihoods of the majority of the population. According to Collier (2007), the labor market in Angola is largely characterized by a dual economy, where a small, highly paid elite works in the oil sector, while the vast

majority of the population remains in informal or subsistence-level employment, particularly in rural areas. The oil industry, which accounts for a large portion of the country's GDP, is highly capital-intensive and does not generate significant employment compared to other sectors such as agriculture or manufacturing.

Poverty in Angola remains widespread, despite the country's resource wealth. Hodges (2004) argues that the benefits of Angola's oil boom have largely bypassed the poor, with much of the oil revenue concentrated among political elites and foreign corporations. As a result, inequality has remained high, and poverty levels have not significantly decreased. The urban-rural divide is particularly stark, with rural areas experiencing much higher levels of poverty and unemployment compared to urban centers like Luanda. This disparity is further exacerbated by the lack of access to basic services such as education, healthcare, and infrastructure in many rural areas (Soares de Oliveira, 2007).

One of the main problems facing Angola's labor market is the fact that there are very few jobs for young people. Angola has one of the youngest populations in Africa, with a high percentage of the population being under 25 years of age. However, the country's education system and vocational training have not been able to keep pace with the demand for skilled labor. According to the World Bank (2018), the challenge of unemployment among youth, where the economic growth has not been able to generate enough formal sector employment opportunities to absorb the increasingly large number of graduates entering the labor market, has contributed to high levels of informal employment, without job security, benefits, and social protection.

Additionally, the war that ravaged Angola from 1975 to 2002 left the country with a large population of internally displaced persons (IDPs) and demobilized soldiers who have struggled to reintegrate into the labor market. Many of these individuals lack the skills or education needed to secure formal employment, and thus, they often remain in informal and low-paying jobs (Le Billon, 2001). This demographic, along with other marginalized groups, faces significant barriers to economic mobility and continues to live in poverty.

The lack of diversification in the economy has also hindered the creation of jobs outside the oil sector. While Angola has made some progress in rebuilding its

infrastructure and expanding other sectors, such as agriculture and construction, these industries remain underdeveloped and cannot absorb the growing labor force. According to Le Billon (2001), diversification of the economy has been slow and uneven with very little success in providing considerable employment opportunities in sectors that would allow for sustainable, long-term jobs.

Angola's labor market and poverty challenges are well interrelated with its dependency on oil and the slow pace of economic diversification. Despite the country's wealth in natural resources, the benefits have not been widely shared, and poverty remains a persistent issue, particularly in rural areas and among youth. To address these challenges, Angola must invest in education and vocational training, create more job opportunities in non-oil sectors, and improve access to basic services for all citizens. By fostering a more inclusive and diversified economy, Angola can reduce poverty and create a more equitable labor market.

5.3 Dependence on Oil Revenues and Sensitivity to World Price Shocks

The dependence of Angola on oil revenues has been a double-edged sword-it has driven economic growth and at the same time made the country susceptible to fluctuations in the price of oil. Oil has been the backbone of the Angolan economy since large oil reserves were discovered in the 1950s, and it accounts for approximately 50% of the country's GDP, 90% of exports, and over 70% of government revenue (Hodges, 2004). This heavy reliance on oil exports means that Angola's economy is highly sensitive to changes in the global oil market. When oil prices are high, Angola experiences economic growth, but when prices drop, the economy contracts, leading to fiscal deficits, inflation, and a reduction in public spending.

According to Le Billon (2001), the country's economic instability is closely tied to its dependency on a single commodity. Angola's dependence on oil has made the country susceptible to fluctuations in the international market. For instance, during the oil price crash of 2014-2016, Angola faced major economic challenges. The government witnessed a sharp decline in revenues, which led to a slowdown in economic growth and an increase in public debt. This forced the government to cut spending on public services and infrastructure, causing increased poverty and

inequality, especially in rural areas of the country. In fact, according to Hodges (2004), this is a result of the fall in oil prices.

The most evident impacts of changes in oil prices are found in Angola's fiscal policy. Due to the fact that oil revenues comprise such a high percentage of government income, the country's fiscal policies are directly influenced by changes in oil prices. The Angolan government, therefore, during periods of high oil prices, increases public spending in development projects, infrastructure, and social services, while suffering from severe budget deficits when the prices of oil go down, with the only alternative being either cost-cutting or reliance on external borrowing. According to the International Monetary Fund (2019), Angola's reliance on oil makes it challenging to implement long-term development policies, as the country lacks the fiscal flexibility to cushion against price shocks.

In addition to fiscal vulnerabilities, the oil-dependent economy of Angola has contributed to a skewed economic structure, with limited diversification in other sectors such as agriculture, manufacturing, and services. Le Billon (2001) emphasizes that the government's focus on the oil industry has led to the neglect of other potential sectors that could serve as engines of growth. As a result, when the oil sector faces downturns, the lack of alternative sources of revenue exacerbates Angola's economic vulnerability. Over-reliance on oil also fuels unemployment, especially among the youth, who often have limited opportunities in sectors other than oil extraction (World Bank, 2018).

Additionally, Angola's sensitivity to oil price shocks is also related to its trade balance and foreign exchange reserves. Since oil is its primary export, Angola's trade balance is significantly affected by fluctuations in global oil prices. As the price of oil goes low, the country records a trade deficit because it cannot generate sufficient export revenue to pay for the importers. Trade imbalance would strain the foreign reserve standing of the country, hence limiting the government's ability to import necessary goods, maintain currency stability, and further dampen inflation (Hodges, 2004).

Diversification of the economy is recommended as a way to mitigate the risks of oil price shocks. By investing in sectors such as agriculture, tourism, and manufacturing, the government can reduce its reliance on oil and create a more

resilient economy. Additionally, building sovereign wealth funds or stabilizing funds could help buffer the country during times of price volatility. According to the African Development Bank (2019), Angola could benefit from more proactive fiscal policies, including building financial reserves during times of high oil prices and utilizing these funds during downturns.

Angola's dependence on oil revenues has made it highly sensitive to world price shocks, with significant economic consequences during periods of price decline. The country's vulnerability to oil price fluctuations is compounded by a lack of economic diversification and weak fiscal policies. To achieve long-term economic stability and reduce vulnerability to external shocks, Angola must diversify its economy, strengthen its fiscal policies, and build financial buffers to protect against future price fluctuations.

The dependence of Angola on oil revenues has created a wide range of challenges, from economic instability to poor policy implementation. The following are additional points that outline the consequences and solutions concerning Angola's reliance on oil revenues and its sensitivity to global price shocks.

5.3.1. Economic problem and inflation

The economy of Angola has seen high volatility, where changes in the price of oil on world markets have translated into wild swings in economic growth. During oil booms, there is rapid expansion but when oil prices collapse, the economy experiences a contraction. In the case of the 2014-2016 oil price downturn, Angola's GDP growth rate plunged, and inflation skyrocketed. The sharp drop in oil revenue compelled the government to cut its spending on social programs and infrastructure projects, increasing economic hardship for ordinary Angolans (World Bank, 2018). This inflationary environment results in unstable prices, further reducing the purchasing power of the citizens, mainly in urban centers, which is the area of higher cost of living.

5.3.2. Public debt and borrowing

Angola's high reliance on oil revenues has pushed the country into heavy debt burden, especially in the wake of declining oil prices.

According to the International Monetary Fund (IMF, 2019), the drop in oil prices in 2014 significantly impacted Angola's fiscal balance. In response, the government began borrowing extensively from international lenders, increasing the country's debt levels. While this borrowing allowed for continued funding of development projects, it has also raised concerns about the country's ability to service its debt, especially during times of low oil revenue. Recently, a rapidly rising public debt burdened the country's financial system since most of its revenues now serve to retire the interest and principal of these borrowings, while saving less and less for the sake of development.

5.3.3. Currency depreciation

Oil revenue reliance makes the country's currency, kwanza, very susceptible to the boom-bust cycles in the world prices of oil. When oil prices rise, Angola benefits from an inflow of foreign currency, increasing the strength of kwanza. When oil prices decline, then inflow slows down, leading to a drop in the currency value. This has had an effect of raising inflationary pressures and thus decreasing the population's purchasing power (Hodges, 2004). A weak currency also makes it more expensive for Angola to import goods, contributing to rising costs of essential products, including food and medicine, which in turn exacerbate poverty.

5.3.4. Impact on poverty and inequality

Despite oil's significant contribution to Angola's GDP, the wealth generated from the oil sector has not been equitably distributed. The majority of Angola's population, particularly in rural areas, remains impoverished. Oil revenues have concentrated in the hands of a few political and business elites, and the poor have hardly benefited from the country's natural wealth. In the words of Soares de Oliveira (2007), oil wealth has created an Angolan system of governance characterized by political patronage and corruption that undermines any efforts to reduce inequality. The lack of economic diversification has left Angola vulnerable to cyclical poverty, where periods of economic growth during oil booms do little to alleviate structural poverty in rural and marginalized urban areas.

5.3.5. Underdevelopment of non-oil sectors

One of the most significant challenges arising from Angola's dependence on oil is the neglect of other sectors, particularly agriculture, manufacturing, and services. Le Billon (2001) asserts that the influx of oil wealth has led to a phenomenon known as "Dutch disease," where the oil sector has out competed other industries, leading to their underdevelopment. As oil has been the primary source of revenue, there has been little incentive to invest in agriculture or manufacturing, sectors that could create jobs and drive long-term, sustainable growth. This oil dependency has also contributed to increased food and other essential imports, thus enhancing the country's trade imbalance.

5.3.6. Infrastructure and human capital underdevelopment

Unable to diversify, Angola's inability to develop its infrastructure and human capital made things worse about economic growth. The country was slow in transportation, education, healthcare, and technology. As oil revenues have been the main focus, less attention has been paid to developing infrastructure that would support diversification. For example, many rural regions remain disconnected from urban centers due to poor road infrastructure, hindering access to markets, jobs, and essential services (Hodges, 2004). Similarly, the education system in Angola has struggled to produce a skilled workforce, which is necessary for developing non-oil industries. The underdevelopment of human capital limits Angola's ability to move beyond oil and establish sustainable, diversified economic growth.

5.3.7. Diversification challenges and the need for strong institutions

The country has made several attempts at diversifying its economy away from oil; however, these efforts have largely failed due to institutional weaknesses. Angola's public institutions often lack the capacity and transparency to implement diversification strategies effectively. The concentration of power and decision-making within the political elite has led to a lack of accountability, resulting in policies that favor the oil industry rather than fostering the growth of agriculture, manufacturing, and other critical sectors (Soares de Oliveira, 2007). Stronger institutions, with a focus on transparency, accountability, and the rule of law, would be essential to support the diversification of Angola's economy. Further access to

finance may stimulate the development of non-oil sectors with a focus on the agro and manufacturing sectors.

5.3.8. Sovereign wealth fund and stabilization mechanisms

Another method that can minimize price volatility is establishing a sovereign wealth fund (SWF) whereby revenues from high oil prices periods are saved for utilization during times of low prices for oil in support of the economy. Angola has made some progress in this direction, with the creation of the Fundo Soberano de Angola (Angola Sovereign Wealth Fund) in 2012. However, the effectiveness of the fund has been limited by mismanagement and a lack of transparency (Le Billon, 2001). If properly managed, a sovereign wealth fund could help smooth out economic volatility, reduce Angola's dependency on oil revenues, and provide funding for development projects when oil prices decline. Angola's dependence on oil revenues has created an economy that is highly vulnerable to global price shocks, leading to economic instability, inflation, and high levels of poverty. To mitigate these risks, Angola must prioritize economic diversification, strengthen institutions, and build resilient fiscal policies. Developing alternative industries, improving infrastructure, and investing in human capital are all critical steps in reducing the country's reliance on oil and ensuring a more stable and sustainable economic future.

5.4 Revenue Instability Resulting from Price Volatility

Revenue instability is a significant challenge for oil-dependent economies like Angola, where oil accounts for over 70% of government revenues and 90% of exports (Hodges, 2004). The country's heavy reliance on oil makes its fiscal health highly susceptible to fluctuations in global oil prices. During periods of high oil prices, Angola experiences increased revenue inflows, allowing for greater public spending. However, during price slumps, such as the 2014-2016 crash, the country faced substantial revenue shortfalls, leading to budget deficits, reduced spending on essential services, and increased borrowing (IMF, 2019).

The cyclical nature of oil prices exacerbates this instability. When prices fall, Angola often has to revise its fiscal plans, delaying or canceling critical infrastructure and social projects. For instance, the oil price drop in 2008 and the subsequent crash in 2014 significantly impacted Angola's budget, forcing the government to reduce

spending on health, education, and poverty alleviation programs (Soares de Oliveira, 2007). Such revenue instability directly impacts the population, particularly vulnerable groups, by limiting access to basic services and stalling economic progress.

Revenue volatility also undermines long-term planning and investment. Angola's government has struggled to implement sustainable fiscal policies due to its dependency on oil revenues, which are inherently unpredictable. Le Billon (2001) notes that Angola's overreliance on oil income has hindered the development of diversified revenue streams, making the economy more vulnerable to external shocks. This lack of diversification results in insufficient buffers during downturns, forcing the government to rely heavily on external borrowing to meet fiscal obligations.

Furthermore, Angola's reliance on oil revenues has contributed to an overvaluation of the national currency, the kwanza, during boom periods. This overvaluation reduces the competitiveness of other economic sectors such as agriculture and manufacturing, further entrenching dependency on oil. During downturns, the kwanza depreciates rapidly, increasing the cost of imports and fueling inflation, which disproportionately affects low-income households (World Bank, 2018).

One strategy to address revenue instability is the establishment of stabilization mechanisms, such as sovereign wealth funds (SWFs), which can help smooth income fluctuations. Angola's Fundo Soberano de Angola (Angola Sovereign Wealth Fund), established in 2012, aims to save excess oil revenues for future use. However, its effectiveness has been limited due to issues such as mismanagement and lack of transparency (IMF, 2019). Strengthening governance around such mechanisms is essential for ensuring they fulfill their intended purpose of stabilizing revenue flows.

Additionally, diversifying the economy is critical for reducing revenue instability. Angola has significant potential in sectors like agriculture, fisheries, and tourism, which remain underdeveloped. Investments in these sectors could help generate alternative revenue streams, reduce reliance on oil, and buffer against global price volatility (African Development Bank, 2020). For example, Angola's fertile

land and abundant water resources provide an opportunity to develop a robust agricultural sector capable of boosting exports and creating jobs.

It is expected that the high dependence of Angola on oil revenues exposes the country to considerable revenue instability emanating from volatility in world prices. This volatility undermines fiscal planning, disrupts public services, and exacerbates economic inequality. To address these challenges, Angola must strengthen its fiscal policies, improve the management of stabilization funds, and diversify its economy to create more stable and sustainable revenue sources. By doing so, it can reduce the negative impacts of price volatility and provide for a smoother economic growth pattern.

5.5. Revenue Instability Resulting from Price Volatility

Angola's economic reliance on oil, which contributes over 90% of export earnings and a significant share of its GDP, creates profound vulnerabilities tied to global oil price fluctuations. During periods of high oil prices, government revenues swell, enabling increased public spending. However, when prices plummet, fiscal deficits emerge, forcing the government to borrow extensively. This cyclical dependency on oil revenues has been a primary driver of Angola's debt challenges.

The widespread use of oil-backed loans has further exacerbated Angola's debt vulnerabilities. Under these agreements, Angola secures funds by pledging future oil revenues as collateral. While such arrangements provide short-term liquidity, they significantly increase repayment risks during periods of low oil prices. By 2020, Angola's public debt had reached alarming levels, exceeding 120% of GDP, underscoring the dangers of this financing strategy.

The impacts of Angola's debt burden are reflected in the country's limited fiscal space. High debt servicing obligations divert resources away from crucial public investments in healthcare, education, and infrastructure. Moreover, the reliance on oil revenues inhibits efforts to diversify the economy, thereby making Angola vulnerable to external shocks and perpetuating its economic instability.

Angola has pursued reforms in the form of fiscal consolidation, debt restructuring, and economic diversification efforts. It has given high priority to promoting the non-oil sectors like agriculture and renewable energy. But long-term

success will require improvement in governance, transparency in debt management, and resilience in case of future oil price volatility.

5.6. Debt Vulnerability Resulting from Oil Revenue Cycles

Angola 2019 dependence on oil revenues, which dominate its export earnings and fiscal income, renders the country's economy extremely vulnerable to international oil price cycles. During the booms, high revenues increase government spending; when prices collapse, revenue deficits force Angola to resort to foreign borrowing. This has been furthered by oil-backed loans, particularly with China, in which future oil shipments are pledged as collateral. The collapse in the price of oil in 2014 pushed Angola into a serious debt crisis, with public debt climbing to unsustainable levels. Public debt was hovering at about 95% of GDP in 2021, underlining the fragility of its economic model. The debt crisis limits Angola's ability to invest in critical areas such as infrastructure, health, and education, with debt servicing consuming a large share of national revenues.

Additionally, the lack of economic diversification perpetuates dependency on oil and leaves Angola exposed to external shocks. Reforms like debt renegotiation's and diversification initiatives are being implemented, but structural challenges and governance issues hinder progress. Moving forward, Angola must enhance fiscal transparency, reduce dependency on oil, and build economic resilience to mitigate the risks of future oil price cycles. McKinsey & Company (2016).

5.7. Recent News about Angola's Oil Sector

Angola's oil industry has experienced several significant developments in recent months, highlighting both challenges and strategic efforts to boost production. The Cabinda oil refinery, a crucial infrastructure project backed by Gemcorp Holdings, is expected to commence operations in April 2025. With a projected capacity of 30,000 barrels per day, the refinery aims to meet a substantial portion of the country's fuel needs and diversify Angola's energy capabilities beyond crude oil exports. As part of its strategy, Angola is also investing in the second phase of the refinery, which is set to increase capacity and add production of diesel and jet fuel ((Reuters, 2024).

In the exploration and production sector, Etu Energias (formerly Somoil) has emerged as a significant player. Following its \$400 million acquisition of offshore oil stakes from Galp Energia in 2024, the company plans an IPO in 2026 to further expand its footprint. The deal doubled Etu Energias' production capacity, emphasizing Angola's push to involve more private sector players in its oil production efforts, which have traditionally been dominated by multinational companies like Chevron and BP (Reuters, 2024).

Despite these positive developments, Angola's oil sector is grappling with challenges, including declining production. After leaving OPEC in December 2023, Angola has struggled with a decrease in its oil output, dropping from 1.8 million barrels per day at its peak in 2015 to around 1.13 million barrels per day in recent years. However, recent interventions, such as the development of new oil wells and enhanced offshore operations, have mitigated further decline, contributing to a 4% production increase in 2024. This growth comes in the face of fluctuating global oil prices, which continue to impact the country's revenue streams (Southern African Times, 2024).

Angola's oil revenue saw a decline in mid-2024, with a 20% drop in June alone, primarily due to a decrease in global oil prices. Despite this, Angola's oil production remains vital to the country's economy, representing a key source of national revenue and foreign exchange. This underscores the dual challenge Angola faces in maintaining production while navigating the complexities of global oil market volatility.

These developments indicate that while Angola's oil sector remains a crucial pillar of its economy, the country must adapt to market fluctuations, invest in new technologies, and diversify its energy portfolio to secure long-term stability and growth.

Angola's oil sector has recently undergone significant changes, notably its decision to exit the Organization of the Petroleum Exporting Countries (OPEC) in October 2023. This move was driven by disagreements over production quotas, as Angola sought greater autonomy in managing its oil output. Following the announcement, global oil prices experienced a decline, with Brent crude prices falling in response to the news.

Despite this shift, Angola continues to be a major player in the global oil market, producing approximately 1.1 million barrels per day, contributing to OPEC's total output of 30 million barrels per day. The country's oil revenues remain a cornerstone of its economy, accounting for more than 90% of its revenue.

However, the oil wealth has not translated into widespread prosperity. Despite substantial oil revenues, Angola remains largely impoverished, with significant portions of the population lacking access to basic services and infrastructure. This disparity has led to questions about the effective management and distribution of oil revenues within the country.



6. THE FAILURE OF DIVERSIFICATION: CHALLENGES AND IMPEDIMENTS

6.1 Policy Inconsistencies and Implementation Failures

Despite Angola having much natural resource potential, especially oil, inconsistencies in policy and failure in implementation have hampered the development of the country. Such inconsistencies have been manifested in different sectors of the economy, including economic diversification, governance, infrastructure development, and social services. History of weak institutional capacity, corruption, and lack of political will has further exacerbated the country's challenges, leading to uneven growth and significant disparities in wealth distribution.

Angola's over-reliance on oil as the primary driver of its economy is one of the most glaring examples of policy inconsistency. While successive governments have recognized the need for economic diversification, efforts to reduce the country's dependence on oil have been inconsistent and often poorly implemented. The government's 2009 National Development Plan (NDP), which was ambitious in its intent to diversify into agriculture, manufacturing, and services, has largely failed due to inadequate infrastructure, lack of skilled labor, and under-investment in key sectors. A 2024 World Bank report notes that Angola's economy remains overly dependent on oil, which still accounts for over 90% of export revenues and 70% of government income (World Bank, 2024).

The inability to implement meaningful reforms in sectors like agriculture and manufacturing has kept Angola trapped in a cycle of oil dependence. Despite significant investments in these sectors on paper, much of the revenue has been siphoned off by corruption, which has further complicated the government's attempts to shift its economic model. Angola's oil-driven economy has also made it vulnerable to global price fluctuations, further highlighting the failure of past policies to create a more resilient and diversified economy.

Policy inconsistencies in Angola are also closely tied to governance issues. For decades, Angola has faced criticism for its high levels of corruption, which have undermined policy effectiveness. The legacy of the civil war (1975-2002), coupled with weak state institutions and the dominance of the ruling party, the MPLA, has made Angola vulnerable to corrupt practices. According to Transparency International's 2023 Corruption Perceptions Index (CPI), Angola ranked 163rd out of 180 countries, indicating persistent governance challenges (Transparency International, 2023).

Government policies, such as the 2008 Anti-Corruption Law, aimed to curb corruption, but their implementation has been inconsistent and often undermined by powerful elites connected to the political establishment. While some high-profile figures have been arrested or charged with corruption, these actions have not led to systemic reforms. Instead, they often appear as political maneuvers, with little long-term impact on institutional transparency or accountability. Moreover, Angola's judicial system has been accused of being biased and lacking independence, further complicating efforts to combat corruption and implement sound policies.

Another area where Angola has experienced policy inconsistencies is in infrastructure development. The country's infrastructure needs are immense, particularly after the devastation caused by the civil war. Yet, despite the government's promises and substantial revenues from oil exports, infrastructure projects have been poorly managed and plagued by delays, cost overruns, and substandard execution. The government's ambitious goal to modernize its infrastructure through projects such as the National Transport and Logistics Plan (2017-2025) has faltered due to mismanagement, lack of coordination between state agencies, and insufficient technical capacity.

The construction of roads, railways, and airports has been slow, and urbanization in cities like Luanda has outpaced the development of necessary infrastructure. As a result, millions of Angolans live in inadequate conditions, particularly in urban slums, with limited access to basic services like clean water, electricity, and sanitation. The lack of a coherent and effectively implemented urban planning strategy has made it difficult to address these growing needs. Additionally, Chinese construction companies, which have been heavily involved in Angola's

infrastructure projects, have been criticized for delivering subpar work, which further hampers the country's long-term development (BBC, 2023).

The Angolan government has also struggled to meet the demands of its population in areas such as healthcare and education. Although it has significant oil wealth, public investment in these sectors has been insufficient, leaving most of the population without basic services. For instance, Angola is one of the countries with the highest child mortality rates in the world, having a weak health system that cannot meet the needs of its people. According to the United Nations Development Programme (UNDP), Angola's health sector faces critical shortages of medical professionals, healthcare facilities, and essential medicines (UNDP, 2024).

Similarly, the education system has failed to provide adequate access to quality education, particularly in rural areas. Although the government has set ambitious targets for education reform, many schools remain underfunded, and teaching quality is poor. According to a 2023 report by Human Rights Watch, Angola's education system suffers from overcrowded classrooms, outdated curricula, and a lack of trained teachers (HRW, 2023).

Climate change and environmental sustainability policies in Angola have also been incoherent. While the global community increasingly rallies for a reduction in carbon emissions and environmental conservation, Angola has struggled to incorporate environmental concerns into its development agenda. Though Angola has made various international commitments to address climate change, such as the ratification of the Paris Agreement, domestic policy responses have been slow and environmental protections remain weak. The oil sector, which is the backbone of Angola's economy, contributes significantly to the country's carbon emissions, yet the government has been reluctant to diversify away from fossil fuels in favor of renewable energy sources.

In addition, Angola's deforestation rates are among the highest in Africa, largely driven by unsustainable agricultural practices and logging. Although the government has pledged to address environmental degradation, the implementation of policies has been inconsistent. Local communities often face the brunt of environmental destruction, which undermines the country's long-term sustainability efforts. Angola's lack of a coherent environmental policy and the failure to enforce

existing regulations have exacerbated the country's vulnerability to climate change (Global Witness, 2023).

Economic diversification and governance, infrastructure development, and environmental sustainability, are still unresolved as a result of policy inconsistencies and lack of political will by the Angolan government to appropriately implement the very policies meant for this purpose. While Angola has the enormous potential brought in by oil, it has been unable to do much to make its economy prosperous and promote real development within the country. Policy reforms often fail to address the root causes of these systemic problems, and without significant improvements in governance and institutional capacity, Angola's potential for sustainable development remains limited. The country's future will depend on its ability to implement consistent, long-term policies that prioritize the well-being of its citizens and build a more diversified, resilient economy.

6.2 The Impact of Corruption on Economic Diversification

Corruption has been one of the most significant barriers to economic diversification in Angola, hindering the country's efforts to reduce its reliance on oil and diversify into other sectors such as agriculture, manufacturing, and services. But despite being one of the biggest oil producers in Africa, at each step Angolan authorities and the private sector have undermined its attempts to translate its wealth into broad-based economic development through corruption at every conceivable level. Corruption in Angola has cut through public and private sectors, distorted policy decisions, and resulted in the misallocation of resources, in an environment where personal and political interests take precedence over national development. This has contributed to the country's slow progress in achieving true economic diversification and structural transformation.

One of the most direct impacts of corruption on economic diversification is the misallocation of resources. Angola's oil wealth has been concentrated in the hands of a few elites, leaving little room for the investment needed to develop other sectors of the economy. For example, large portions of the state budget intended for infrastructure projects, education, and healthcare have been siphoned off through corrupt deals. According to a 2022 report by the International Monetary Fund (IMF), Angola's public sector faces severe inefficiencies due to corruption, with substantial

funds earmarked for development projects failing to reach the intended sectors ((IMF, 2022)(<https://www.imf.org/en/Countries/AGO>)). This has slowed down the progress of key diversification strategies, such as promoting agribusiness and manufacturing, which require long-term investments in infrastructure, technology, and skills development.

Instead of investing in sectors that could create jobs and contribute to economic growth, corrupt officials often divert resources into short-term, high-profit ventures that benefit themselves and their political allies. This failure to invest in vital sectors like agriculture and industry has kept Angola trapped in a cycle of oil dependency. With limited infrastructure development outside the oil sector, the economy remains overly reliant on natural resource extraction, leaving Angola vulnerable to global oil price fluctuations.

Corruption in Angola has additionally eroded the capacity of public institutions, further complicating efforts toward the diversification of its economy. Good governance is a driver of economic diversification because, under such conditions, policies are implemented consistently and resources are allotted where they are most needed. On the other hand, institutions in Angola have suffered from weak governance frameworks, largely stemming from pervasive corruption across the levels of government.

For example, Angola's public sector has long been prone to cronyism, in which officials and business elites with close connections to the governing party dominate important economic sectors. Lack of transparency and absence of accountability mean that many public funds end up in service of political patronage or to benefit few powerful individuals rather than going toward the benefit of the wider public. According to a report by the World Bank in 2023, institutional reform was required in Angola, regarding corruption and governance, for its economy to be significantly diversified and developed (World Bank 2023).

In the absence of strong and transparent institutions, it becomes difficult to implement effective policies for economic diversification. The result is a lack of regulatory oversight, inefficient public services, and an inability to build the necessary infrastructure for sectors like manufacturing, agriculture, and services to

thrive. Consequently, the economic potential of these sectors remains untapped, perpetuating Angola's reliance on oil.

Corruption also stifles the growth of the private sector, which is crucial for economic diversification. In a system where access to government contracts, business permits, and resources depends on political connections or bribes, many entrepreneurs and businesses are dissuaded from investing in industries outside oil. Rather than fostering innovation and competition, Angola's business environment has been dominated by a few well-connected elites who control key sectors, including construction, transport, and retail. This concentration of economic power stifles competition and limits the development of a vibrant, diversified economy.

According to the African Development Bank (AfDB), Angola's private sector faces significant barriers to entry, largely due to the corruption that permeates every aspect of business dealings (AfDB, 2023). Small and medium-sized enterprises (SMEs) in particular struggle to access financing and markets, as public sector policies often favor large, well-connected businesses. This lack of a level playing field prevents new and innovative businesses from emerging, limiting the scope for economic diversification and job creation in non-oil sectors.

Agriculture and manufacturing are two key sectors that Angola has identified for diversification, yet these areas have been persistently undermined by corruption. In agriculture, for example, government policies aimed at increasing food production and reducing dependence on food imports have been hindered by corrupt practices. Public funds allocated for agricultural development often fail to reach the intended projects, while land and water resources are frequently diverted to politically connected individuals who profit from land speculation rather than productive use.

In manufacturing, Angola has failed to develop a competitive industrial base due to the misallocation of resources and the influence of corrupt practices. The country has substantial potential in sectors like textiles, cement, and construction materials, but the lack of investment in infrastructure, technology, and training has prevented these industries from flourishing. Despite policy frameworks such as the 2018 Industrialization Strategy, the failure to implement reforms due to corruption has led to stagnation in the sector, leaving Angola's economy heavily reliant on imported goods and oil revenues.

Corruption in Angola has also affected the country's image on the international stage, further complicating efforts to attract foreign investment in non-oil sectors. Despite having abundant natural resources, Angola's reputation for corruption and lack of transparency has made investors wary of doing business in the country. Many international firms, particularly in sectors like agriculture and manufacturing, are hesitant to invest in Angola due to concerns over bribery, unfair competition, and political risk.

The country's legal and regulatory framework is often viewed as nontransparent, and corruption scandals related to both local and international businesses have further brought the country into disrepute. In 2023, the International Finance Corporation reported that a non-competitive, unfair business environment was one of the major reasons for the reluctance of foreign investment in the diversified sectors of Angola. This limits the flow of capital, technology, and expertise into key industries, thus delaying the diversification efforts of the country.

Pervasive corruption in Angola has had a great impact on the country's economic diversification efforts. Diverting resources, undermining institutions, and stifling private sector growth have all created a business and political environment hostile to long-term development in sectors outside oil. While Angola's government has taken some steps to address corruption, these efforts have been inconsistent and often politically motivated, with little real impact on the ground. Until Angola can successfully address corruption at all levels, its efforts to diversify its economy will remain severely constrained. Achieving sustainable development will require comprehensive reforms to create a transparent, accountable system that fosters investment, innovation, and growth across a broader range of industries.

6.3 Barriers to Private Sector Development

The private sector in Angola has faced numerous barriers that hinder its growth and development, preventing the country from achieving true economic diversification. Despite being rich in natural resources, particularly oil, Angola has struggled to create a dynamic, diversified economy. A combination of historical, institutional, and structural factors has made it challenging for the private sector to flourish. These barriers include a difficult regulatory environment, corruption, limited access to finance, inadequate infrastructure, and a lack of skilled labor. The

following analysis explores these key challenges and their impact on private sector development in Angola.

One of the primary barriers to private sector development in Angola is the country's weak regulatory and legal framework. Angola has made significant strides in improving its legal environment in recent years, but businesses still face a myriad of challenges, particularly in terms of transparency, predictability, and efficiency. According to the *World Bank's Doing Business Report 2022*, Angola ranks 181st out of 190 countries in ease of doing business, reflecting the difficulties entrepreneurs face when starting and operating a business in the country (World Bank, 2022).

The regulatory environment in Angola is often complex and inconsistent, with laws and regulations frequently changing without clear communication to the public. This creates uncertainty for businesses, particularly for small and medium-sized enterprises (SMEs), which are crucial for economic diversification. For example, despite reforms aimed at simplifying business registration processes, the procedure remains time-consuming, costly, and bureaucratic. In addition, the legal system of Angola is frequently slow and inefficient with extended delays in resolving disputes and weak intellectual property protection. As such, the country is not appealing to investments for long-term projects, thus reducing private sector growth.

Corruption is also one of the most important barriers to private sector development in Angola. Angola is indeed considered one of the most corrupt countries globally, despite recent efforts by the government to fight corruption. According to *Transparency International's Corruption Perceptions Index* (CPI), it ranked 163rd out of 180 countries in 2022, and this clearly indicates how deeply rooted corruption has become in all sectors: public and private (Transparency International, 2022)

Corruption comes in many forms, from bribery to favoritism in government contracts and procurement. For example, companies are often required to pay bribes for licenses, permits, or public contracts. The lack of a transparent and accountable business environment discourages private investment, as domestic and international firms are wary of engaging in a market where the playing field is not level. This limits the growth potential of the private sector and keeps Angola's economy

dependent on oil revenues, as large, politically connected companies dominate key sectors of the economy.

Furthermore, Angola's legal and regulatory framework does little to address these issues. The absence of strong enforcement of anti-corruption laws and the widespread impunity of those involved in corrupt practices have created an environment where unethical behavior is normalized. As a result, entrepreneurs and businesses are discouraged from starting new ventures, and the growth of existing businesses is stunted.

Another significant barrier to private sector development in Angola is the lack of access to finance. The banking system is still developing, and access to credit is often a problem for SMEs. According to *African Development Bank* (AfDB), in 2022, private sector credit in Angola comprised only 20% of the GDP, with a long distance from the 50% regional average for sub-Saharan Africa (AfDB, 2023).

This limited access to finance can be attributed to several factors. First, the banking sector remains concentrated in a few large institutions, which prioritize lending to large, politically connected businesses and the oil sector. SMEs, which are essential for economic diversification, often face high interest rates, stringent collateral requirements, and bureaucratic hurdles when applying for loans. Furthermore, Angola's banking sector lacks sufficient competition, and many financial institutions remain undercapitalized and risk-averse, making them reluctant to lend to small businesses.

The lack of access to finance also exacerbates other barriers to private sector development, such as the inability to invest in new technologies, expand operations, or hire skilled labor. Without sufficient credit, businesses are forced to rely on personal savings or informal financing methods, which limits their capacity for growth and innovation.

Angola's infrastructure is very underdeveloped and in many areas, it is insufficient to provide what businesses require. While it can be admitted that the war has passed and a lot of investment in infrastructure has been made within years, huge gaps exist in transportation, electricity, and telecommunications-related sectors. The *World Economic Forum's Global Competitiveness Report 2022* highlighted that Angola ranks 134th out of 141 countries in infrastructure quality, with significant

deficiencies in transport networks and energy supply ((World Economic Forum, 2022).

The lack of reliable infrastructure increases the cost of doing business in Angola, particularly for businesses outside the oil sector. Inadequate roads, ports, and airports make it difficult to transport goods, while unreliable electricity and water supply create disruptions to production processes. These infrastructure bottlenecks are particularly problematic for SMEs, which do not have the resources to cope with the inefficiencies caused by poor infrastructure. The cost of logistics, energy, and telecommunications in Angola is among the highest in Africa, which reduces the competitiveness of local businesses.

Furthermore, Angola's lack of modern infrastructure has deterred foreign direct investment (FDI) in sectors like manufacturing and agriculture, where reliable infrastructure is a key factor for success. As a result, the private sector remains heavily concentrated in the oil and construction sectors, where investments are more easily channeled into high-return ventures with lower operational costs.

A significant barrier to private sector development in Angola is the lack of a skilled workforce. The civil war that lasted for nearly three decades severely damaged the education system and left a lasting impact on the country's human capital development. As of 2023, the *United Nations Development Programme* (UNDP) reported that Angola has one of the highest youth unemployment rates in Africa, with approximately 30% of young people aged 15-24 unable to find work (UNDP, 2023).

Despite efforts to address the skills gap, particularly through vocational training programs and educational reforms, Angola continues to face challenges in equipping its workforce with the skills necessary for private sector development. The oil industry has historically dominated the economy, so it has absorbed much of the skilled labor. Other sectors such as agriculture, manufacturing, and services therefore face a shortage of qualified workers. This kind of skills mismatch prevents these sectors from attaining their maximum growth potential, thereby preventing the private sector from diversifying beyond oil.

Moreover, Angola's education system still faces significant challenges, including low quality, limited access to technical training, and a lack of modern

curricula. This results in a labor force that is ill-equipped to meet the demands of a growing private sector. For businesses to thrive and expand, there is a need for a skilled, educated workforce that can drive innovation, increase productivity, and support diversification efforts. The barriers to private sector development in Angola are very entrenched and multi-dimensional. Weak regulatory frameworks, corruption, limited access to finance, poor infrastructure, and the lack of skilled labor have contributed to challenges in businesses outside the oil sector. While there are efforts to reform Angola, major reforms are necessary to make it easier for the private sector to grow. These reforms should focus on improving transparency, strengthening institutions, expanding access to finance, investing in infrastructure, and developing human capital. By overcoming these barriers, Angola can begin to unlock the potential of its private sector and move towards a more diversified, sustainable economy.

6.3 Barriers to Private Sector Development

There are several barriers to the development of Angola's private sector, which have prevented it from becoming a dynamic driver of economic diversification. The country has all the natural resources required, especially oil, but its private sector has failed to become dynamic due to various institutional, structural, and regulatory challenges. These include a cumbersome and inefficient business environment, corruption, limited access to finance, insufficient infrastructure, and a lack of skilled labor. The following analysis discusses these critical barriers and their implications for private sector growth in Angola.

One of the main barriers to private sector development in Angola is the complex and often unpredictable regulatory environment of the country. Despite efforts to make the procedures of doing business simpler, Angola remains very low in ranking on global indices regarding ease of doing business. According to the *World Bank's Doing Business Report* of 2022, Angola ranks 181st out of 190 countries in terms of ease of doing business, reflecting the challenges that businesses go through to work around red tape and other regulatory bottlenecks (World Bank, 2022).

For example, business start-ups are time-consuming and expensive. Entrepreneurs face much paperwork, lengthy delays to get the permits, and the

arbitrary application of rules. Though the government has introduced reforms to ease the registration process of businesses and to remove administrative bottlenecks, it has not brought about improvement in the overall business climate yet. Apart from this, unpredictability in regulatory decisions, including sudden changes in tax policies and import/export regulations, also constitutes uncertainty for businesses operating in Angola.

This is corruption and in many ways is one of the major factors affecting private sector development in Angola. The spread of corruption at both government levels and businesses depreciates the operations of the private sector quite much. Of all rankings, Angola ranked 163rd out of 180 countries in the world that are ranked corrupt as per the *Corruption Perceptions Index* published by Transparency International (Transparency International, 2022).

Corruption is the act of giving or taking something in exchange for favors, bribes, and the misuse of public funds. This practice is highly visible in government procurement processes, where political connections favor some businesses over others. In addition, access to resources such as land and infrastructure is often granted through bribes, discouraging fair competition and driving up the cost of doing business. As a result, many potential entrepreneurs and small businesses face substantial hurdles in starting and expanding their ventures, while large, politically connected firms continue to dominate the economy. The lack of transparency in government dealings and decision-making further exacerbates these issues, creating an environment in which unethical practices are normalized.

Access to finance remains a significant barrier to private sector development in Angola, particularly for small and medium-sized enterprises (SMEs). Angola's banking sector is underdeveloped and heavily concentrated, with only a few large banks dominating the market. According to the *African Development Bank* (AfDB), credit to the private sector in Angola represented just 20% of GDP in 2022, well below the sub-Saharan African average of 50% (AfDB, 2023).

SMEs, which are essential for driving economic diversification, struggle to secure financing due to the high interest rates, stringent collateral requirements, and risk-averse nature of banks. Many financial institutions are hesitant to lend to small businesses, particularly those in non-oil sectors, as they are perceived as high-risk

investments. This limited access to credit stifles innovation, limits business expansion, and prevents entrepreneurs from investing in essential resources such as technology, equipment, and human capital. Furthermore, the lack of venture capital and angel investment markets further exacerbates the difficulty of accessing funding for new businesses.

Infrastructure in Angola is another critical barrier to private sector growth. This doesn't mean that infrastructural upgrading has been improving since the end of the civil war because many key areas still look grossly underdeveloped, raising the cost of doing business. In fact, *World Economic Forum's Global Competitiveness Report*, 2022 ranked Angola 134 out of 141 countries in terms of infrastructure quality, with some prospects for transportation, energy, and communication ((World Economic Forum, 2022). legging, with underdeveloped roads, congested ports, and poorly maintained railways. This limits the movement of goods from one business location to another in the country and across borders. In addition, unreliable electricity and water supplies disrupt production and increase operational costs for businesses, especially in the non-oil sectors, including manufacturing and agriculture. Also, the high cost of logistics in Angola discourages foreign investment due to the reluctance of companies to invest in a market with high operational costs due to inefficient infrastructure.

The shortage of skilled labor is another significant challenge facing Angola's private sector. Following the civil war, Angola's education system struggled to rebuild, resulting in a significant skills gap. According to the *United Nations Development Programme* (UNDP), Angola has one of the highest youth unemployment rates in Africa, with over 30% of young people aged 15-24 unemployed in 2023 (UNDP, 2023).

The country's education system continues to face challenges, such as low quality of education, inadequate vocational training, and a lack of modern curricula tailored to the needs of the labor market. As a result, many businesses in Angola, particularly in non-oil sectors, struggle to find qualified workers. This skills mismatch limits the capacity of businesses to innovate, expand, and increase productivity. While the government has attempted to tackle these problems through different educational reforms and training programs, it has yet to fully address the needs of the private sector.

Political instability and governance issues also contribute to private sector development in Angola. Although Angola has experienced relative political stability since the end of the civil war, governance issues such as weak institutions, lack of accountability, and poor rule of law continue to undermine investor confidence. The lack of an independent judiciary, coupled with political interference in business affairs, creates an environment where businesses are often subject to arbitrary decisions by government officials. This instability scares away both domestic and foreign investors who seek a predictable and transparent business environment.

The political system in Angola also features the concentration of power among a few elites that further restricts competition in the private sector. Most state-owned enterprises enjoy favorable treatment in the marketplace, limiting opportunities for private sector players, particularly SMEs, to succeed. Addressing these barriers will require comprehensive reforms aimed at improving governance, increasing transparency, strengthening the financial system, investing in infrastructure, and developing human capital. Only through overcoming these obstacles can Angola unlock the potential of its private sector and create a more diversified, resilient economy.

6.4 Infrastructure and Human Capital Deficits

Two major factors are significantly inhibiting Angola's economic development: infrastructure deficits and human capital shortages. Although considerable efforts are being made in these areas, these deficiencies still pose substantial obstacles to the private sector and general economic diversification. The lack of reliable infrastructure and skilled labor limits productivity, increases operational costs, and undermines the potential for sustainable growth in sectors outside the oil industry. This section delves into these two critical issues and their impacts on Angola's development, supported by recent numerical data and research findings.

Inadequate infrastructure is one of the most pressing barriers to economic development in Angola. The country's infrastructure system, which was severely damaged during the civil war (1975–2002), has made slow progress in terms of rehabilitation and expansion. While there have been significant investments in infrastructure since the end of the conflict, the country continues to rank poorly in

terms of infrastructure quality. The *World Economic Forum's Global Competitiveness Report* (2022) ranked Angola 134th out of 141 countries in terms of infrastructure quality, highlighting persistent gaps in transportation, energy, and telecommunications (World Economic Forum, 2022).

One of the key deficiencies is the country's transport network. According to the African Development Bank (AfDB), Angola's road network is incomplete, with large rural areas remaining poorly connected to urban centers. The country's road density is approximately 3.3 kilometers of road per 1,000 square kilometers, which is far below the African average of 8.3 kilometers (AfDB, 2023). Similarly, the port infrastructure, critical for trade and export activities, is limited in terms of capacity and efficiency. The two main ports, in Luanda and Lobito, face significant congestion and logistical inefficiencies, which raise the costs of trade and impede Angola's participation in regional and international markets.

In addition to transportation challenges, Angola faces significant energy shortages. The country has a population of over 33 million, yet only 30% of households have access to reliable electricity, particularly in rural areas. The country's power generation capacity is heavily reliant on outdated infrastructure, leading to frequent power outages and unreliable electricity supplies that hinder industrial production and business operations. The *International Energy Agency* (IEA) estimates that Angola's energy infrastructure requires \$10 billion in investment by 2030 to meet the growing demand for electricity and improve access for its citizens (IEA, 2022).

These infrastructure deficits raise the cost of doing business in Angola, particularly for small and medium-sized enterprises (SMEs) that lack the resources to cope with the inefficiencies of the system. Moreover, the lack of reliable infrastructure deters foreign direct investment (FDI) in sectors like manufacturing, agriculture, and services, which are essential for economic diversification.

Human capital is another critical area where Angola faces significant challenges. Despite its wealth in natural resources, the country struggles with an underdeveloped workforce that lacks the skills necessary to support a diversified economy. The *United Nations Development Programme* (UNDP) reports that Angola has one of the highest youth unemployment rates in Africa, with

approximately 30% of young people aged 15-24 being unemployed as of 2023 (UNDP, 2023). The country's educational system, which was heavily impacted by decades of civil war, continues to face challenges in terms of access, quality, and relevance.

The lack of skilled labor is most evident in sectors outside of oil and gas. According to the World Bank, only 28% of Angola's workforce has received secondary or higher education, far below the sub-Saharan African average of 45% (World Bank, 2022). This skills gap is particularly detrimental to non-oil sectors such as manufacturing, agriculture, and services, where specialized knowledge and technical skills are required. The government has attempted to address this deficit through various vocational training and education reforms, but the pace of progress remains slow. Angola's education system still faces challenges such as overcrowded classrooms, a shortage of qualified teachers, and outdated curricula that fail to equip students with the skills needed in the modern labor market.

In addition, the lack of professional and technical training centers further limits the pool of skilled workers. While Angola has an abundance of high school graduates, many lack the vocational skills necessary for employment in sectors such as construction, hospitality, and IT. The *International Labour Organization* (ILO) notes that Angola's technical and vocational education and training (TVET) system is underdeveloped and insufficient to meet the demands of a growing economy (ILO, 2021). This human capital deficit results in a labor force that is ill-equipped to support the growth of diverse industries, thus reinforcing the country's dependence on the oil sector. The shortage of skilled workers also drives up labor costs for businesses and limits productivity, further deterring potential investors.

The combination of infrastructure and human capital deficits hits hard on Angolan economic diversification. With oil being a dominant driver, it also has exposed the Angolan economy to external shocks caused by fluctuation in oil prices. In recent years, the Angolan government has recognized its need to embark on economic diversification to reduce reliance on oil dependence, but little progress has so far been attained. In 2022, oil exports accounted for 94% of Angola's total exports, leaving other sectors—such as agriculture, manufacturing, and services—underdeveloped and largely dependent on imports. Angola cannot develop a competitive manufacturing or industrial base because of the lack of infrastructure and

skilled labor in these sectors. For instance, the cost of doing business in Angola's agriculture sector is high due to poor transportation networks and limited access to modern farming technologies. In the manufacturing sector, companies struggle to find qualified workers to operate sophisticated machinery, which limits productivity and innovation.

Moreover, the high cost of logistics, energy, and communication infrastructure makes Angola one of the least competitive economies in sub-Saharan Africa. According to the *Global Competitiveness Index* 2022, Angola ranks 137th out of 141 countries, largely due to its infrastructure deficits and lack of human capital development (World Economic Forum, 2022).

The human capital deficit also impacts Angola's ability to attract foreign direct investment (FDI). Investors are reluctant to invest in sectors that require a skilled workforce, as they are forced to either import labor or invest heavily in training. Additionally, Angola's poor education system reduces the overall productivity of the workforce, which in turn lowers the potential for higher-value industries to thrive.

6.5 External Factors Limiting Diversification Efforts

Several external factors exert a significant impact on Angola's efforts to diversify its economy beyond oil and gas. A country with strong potential for sectors such as agriculture, manufacturing, and services, has to face numerous challenges in the form of dependency on foreign investments, global economic conditions, and the burden of external debt before it can think of diversification. This chapter discusses the several external challenges confronting Angola, accompanied by numerical data and research findings.

Angola is highly susceptible to fluctuations in global oil prices since oil exports account for about 94% of total exports. The *World Bank* (2022) reports that Angola's oil exports were valued at \$22 billion in 2021, which accounts for more than 50% of the country's GDP. As such, any volatility in oil prices significantly impacts Angola's fiscal and economic health. The global price of oil is highly unpredictable, driven by factors such as geopolitical tensions, global supply-demand imbalances, and technological advancements in alternative energy sources.

For example, during the 2014-2016 oil price slump, Angola's GDP contracted by over 2.5%, and its foreign exchange reserves declined sharply from \$33.9 billion in 2014 to \$14.5 billion by 2017, forcing the government to reduce public spending and postpone many infrastructure and development projects. These fluctuations in oil revenue hinder the country's ability to invest consistently in diversification initiatives, as the government often needs to allocate its resources to stabilize the economy during periods of low oil prices.

Furthermore, the oil price volatility also affects the private sector's ability to access credit, as Angola's financial institutions are highly dependent on the oil sector for their profitability. According to the *International Monetary Fund* (IMF), the non-oil sector in Angola remains underdeveloped, and when oil prices fall, the risk appetite of banks and investors decreases, resulting in a reduction of investments in non-oil sectors (IMF, 2021).

High external debt is another significant external factor limiting diversification efforts in Angola. The country's external debt has increased sharply in recent years, with the *African Development Bank* (AfDB) estimating that Angola's external debt was about \$48 billion in 2022, which accounts for about 97% of its GDP (AfDB, 2023). This high debt burden restricts Angola's fiscal space and makes it difficult for the government to invest in diversification projects or improve infrastructure without seeking additional loans or foreign aid.

The debt servicing costs take up a significant portion of Angola's budget, often crowding out funding for key developmental programs. The country's fiscal deficit stood at 5.6% of GDP in 2022, with debt service consuming around 35% of government revenue (World Bank, 2022). Given the high interest rates on external debt, Angola is forced to prioritize debt repayments over investments in critical sectors like agriculture, manufacturing, and education. This limits the country's ability to diversify its economy and reduces its capacity to respond to the demands of an evolving global economy.

Additionally, the external debt burden exposes Angola to the risk of a debt crisis, which could further diminish the country's ability to attract foreign investment or engage in long-term economic planning. The debt dependency hampers Angola's

capacity to implement the necessary reforms and invest in industries outside of oil, which are crucial for economic diversification.

While foreign direct investment (FDI) is crucial for economic development, Angola's reliance on FDI for economic diversification presents a challenge. The country's FDI inflows have primarily been directed toward the oil and gas sectors, with limited investments in other sectors. According to *UNCTAD* (2022), Angola attracted FDI inflows totaling \$7.5 billion in 2021, of which 60% went into the oil and gas industry (UNCTAD, 2022).

This skewed distribution of FDI presents a barrier to diversification, as sectors such as agriculture, manufacturing, and technology receive minimal attention from foreign investors. The lack of FDI in these areas means that Angola struggles to develop its industrial and agricultural capacity, which are key drivers of economic diversification. Furthermore, foreign investors are often deterred by Angola's challenging business environment, including corruption, weak governance, and high operational costs, which complicate the development of non-oil sectors.

While Angola's government has taken steps to attract FDI in sectors beyond oil, such as through the creation of special economic zones (SEZs) and investment incentives, the results have been underwhelming. The *United Nations Economic Commission for Africa* (UNECA) reports that non-oil FDI inflows to Angola remain low, with sectors like agriculture and manufacturing receiving only 10-15% of total FDI inflows in recent years (UNECA, 2023).

Angola's ability to diversify its economy is also constrained by regional and global trade barriers that limit access to international markets for non-oil exports. The *World Trade Organization* (WTO) reports that Angola's trade is heavily concentrated in a few commodities, primarily oil, which accounts for nearly 95% of its total exports. The country faces significant barriers in accessing regional and international markets for other goods due to issues such as poor infrastructure, high transport costs, and limited market access in key export destinations (WTO, 2021).

In addition to infrastructure challenges, Angola's agricultural exports, which are essential for diversification, face significant non-tariff barriers such as sanitary and phytosanitary measures, limited market knowledge, and competition from other countries with more established agricultural industries. This limits Angola's ability to

capitalize on regional trade agreements such as the African Continental Free Trade Area (AfCFTA), which has the potential to open up new markets for Angola's non-oil products. According to the *United Nations Economic Commission for Africa* (UNECA), intra-Africa trade in Angola is only 6% of total trade, well below the regional average of 16% for sub-Saharan Africa (UNECA, 2022).

Moreover, global trade policies, including tariffs on Angola's agricultural and manufacturing exports, further complicate the country's diversification efforts. Angola faces increasing competition from other emerging economies, which have more competitive export sectors, making it challenging to establish a foothold in global markets outside of oil.

Global environmental and technological shifts also impact Angola's diversification efforts. As the world moves toward cleaner energy alternatives, Angola, heavily dependent on oil revenues, is facing increasing pressure to transition toward renewable energy sources. According to the *International Energy Agency* (IEA), Angola needs to invest heavily in green technologies to diversify its energy mix and align with global sustainability goals. However, the high costs of transitioning to renewable energy and the lack of technical expertise pose significant challenges for the country (IEA, 2022).

Additionally, technological advancements in industries such as automation, artificial intelligence, and renewable energy present both opportunities and challenges for Angola. While these technologies could help drive diversification in agriculture, manufacturing, and services, Angola's limited technological infrastructure and human capital deficits make it difficult for the country to take full advantage of these advancements. External factors, such as oil price volatility, external debt, dependency on foreign investment, trade barriers, and global technological shifts, present significant challenges to Angola's efforts to diversify its economy. The country's heavy reliance on oil exports makes it vulnerable to external shocks, while the high external debt burden limits the government's capacity to invest in diversification. Furthermore, the skewed distribution of FDI toward the oil sector, coupled with regional and global trade barriers, hampers the development of non-oil sectors. To overcome these external challenges, Angola must focus on attracting more diversified FDI, improving regional trade relations, and aligning with

global technological and environmental trends to create a more resilient and diversified economy.

6.6. Summary of Findings: Why Africa is an Undeveloped Continent Even Though It Has Abundant Resources: A Case Study on Angola

This study explores the paradox of Africa's underdevelopment despite its vast natural resource wealth, with a specific focus on Angola. The findings reveal several interconnected factors contributing to the country's developmental challenges, which are reflective of broader continental issues. The key findings are summarized as follows:

Angola's economy is heavily dependent on oil and gas, with oil exports accounting for approximately 94% of its total exports. This over-reliance on a single commodity has created significant vulnerability to global price fluctuations. During periods of low oil prices, Angola's GDP contracted sharply, and its ability to invest in other sectors of the economy, such as agriculture and manufacturing, was severely constrained.

Corruption remains one of the most significant barriers to development in Angola. The mismanagement of public funds, especially from oil revenues, has hampered investments in essential infrastructure and public services. Transparency International's corruption perceptions index has consistently ranked Angola poorly, and the allocation of resources has often favored elites rather than being directed toward social or economic development. The failure to implement policies effectively has left the majority of the population in poverty despite the country's resource wealth.

The country faces significant infrastructure deficits, particularly in transportation, energy, and telecommunications. While there have been efforts to rebuild post-civil war, Angola still lacks a comprehensive and modern infrastructure system. This directly impacts productivity and hinders the development of sectors outside of oil. Additionally, the underdevelopment of human capital, characterized by limited access to quality education and vocational training, exacerbates the skills gap in sectors that could contribute to diversification.

Angola's development is also influenced by external factors, including the volatility of global oil prices, the country's high external debt burden, and limited foreign direct investment (FDI) in non-oil sectors. Angola's external debt, which reached approximately \$48 billion in 2022, limits fiscal space for investments in diversification. The high dependency on FDI for oil and gas has led to limited attention to other sectors such as agriculture, manufacturing, and services.

Angola has encountered numerous challenges in implementing its diversification policies. Despite some attempts at diversification through plans such as the *National Development Plan* and *Angola 2025*, such efforts have often been frustrated by inconsistent policy implementation, lack of coordination, and a weak institutional framework. Diversification efforts have therefore been slow and largely unsuccessful in promoting sustainable economic development outside of oil.

Global trade policies, as well as regional and international market access, pose additional challenges for Angola's diversification. While Angola has signed trade agreements such as the African Continental Free Trade Area (AfCFTA), limited access to international markets for non-oil goods due to high transport costs, trade barriers, and competition from other emerging economies restricts the country's ability to export products from sectors outside oil.

6.7. Recommendations for Angola's Development

Based on the findings of the study on Angola's underdevelopment despite its abundant resources, several recommendations can be made to guide the country toward sustainable economic growth and diversification. These recommendations encompass improving governance, diversifying the economy, addressing infrastructure gaps, and enhancing human capital development. The following are the key recommendations with supporting references:

Angola must address the root causes of poor governance and corruption, which have hampered the effective use of its resources for development. Efforts to improve transparency, accountability, and the rule of law are critical. According to *Transparency International* (2022), corruption remains a major barrier to development in many African countries, including Angola. The government should prioritize anti-corruption reforms, such as strengthening independent institutions,

enhancing transparency in public procurement, and establishing clearer oversight mechanisms. This would help ensure that resource revenues are properly managed and directed toward national development goals.

- **Recommendation:** Strengthen anti-corruption laws, promote transparency in government spending, and create mechanisms for accountability to prevent the misuse of public funds.

Angola should diversify its economy away from oil to reduce vulnerability to global oil price fluctuations and create more resilient growth. The diversification strategy should focus on sectors such as agriculture, manufacturing, tourism, and technology. According to the *African Development Bank* (2022), countries that rely heavily on natural resources must invest in the development of other sectors to achieve sustainable economic growth. The starting point for diversification in the case of Angola could be fostering agricultural development, through modernization and enhancing the local value chains.

- **Recommendation:** Clearly spell out a national strategy for economic diversification with the focus on agriculture, manufacturing, and services. Emphasize innovative and sustainable growth.

Angola has huge infrastructure shortfalls that considerably impede overall development, including in rural areas, among others, due to problems concerning transportation, energy, telecommunications, and the availability of water. According to the *World Bank* 2022, improving infrastructure will promote productivity and continue to facilitate trade while attracting more and more foreign direct investment into the country outside the oil and bank sectors. Investment in modern transportation-an efficient road system, better sea and air ports, extended electricity grids-must provide a base for an industrial-agrarian development boost.

- **Recommendation:** Infrastructure projects are to be emphasized, especially in projects that connect the rural areas with the urban centers, improve access to energy and enhance logistics capacities to support various economic activities across sectors.

Angola's most significant barrier is the lack of skilled labor force and limited accessibility to quality education. According to the *United Nations Development Programme* (UNDP) (2021), investing in human capital is one of the most effective

ways to drive long-term economic growth. The government must invest in education and vocational training to create a skilled workforce that can meet the demands of diversified industries. A focus on education in the areas of science, technology, engineering, and mathematics, along with technical skills, would help in building human capital for a modern economy.

- **Recommendation:** Invest in education and vocational training, focusing on developing skills relevant for emerging sectors in technology, renewable energy, and agriculture.

In developing the private sector, there is a need for Angola to work on enhancing its business climate in pursuit of FDI in non-oil sectors. According to UNCTAD 2022, a favorable investment climate is called for, one that comprises ease of doing business, legal certainty, and political stability, to be attractive to foreign investors. Angola has already taken steps in this direction, such as offering investment incentives and establishing special economic zones, but more needs to be done to make the country more competitive globally.

- **Recommendation:** Reform the business environment by simplifying regulations, improving legal frameworks, and offering targeted incentives for foreign investment in non-oil sectors such as agriculture, manufacturing, and technology.

Angola's high external debt and poor fiscal management continue to be a drag on the economy. According to the *International Monetary Fund* (2021), Angola's debt burden reduces its ability to invest in critical areas such as infrastructure, education, and healthcare. Angola should adopt a more sustainable fiscal policy to reduce its reliance on debt and increase its fiscal space for development. Debt restructuring and renegotiation with international creditors could also provide immediate relief.

- **Recommendation:** Pursue debt restructuring and negotiate more favorable terms with creditors to free up fiscal space for development projects. In parallel, adopt stronger fiscal discipline to reduce future debt accumulation.

Angola can benefit significantly from greater regional integration within Africa. The implementation of the African Continental Free Trade Area (AfCFTA) offers significant opportunities for Angola to access new markets for its non-oil exports. According to *UNECA* (2022), intra-African trade is a key driver of

economic growth, and Angola should capitalize on this opportunity to expand its trade in agricultural and industrial products. Strengthening regional trade agreements and improving trade facilitation measures, such as reducing trade barriers and improving customs efficiency, would benefit Angola's non-oil sectors.

- **Recommendation:** Strengthen participation in regional trade agreements, particularly the AfCFTA, and invest in trade facilitation measures that reduce costs and barriers to intra-African trade.

Angola's development strategy should incorporate sustainability and green growth principles to ensure long-term prosperity. As global attention shifts towards climate change and environmental protection, Angola should invest in renewable energy and sustainable practices, particularly in agriculture and industry. The *International Energy Agency* (IEA) (2022) emphasizes the importance of energy diversification, including solar and wind energy, for countries dependent on fossil fuels like Angola.

7. CONCLUSION

In conclusion, underdevelopment in Africa can be blamed on both internal and external factors, which impede proper use of natural resources and economic development. Through this case study, Angola has been able to shed light on the various dimensions of Africa's development issues. With all the abundance in oil and other natural resources, Angola finds itself at a paradox: extraordinary resource wealth amid widespread poverty and underdevelopment. A primary factor is Angola's over-reliance on oil exports, which constitute the majority of the country's foreign exchange earnings and GDP.

This dependence has made Angola's economy highly vulnerable to global oil price fluctuations, resulting in cyclical booms and busts. While the oil prices are high, there are some temporary economic gains; however, whenever the prices drop, Angola suffers severe financial crises that hamper investment in other important sectors such as agriculture, manufacturing, and technology.

Another significant factor that has led to the underdevelopment of Angola is poor governance and systemic corruption. While the country is rich in resource endowments, its management has been plagued by corruption and lack of transparency. Weakened governance, caused by the preponderance of wealth in the hands of the elites and political figures, has led to misallocation and misappropriation of oil revenues that should have gone into infrastructure development, education, and healthcare. This has contributed to a majority of the populace continuing in poverty and reaping little from the natural resources of their country. Angola's weak institutional framework and lack of accountability further exacerbate these governance challenges, hindering the effective implementation of policies aimed at development.

The lack of infrastructure and human capital development are additional barriers to Angola's economic diversification. Angola has suffered from decades of civil war, which devastated much of its infrastructure, leaving it with inadequate transportation networks, unreliable energy systems, and insufficient access to basic

services. The country's poor infrastructure limits productivity and reduces the competitiveness of sectors outside of oil. Similarly, human capital development has lagged behind, with limited access to quality education and vocational training. As a result, Angola faces a significant skills gap that prevents its workforce from contributing to the growth of emerging sectors such as agriculture, manufacturing, and technology.

External factors also play a significant role in Angola's economic challenges. Unsustainable levels of the country's external debt have gained significant momentum, depressing fiscal capacity and suppressing growth. The high cost of debt servicing has captured resources that could have been available for investment in diversification and infrastructure. In addition, FDI in the oil sector has meant little progress in the diversification of the economy. The country faces big barriers to attracting FDI in non-oil sectors, such as agriculture and manufacturing, due to the lack of a good business climate, limited market access, and high costs associated with doing business in the country.

In light of these challenges, Angola must adopt a multi-dimensional approach to development. First, it must focus on economic diversification, reducing its dependence on oil by developing sectors such as agriculture, manufacturing, and services. Angola should also strengthen its governance institutions to reduce corruption and increase transparency in the management of natural resources.

By ensuring that oil revenues are used effectively, the country can invest in critical infrastructure, education, and healthcare. Besides, the improvement of the business climate and attraction of FDI into the non-oil sectors are very important for economic diversification. Investments in infrastructure-such as transport, energy, and technology-will go a long way to help productivity and competitiveness.

Human capital development, especially through investments in education and vocational training, is crucial to make the workforce contribute to the growth of diversified industries.

Angola's natural resource wealth offers a significant opportunity for development, the country's reliance on oil, poor governance, inadequate infrastructure, and lack of human capital have limited its ability to achieve sustainable economic growth. Angola's experience offers valuable lessons for other

African countries, emphasizing the need for effective governance, economic diversification, and investments in human capital.

With the right policies and reforms, Angola can unlock the full potential of its resources, driving inclusive and sustainable development that benefits all segments of society. This case study serves as a reminder that natural wealth alone is not enough for development—effective resource management, governance, and strategic investment are the key ingredients for success.



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