Vulnerability Profile

ANGOLA

UNITED NATIONS
UNCTAD

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Vulnerability Profile

ANGOLA

UNITED NATIONS
UNCTAD
Geneva, 2023

Notes

This publication was prepared by the United Nations Conference on Trade and Development (UNCTAD) in anticipation of the 2021 review by the Committee for Development Policy of the United Nations of the list of least developed countries.

The $ sign refers to the United States dollar.

A hyphen (-) indicates that the data are either not available or not applicable.

Abbreviations

AfCFTA	African Continental Free Trade Area
CDP	Committee for Development Policy
COMESA	Common Market for Eastern and Southern Africa
COVID-19	Coronavirus disease
EVI	Environmental Vulnerability Index
FAO	Food and Agricultural Organization of the United Nations
FAOSTAT	FAO Statistical Database
FDI	Foreign Direct Investment
GDP	Gross National Income
GSP	Generalized System of Preferences
GVC	Global Value Chain
HA	Hectares
HAI	Human Assets Index
HDI	Human Development Index
HS	Harmonized System
ICT	Information and Communication Technology
ILO	International Labour Organization
IMF	International Monetary Fund
LDC	Least Developed Country
MFN	Most-Favoured Nation
ODA	Official Development Assistance
OECD-DAC	Development Assistance Committee of the Organization of Economic Cooperation and Development
OPEC	Organization of the Petroleum Exporting Countries
PPP	Purchasing Power Parity
SADC	Southern African Development Community
SDG	Sustainable Development Goal
SITC	Standard International Trade Classification
SME	small - and medium - sized entreprise
UNCTAD	United Nations Conference on Trade and Development
UNFPA	United Nations Population Fund
WHO	World Health Organization
WITS	World Integrated Trade Solutions

Contents

Figures

Tables

1-COVID-19-related restrictions prevented wider coverage of informal operators.

Executive Summary

When a country has met the criteria for graduation for the first time, the United Nations Conference on Trade and Development (UNCTAD) prepares a vulnerability profile of the country as an input to the triennial reviews conducted by the Committee for Development Policy (CDP) of the least developed countries category. The vulnerability profiles are aimed at assisting the qualifying countries to formulate strategies for graduation with momentum to increase their chances of achieving structural, social, and economic progress towards and beyond graduation from the least developed countries (LDCs) category. Angola was found eligible for graduation for the first time in 2012, having met the "income-only" criterion. The country was initially scheduled to graduate in 2018 after having been found eligible for the second time during the 2015 CDP triennial review. However, consecutive years of bad economic performance led to a series of postponements and extensions, including the latest one due to COVID-19.

The gross national income (GNI) per capita in 2021 was $3,207, which is 28 per cent lower than that recorded in 2018, although it remains above the income-only graduation threshold ($2,444). Achieving momentum in its graduation, scheduled for 2024, hinges on the country's reversing the economic meltdown experienced since 2016. The country's vulnerability to oil price fluctuations, coupled with a weak structural base, have grounded the export-dependent economy and severely damaged the prospects of the country graduating on income-only criterion. The analysis in this vulnerability profile highlights several dimensions of Angola's vulnerabilities along the five Ps drawn from the 2030 Agenda for Sustainable Development, namely, people, planet, prosperity, peace and partnerships. Among the key vulnerabilities are the low human capital development, rising poverty and inequalities, and unemployment among the fastest growing segment of the labour force (i.e., the youth). Climate change impacts, quality of institutions, and the burden of debt are also conspicuously hindering Angola from achieving its potential.

Angola is among countries with fast growing populations in the world. The majority of the population is young, and outside the economically active group. This may pose a challenge to social development unless a positive link is established between the demographic dynamics and economic growth. The population is predominantly urban, hence demand for public services in cities and urban areas has increased. Deprivation in terms of access to clean water and sanitation, and access to affordable and clean energy, among others, affect more than half the country's population. The unemployment rate which was close to 8 per cent in 2020 nationally, was higher among the youth at 16 per cent. Ending poverty and inequalities are perceived as main avenues for boosting inclusive development and shared prosperity. This could be achieved by closing social sector services gaps in health, education, water and sanitation, and energy supply, as well as coverage of social security.

The low level of human assets, leading to skills shortage, is one of the major contributing factors to informality and the high unemployment rate in Angola, as the labour force mainly consists of individuals with little formal education or only primary school as the highest level of education attained. Industry, the most dominant sector in the economy, absorbed a small share of the labour force. However, agriculture, which contributes the least to total value added, employed the biggest share of the labour force. The slowdown in labour productivity arises from structural shifts in labour between sectors rather than within sectors, which may be evidence of weak intersectoral linkages that are fundamental to structural transformation. The contribution to labour productivity of structural shifts in labour between sectors remained negative throughout 2000–2019, as the labour employment structure unsuccessfully shifted from predominantly agriculture to services, and back to agriculture due to changing oil market dynamics. However, there was a slight improvement in 2010–2019, with the services sector improving in labour retention compared to 2000–2009.

The major economic risk to Angola is its structure, which renders it highly vulnerable to external shocks. In 2016–2020, primary commodities, precious stones and non-monetary gold were the most dominant commodities in exports, accounting for an average of 97 per cent, of which 93 per cent were fuels. The global economic crisis in 2007/2008 plunged the economy into a major slowdown from which it has not fully recovered. Immediately following that crisis, in 2010–2014, the country's export earnings picked up as oil prices remained relatively strong, but eventually buckled under heavy external pressure as global oil oversupply pushed prices

downwards. The pace of economic diversification has been too slow to match the risks posed by the mono-commodity domination of the economy. As such, the oil market resurgence in 2022 would be critical for economic recovery, but domestic reforms are needed to build resilience. Privatization can be an effective tool as part of a broader strategy for diversification of the economy if implemented under conducive governance and implementation frameworks.

The latest CDP data show that Angola's economic and environmental vulnerability index (EVI) score has increased along with several of its subcomponents, but instability of exports has declined despite the main export commodity facing volatile prices. Although Angola does not need to meet EVI criterion to graduate, the worsening of drivers of the index confirms the gravity of the economic challenges the country has to surmount. The concentration of exports may worsen due to the resurgence of oil markets, but growth in non-traditional exports such as fish, agricultural products, and manufactured goods and services may change the outlook. Climate change is also an impediment to Angola's structural transformation and disasters related to natural hazards have become more frequent and devastating. Agriculture, particularly livestock, is the most vulnerable sector to droughts and floods, hence an increase in climatic disaster risks will disproportionately affect the poor. The geographic and sectoral spread of disaster risks may also necessitate an investment plan aimed at: (i) disaster risk reduction in the most affected areas, and (ii) climate change adaptation that integrates future development projections, including demographic dynamics, economic trends, and climatic conditions.

Since the end of the civil war in 2002, the political environment has been generally conducive for business, but levels of interpersonal violence and violence against women remain relatively high. In addition, as in many post-conflict countries, the country would have to overcome inequalities, corruption and macroeconomic mismanagement since these factors are a threat to peace and stability, and are often the central issues in conflicts. The country has held regular general elections since 2008, while maintaining diverse participation in the electoral process. This is an important milestone considering the tendency for resource-rich countries within the Southern and Eastern African regions to degenerate into conflicts fuelled by an untamed appetite for control over natural resources, ethnicity, and political and economic power.

The external environment and international relations with bilateral and multilateral partners are also critical for Angola because of the significance of international trade and finance to the country's development prospects post-graduation. Because of its income level, Office Development Assistance (ODA) received by Angola consists of a higher share of loans than grants compared to other LDCs. Although Angola mobilizes substantial private flows through foreign direct investment, (FDI) these flows target mostly the natural resource sectors – oil, gas and mining – while debt finance has been used for various infrastructure projects and in expanding public investments in key sectors. The FDI partners, including China, India and South Africa, are also among the major destinations for Angola's exports. However, Angola has been going through a phase of disinvestments compared to the value of newly invested capital since 2016. In 2016–2020, the disinvestment amounted to $21 billion, with $14 billion lost in 2017 and 2018 alone. The diversity of sectors receiving FDI in 2018–2021 is important for the country's ambitions to achieve structural transformation, but some sectors are receiving manifestly low investment from both private and public sources.

The recovery from the long-running recession and the impacts of COVID-19 may be underway as growth turned positive in some sectors in 2021: Q3-Q4. However, there is a need for better linkages among non-oil sectors; closing revenue leakages including illicit flows; and reviewing capital repatriation policies considering the increased risk to investments. The preparatory period before graduation is an important phase for reviewing trade and industrial policies in line with expected changes to the international environment when LDC-specific support measures are withdrawn. Lack of diversification in manufacturing, agriculture and other sectors means that the country has not fully exploited these LDC flexibilities to foster diversification in those key sectors.

The government should utilize its policy space to mobilize private investments in key sectors, including through the smooth transition strategy. Among the interventions needed include reducing the financial sector's exposure to oil assets, purposefully nudging capital flows to key sectors, and building capacity to regulate the investment flowing into all sectors. Building an ecosystem of an entrepreneurial base in the non-oil economy of Angola should be a major priority. Addressing systemic impediments to entrepreneurial and business growth is the

first step to removing constraints to private sector development and creating a flourishing business environment. Increasing access to finance; availability of supportive infrastructure; effective utilization of human capital stock; investment in education, training and skills development; and continuous upgrading of productive capacities are some of the factors that could accelerate entrepreneurial development. In preparing for the African Continental Free Trade Areas (AfCFTA), Angola should also be creating market linkages within and outside the country, channelling FDI to value chains that have the greatest potential of linking microenterprises and SMEs (Small and Medium Sized Enterprise) to larger companies, reviewing local content policies to stimulate linkages between the extractive sector and indigenous enterprises, fostering start–ups, scaling up businesses, offering selective support to deserving businesses at the stages of venture development, proactively identifying prospective growth firms, and addressing the skills as well as managerial skills gap. The practice of rationalizing the investment process goes is at the heart of reducing inequalities that are often associated with resource-rich economies. It is therefore important for the business development model to take into account the widespread informality and inequalities in Angola.

A. Introduction

When a country has met the criteria for graduation for the first time, the United Nations Conference on Trade and Development (UNCTAD) is mandated to prepare a vulnerability profile of the country to be considered by the Committee for Development Policy (CDP) at its triennial review of the least developed countries category (General Assembly resolution 59/209 of 20 December 2004; paragraph 3 (b) (United Nations, 2005). The vulnerability profiles are aimed at assisting the qualifying countries to formulate strategies for graduation with momentum to increase their chances of achieving structural, social, and economic progress towards and beyond graduation from the least developed countries (LDCs) category. For UNCTAD, this involves the provision of country-specific analytical material on the implications of graduation. This encompasses a comprehensive vulnerability assessment based on relevant and up to date information about the country; providing relevant advisory services to policymakers; policy dialogues with relevant stakeholders in the country; and assisting the country in preparing a smooth transition strategy for the global landscape they will enter after graduation.

Angola was found eligible for graduation for the first time during the 2012 triennial review of the CDP, having met the "income-only" criterion. Eligibility "for the first time" implies that the country will in principle qualify for graduation from LDC category if the meet the eligibility criteria in the subsequent triennial review. Angola was initially scheduled to graduate in 2018 after having been found eligible for the second time during the 2015 triennial review. Soon after, a series of negative events led the General Assembly to decide on an exceptional basis to delay Angola's three-year preparatory period leading to graduation by two years, meaning that Angola has had at least five years to prepare for graduation by 2020 (United Nations, 2016). Conditions deteriorated further during the preparatory phase, and the General Assembly in its latest resolution on the issue in 2020 decided to extend the preparatory period preceding Angola's graduation by another three years (United Nations, 2021). The resolution, among others, acknowledges

that Angola is in a long-running recession that has been compounded by the devastating impact of the COVID-19 pandemic.

This vulnerability profile is therefore being prepared at a critical time when Angola has to concurrently arrest the economic recession and counteract the external shock caused by the COVID-19 pandemic. The present vulnerability profile provides an assessment of historical and current progress to structurally transform the economy, and the policy measures being taken to insulate it from further shocks. The assessment also identifies major, relevant future issues for Angola, including the challenges and opportunities during the transition period and beyond graduation, as well as the possible policy gaps to be addressed.

The analysis is structured around the following four areas: (i) a situation analysis providing an overview of the macroeconomy and recent developments in the economy; (ii) identification of areas of vulnerability based on the five Ps drawn from the 2030 Agenda for Sustainable Development (people, planet, prosperity, peace, and partnership); (iii) evaluation of the effects of the identified vulnerabilities; and (iv) providing a review of the coherence between the country's trade and development policies, and offering recommendations for further policy development (Figure 1). The study is based largely on a descriptive analysis with a backward focus up to the latest available data (2018-2021). More rigorous methods are adapted in selected cases when data permits. Towards the latter, the Angola National Productive Capacities Gap Assessment (UNCTAD, forthcoming) complements this vulnerability profile by highlighting how the development and utilization of productive capacities contributes to achieving an inclusive and more sustainable recovery, and to building long-term resilience to shocks.

The rest of the report is structured as follows. Section B provides an overview of the Angolan economy and the country's footprint in the Africa regional context. Section C discusses the areas of vulnerability using the conceptual framework outlined above. Section D explains the implications and linkages of the identified vulnerabilities. Section E concludes the report with some recommendations.

Figure 1:
Vulnerability conceptual framework
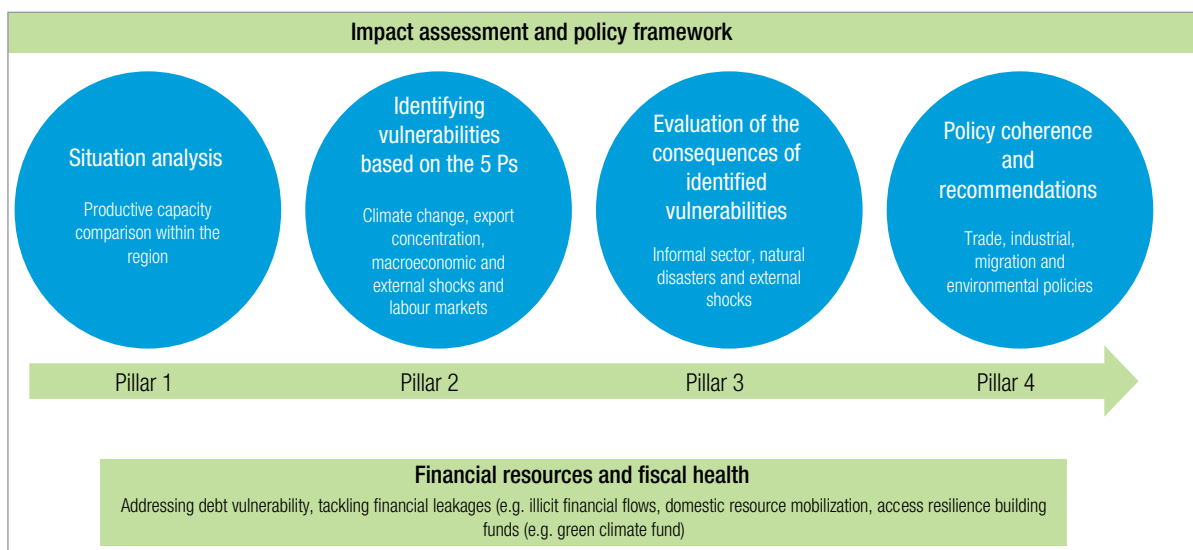
Source: UNCTAD secretariat's conceptualization of the vulnerability profile assessment.

B. Situation analysis

1. The macroeconomy

Angola has been in a recession since 2016 (Figure 2). The COVID-19 pandemic has deepened the crisis by reducing exports and domestic economic activities. According to data from the International Monetary Fund (IMF), the nominal gross domestic products (GDP) generated in 2020 was only 40 per cent compared to its level in 2014, and it is Angola's worst growth performance in 2000-2020. The IMF projected a marginal growth of 0.4 per cent in 2021, and further consolidation of growth in 2022 to 2.4 per cent, depending on oil prices remaining strong and the country implementing planned growth enh1ancing structural reforms (IMF, 2021). The reforms would have to take into account the high inflation and external debt levels, as well as surging unemployment and poverty amidst a continued slippage of the domestic currency against major currencies. In addition to the inflationary pressures and other factors, falling tax revenues are likely to keep government policy options limited. Oil is at the centre of the Angolan economy and any movement in the price of oil is transmitted to the rest of the economy. According to data from UNCTADStat, fuels accounted for 93 per cent of exports in 2016–2020, while ores, metals, precious stones, and non-monetary gold – also price-sensitive exports – averaged 3 per cent of the total in 2016–2020. The recession is

traced to the last oil price peak ($140.73 per barrel) in July 2008 (Figure 3) that triggered a global glut. Oil producers that are not members of the Organization of the Petroleum Exporting Countries (OPEC) raised their production as prices recovered quickly following the 2008/2009 financial crisis and remained strong through 2010-2014. OPEC maintained production levels as a strategy for market control played out, resulting in the global oversupply (Mead and Stiger, 2015). By January 2015, the price of oil plummeted to $41.50 per barrel, pushing oil-dependent economies into distress. There were short lived recoveries in

Figure 2:
Annual growth in real GDP (Per cent)
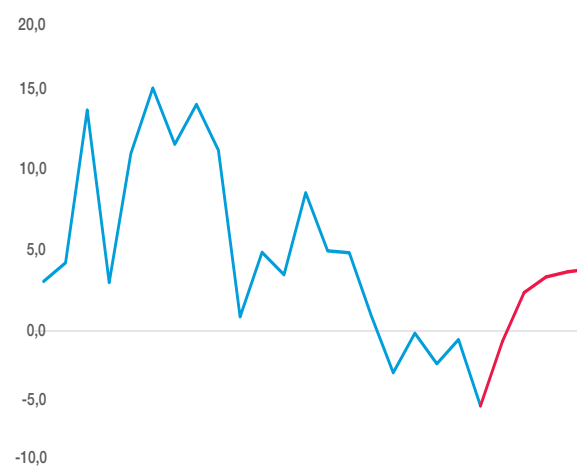
Note: Projections start after 2020
Source: UNCTAD secretariat based on data from IMF, World Economic Outlook Database, October 2021 release.

prices between 2017 and 2019, both reflecting market price correction and supply adjustment as some major oil producers, such as, the Islamic Republic of Iran and the Bolivarian Republic of Venezuela, faced supply disruptions due to domestic and external circumstances (Beck, 2019). It is therefore important to note that while the impact of COVID-19 has been severe on all oil exporters in Africa, the economy of Angola was already reeling from the external shock of the weak oil market.

The short-to medium-term outlook is cautiously positive because of the gathering pace of economic recovery globally that coincides with a phase of vac-

cine rollouts, the staggered waves of contaminations between major markets, and the reduced risk of prolonged confinements despite the discoveries of new COVID-19 variants, including Omicron. However, the first quarter of 2020 was mostly characterized by oil oversupply estimated at 8.9 million barrels per day, a situation that kept prices low (Sonangol, 2020). The price of oil began recovering slowly in April 2020 from the lowest level of $12.41 per barrel, reaching a high of $75.29 in July 2021, which is close to its pre-crisis level in April 2019. Despite this positive price trend, oil production and exports have not fully recovered to pre-crisis levels as uncertainties persist in the market (Figure 4 & 5).

Figure 3:
OPEC basket price of oil (Dollars per barrel)
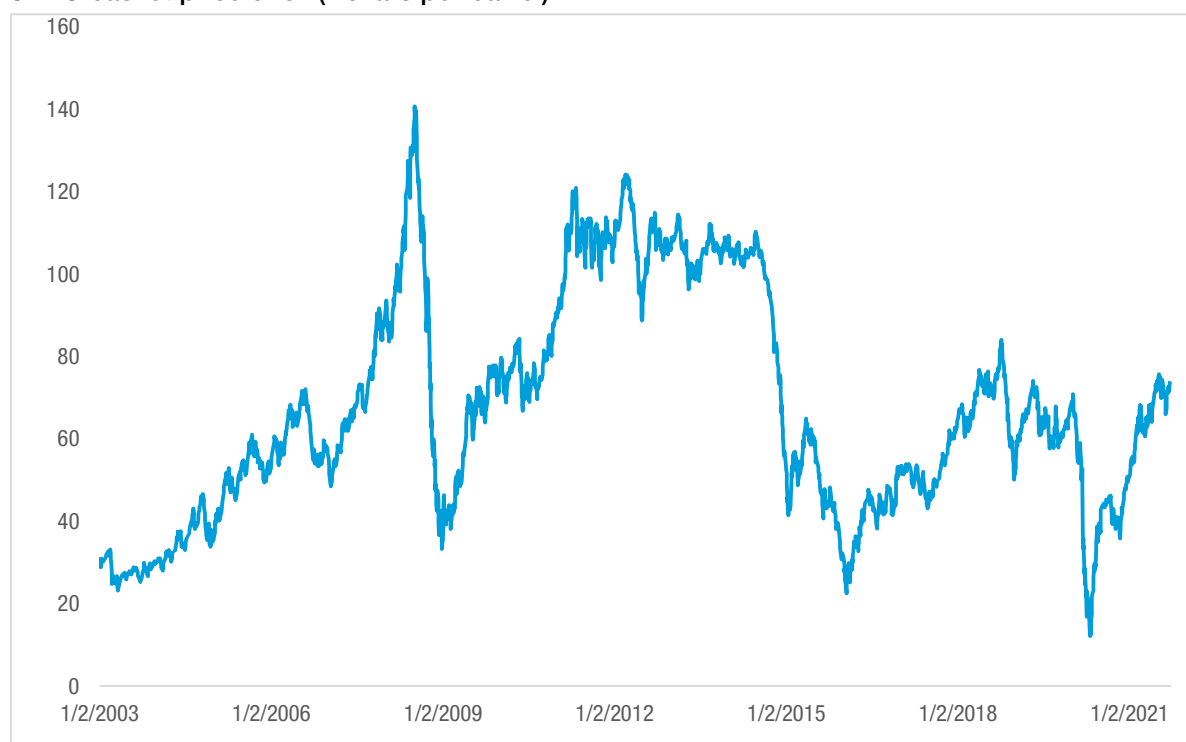
Source: UNCTAD secretariat based on data from the new OPEC Reference Basket (ORB).

A recovery dependent on a strong and sustained rise in oil prices may be adequate to secure a measure of fiscal stability; however, this will not be sufficient to assure the economy's future resilience nor sustainable development. This is due to the negative impacts on the Angolan economy from the fall in global oil prices that are typically large, while positive impacts from oil price increases are much less significant. Angola's slow recovery from previous oil price shocks and demonstrated vulnerability to external shocks is characteristic of its weak economic base, which is unable to fully capitalize on upswings in global oil

prices. This applies equally to other extractives sectors, the main driver of the economy, as Angola's limited local refining capacity cannot offset the negative impacts of exchange rate appreciation that accompany a positive oil price shock (Omolade et al., 2019; Bala and Chin, 2018). The devaluation of the kwanza and significant increase in non-performing loans have contributed to keeping inflation and interest rates high since 2016. Inflation rose sharply in 2016 when it peaked at 42 per cent, from 7.6 per cent in 2013. Although the pressure lessened in 2018 (19 per cent) and 2020 (23 per cent), the high interest rate environment and the continued

pressure on the kwanza has kept inflation high, just below the Bank of Angola target of 25 per cent in 2020, while the reference interest rate has been kept at 15.5 per cent in 2019 and 2020.

A fall in oil prices may also raise inflation through various channels, including through exchange rate depreciation, compounding the economy's lack of capacity to absorb the negative oil price shock. This is usually the case for countries that export crude and import refined oil (Bala and Chin, 2018; Omolade et al., 2019). In the case of Angola, the refining capacity covers only 20 per cent of domestic demand, although projects in the pipeline may expand domestic refining capacity in the near future (Energy Capital and Power, 2021).

Figure 4:
Angola oil production (Thousand barrels per day)

Source: UNCTAD secretariat based on data from US Energy Information Administration database [accessed January 2022].

Figure 5:
Oil export volumes and prices 2015-2021*
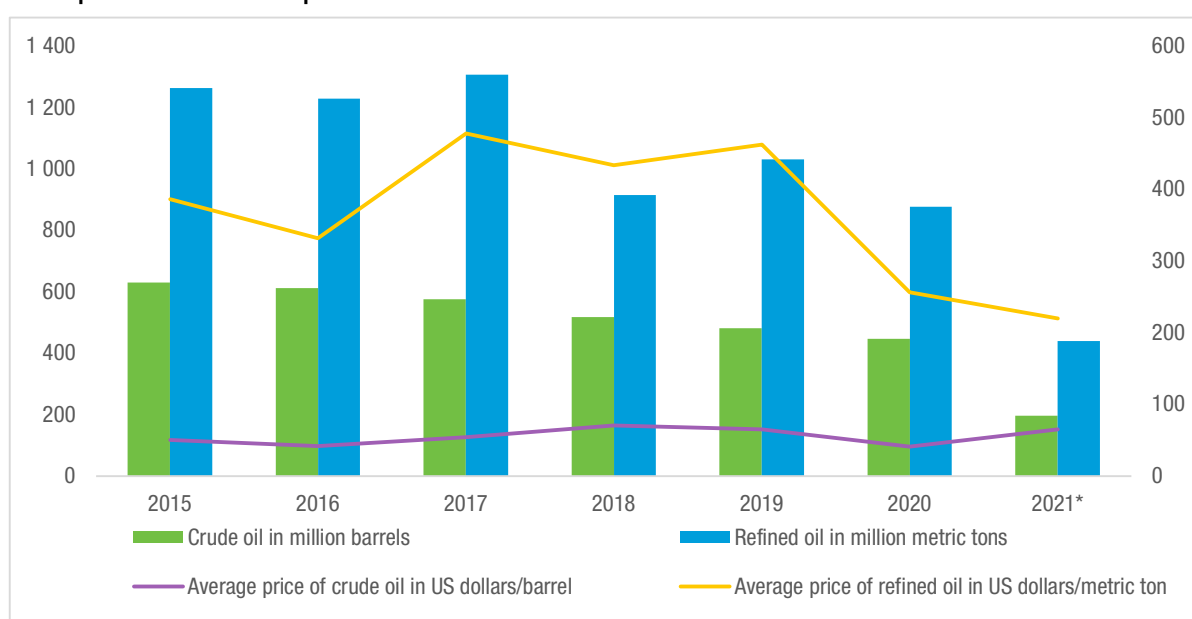
Note: * Preliminary for the first quarter.
Source: Banco Nacional de Angola (BNA)/DES.

The extended preparatory phase prior to graduation from the LDC category should be used by policymakers in Angola to reinvigorate the process of structural transformation through the development of productive capacities by strengthening domestic and regional interlinkages; promoting synergies between extractive and non-extractive sectors; enhancing employment elasticity of economic growth; improving labour productivity across all sectors, including agriculture; reducing production costs and boosting investment in marginalized sectors; and eliminating structural rigidities in key sectors, including agriculture, manufacturing and services (UNCTAD, 2020a, 2006).

For Angola, the economic outlook is also encumbered by a large debt stock and a financial sector that was not been spared from the recession in 2016–2020. Monetary authorities are implementing measures to build confidence in the financial system by controlling inflation and keeping liquidity flowing particularly to non-oil productive sectors. These include extending liquidity lines to non-financial companies of up to 100 billion kwanza for the purchase of government bonds, interest rate cuts, increasing the permanent overnight liquidity facility, and introducing a fee on the excess liquidity of commercial banks. The challenge however is that the banking sector's operating revenue declined by about 55 per cent in 2020 compared to 2019, and net incomes fell by 32 per cent due to non-performing loans (Deloitte, 2021). These are significant losses considering the economic outlook that remains overshadowed by the COVID-19 pandemic, a lukewarm business environment and uncertainty about the global economic resurgence.

2. The regional context

Angola barely leaves a footprint in Southern African Development Community (SADC) and Africa regional markets. South Africa accounts for virtually all of Angola's exports to African countries, consisting of mainly oil and a few manufactured goods, but overall, the country's exports have not imbued the regional market. There is history for Angola joining and withdrawing from regional integration efforts when benefits are not forthcoming. Angola was a founding member of the Common Market for Eastern and Southern Africa (COMESA) in 1994, which it left in 2007 and when the SADC Free Trade Area (FTA) came into force in 2008, Angola opted to stay out. Angola has acceded to the Africa Continental Free Trade Area (AfCFTA); hence, it remains to be seen how the country will utilize its geographic location and resources to leverage opportunities from the regional market. Many of the benefits will depend on industrial and trade policies, as well as trade with subregional

partners. The latter will depend on Angola's utilization of untapped export potential in the subregion and the Africa region, which is expected to be difficult for Angola because oil and other major exports are among the sectors with the low untapped static and dynamic export potential in the AfCFTA (UNCTAD, 2021a). In addition, Angolan companies may face cost disadvantages in regional value chains that possess first-mover advantages, and as such, they may have to work harder to offset productive capacities that competitors would have accumulated from their history of participation in the regional value chains and to penetrate established networks or set up new ones. However, the AfCFTA opens the capacity for private investment, both domestic and foreign, in the sectors that are more likely to gain traction, including commercial agriculture, manufacturing and services.

Angola's export performance is closely associated with industrial growth, of which oil and mining are the major activities. China is Angola's main export partner, taking 55.9 per cent of Angola's exports in 2016–2020 (58 per cent in 2020). India (8.3 per cent), United States (3.8 per cent), South Africa (3.5 per cent) and Spain (3 per cent) are among the other top export destinations (Table 1). In 2016–2020, only 5.2 per cent of merchandise exports were destined to African countries, with South Africa taking 3.5 per cent and SADC 4.4 per cent.

In terms of geographical spread of trading partners, countries in Asia and Oceania are the main export destinations (Figure 6), with China, India, Taiwan Province of China, Indonesia, Malaysia, Thailand, Singapore and Japan among the most significant. Angola's exports to African countries account for only 5 per cent of the total merchandise exports, consisting mainly of fuels and manufactured goods to SADC countries. The share of manufactured goods increased in the exports to African countries from about 8 per cent in 2017 to almost 30 per cent in 2018–2020 (Figure 7 and 8). This was because of a likely once-off increase in exports of machinery and transport equipment in 2018–2020, including vehicles, aircraft, vessels, and associated transport equipment.[1] According to the World Bank's World Integrated Trade Solutions (WITS) data for 2018, the major export partners for Angola in machinery and transport equipment were Namibia, Republic of Congo, Singapore, France and United States. The main sources of imports were Singapore, China, Portugal, United States and United Arab Emirates.

---

1. According to Cross-Border Road Transport Agency (2021), South Africa imported vehicles, aircraft, vessels, and associated transport equipment valued at ZAR 27,193,791 in 2019, up from ZAR 1,870,504 in 2018.

Share of merchandise exports by destination (Per cent)

Country/Region	2016	2017	2018	2019	2020	Average 2016–2020
Asia	68.4	77.6	76.9	77.3	77.7	**75.6**
China	49.6	55.8	58.2	57.6	58.0	**55.9**
India	7.0	8.3	9.0	8.7	8.8	**8.3**
United Arab Emirates	2.9	2.9	2.1	2.4	2.4	**2.5**
Indonesia	1.3	1.2	1.4	1.3	1.3	**1.3**
Taiwan Province of China	4.1	4.0	0.3	1.7	1.5	**2.3**
Malaysia	1.7	1.6	0.6	1.0	0.9	**1.2**
Thailand	0.1	0.6	1.5	1.2	1.2	**0.9**
Singapore	0.4	0.8	1.2	1.1	1.1	**0.9**
Israel	0.6	0.4	1.1	0.9	0.9	**0.8**
Japan	0.1	0.8	0.6	0.6	0.7	**0.6**
Europe	14.9	7.8	10.3	10.1	10.0	**10.6**
Spain	3.1	2.9	3.0	3.0	3.0	**3.0**
Portugal	3.0	1.0	2.6	2.2	2.2	**2.2**
France	3.3	1.0	1.7	1.7	1.6	**1.9**
Italy	1.7	1.3	1.1	1.2	1.2	**1.3**
Netherlands	1.8	0.3	0.4	0.5	0.4	**0.7**
United Kingdom	1.5	1.1	1.0	1.1	1.1	**1.1**
Americas	10.9	8.5	6.5	7.5	7.3	**8.1**
United States of America	5.4	3.1	3.5	3.6	3.5	**3.8**
Canada	3.1	3.1	1.5	2.1	2.1	**2.4**
Uruguay	0.7	0.0	0.8	0.6	0.6	**0.5**
Africa	5.8	4.9	5.2	5.1	5.0	**5.2**
South Africa	**4.7**	**3.9**	**2.8**	**3.3**	**3.2**	**3.5**
Oceania	**0.03**	**0.01**	**0.15**	**0.07**	**0.07**	**0.06**

Source: UNCTAD Secretariat calculations based on data from the UNCTADStat database.

Merchandise export shares by geographic destination (Per cent)
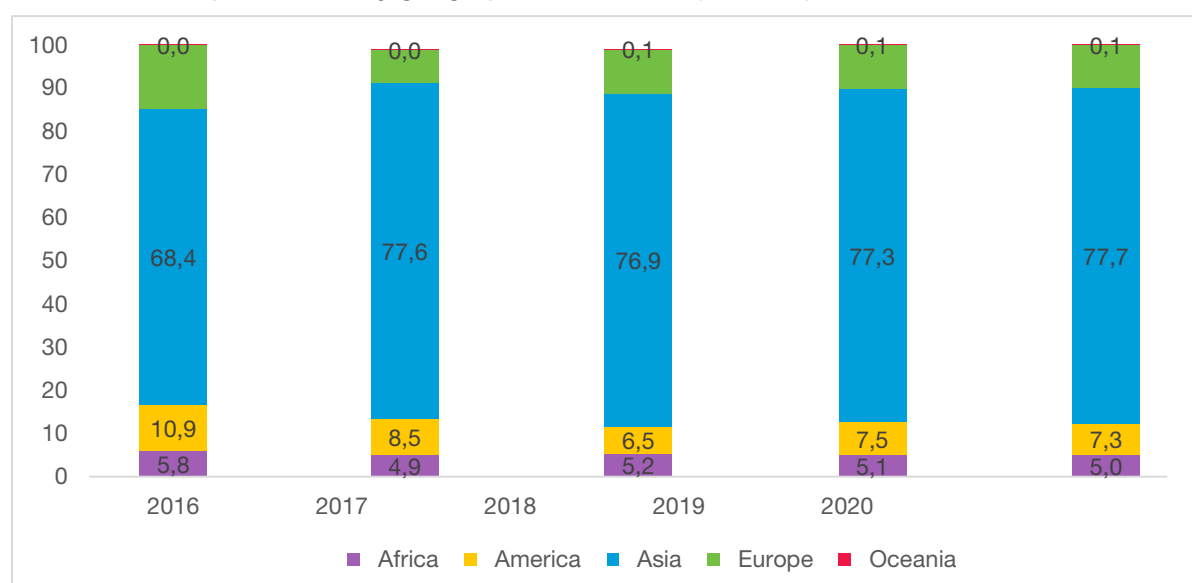
Source: UNCTAD Secretariat calculations based on data from the UNCTADStat database [accessed October 2021].

Figure 7:
Merchandise exports to SADC countries, share of commodity group (Per cent)
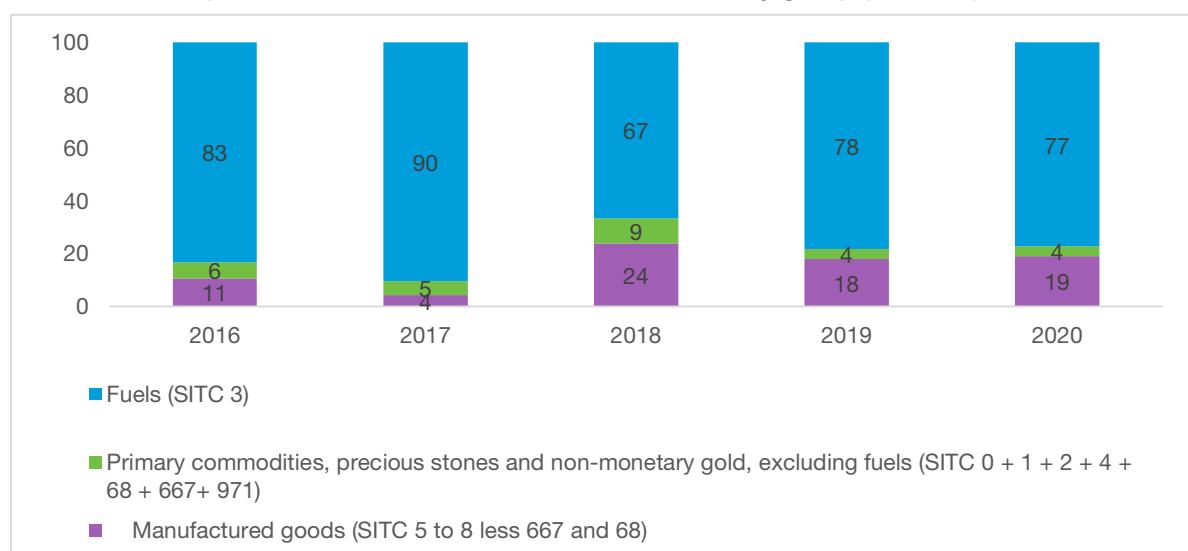
Fuels (SITC 3)

Primary commodities, precious stones and non-monetary gold, excluding fuels (SITC 0 + 1 + 2 + 4 + 68 + 667+ 971)

Manufactured goods (SITC 5 to 8 less 667 and 68)

Source: UNCTAD Secretariat calculations based on data from the UNCTADStat database [accessed October 2021].

Figure 8:
Merchandise exports to African countries, share of commodity group (Per cent)

Fuels (SITC 3)

Primary commodities, precious stones and non-monetary gold, excluding fuels (SITC 0 + 1 + 2 + 4 + 68 + 667+ 971)

Manufactured goods (SITC 5 to 8 less 667 and 68)
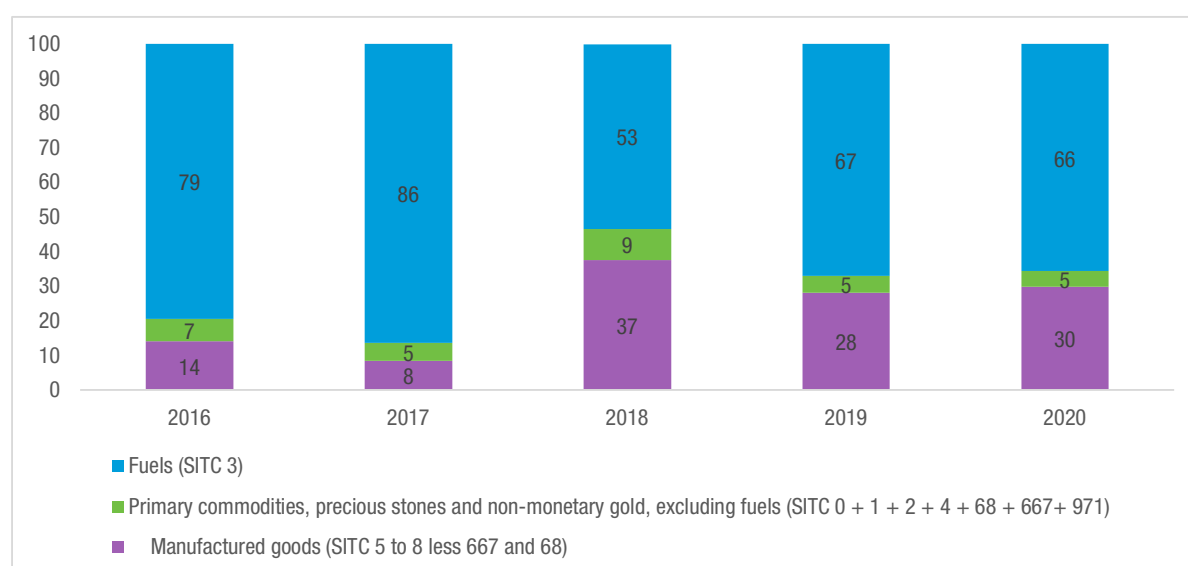
Source: UNCTAD Secretariat calculations based on data from the UNCTADStat database.

Angola faces limited paths to achieving a diversified economy based on the connectedness and know-how from its existing product space. Oil and gas including their derivatives; machinery parts; cargo ships and similar vessels; cereal residues; granite; diamonds; and other bars and rods of iron or nonalloy steel are far removed from the rest of the network of products in the economy, limiting the paths to diversification based on familiar products (Figure 9). However, since 2015, there has been a more direct attempt to restructure the extractives sector through diversification of ownership structure, restructuring of foreign debt, and introduction of legal reforms to pave the way for the privatization of state enterprises in the extractives sector. These fundamental changes in the business environment are necessary, as the country's strategic diversification path depends on finding new niches, for example in industrial machinery, iron and steel, chemical products or similar products with higher complexity and increasing the linkages with other high complex products (The Atlas of Economic Complexity, 2019). However, the process of making these long jumps into strategic areas with future diversification potential is also at the centre of

the needed reform in the business environment to remove blurred lines between capitalism and political establishment. Hence, reforms to state enterprises and broadening the space for private investment

will play a significant role in shaping the structure of Angola's domestic economy and international trade (Ovadia, 2013, 2018).

Figure 9:
Angola in the product space, 2019
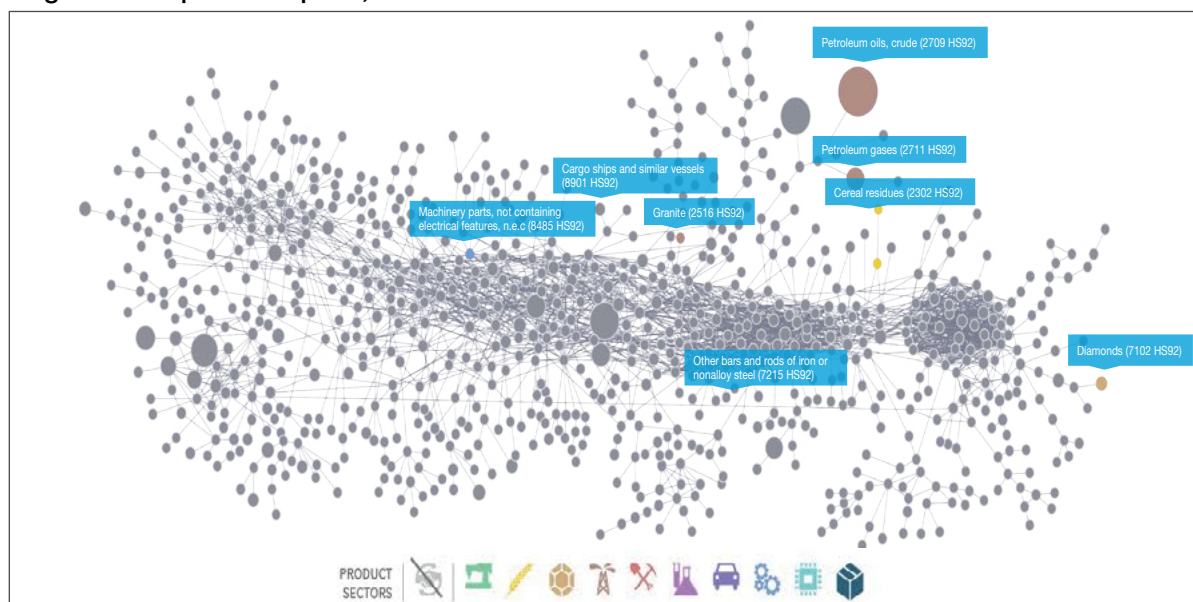
Note: Coloured nodes are products that the country exports, and the grey nodes are products that the country does not export.
Source: The Atlas of Economic Complexity (2019).

The annual merchandise import bill for Angola averaged $14 billion in 2016–2020. The main import partner is Europe, which accounts for 39 per cent of imports, followed by Asia (38 per cent) and America (13 per cent). Imports from African countries account for the remaining 10 per cent (Annex Table 1). Manufactured goods are the dominant group of goods imports from all partners (64 per cent of total merchandise imports), except from the Americas and Oceania whose products consist of mainly food items. Europe dominates all commodity product groups, except for fuels. Angola imports fuels from Asia, Europe and Africa. Machinery and transport equipment are a significant proportion of manufactured goods imports, while food and fuels account for most of primary commodity imports.

Angola's trade structure is largely extra-regional for both exports and imports consistent with the country's commodity dependence which reduces trade complementarities within the region. The policy to forgo the SADC FTA means that the country is excluded from reciprocal duty-free trade on 85 per cent of the intra-SADC trade, but retains some domestic control over tariffs, which allows it to protect some sensitive sectors. Exports to SADC countries initially grew from

$0.5 billion in 2006 to $2.6 billion in 2008, but after the FTA was signed, they fell to $1.4 billion in 2009, and $1.7 billion in 2010. The value of exports to SADC countries averaged $1.5 billion annually in 2016–2019, and dropped to just $0.9 billion in 2020. Imports from SADC countries also declined to an average of $0.8 billion in 2016–2019 ($0.5 billion in 2020) after initially rising from $0.8 billion in 2006 to $1.8 billion in 2009. These figures are marginal considering that Angola's total merchandise export value increased from $31 billion in 2006 to $64 billion in 2008, and averaged $35 billion in 2016–2019 ($22 billion in 2020).

Angola's trade policy stance may have emanated from an attempt to protect infant industries in manufacturing and other sectors, but attempts to inculcate a private sector-led economy may been compromised by vested interests. For example, beverages and construction materials, manufacturers received a boost from tariffs on similar imported products (Redvers, 2013). However, low investment in sectors, such as transport logistics, agriculture, food production/processing, and services, that could lead trade expansion with neighbouring countries are hampering diversification efforts. It is argued that protection of vested interests of the "empresários de confiança"– a small number of

businesses that control supply chains – contributed to the low investment and low private sector participation in value-services and interlinked value-chains (Redvers, 2013; Ovadia, 2013, 2018; Haddad et al., 2020). The ongoing privatization of state-owned enterprises will necessitate a review of industrial, trade and regional policies for the country to fully benefit from the expected private sector investments that are meant to revamp businesses previously operated by state-owned enterprises. The privatization efforts also run the risk of being hijacked by political external actors if the sale of state assets falls into the trap of vested interests with sizeable links to capital. Siakwah (2017) cautions of pervasive rent-seeking behaviour of privatization that replaces state owners with influential domestic and external actors whose only aim is to amass economic gains from existing resources rather than creating and redistributing new wealth. This limits the potential of achieving genuine transformation of the privatized businesses and reduce the impact of trade and development policies on the economy.

Angola is also unlikely to immediately reap benefits from the regional market because of a concentration of extractives in exports, and a limited product diversity in manufactured exports. To position itself for the AfCFTA, Angola should: (i) build productive capacities generally and particularly in sectors that have the greatest potential to provide it a foothold in the subregional and regional markets; (ii) progressively build on bilateral trade agreements to foster stronger

trade ties with SADC countries and benefit its fledging manufacturing activities beyond lusophone African countries and (iii) explore the potential of agriculture and fisheries exports in reducing food price inflation, and expanding the prepared foodstuff value chains to European markets (European Commission, 2021). The AfCFTA's treatment of sensitive products and LDC-specific concessions could provide Angola with at least 10-13 years of tariff phase-down period in those sectors if it retains the LDC status. However, this LDC-specific treatment would only be available during the transition if the graduation proceeds as scheduled in 2024. In developed economy markets, Angola's utilization of trade preferences is low, largely because of the concentration of exports and reliance on few countries as partners for its exports. Generalised System of Preferences (GSP) utilization, for example, was only relevant during the first few years of oil becoming valuable (2005–2010, Figure 10), but has since collapsed together with other schemes. The concentration of commodity exports, lack of diversity in export partners, and weak economy structure of the exporter country contribute to low utilization of trade preferences. The preference-granting partners may also be limiting export diversification in LDCs through their narrow focus on tariffs, market access and rules of origin, rather than holistic approaches that can strengthen the production base of the LDCs (UNCTAD, 2021c).

Figure 10: GSP and other preference utilization rate (right axis) and imports by tariff treatment (left axis): Mineral fuels, oils, and product of their distillation, etc. (HS27)
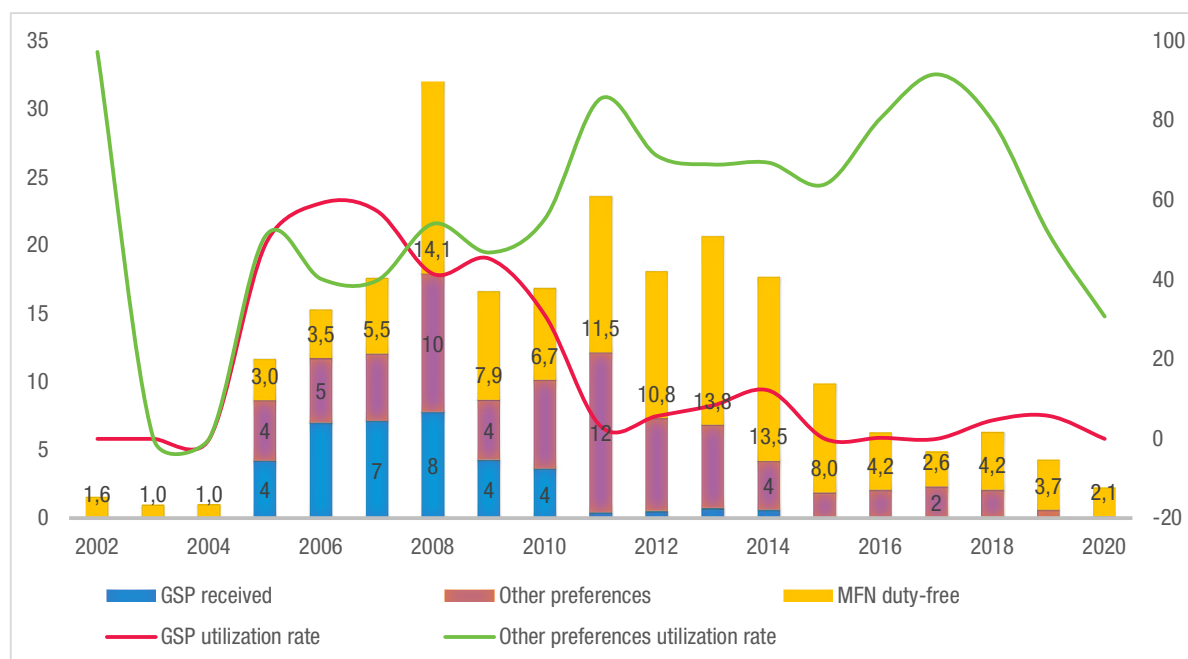
Source: UNCTAD Secretariat calculations based on data from UNCTAD database on GSP utilization.

Trade is an important component of gross income for Angola, but the low complexity of exports and participation in global value chains means that the economy is not achieving its maximum trade potential. The value of purely domestic output grew tenfold from $17 billion in 2002 to $178 billion in 2015 before the recession set in. Since then, output has fallen by almost half, but exports are still dominated by oil. Together, the global value chain (GVC) related output, and output related to traditional trade increased almost eightfold from $9 billion to $69 billion in 2002–2015, but the country's immersion in the global value chain remained low.[2] For example, the pure forward GVC related trade component, which measures the global value-added in exports that originates as the first link in Angola (i.e., GVC-forward related trade), was at 26 per cent compared to the value added in exports that was generated by Angola, but whose first origin is elsewhere (i.e., pure backward GVC related output in exports) was at 5 per cent in 2015 (Table 2). These shares are unlikely to change during the recession as the structure of the economy leans heavily on forward participation in the oil sector. They also show the low level of participation of non-oil sectors in global value chains, which is consistent with the low manufacturing base.

Table 2:
Decomposition of output into pure domestic, and global value chain related output

	Million dollars	Percentage of gross exports
Gross exports	26,108.90	100.0
Domestic content	24,755.36	94.8
Domestic value added	24,754.91	94.8
Value added in exports: Domestic value added absorbed abroad	24,750.66	94.8
Reflection	4.24	0.0
Domestic double counting	0.46	0.0
Foreign content	1,352.73	5.2
Foreign value added	1,352.70	5.2
Foreign double counting	0.03	0.0
Global value chain related output	8,029.43	30.8
Pure backward global value chain related output	1,353.19	5.2
Pure forward global value chain related trade	6,676.24	25.6

Source: UNCTAD Secretariat calculations based on World Bank, World Integrated Trade Solutions database.

C. Areas of vulnerability

1. People

With a total fertility rate of 5.3 per woman in 2021, Angola is among countries with fast growing populations in the world. The population has more than doubled in 20 years, from 16 million in 2000 to 34 million in 2021. Almost half (46 per cent) of the population is in the 0-14 age group, and a child dependency ratio of 90 in 2020 (ratio of population aged 0-14 per 100 population 15-64) shows that the majority of the population is young, and outside the economically active group. Compared to the pace of economic transformation, the population bulge may pose a challenge to social development unless a positive link is established between the demographic dynamics and economic growth. At the current annual growth rate of 3.3 per cent, the population could reach 95 million in 2050, taking into account the median fertility rate (United Nations, 2019).

Most of the population is urban based since 2001, but just a decade earlier in 1990, the rural share of the population was 63 per cent. In 2020, the proportion of the population in urban areas stood at 67 per cent. Demand for public services in cities and urban areas is a growing concern, as is the need for equality in infrastructure development between the urban and rural sectors. Urban infrastructure improvement is also evident from the decline the urban population living in slums, from 87 per cent in 2000 to 49 per cent in

2018. However, rural infrastructure coverage remains low compared to the urban trend. For instance, the proportion of the urban population with access to electricity has increased from 41 per cent in 2000 to 71 per cent in 2020; however,for the rural population, the proportion with access to electricity only increased slightly from 14 per cent in 2000 to 16 per cent in 2020.

Poverty affects a large proportion of the population in both rural and urban areas. The national Gini coefficient for Angola was 0.51 in 2019. The high inequality is a result of the extractive nature of the economy which tends to concentrate wealth in a small segment of the population perpetuating the legacy of the colonial past that created an export economy whose benefits were not widely distributed. In 2018, the poverty headcount ratio at $1.90 a day (2011 purchasing power parity (PPP) was 49.9 per cent, with a higher incidence in rural areas (74 per cent) compared to urban areas (34 per cent). The national poverty level was lower; for example, the poverty rate based on a monthly food and non-food consumption expenditures per adult equivalent was 32 per cent but among the rural it stayed high at 55 per cent, (World Bank, 2020).

The extent of poverty in Angola has been confirmed by several important surveys; for example, Angola Multiple Health Indicators Survey 2015-2016 reported that 54 per cent of Angolans live in poverty, and considering the four dimensions of multidimensional poverty, (namely health, education, quality life and employment), the incidence of multidimensional poverty in rural areas (88 per cent) is more than double that of urban areas (35 per cent). Also, the intensity of poverty is higher in rural areas than in urban areas. Furthermore, some of the vulnerable groups have also been disproportionately affected by the COVID-19 pandemic since 2020 as explained in the UNCTAD study on *Economic and Social Impact of COVID-19 in Angola 2021* (UNCTAD, 2021b). Further more, in 2020–2021, drought affected various provinces of the country, inflicting high economic losses on rural population. Data from the National Institute of Statistics from the Employment Survey 2020: Q4 shows that about 8 out of 10 people are employed in the informal sector. With the mandatory social protection system covering only 7 per cent of the population in 2021: Q1, representing 184,180 contributors, 2,088,833 insured people and 165,987 enrolled pensioners, the scope of reducing poverty through targeted employment and social redistribution policies is reduced to direct transfers and measures that are not securely anchored to economic transformation as the case should be. These measures increase fiscal expenditure and inflationary pressures without positive feedbacks on the real economy.

a) Employment and household incomes

In keeping with population dynamics, the total labour force has nearly doubled from 6.7 million in 2000 to 13.3 million in 2020. Industry, the most dominant sector in the economy, absorbed a small share (7 per cent) of the labour force in 2016-2020 (Figure 11). Agriculture – which contributed the least to total value added (9 per cent) – employed 51 per cent of the labour force in 2019, while services absorbed 42 per cent of the labour force. During the high growth period between 2001 and 2008, unemployment was less than 4 per cent, but recently it ranged from 7.3 per cent in 2015 to 7.7 per cent in 2020 as the recession deepened. The highest unemployment rate of 9.4 per cent was last recorded in 2010 on the back of the global economic crisis, despite the internal and external imbalances experienced in 2015–2020, jobs have been relatively holding compared to the 2008–2009 crisis. However, the prolonged recession is debilitating since employment generation is both a function of economic development and the quality of labour. A higher youth unemployment rate compared to the national unemployment rate reflects the latter and other vulnerabilities in the labour market (see Section B.2).

The slowdown of the Angolan economy is confirmed from a time series analysis of sectoral value added, and a sectoral decomposition of labour productivity. The World Bank's, World Development Indicators database shows that total value added per worker increased from $1,795 in 2000 to $8,804 in 2010, before receding to $6,421 in 2019. During this period, value added per worker in agriculture, hunting, forestry, and fishing also grew from $275 in 2000 to $1,108 in 2010, and to $1,208 in 2019. In contrast, industry value added per worker initially rose from $15,305 in 2000 to $58,476 in 2010 before declining to $42,044 in 2019.[3] The services sector's value added per worker followed a similar trend — initially rising from $705 in 2000 to $8,485 in 2010, before declining to $6,945 in 2019.

---

2. Borin and Mancini (2019) defined GVC related output as output of a country or sector that directly or indirectly crosses more than one border. Output related to traditional trade covers output that crosses just one border, whereas any output that does not cross the border is considered pure domestic output.

Figure 11:
**Employment by sector (Per cent)**
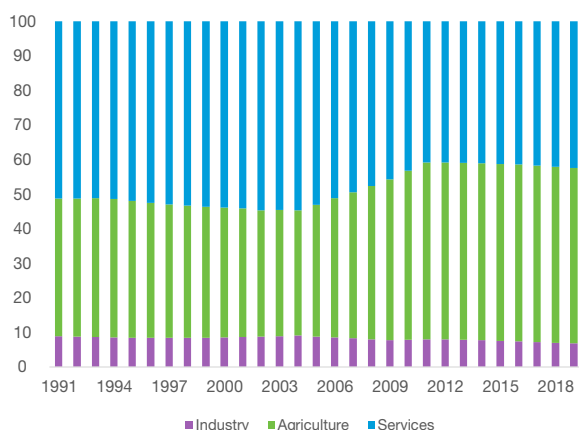
Source: UNCTAD secretariat calculations based on World Bank, World Development Indicators database [accessed October 2021]

Labour productivity growth in Angola has not followed a familiar pattern among LDCs, i.e., productivity of labour declining even as labour shifted from agriculture to other sectors (UNCTAD, 2020a, 2021c). Intersectoral labour employment shifts occurred in 1991–2019, with a regressive overall effect on productivity; but for Angola, labour primarily shifted between agriculture and services while the share of employment in industry remained nearly unchanged. As agricultural land value has soared, and marine and inland fisheries have become important for agricultural exports, the negative impact of the economic crisis on services and industry has reduced rural-urban migration of labour (Temudo and Talhinhas, 2019). Also, there is a distinct break – total value added per worker declined

by 3 per cent in 2010–2019, compared with the high growth (16 per cent) experienced in 2000–2009, when the country was among the world's fast-growing economies. The slowdown in labour productivity in 2010–2019 originated within sectors (mainly industry) when the oil sector experienced several price shocks leading to a recession since 2016. However, critically, the same sector was solely responsible for value added gains experienced in 2000–2009. The contribution between sectors to labour productivity remained negative throughout 2000–2019 as labour employment structure unsuccessfully shifted from predominantly agriculture to services and back to agriculture due to changing oil market dynamics. There was a slight improvement in 2010–2019, (Figure 12), with the services sector improving in labour retention compared to 2000–2009. The slowdown in labour productivity arising from structural shifts in labour between sectors may be evidence of weak intersectoral linkages that are fundamental to structural transformation. Low oil production followed the recession, leading to low utilization of the extractive sector's capacity, which had a knock-on effect on employment in industry and other sectors, particularly the services that are intricately linked with the oil sector. An assessment of some of these productive linkages and its implications for Angola are covered in the Angola National Productive Capacities Gap Assessment (UNCTAD, 2022, forthcoming), and briefly discussed in section D.

Figure 12:
Contribution sectoral labour shifts to growth in value added per worker (Per cent)
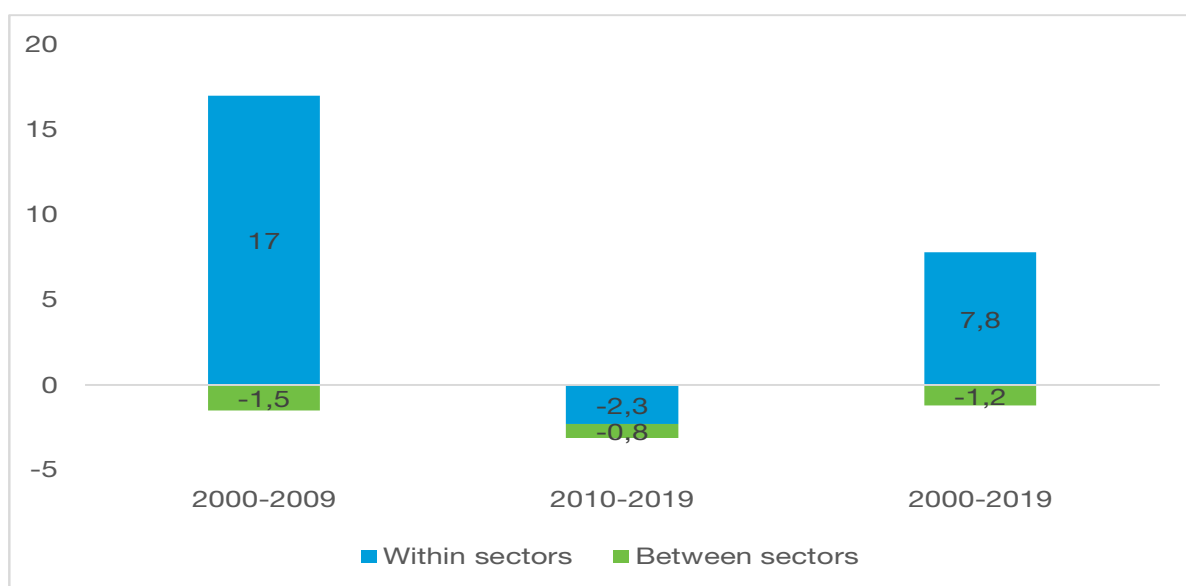
Source: UNCTAD secretariat calculations based on data from United Nations Statistics Division, UNData database [accessed October 2020].

---

3. The value added per worker of industry is mainly driven by the oil sector. Manufacturing share of value added is less than 5 per cent of gross value added in 2000-2020 while extractives – which account for the bulk of industry value added – contributed 40 per cent to gross value added.

A disaggregation of the labour force by some indicator of basic skills provides an insight of the decent work environment in Angola, and how it contributes to labour productivity. The economically active population aged 15 and above was estimated around 13,651,042 according to the survey on Expenditure, Revenue, and Employment-IDREA 2018–2019. Data from the National Institute of Statistics Population Projections 2014–2050 (INE, 2016), further reveals that about 16 per cent of the working population have never attained any level of education and 34 per cent have only completed primary education. The employment rate among the economic active population was 61 per cent (64 per cent among men and 59 per cent among women). The disparity among men and women in employment is highest in the Construction sector, where only 4 per cent of the employed population is female. The agriculture and fisheries sector, as wee as the wholesale and retail (trade) sector, have a much more balanced representation of female workforce, but these are also sectors with the highest number of workers who have never attended any level of education. For example, more than 80 per cent of the labour force in agriculture have never attended any level of education or have only completed primary school.

The skills shortage is one of the major contributing factors to informality and high unemployment rate in Angola. According to the World Bank Development Indicators database, the number of firms reporting skills as a major constraint increased from 21 per cent in 2006 to 26 per cent in 2010. Privately paid employees are mostly individuals with secondary education, although their share in total private employees declined from 76 per cent in 2000 to 50 per cent in 2014. Individuals with just primary education have increased among privately paid employees from 13 per cent in 2000 to 32 per cent, as did the share of individuals with tertiary education from 3 per cent to 12 per cent during the same period, but the share of individuals with no education remained at 7 per cent.

The proportion of the labour force with basic education has declined from 72 per cent in 2004 to 39 per cent in 2014 (Figure 13).[4] Unemployment fell among this group from 16 per cent in 2004 to 6 per cent in 2014. Unemployment among the labour force with advanced education also declined in the same proportions between 2004 and 2014, while unemployment among the labour force with intermediate education[5] declined only slightly from 18 per cent in 2004 to 14 per cent in 2014. The latter suggests that unemployment is concentrated among those with intermediate level of education, which is typical in heavy industrial operations that requires both high end technology and manual labour. It could also indicate a lack of formal employment activities in other sectors, a gap in the economy that lends itself to widespread informality, inequalities, and sluggish growth.

Figure 13:
Privately paid employees by education level, 2000–2014 (Per cent)
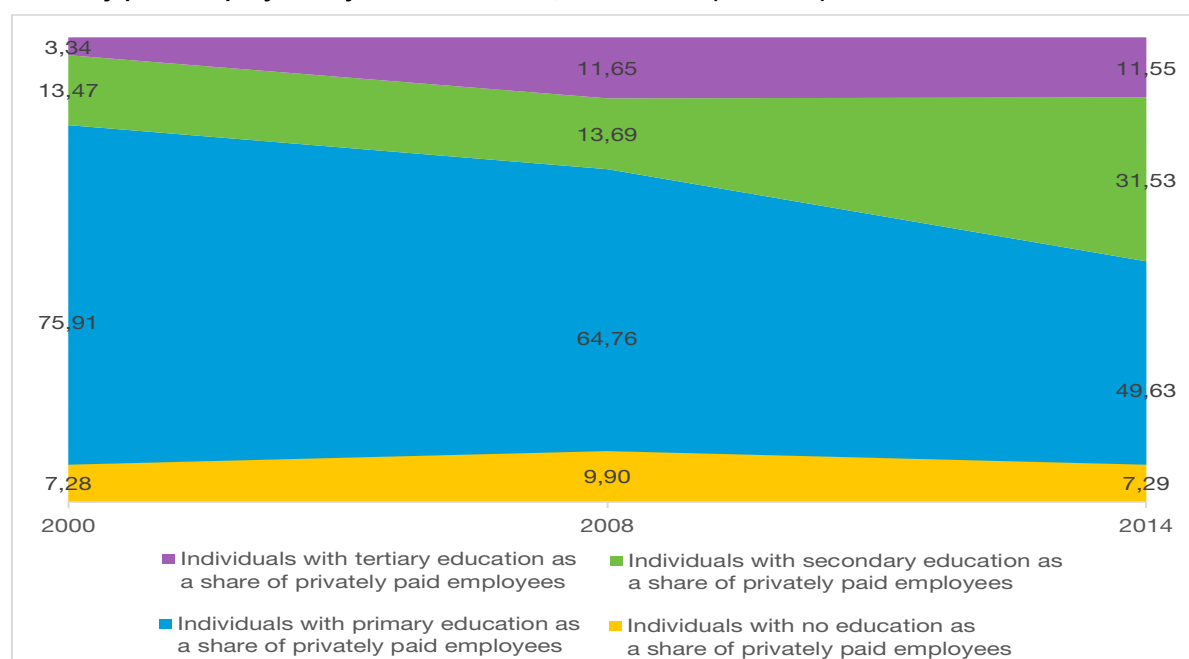
Source: UNCTAD secretariat calculations based on World Bank, World Development Indicators database [accessed October 2021].

---

4. Basic education comprises primary education or lower secondary education according to the International Standard Classification of Education 2011 (ISCED 2011).
5. The World Bank, World Development Indicators database use UNESCO's International Standard Classification of Education (ISCED). According to ISCED, intermediate education comprises upper secondary or post-secondary non tertiary education (UNESCO, 2012).

The unfolding situation with unemployment is symptomatic of deepening income inequalities among the population and signals growing marginalisation of some segments of the labour force. Unemployment among the youth jumped from 8.5 per cent in 2009 to 19.5 per cent in 2010. Since then, youth unemployment has remained above 16 per cent (the latest being, 16.3 per cent in 2019, 16.7 per cent of female labour force aged 15-24, 17.9 per cent of male labour force aged 15-24). A fall in the share of income accruing to the bottom half of the population shows that the economic challenges are widening and inequalities are deepening. The highest 10 per cent of the population earned 39.6 per cent of the income in 2018, compared to 32.3 per cent in 2008, while the lowest 10 per cent earned 1.3 per cent of the income in 2018 compared to 2.1 per cent in 2008. The income shares of the second 20 per cent of the population also declined from 9.6 per cent to 7.7 per cent in the same period. In contrast, the share accruing to the highest 20 per cent increased from 48.5 per cent to 55.6 per cent.

It is therefore important to reassess the inclusivity of growth, as inequalities are a hinderance to the process of structural transformation, although the process of structural transformation may also initially raise inequalities. Inequalities become a hindrance to structural transformation when they act as a disincentive for the marginalized in society to engage in social and economic development activities (Baek, 2017). At a certain level of inequality (as is the case in Angola), the disincentives may interact with other structural factors, such as the lack of infrastructure, low level of financing to the private sector, historical differences in social development between the rich and the poor, capital ownership and distribution of land resources, among others, to create barriers for internal integration of the economy (Addison, 2015). For these reasons, Angola needs to approach structural transformation through appropriate economic policies that incentivize productivity at both ends of the income spectrum, and that would require boosting small and medium enterprises; linking business start-ups to capital; boosting non-oil economic activities; and providing training, capacity building and creating jobs for the youth.

b) Human assets index

Angola scores low on the basis of the human assets index (HAI), although according to the Human Development Index (HDI) ranking, it has made some progress in some respects. For instance, the HDI value for 2019 of 0.581 places Angola among the medium human development category at 148 out of 189 countries

and territories — driven mainly by the increase in life expectancy at birth, expected years of schooling, and gross national income (GNI) per capita (United Nations Development Programme, 2020). However, the low ranking in human assets reflects poor performance in the subcomponents of the HAI, a composite index of health and education indicators that tracks progress across six variables (under-five mortality rate, maternal mortality ratio, prevalence of stunting, gross secondary school enrolment ratio, adult literacy rate, and gender parity index for gross secondary enrolment). By definition, a higher HAI is desirable, and the CDP has designated 60 and 66 as the inclusion and graduation thresholds, respectively. Human capital accumulation in Angola has improved as the human assets index shows. Nevertheless, although the country's HAI rose from 28 in 2002 to 52 in 2021, this still left the country within the inclusion zone (according to this index) and below the graduation thresholds.

Education

Gross secondary enrolment ratio[6] has increased from 12 per cent in 2002 to just over 50 per cent in 2021 (Figure 14 A). Despite the progress achieved since the end of the civil war in 2002, the present enrolment rate implies that about half of the youth in the secondary school age group do not transition from primary school to secondary school. The ratio of girls to boys in secondary school also declined from 0.82 in 2002 to 0.64 in 2021, although the population of girls in the secondary school age group is slightly higher than that of boys (3,963,356 girls to 3,918,423 boys in 2020). This is a lost opportunity in the accumulation of human capital as the secondary school age group is large and growing. The United Nations Population Fund (UNFPA) estimates that in 2021, the population aged 10–24 accounts for one third of the population (32.9 per cent) (UNFPA, 2021).

The adult literacy rate remained moderate at 66 per cent in 2021, from 67 in 2002. The low transition rate from primary school to secondary school may be a contributing factor to the lack of improvement in adult literacy. Language is a factor for children's failure to transition from lower grades to secondary school. Manuel (2015) argues for a language policy shift from the dominant monolingual Portuguese system to a hybrid system that uses mother tongue languages for learners in the first three years of schools. He argues that such policies are important for cognitive and pedagogical advantages, as well as for social development, national cohesion and for promoting inclusive education.

---

6. This measures the number of pupils enrolled in secondary school, regardless of age, expressed as a percentage of the population in the country-specific official age group for secondary school.

Figure 14:
Human assets index and its subcomponents

A
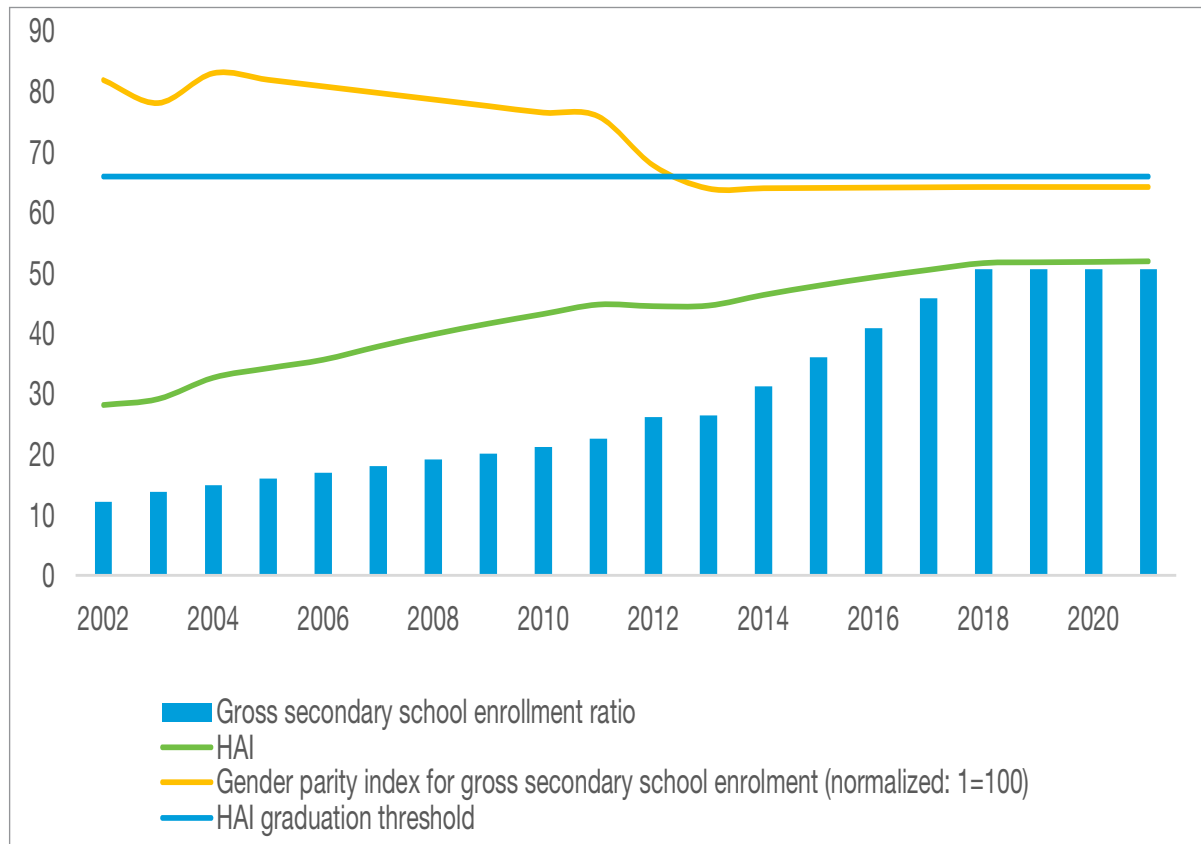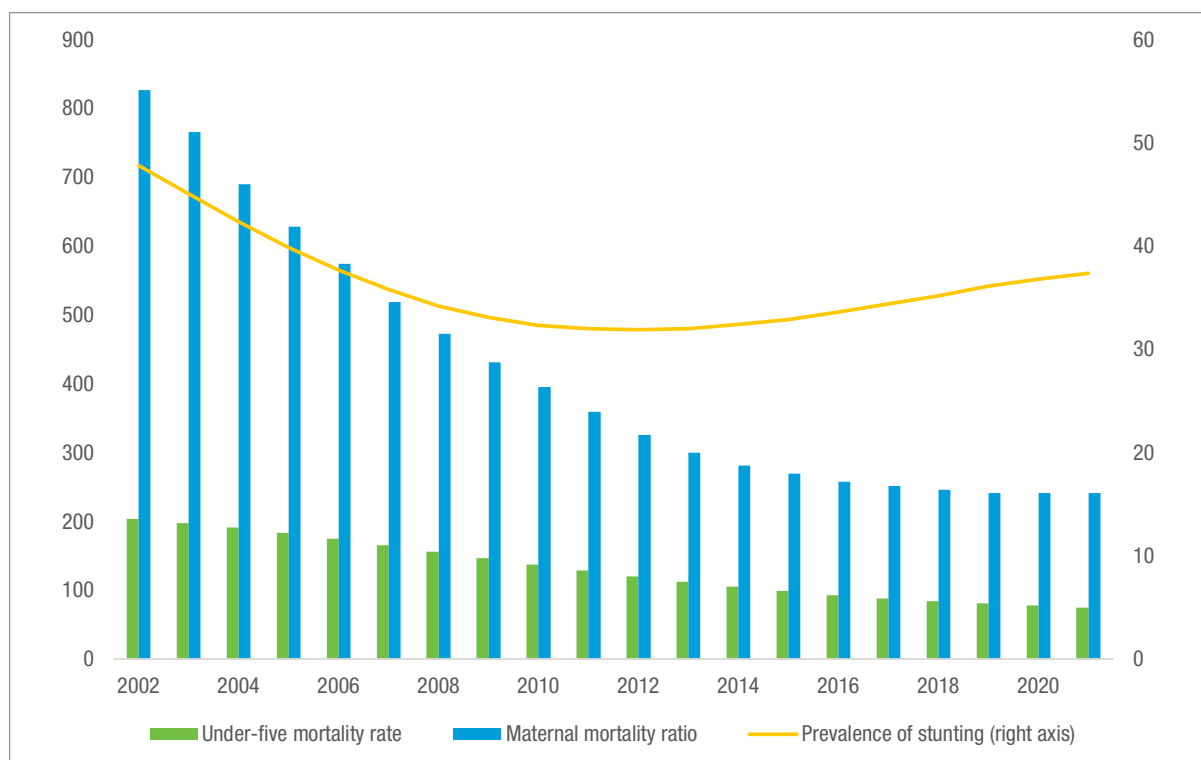
Legend for chart A:
- Gross secondary school enrollment ratio
- HAI
- Gender parity index for gross secondary school enrolment (normalized: 1=100)
- HAI graduation threshold

B

Legend for chart B:
- Under-five mortality rate
- Maternal mortality ratio
- Prevalence of stunting (right axis)

Source: UNCTAD secretariat calculations based on data from United Nations Committee for Development Policy Secretariat. Time
series estimates of the LDC criteria [accessed: October 2021].

Health

Angola has made significant progress on two health indicators, namely under-five mortality rate and maternal mortality ratio (Figure 14 B). There is, however a concern with the prevalence of stunting, which downward trends have reversed since 2013. The most direct causes of stunting are inadequate nutrition, infection and chronic diseases. Data from FAOSTAT shows that the average number of undernourished people increased from 3.8 million in 2013–2015 to 5.5 million in 2018–2020. The prevalence of severe food insecurity in the total population in 2018–2020 was 26.9 per cenat, an increase of about 6 percentage points from its level in 2014–2016. The prevalence of moderate to severe malnutrition also rose from 66.5 per cent in 2014–2016 to 73.5 in 2018–2020. It is important to note that malnutrition is associated with poverty, and together with stunting, they are formidable constraints to cognitive development and learning among children, and they contribute to loss of human lives directly or indirectly through compromised immunity to diseases.

Under-five mortality rate declined from 204 in 2002 to 75 deaths per 1000 live births in 2021. Over this period, there was also a significant reduction in maternal mortality ratio from 827 to 241 deaths per 100,000 live births per year. Despite this positive development, the child and maternal mortality rates recorded are among the highest among developing countries with that level of GNI per capita. Contributing factors include low coverage of antenatal care, prevalence of child marriages, malnutrition and poverty. In a study conducted in the Kuando Kubango province of Angola, Umar and Kabamba (2016) found that the major causes of maternal deaths were haemorrhage, infection (puerperal sepsis), and high blood pressure-related complications, including eclampsia. Some of these contributing factors can be managed with antenatal care.

Statistics from the World Health Organization (WHO) show that between 2015 and 2016, only 49.6 per cent of births were attended by skilled health personnel, and in rural areas, it was much lower at 16 per cent. Child marriages are prevalent, with 8 per cent of women aged 20–24 years married or in a union by age 15, and

the proportion rises to 30 per cent when age at union is adjusted to 18. In 2015–2016, only 29.8 per cent of women of reproductive age (between 15 and 49 years) had their need for family planning satisfied with modern methods, but the share increased slightly to 33.7 per cent in 2020. These health service coverage issues affect under-five mortality rates as well. For instance, The DHS Program (2017) found that only 31 per cent of children aged 12-23 months had received all basic vaccinations. Data from UNICEF also show that in 2016, the percentage of children under-five with diarrhoea who received oral rehydration solution (ORS) was 43, while the percentage of children with acute respiratory infection for whom advice, or treatment was sought from a health facility was 49. Among the major causes of under-five mortality in the country are malaria, malnutrition, pneumonia, and meningitis. Other contributors were basic sanitation health care services, nutrition and education, as well as disparities between rural and urban areas (Simão and Gallo, 2013; Shibre, 2020). Children born to poor, uneducated parents and residing in rural areas face a particularly high risk of death, as do women residing in rural areas (Shibre, 2020). Therefore, equity in access to services may be the point of departure for endind both maternal- and under-five mortality.

COVID-19 impact

Angola confirmed the first two cases of the COVID-19 infection on 21 March 2020. By the end of June 2021, the cumulative cases had reached 276 and 11 deaths. The direct and indirect costs of COVID-19 on the economy are accumulating, and the impact of the global economic slowdown on commodity exporters compounds the crisis. The health impact was severe in 2021, with cases rising and more lives lost compared to 2020 when the pandemic broke out (Figure 15 & 16). In total, 1,708 fatalities were recorded between March 2020 to end October 2021. Reducing the impact of COVID-19 on the economy will depend on strategies to reduce the high correlation between contaminations and deaths currently depicted by the trends in Angola (Figure 16); this could be done by scaling up COVID-19 vaccinations and other prevention measures. As of 7 November 2021, Angola had administered 7.25 million doses of COVID-19 vaccines, with a vaccination rate of 22 per 100 people. In terms of the population fully

vaccinated, Angola has the fourth highest number of fully vaccinated population in Africa (>5million) after South Africa (>15 million), Algeria (>6 million) and Nigeria (>6 million).

High levels of financial and multidimensional poverty in urban areas (>40 per cent in some municipalities), limited social protection systems, and widespread informality in the labour market are some of the challenges that deepened the crisis at the household level. The population in the informal sector economy is estimated at more than 70 per cent, and with the high unemployment among the youth and women, the

health crisis has turned into a social disaster for many families. Since declaring a state of emergency on 27 March 2021, the government of Angola has adopted several measures that were aimed at controlling the spread of the virus and strengthening the economic base from the grassroots. Among the measures are infrastructure development plans, actions to improve youth employability, and mobilizing resources for the private sector. A more detailed analysis can be found in the UNCTAD *report on Economic and Social Impact of COVID-19 in Angola 2021 (UNCTAD, 2021b).*

Figure 15:
New COVID-19 cases, monthly totals
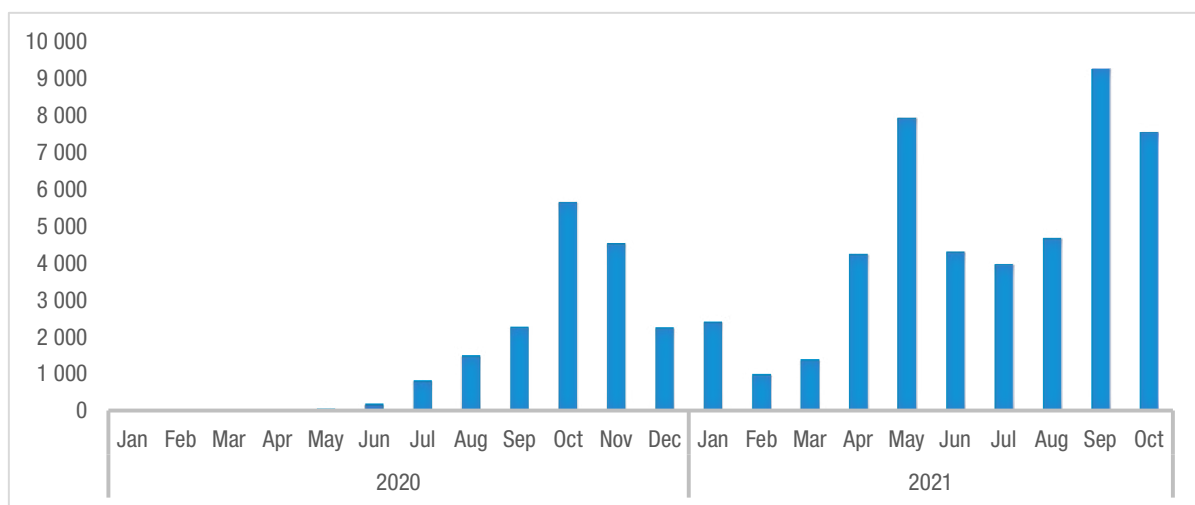
Source: UNCTAD secretariat calculations based on data from United Nations Committee for Development Policy Secretariat. Time series estimates of the LDC criteria [accessed: October 2021].

Figure 16:
Cumulative deaths and reported cases
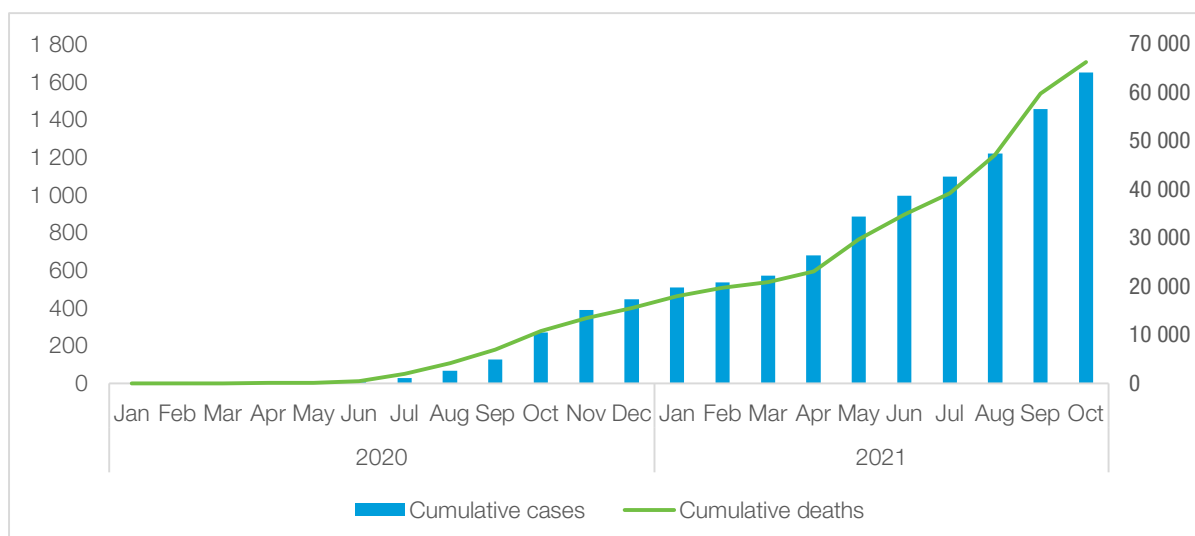
Source: UNCTAD Secretariat calculations based on data from World Health Organization COVID-19 Explorer.

2. Shared prosperity

Ending poverty and inequalities are the main avenues for boosting inclusive development and shared prosperity. The share of the population that is vulnerable, and their quality of life exposes the nature of deprivation that widespread informality inflicts on Angola. The mismatch between labour supply and demand, particularly in urban areas, has resulted in unprecedented levels of informality. It is estimated that the share of informal employment in total employment is 94 per cent, and the share of informality in non-agricultural employment is 90 per cent (ILO, 2018). Deprivation manifests in the form of low quality of housing in urban and rural settings, proportion of population with access to clean water and sanitation, and access to affordable and clean energy, among others the deprivations of which affect more than half the country's population Angola's high level of inequality reflects to a large extent the pitfalls of commodity dependence, which has an impact on the economy structure, job creation potential and the resulting distribution of wealth.

Reaping the benefits from the end of the civil war and the global commodity super-cycle, Angola was the third fastest growing country after Chad and Equatorial Guinea in sub-Saharan Africa in 2003–2008. In 2009–2015, Ethiopia and Rwanda posted faster GDP growth rates as Angola fell behind the LDC average for several years (Figure 17). The recession only highlights the structural weaknesses of the economy which leaves it vulnerable to developments of the international oil market. The pace of economic diversification has been too slow to match the risk posed by the mono-commodity domination of the economy. The oil market resurgence in 2022 would be critical for economic recovery, while domestic reforms are needed to build resilience. For Angola, the relationship between value added growth compensation of employees and return on capital are also important for the discussion on inclusive growth, and structural transformation of the economy. The rest of the section analyses the economy structure, performance with respect to GNI per capita growth, and the impact of economic and environmental vulnerabilities on Angola.

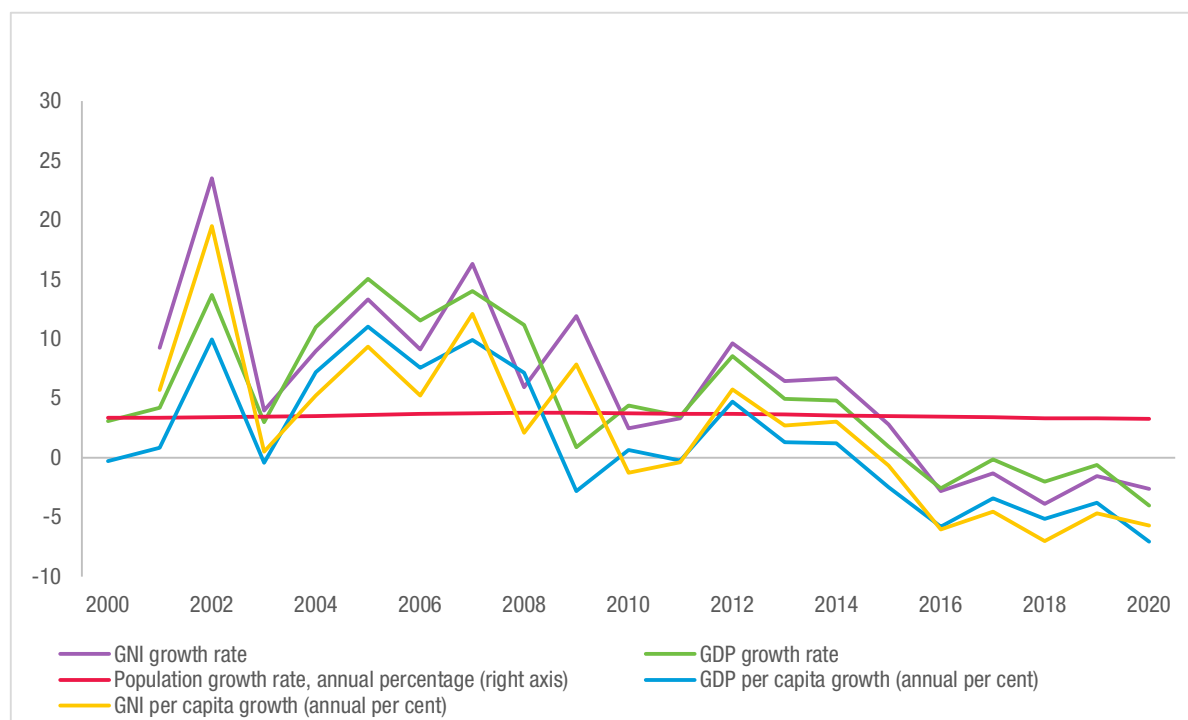**Figure 17:**
Annual GDP growth rate (Per cent)
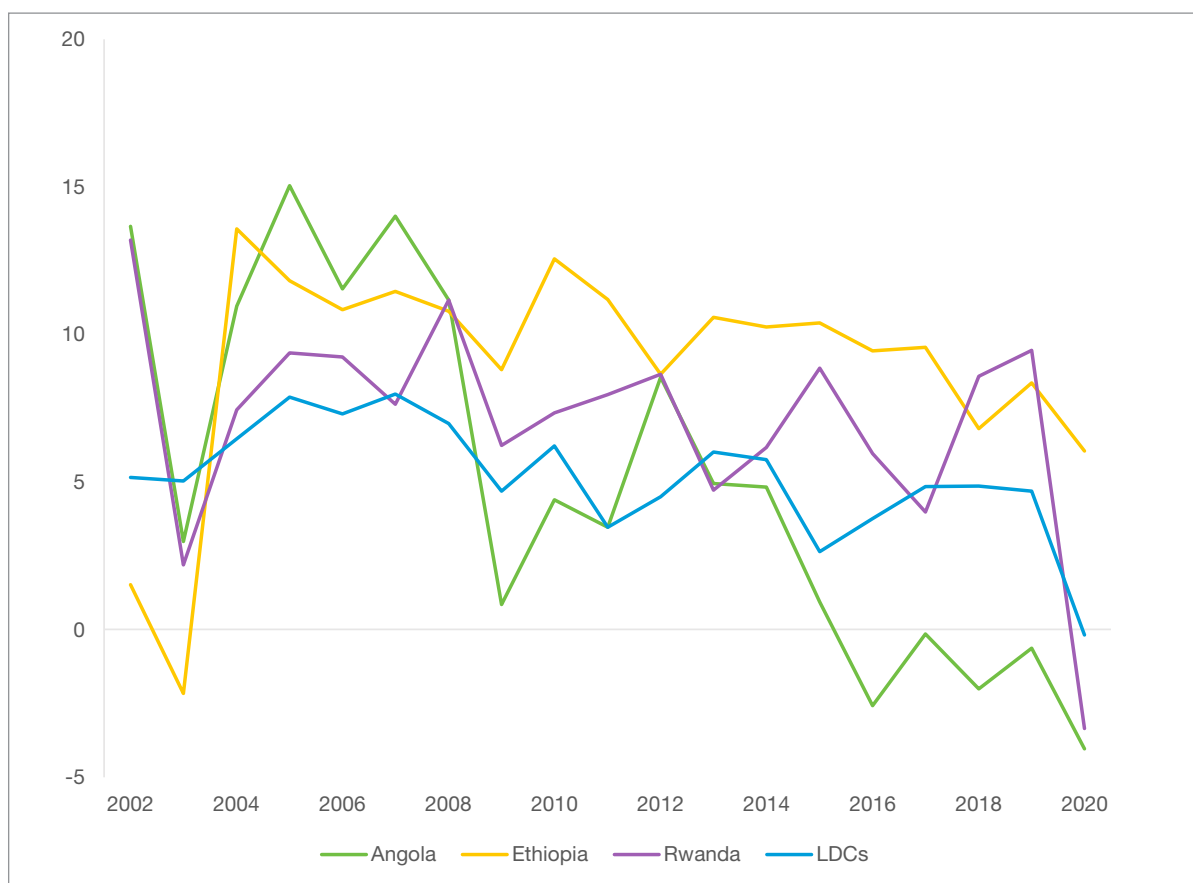
Source: UNCTAD secretariat calculations based on data from World Bank, World Development Indicators database [accessed October 2021].

In a comparison of income growth trajectories of LDCs and other country groups, UNCTAD analysis found that Angola is among LDCs that have fallen behind implying that their long-term GDP per capita growth rate is lower by more than one percentage point than the world's weighted average (UNCTAD, 2021c). The Angolan economy boomed in 2002–2008 and seemed to recover well from the 2008/2009 crises (Figure 18), but since 2013, growth of both GDP and GDP per capita have decelerated, and GDP per capita and GNI per capita growth took a negative turn in 2014 and had not recovered by end-2020. Population growth trailed GNI growth rate in 2003– 2009 and continued to grow at a higher rate during the recession (3.3 per cent in 2020), reinforcing the observation earlier of Angola's bulging population with a very high fertility rate.

Figure 18:
Growth rates of income and population (Per cent)

Source: UNCTAD secretariat calculations based on data from World Bank, World Development Indicators, and United Nations, World Population Prospects 2019.

a) Economic structure and performance

Angola is a commodity-dependent economy (UNCTAD, 2017). In 2016–2020, primary commodities, precious stones and non-monetary gold accounted for 97 per cent of exports, of which 93 per cent were fuels. The global economic crisis in 2007/2008 plunged the economy into a major slowdown from which it has not fully recovered. Immediately following that crisis in 2010–2014, export earnings picked up as oil prices remained relatively strong, but they eventually buckled under heavy external pressure as global oil oversupply pushed prices downwards. The COVID-19 pandemic has worsened the situation as other economic sectors, such as construction and fisheries, were pushed into recession (Figure 20).

The major economic risk to Angola is the structure which renders it vulnerable to external shocks. First, the dichotomy between oil and non-oil sector is superficial since growth in some key non-oil sectors' is influenced by the oil sector. In 2014: Q1–2021: Q1, production in fisheries, construction; post and telecommunications; and financial and insurance services was positively and significantly correlated with oil sector's output. At the same time, output in forestry; manufacturing; electricity and water; real estate and rental services; and indirect financial intermediation services was negatively and significantly correlated to oil output. In 2015-2019, services including transport, storage, and communications; wholesale, retail trade and restaurants; and other activities picked

up in terms of their contribution to GDP (Figure 19). However, a positive correlation between some services subsectors and the oil sector may explain the stagnation in their contribution to GDP during the recession. Industry, consisting of construction, mining, manufacturing, and utilities, accounted for an average of 44 per cent of the total value added, while agriculture, hunting forestry, and fishing; and services added 9 and 44 per cent, respectively, to value added. The manufacturing share in value added was 7 per cent, while the contribution of services was split among wholesale, retail trade, restaurants, and hotels (21 per cent); other activities (21 per cent); and transport, storage, and communication (4 per cent).

Value added share of GDP by sector (Per cent)
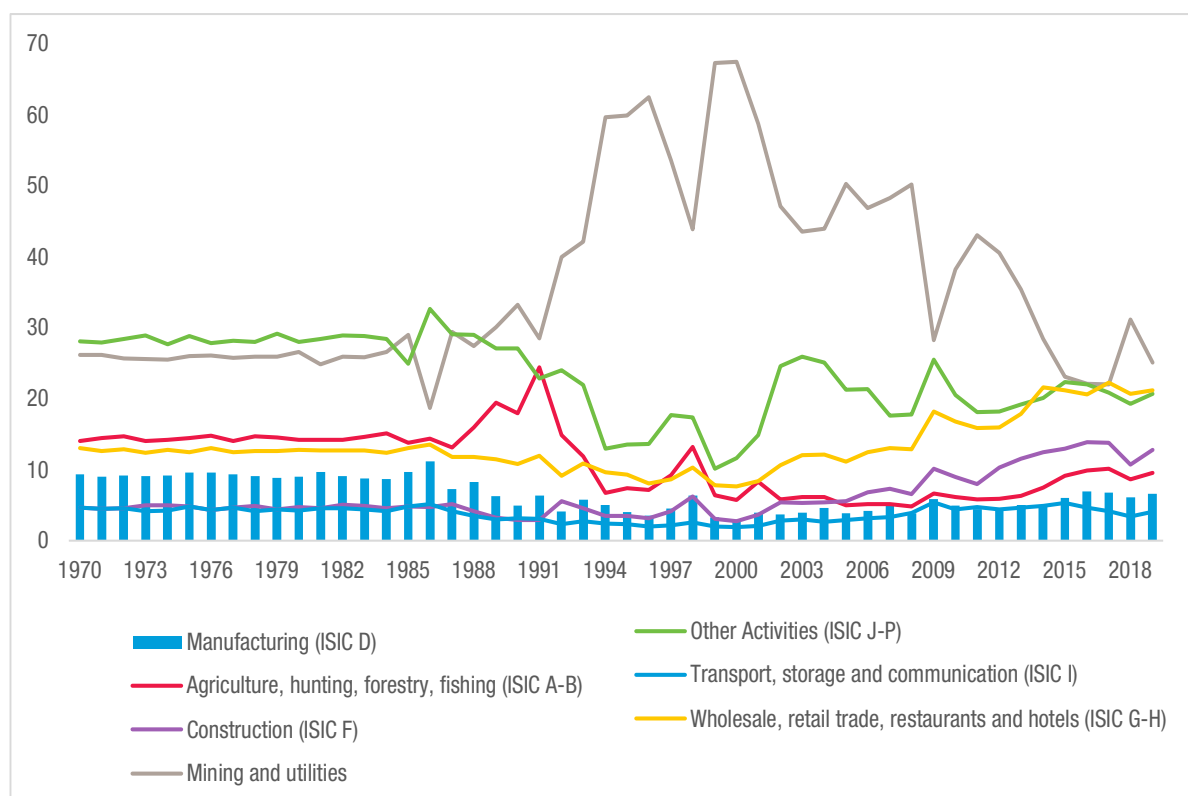
Source: UNCTAD secretariat calculations based on data from United Nations Statistics Division, UNData database [accessed October 2021].

Second, sectors that could spearhead diversification may also require reforms to have wider economic impacts. Due to the "Dutch disease" effects of oil dominance in the economy, which impose deadweight on non-oil sectors due to mainly the exchange rate channel, the interlinkages among non-oil productive sectors and other internationally traded sectors have also been weak. The performance over the period 2014: Q1–2021: Q1 shows that the quarter-on-quarter changes in output are quite volatile for the extraction of diamond, metallic minerals and other non-metallic minerals; construction; manufacturing; and fisheries. More recently, in 2019: Q1–2021: Q1, construction (-4.3 per cent), extraction and refining of petroleum (-2.6 per cent), financial services (-1.5 per cent) have been in a recession, while fisheries (3.3 per cent), wholesale and retail (commerce) (2.4 per cent), and transport and storage (2.4) have been growing, despite the overall economy being in a recession. The emergence of fisheries is important for economic diversification, but like the oil sector, its contribution to inclusive growth depends on reforms aimed at opening up the sector to wider artisanal and indigenous participation through fishing equipment ownership schemes and greater transparency in the award of fishing permits to industrial scale trawlers and fishing boats, as well as facilitation of small-scale operators (see Section C.3).

Figure 20:
Quarterly growth in output by economic activity (Per cent)
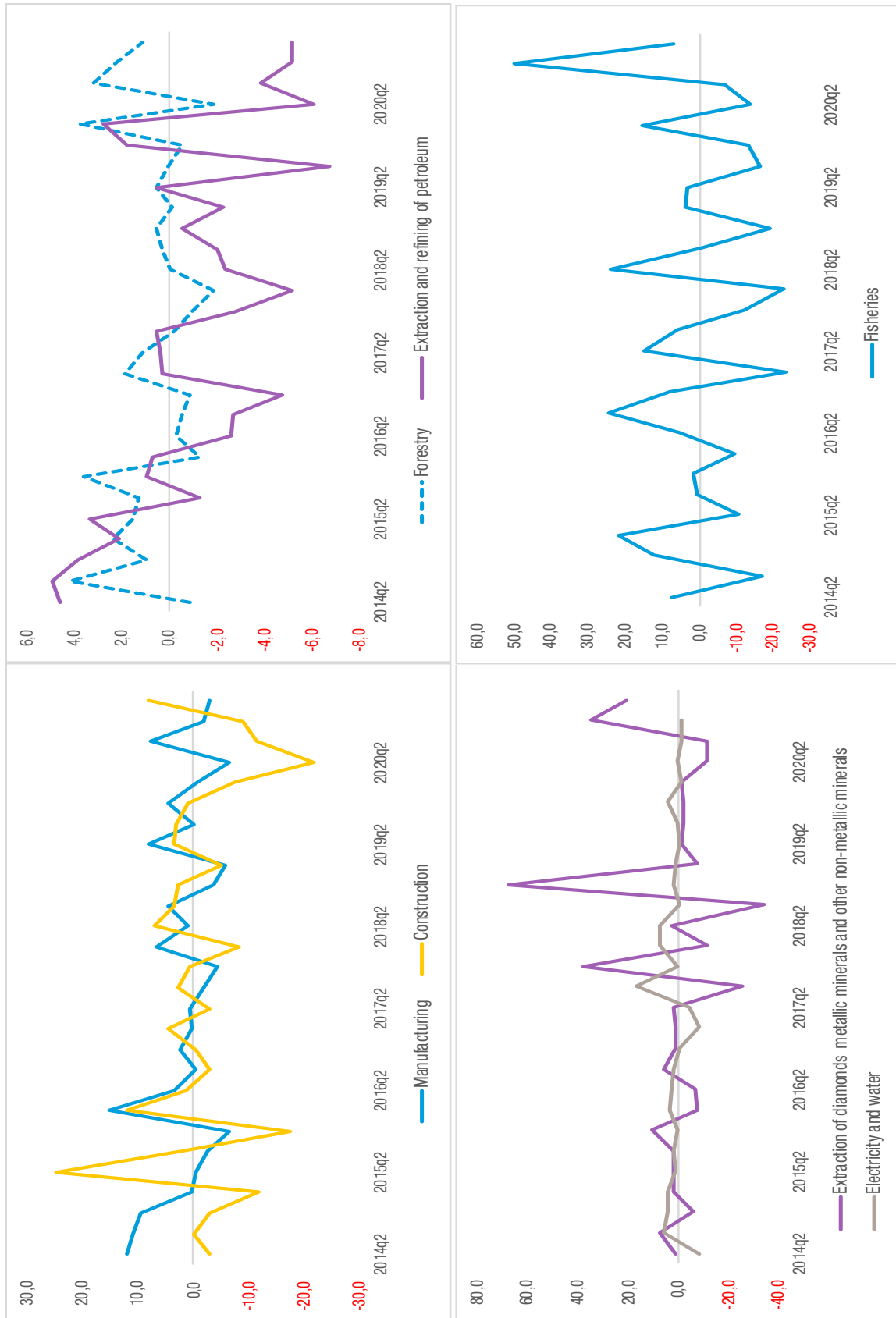
Source: UNCTAD secretariat calculations based on data from NIE (2021) (accessed October 2021).

Third, import penetration ratio fell to less than 20 per cent of domestic demand during the recession, but before that, it peaked at 64 per cent at the height of its economic performance. The external sector, therefore, has a significant influence on the economy because of the massive share of trade and capital flows between Angola and the rest of the world. However, exports and household final consumption expenditure, remain key drivers of GDP growth particularly during 2020. In

2002–2013, exports were the largest component of GDP ranging from 51–72 per cent of GDP, but since 2015, household final consumption expenditure has dominated (Figure 21). Gross fixed capital formation and government final consumption expenditure were relatively stable through the boom and recession years, but 2009 was a record year for investment as gross fixed capital investment reached 43 per cent of GDP.

Figure 21:
Quarterly growth in output by economic activity (Per cent)
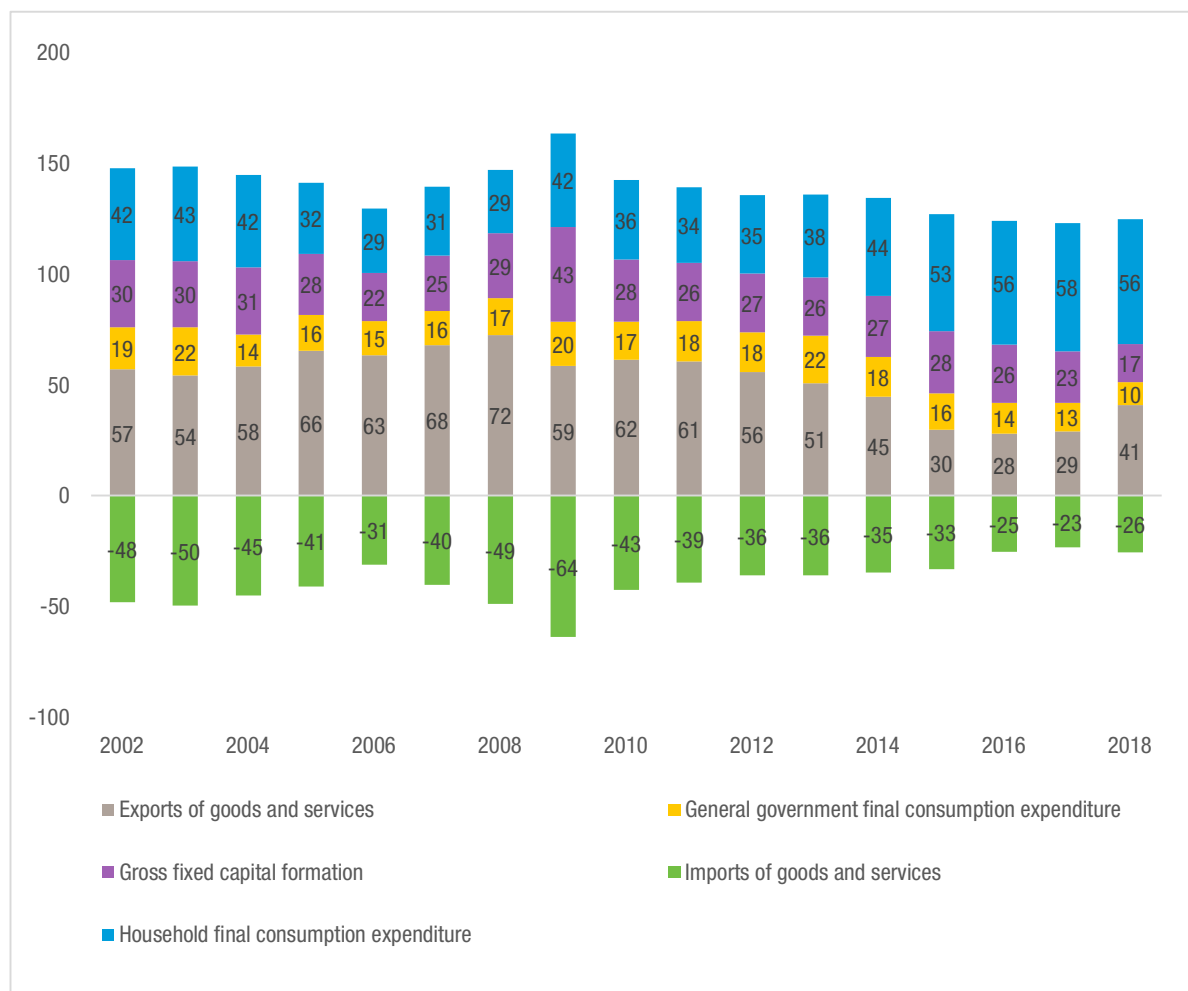
Source: UNCTAD secretariat calculations based on data from the UNStat databased [accessed October 2021].

The first major hint of a recession was in 2009, but it is only after 2012 that a deceleration pattern firmly set in. The country's top export partners fared relatively well post 2008/2009 crises, and they only went into a recession as a result of COVID-19 in 2020. Of the top 5 major export partners, only China and India have been consistently growing faster than Angola since 2009 (Figure 22). These two countries accounted for two thirds of Angola's exports in 2016–2020.

Unlike the other export partners, China's GDP growth remained steady and was only slightly blighted by the 2008/2009 crises and the COVID-19 pandemic. Angola's recession is therefore a result of other factors besides the global economic outlook.

In the absence of inter-industry data on intermediate consumption, the changes in intermediate consumption only partially identify sectors that may have im-

portant backward and forward linkages, since sectoral demand for intermediate inputs at aggregate level may contain imports –which are quite significant for some sectors. With this caveat, it was observed that intermediate consumption in the economy increased slightly from 31 per cent in 2006 to 33 per cent of gross output in 2018. Among the sectors, the highest

increase in intermediate demand was for electricity, gas, and water supply from 31 per cent to 64 per cent (Figure 23). Collectively, education, health and social work, other community, social and personal services had their intermediate consumption increasing from 46 per cent in 2006 to 57 per cent in 2018.

Figure 22:
Angola's GDP growth rate vis-à-vis its main export partners (Per cent)
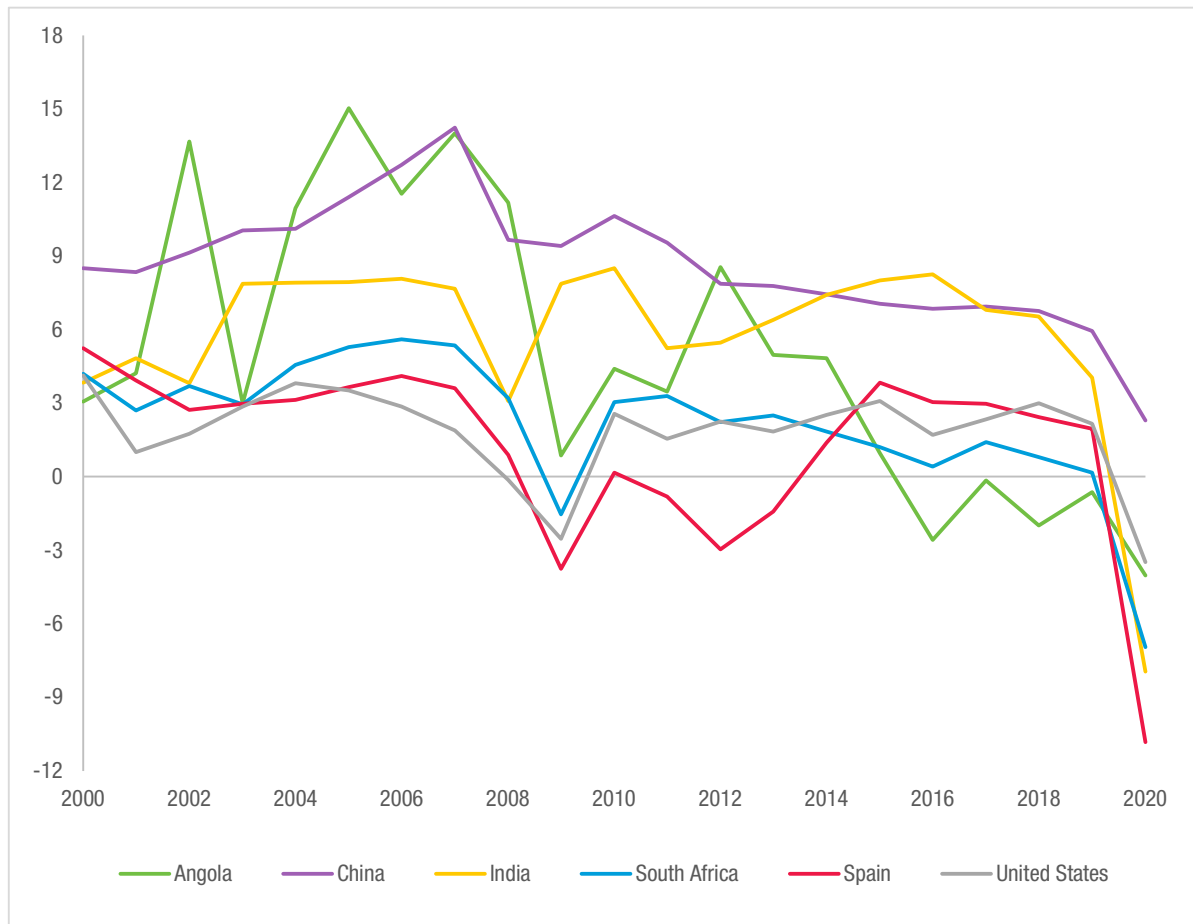
Source: UNCTAD secretariat calculations based on data from World Bank, World Development Indicators database [accessed October 2021].

The demand for intermediate inputs also increased for mining which is important because the sector together with utilities contributed an average of 46 per cent to GDP in 2006–2018. However, the import content of intermediate inputs in mining is quite high as inferred from the share of imports of technology goods, machinery, and equipment. The fall in intermediate inputs demand from the government sector (public administration and defence; compulsory social security), and manufacturing from 42 and 47 per cent in 2006 to 27 and 41 per cent in 2018, respectively,

were triggered by the recession as well as the decline in tax revenue from 23.4 per cent of GDP in 2006 to 9.6 per cent of GDP in 2018. Keeping government expenditure up during the recession would have been a desirable scenario, but the high debt situation, inflationary pressure, and budgetary constraints robbed Angola of an important policy lever during the most critical situation. As the economy slowly picks up in 2021 and 2022, a return to normalcy may allow the government to slowly raise expenditure on critical infrastructure, and goods and services.

Figure 23:
Intermediate consumption as a share of gross output (Per cent)
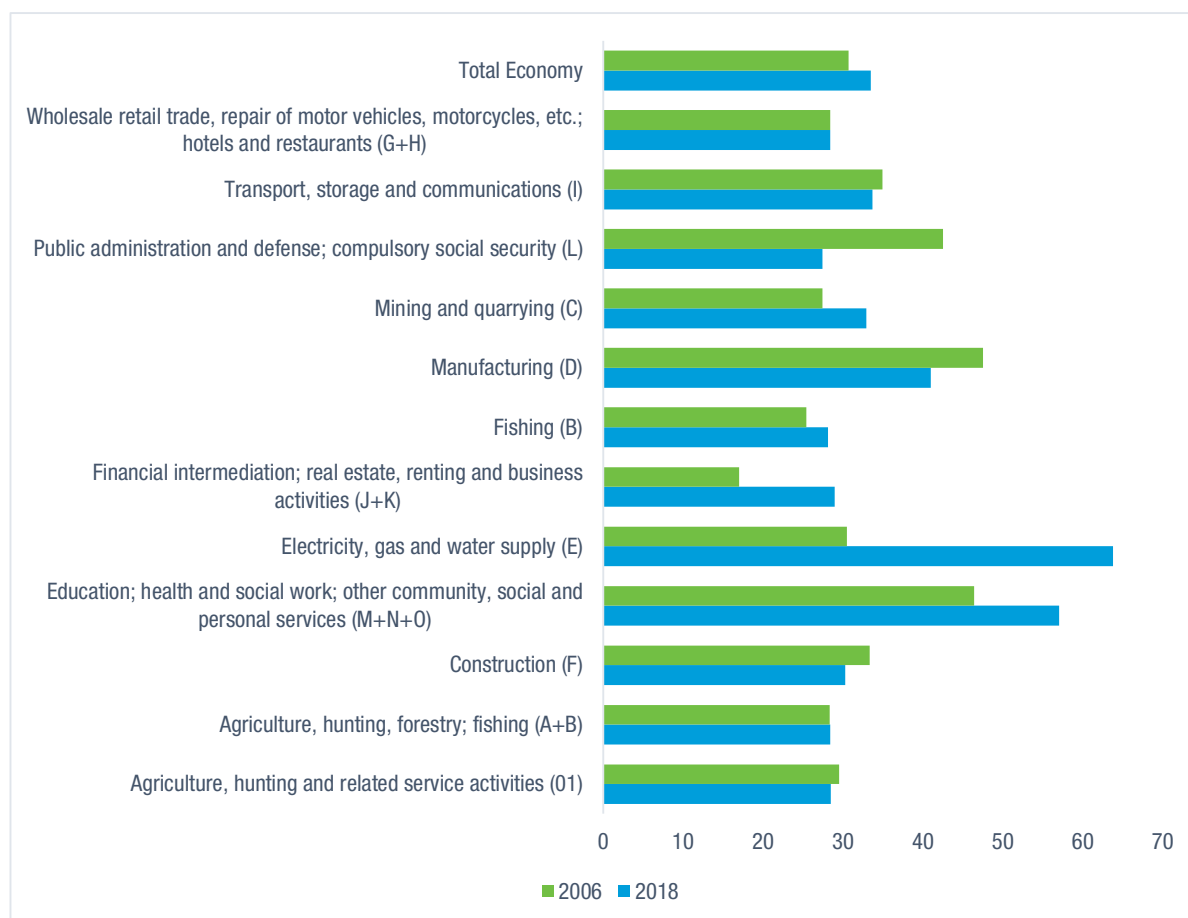
Source: UNCTAD secretariat calculations based on data from UNStat [accessed October 2021].

b) Gross national income per capita

Angola qualified for graduation from the LDC category based on the income-only criterion in 2012. Graduation is conditional on achieving a GNI per capita equal to or greater than the income-only graduation threshold in two consecutive triennial reviews, i.e., for 2012 and 2015. As noted earlier, special circumstances were taken into account to delay the preparatory period by two years, after which it was twice extended by a period of three years. The income-only threshold was set at $2,444 in 2021, which is slightly lower than it was in 2018 and 2015. According to the latest data from the CDP, the projected GNI per capita for Angola in 2021was $3,207 (Figure 24), which is 28 (22) per cent lower that the GNI per capita for 2018 (2015). The GNI per capita in 2021 is only 31 per cent above the income-only graduation threshold and considering the GNI per capita growth trend in 2003–2020, Angola's graduation process will have to be carefully managed. The country remains weak both in human assets and economic and environmental vulnerability, hence a

further deterioration of the economy could raise the risk of reversal.

There is a link between Angola's GNI per capita growth and the surge in oil wealth between 2003 and 2017. Beyond this point, economic prospects are uncertain, mired by the COVID-19 pandemic and oil-specific variabilities. A more realistic picture may emerge from discounting the oil sector's contribution to GDP, as this may provide a reflection of Angola's economic strength without its natural resource sector. Empirically, this would require calculating the contribution of the non-oil sectors to GDP, but also discounting the oil sector's contribution to the other sectors.[7] Lashitew et al. (2021) use a similar approach to measure diversification in resource-rich countries, taking the value-added per capita of manufacturing as a representative measure of non-oil sector's contribution to economic growth. The study noted the distortion caused by resource-based processing activities in manufacturing and the dependence of services on the oil sector.

Figure 24:
GNI per capita and income graduation threshold (Dollars)
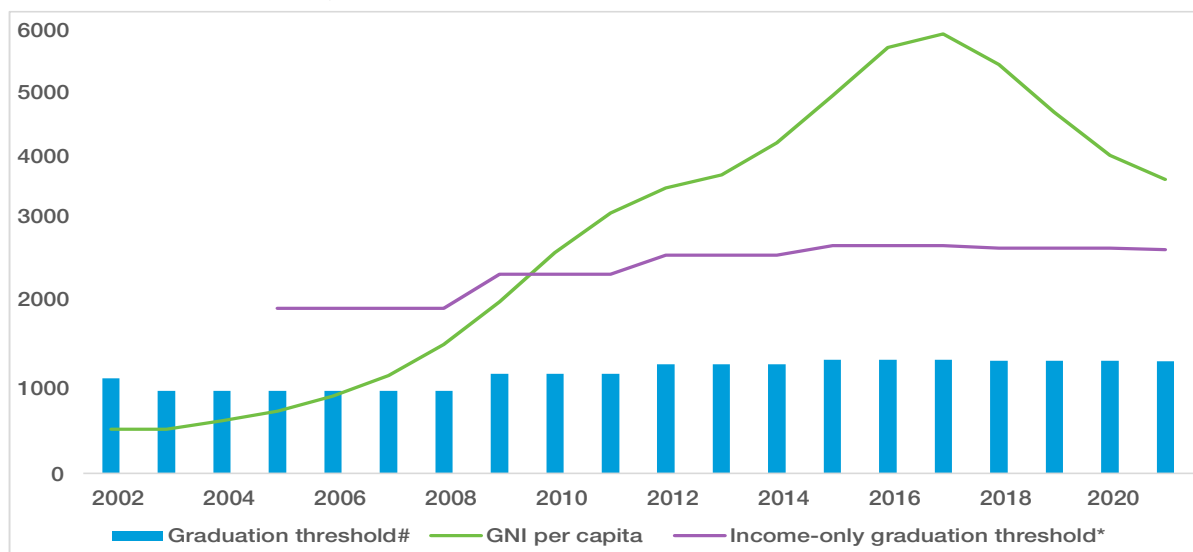
Notes: # Based on GDP per capita up to 2005, GNI per capita from 2006 onwards; *The income-only graduation rule was introduced in 2005.
Source: UNCTAD Secretariat calculations, based on data from United Nations Committee for Development Policy Secretariat. Time series estimates of the LDC criteria [October 2021].

For illustrative purposes, and despite the distortion caused by resource intensity on manufacturing and other sectors, adding together Angola's value-added per capita for agriculture, construction and manufacturing would fall short of the income-only graduation threshold by a big margin in 2000–2019 (Figure 25). When all sectors are added together excluding mining and utilities, the country would have been eligible in 2008, but would have faced a reversal by 2018. The fragility of the extractives sector and its impact on the rest of the economy is also exposed when the value-added per capita trend of mining and utilities is examined together with the trend of GNI per capita. Structural transformation of the economy, and building productive capacities in manufacturing, agriculture and other non-oil linked sectors is therefore key to Angola achieving graduation with momentum.

Figure 25:
Sectoral value added per capita and GNI per capita (Dollars)
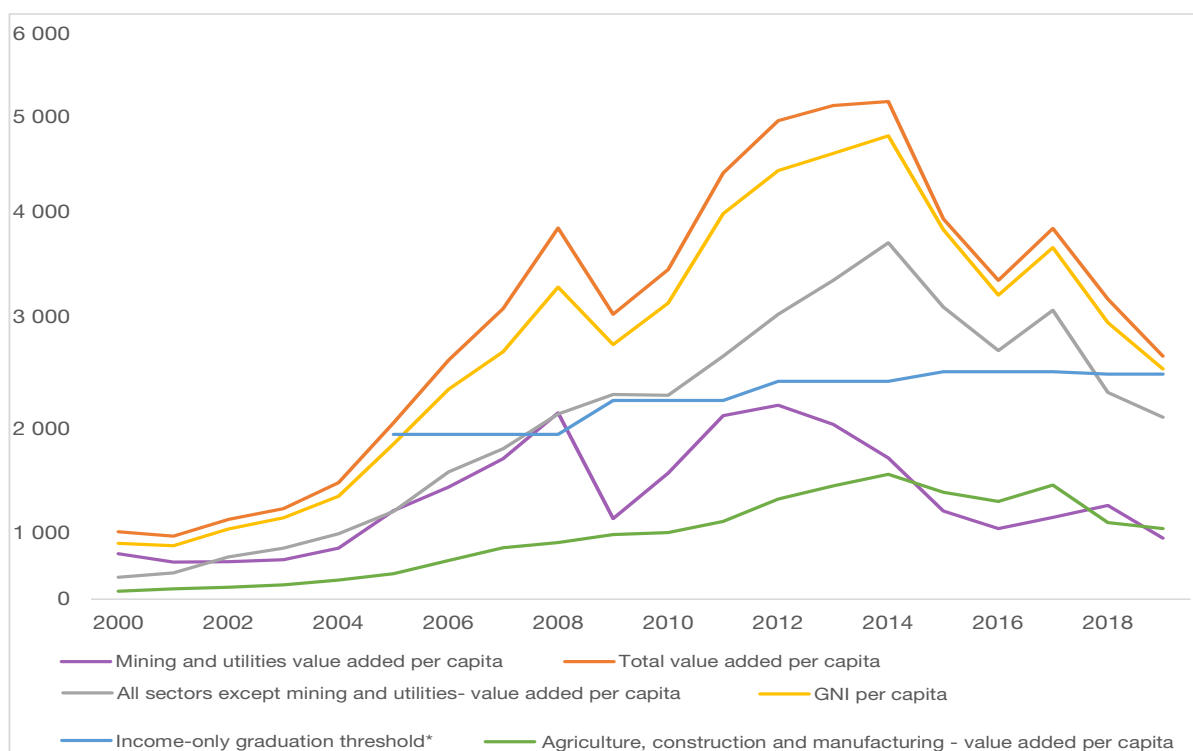
Source: UNCTAD secretariat calculations based on data from the UNStat database [accessed October 2021].

---

7. Input-out analysis or computable general equilibrium models can handle this aspect.

Prior to the 2008/2009 crises, Angola's economy was among the fastest growing in the world. The weak recovery from that crisis has seen the nominal GDP falling, dragging the GNI per capita growth in the negative zone in 2015–2020 (Figure 26). A long-term growth analysis by UNCTAD reveals that Angola's real GDP per capita grew at a moderate rate of about 3 per cent per annum in 1995–2019, but the average annual growth rate falls to zero when taken over 1971–2019. Oil prices are the most quoted source of economic vulnerability, but the slow growth in per capita GNI observed in Angola is consistent with other LDCs for having erratic GDP growth, a lack of economic diversification, booming population, a high susceptibility to boom and bust episodes, and weak macroeconomic fundamentals. Conflicts, corruption and weak institutional capacities also contribute to weak economic performances among LDCs (UNCTAD, 2020a, 2021c).

Figure 26:
GNI per capital growth (per cent)

Source: UNCTAD secretariat calculations based on data from World Bank, World Development Indicators database [accessed October 2021].

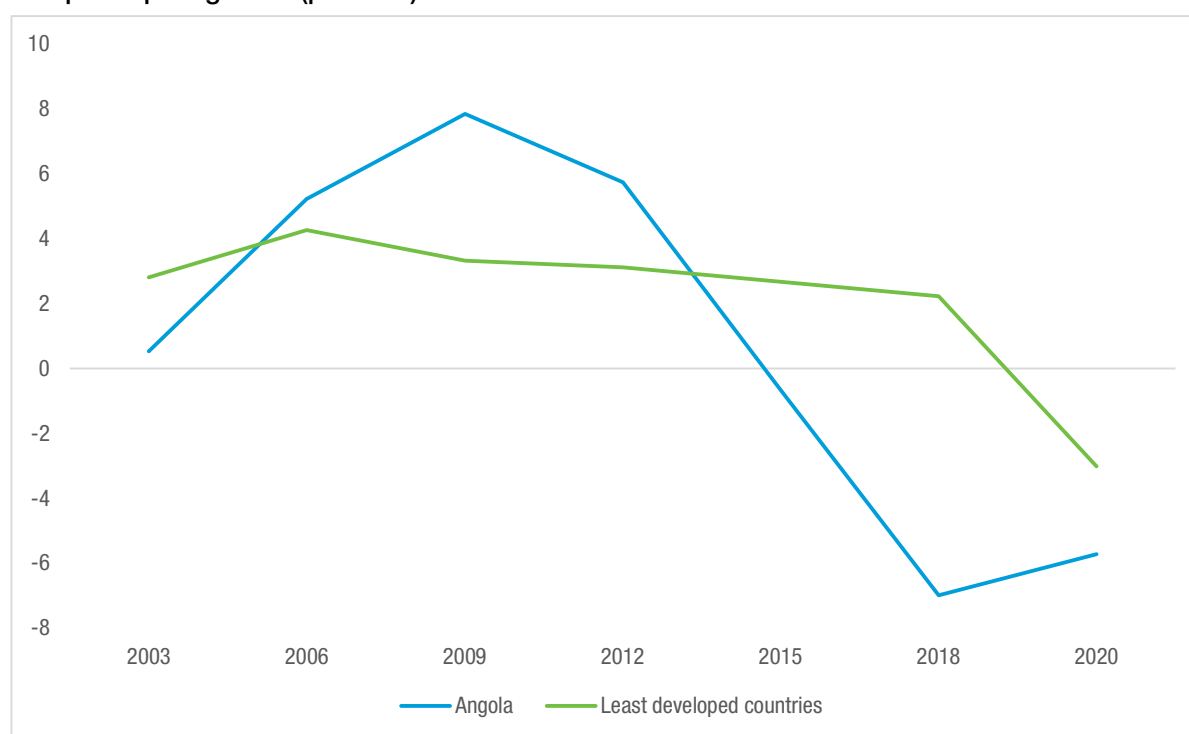The inequality that has been created by the disproportionate share of oil exports in GDP leaves a large segment of the population in the informal sector or formal sector, but with limited income potential. As a result, the working poverty rate (percentage of employed living below $1.90 PPP) has increased for both males and females, and across all age brackets, and more so among females and the youth (Figure 27). Among the youth (aged 15-24 years), the total working poverty rate rose from 35 per cent in 2008 to 53 per cent in 2019. Diversification of the economy may therefore be challenging due to the close relationship between the oil sector and other economic activities, and the ensuing distribution of income that may be deviating structural change from its competitive path because of rent appropriation dynamics and entrenched vested interests (Lashitew et al., 2021; Ovadia, 2013, 2018).

Privatization can be effective for diversification of the economy if implemented under conducive governance and implementation framework. Dismantling vested interests through appropriate governance reforms and strengthening anti-corruption efforts could avert undervaluation of privatized assets and looting of natural resources linked to the sectors undergoing structural reforms. The solution to these challenges lie not only in the privatization policies that have recently been passed to accelerate the reforms, including the promulgation of the privatization law (Law 11/2019), the private investment law (Law 10/2018), the Presidential Decree Number 205/2019 paving the way for the reform of state-owned enterprises,

Figure 27:
Working poverty rate (Percentage of employed living below $1.90 at PPP)
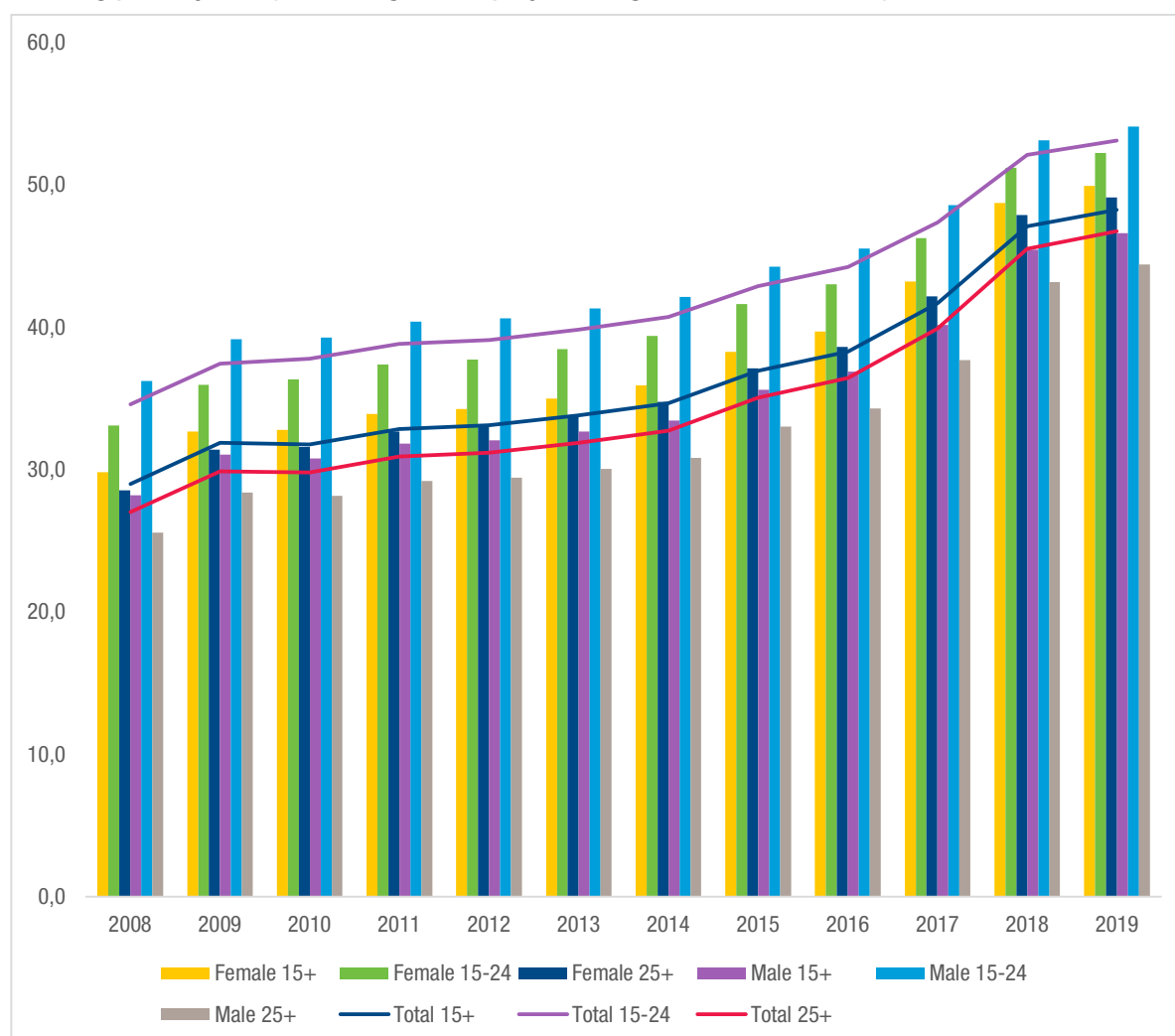
Source: UNCTAD Secretariat calculations based on data from ILOSTAT database [accessed October 2022].

but also the wider implementation of the National Development Plan 2018–2022; and the Privatization Programme 2019–2022 (Beloso and Cabeçadas, 2020). However, diversification is a long-term process and may take a few years before it can take effect in the economy. The most urgent need is investment in non-oil sectors, boosting non-fuel exports, increasing the manufacturing capacity and product variety of industries, and creating decent jobs across all sectors. There is also a need to increase the contribution of technology and human capital accumulation in the economic development of Angola, with improvements to labour quality as a short-term gap filler.

c) Economic and environmental vulnerability

Based on the 2021 CDP triennial review data, Angola's economic and environmental vulnerability index (EVI)

score has increased to 45.6 from an average of 40 in 2002–2011 (Figure 28). Several subcomponents of EVI have increased, but instability of exports has declined despite the main export commodity facing volatile prices in 2010–2020. The share of the population living in drylands has more than doubled from 27 to 62 per cent, arising from the demographic shift in population living in urban areas. Although the share of the population living in low elevated coastal zones also increased, it remains low at 1.5 per cent. The share of agriculture, forestry and fisheries in GDP also increased slightly from 5.1 per cent in 2010 to 9.4 per cent in 2021, and similarly the instability of agricultural production has more than doubled from 5 in 2002–2011 to 10 in 2021.

Figure 28:
Economic and environmental vulnerability index (EVI) and its subcomponents (Indices)
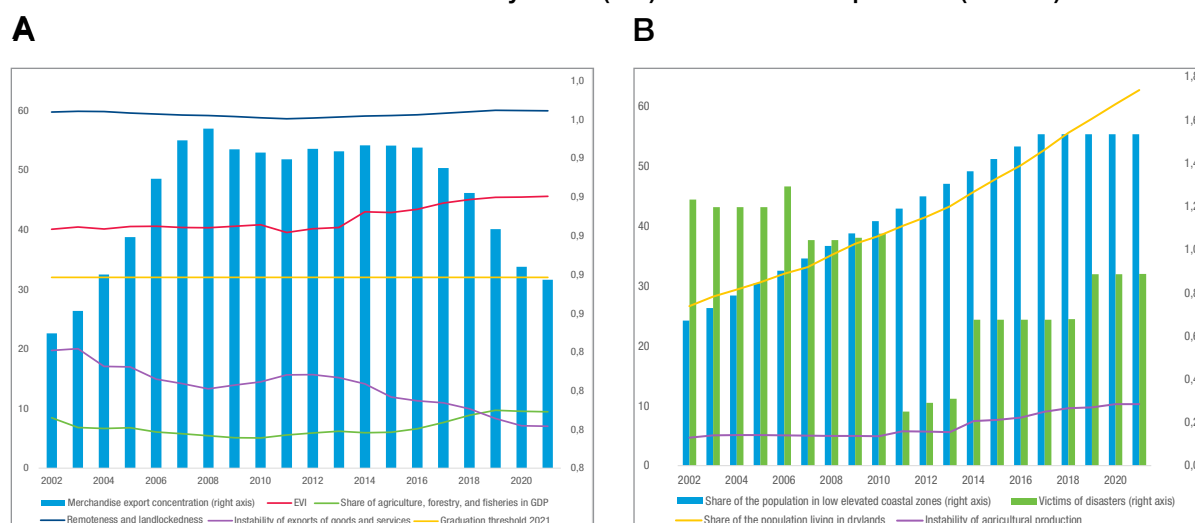
A

B

Source: UNCTAD Secretariat calculations, based on data from United Nations Committee for Development Policy Secretariat. Time series estimates of the LDC criteria [October 2021].

The concentration of exports is the main source of economic vulnerability of the Angolan economy. It was particularly intense during 2006–2013, when oil prices and production were at their peak. However, the marginal contributions to EVI score of the instability of agriculture production and the share of the population living in drylands have doubled from 5.3 and 8.3 per cent to 13 and 17 per cent, respectively. This is explained by the rapid urbanization trend caused by high rural-urban migration, which in turn has raised the level of unemployment in urban areas. Agriculture may also have become a coping strategy for livelihoods as its share in value added increased during the recession.

On the basis of this trend, Angola is unlikely to meet the graduation threshold based on EVI because drivers of the index are worsening. The concentration of exports may worsen due to the resurgence of oil markets, but growth in non-traditional exports, such as fish, agricultural products and manufactured goods, and services may change the outlook. The doubling of population living in drylands is both a structural issue and a demographic factor that can be checked by appropriate infrastructure development projects, and social programmes that respond to the needs of the growing urban and rural populations. For agriculture, an increase in the share of agriculture is not entirely a negative development given the rising inequalities and unemployment level. However, growth without improvements in productivity and incomes would not solve the unemployment problem and may place a

burden on land and other natural resources on which agriculture is based.

3. Planet

a) Climate change and disasters

Angola is exposed to a variety of disasters, including epidemics, floods and droughts. Nearly 5,606 disaster-related deaths were recorded between 2001 and 2021, most of them in 2006 from the cholera epidemic (Figure 29). These risks entail high social and economic costs that significantly affect the poor and most vulnerable, and severe economies and infrastructure.

The impacts of climate change on developing countries are intensifying, and disasters related to natural hazards have become more frequent and devastating. Most disasters in Africa are hydrologically linked, with droughts affecting the largest number of people, and floods frequently occurring along major river basins. Disasters can be greatly minimized through rigorous scientific risk modelling and effective institutional and community preparation. Considering that natural disasters are increasing in frequency and scale, it is necessary to systematically conduct risk assessments to provide a quantitative basis for disaster risk reduction and climate adaptation measures. Future urban/rural development plans, including human settlements and infrastructure investments should ideally take into account the results of these models and assessments to appropriately respond to disasters and climate change.

Angola has a coastline that is 1610 km long on the Atlantic Ocean. About half of the country's population is concentrated along the coastal urban cities, namely Luanda, Benguela, Cabinda, Lubango and Huambo. According to a 2014 census report, these cities together had almost 60 per cent of the total urban population and 37 per cent of the country's total population. Most live in vulnerable areas that are susceptible to floods, and have infrastructure access challenges for water electricity and waste management (UN Habitat, 2017).

Figure 29:
Deaths caused by disasters 2001–2021
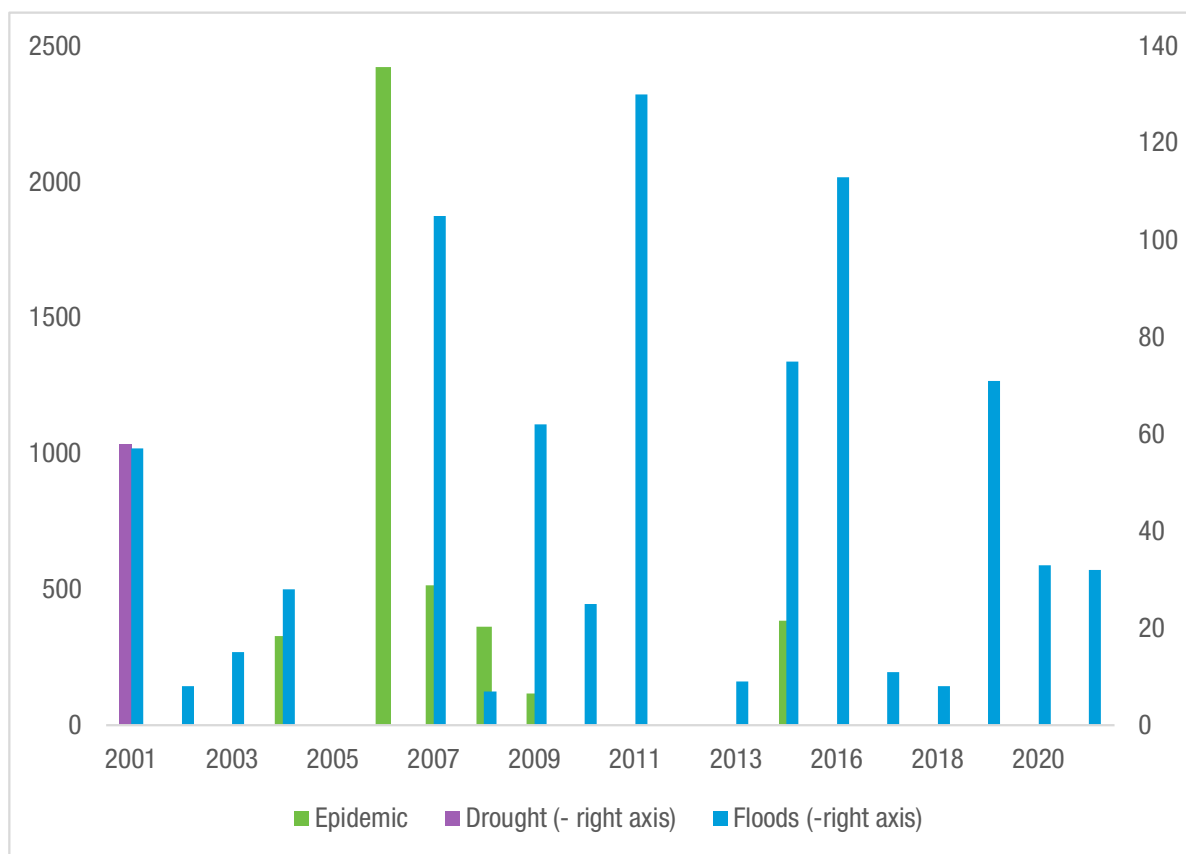
Source: UNCTAD Secretariat calculations based on data from the International Disaster Database, EM-DAT, Centre for Research on the Epidemiology of Disasters (CRED) https://www.emdat.be/database [accessed October 2021].

Angola is a subtropical climatic zone with distinct dry and rainy seasons. The ecological profile is influenced by two terrestrial biogeographic regions that sandwich it, namely the rainforests and savannas of the Congo region found mostly in the hilly mountainous area rising from the seacoast in the north-west towards the south and along the western escarpment; and the woodlands, savannas, and floodplains of the Zambezian region in the central and eastern area (the Angolan planalto). The vegetation of the arid areas of the South are influenced by the desert of the Karoo-Namib region, and protrude from the southern tip northward along the coastal lowlands to Cabinda (Huntley, 2019).

Like other central and southern African countries, Angola has experienced temperature increases in recent years. According to climate data analysis from 1970 to 2015, the average temperature increase is less than 1°C per decade (0.33 degrees Celsius), with more noticeable increases since the 1980s (CIMA and UNDRR, 2019). Precipitation patterns have also changed over during the same period, with some studies estimating a 2.4 per cent decline per month per decade (USAID, 2018), and large differences between very humid and dry years (CIMA and UNDRR, 2019). The central and northern areas receive more rainfall than the coastal low-lying areas, and the south western arid zones (Figure 30), but with temperatures likely to rise faster by about 4.9°C in this century, rainfall may decrease further in the south (USAID, 2018).

Figure 30:
Mean annual rainfall (Millimeters)
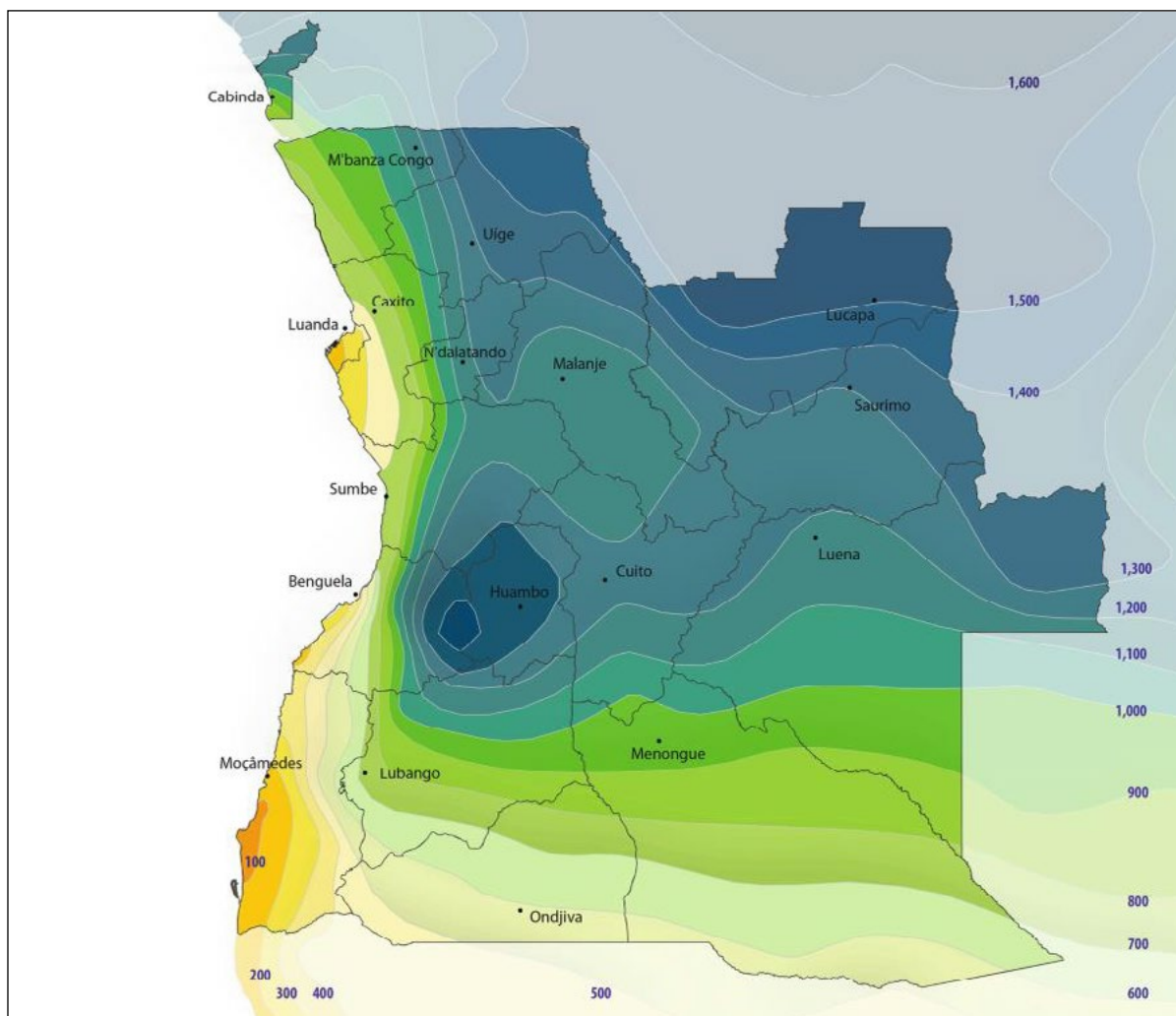
Note: The average rainfall is indicated on the contour and corresponding colour band.
Source: Huntley, B J (2019). Angola in Outline: Physiography, Climate and Patterns of Biodiversity

Considering both climate forecasts and population growth, Angola's average annual flood victim population will more than quadruple to more than 100,000. Cunene Province is one of the most affected regions in both current and expected climatic conditions. The average annual loss from flooding is estimated to be just below $100 million on average in current and expected climates. The most affected sectors are housing and agriculture. If the frequency of extreme phenomena materializes as predicted by climate change models, losses of at least $100 million are expected to occur every 10 years, compared to every 25 years under normal climatic conditions (CIMA and UNDRR, 2019).

On average, almost 1.9 million people are directly affected by drought every year, and the number of people living in drought affected areas averaged 31 per cent of the population in 1979–2018 (8 million people).

Considering the population growth, the situation will worsen significantly in expected climatic conditions where 7.9 million people will be directly affected, with at least 42 million people living in drought affected areas in 2051–2100. More than 40 per cent of livestock is currently exposed to risk and this may rise to 70 per cent under expected climatic conditions. The risk of drought for livestock is also expanding to the east and the north. The average annual economic loss to agriculture due to drought is estimated at $100 million under current climate conditions. If adaptive measures are not implemented, they will increase 7 times under expected climatic conditions. Loss of agricultural production will potentially result in a decrease in food energy supply, which is equivalent to food for about 3 million people. The climate change scenario also predicts hydroelectric power loss (deficit compared to the current average output) tripling from more than

$30 million to nearly $100 million, respectively, under expected conditions (CIMA and UNDRR, 2019).

It is important to note that climatic disaster risks are disproportionately affecting the poor. Agriculture, particularly livestock, is the most vulnerable sector to droughts and floods, and as noted by CIMA and UNDRR (2019), climate change assessments should inform the adaptation strategies necessary to avert losses. The geographic and sectoral spread of the disaster risks may also necessitate an investment plan aimed at disaster risk reduction in the most affected areas, and climate change adaptation that integrates future development projections, including demographic dynamics, economic trends, and climatic conditions.

b) Natural resources and the environment

Apart from oil, Angola's other natural resources-based sectors could play a key role in diversifying the economy. Agriculture in particular, fisheries and forestry – and tourism are among sectors earmarked for fiscal support to drive export promotion (Sopp and Leiman, 2017). To unlock their potential, it is important to assess the sectors' contributions to economic growth, employment, and livelihoods. For example, fish production is the third largest sector after oil and mining in terms of economic viability potential (FAO, 2018). Data from the Food and Agriculture Organization of the United Nations (FAO) shows that fish production from capture increased from less than 250,000 tonnes in 2000 to 532,000 tonnes in 2017. The largest increase in production was in 2013–2019 for both capture and freshwater fisheries.[8] However, freshwater fisheries (inland) are not adequately developed, but production increased from a very low base of slightly under 300 tonnes to nearly 2,000 tonnes (Figure 31).

Fish production in metric tonnes
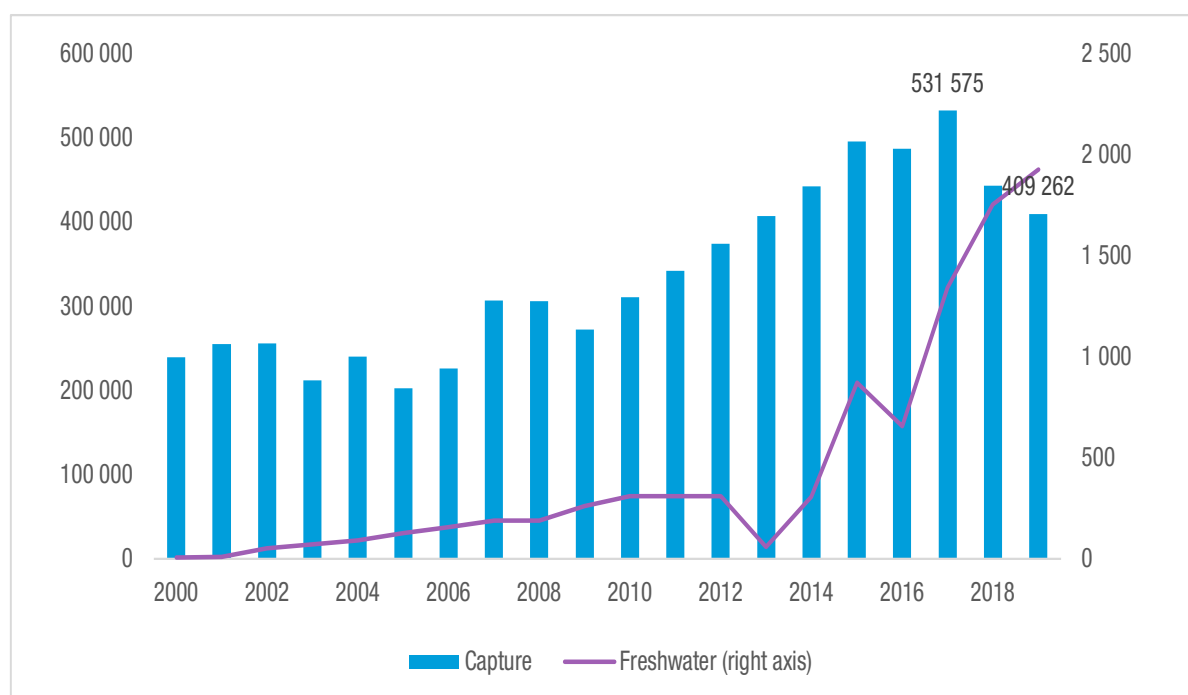
Source: UNCTAD secretariat calculations based on data from FAO, FAOSTAT database [accessed October 2021].

UNCTAD data shows that exports of fish, crustaceans, molluscs, and preparations thereof, declined from $88 million in 2016 to $65 million in 2018, and to $44 million in 2020. Although this trend is undesirable, it is important to note that 90 per cent of the fish produced is sold to domestic consumers. The major individual fish export partners are Spain in Europe, Côte d'Ivoire in Africa, China in Asia, and Chile in Americas. Africa, Europe and Asia are the main regional partners (Table 3). Africa regional market potential is large particularly in the underexploited Southern and Eastern Africa subregions. Overfishing is a concern particularly in the open sea, affecting horse mackerel stocks, while small pelagic species, and the sardinellas are underutilized (FAO, 2018). However, production figures show that the sardinellas were the most harvested species in 2016–2019, followed by marine fishes (Figure 32).

---

8. FAO distinguishes output from fishing activities that are designated for final harvest for consumption between capture and aquaculture. Output is reported in weight (generally in metric tonnes of live weight equivalent for aquatic animals, in wet weight for aquatic plants (FAO, 2021).

Figure 32:
Captured fish species, 2016–2019 average (Metric tonnes)
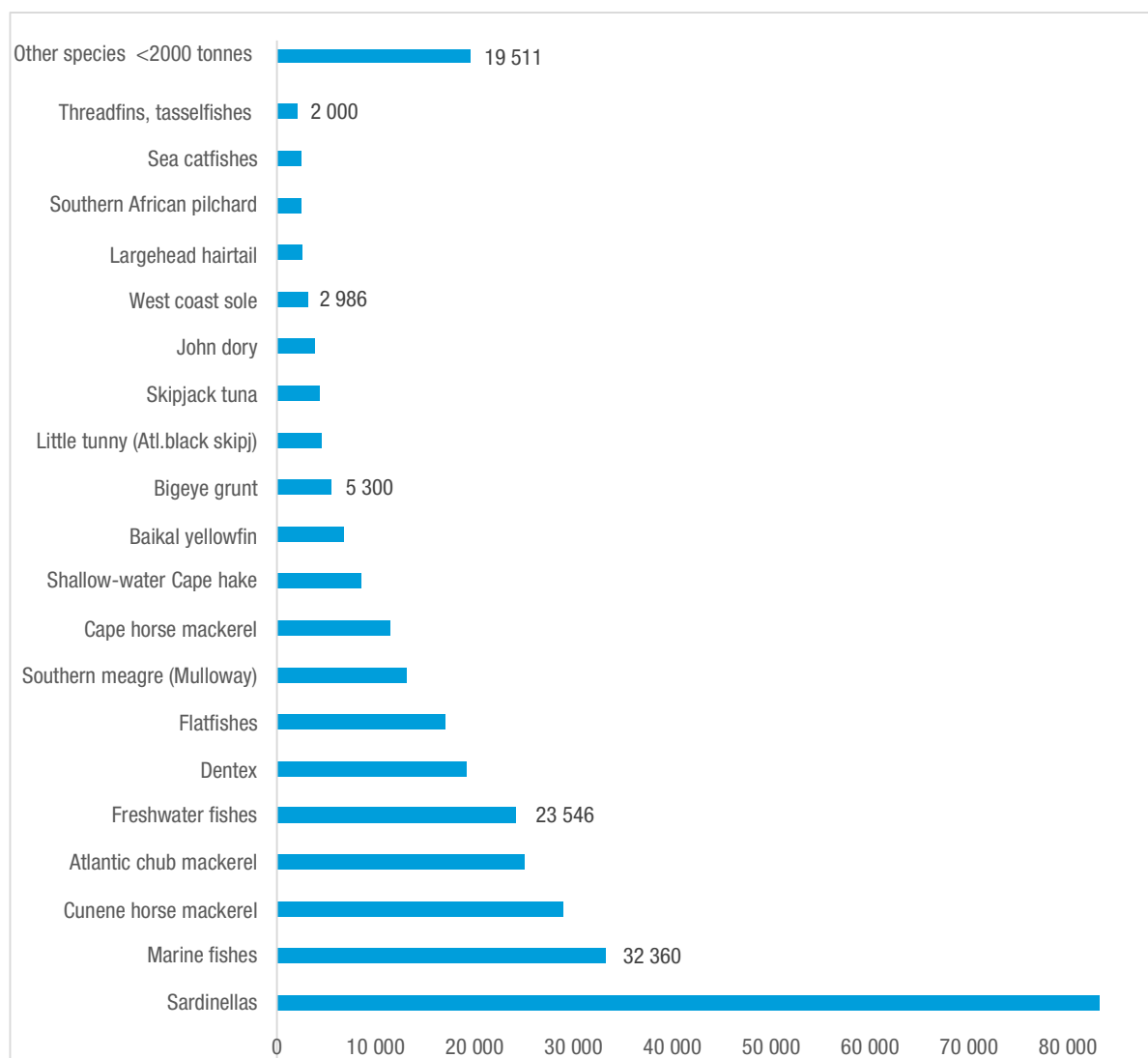
Source: UNCTAD secretariat calculations based on data from, FAOSTAT database [accessed October 2021].

According to data from the World Bank World Integrated Trade Solutions, wood exports increased from less than $350,000 in 2007 to $160.4 million in 2018, with Seychelles (71 per cent), Viet Nam (13 per cent), China (9 per cent), and Democratic Republic of the Congo (5 per cent) among the main export partners. It is estimated that there are at least 140,000 hectares(Ha) of planted forests, and that the area under forest cover is about 43 per cent of the land area (Chiteculo et al., 2018). The forestry sector has a potential for round wood supply of about 57.45 million m3 with natural forests accounting for 40 million m3 of round wood. The cutting capacity for natural forests is low at 30 per cent, while the privately owned plantations have a cutting capacity of up to 70 per cent.

Timber production increased from about 90,000 m3 in 2013 to 150,000 m3 in 2017. The rate of loss of forest is increasing, with 106,000 Ha of natural forests, and 370 Ha of plantations lost every year (Republic of Angola, 2019). Chiteculo et al. (2018) noted, however, that wood production has dropped to less than 20 per cent of annual extraction capacity-which when considered with the loss in forest area, may imply a gap in resource management, and organization of the sector. The authors also points out that some of the stakeholders in the sector (like sawmills) receive an incentive from the government: hence, there is room for improvement in production and management of the resource. A similar case can be made with regards to exploitation of fisheries resources.

Table 3:
Fish export by partner (Per cent)

|	2016	2017	2018	2019	2020
World (in thousand US dollars)	88 169	58 412	65 413	66 589	43 907
Europe	33.3	55.2	13.2	31.1	38.2
Spain	33.3	55.2	12.6	30.6	37.5
Portugal	0.0	0.0	0.6	0.5	0.7
Africa	36.8	21.7	58.6	41.5	33.6
Côte d'Ivoire	1.6	2.9	23.5	11.0	11.2
Namibia	4.0	14.0	3.2	8.4	6.0
Congo, Dem. Rep. of the	26.4	0.4	9.4	11.9	5.8
Ghana	2.4	4.1	13.6	5.3	5.5
Nigeria	0.6		7.6	3.2	3.7
Asia	28.6	23.1	28.2	26.7	27.7
China	11.1	6.0	8.2	9.7	10.4
Viet Nam	3.9	11.7	6.9	6.7	6.1
Japan	1.4	2.4	4.1	4.3	5.1
Korea, Republic of	8.8	1.7	5.7	4.3	4.3
Taiwan Province of China	3.1	1.0	3.3	1.4	1.7
America	1.3	0.0	0.0	0.7	0.5
Chile	1.3			0.7	0.5

Source: UNCTAD secretariat calculations based on data from FAO, FAOSTAT database [accessed October 2021].

With a potential of more than 700,000 tonnes per year, the sector has grown in importance for employment, exports, and industrialization. Artisanal fishing has to compete with large industrial fishing companies that provide about 30 per cent of jobs in fishing communities (Casimiro et al., 2021). A large presence of foreign fleets is another concern for the artisanal fisheries sector, whose access to deep sea fisheries is limited. In an environment already flooded with illegal fishing, and lack of transparency in the issuance of licences and allocation of fishing rights, the presence of foreign industrial fleets pauses regulatory and administrative challenges that requires state and institutional capacity to surmount. Fiscal incentives to artisanal fisheries may assist the fishing communities to compete with large fleets, however, growth of private sector participation may require a review of fishing rights and bilateral fishing agreements with other countries that access Angolan waters.

4. Peace

Since the end of the civil war in 2002, Angola has been peaceful and politically stable. However, just like in many post-conflict countries, the country would have to overcome inequalities, corruption and macroeconomic mismanagement (Reed, 2009; Jeong, 2021). Inequalities reflect unresolved issues around access to productive resources and economic assets, poverty, lack of employment opportunities, and economic stagnation. These factors are a threat to peace and stability, and are often the central issues in conflicts (Jeong, 2021). On the other hand, the means and the process of addressing these issues are important for strengthening democratic institutions and building nations, and may prove invaluable to sustainable development. Sustainable Development Goal (SDG) 16, for example, aims to promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels. One

of the most quoted indicators of political inclusiveness is the number of general elections held and the qualitative assessments of the electoral processes. Angola has held relatively regular general elections in 2008, 2012 and 2017, and the number of political parties/entities participating in the elections are identified through electoral laws that govern elections and political participation. Although the number of elections held and political party participation may not fully capture the quality and significance of the political environment, they are important milestones considering the tendency for resource rich countries within the Southern and Eastern African region to degenerate into conflicts fuelled by an untamed appetite for control over natural resources, ethnicity ,and political and economic power (Reed, 2009; Ovadia, 2018).

The absence of war is not an absolute guarantee of political stability. Reed (2009) uses the terms petrol-capitalism and petrol-violence to describe two dominant forces that contribute to the rise of the oil-based economies, but highlights historical burdens that could render sustainable development untenable in Angola. These include the burden of pollution, environmental degradation, history of violence, corruption, and patronage. The combined effects of these factors on inequality and vulnerability can bolster dissatisfaction with the way economic wealth is being shared across the country. It does not help matters that capital intensity and location specificity are two distinct features of oil industries that fuel exclusion and inequality. At the heart of this petrol-capitalism is an investment that extends its tentacles into the distribution of oil revenues through capital ownership structures, and enclave characteristics of oil exploration rights. When these forces are not properly tamed by governance frameworks, government policies may be compromised either through entanglement with petrol-capitalism interests that determine distribution of petrol-revenues, or through perpetuating inefficient resource allocation mechanisms that generally hinder economic development (Reed, 2009; Fernandes et al., 2019; Ovadia, 2018).

SDG 16 provides an important framework for objectively assessing progress on governance. Target 16.1 is about significantly reducing all forms of violence and related death rates everywhere. According to data from the Global Burden of Disease Study 2017 (Institute for Health Metrics and Evaluation, 2017), the end of the war was effective in lowering deaths related to conflict and terrorism from 600 in 2002 to under 100 in 2003. There were no such deaths in 2014, but in 2016–2017, the number of victims increased slightly

from 31 to 56. Deaths due to interpersonal violence have been increasing rapidly, initially rising from 756 in 2002 to 811 in 2004, and sured to 890 in 2017.

The prevalence of violence against women is high as in 2016, the proportion of women subjected to physical and/or sexual violence in the previous 12 months (of women aged 15-49) stood at 25.9 per cent. Effective dispute resolution mechanisms are needed to prevent interpersonal violence, while the rule of law is important in preventing and controlling cases of violence against women and children, as well as trafficking in persons.

The significance of the petrol-capitalism discourse to Angola is aptly captured by estimates of illicit financial flows involving either trade in commodities or other measures. SDG 10.6 aims to significantly reduce illicit financial and arms flows, strengthen the recovery, return of stolen assets, and combat all forms of organized crime. According to UNCTAD estimates, Angola lost $60 billion to capital flight during 1986–2015. On an annual basis this figure corresponds to less than 5 per cent of GDP. However, Angola is one of the countries with inconclusive partner-country trade gaps, meaning that there are volatile fluctuations in the country's export trade gap that may or may not be due to systemic illicit behaviour. Recovering funds suspected to have been proceeds of illicit behaviour or crimes is a strenuous process and requires the cooperation of other countries. For instance, in 2004 and 2012, Switzerland cooperated with Angola to recover money suspected to have been proceeds of corruption and money laundering. The recovered resources were used to build a hospital, and infrastructure for reintegrating displaced people (UNCTAD, 2020b).

As the SDG 16 cluster of indicators show, there are many aspects to ensuring a peaceful and inclusive society. Data for most of the indicators are not available, but inference from the limited available indicators show mixed progress. Overall, Angola has become a peaceful country full of promise, although levels of interpersonal violence and violence against women have remained high, as already mentioned. On the quality of institutions, voice and accountability, the World Bank's Worldwide Governance Indicators provide survey-based details of how enterprises, citizens, and experts in the relevant fields view the developments with regards to voice and accountability; political stability and absence of violence/terrorism; government effectiveness; regulatory quality; rule of law; and control of corruption. Based on these indicators, Angola made great strides on political stability and absence of violence or terrorism, although there were setbacks in 2019 and 2020 (Figure 33).

Figure 33:
Angola's governance indicators (Indices)
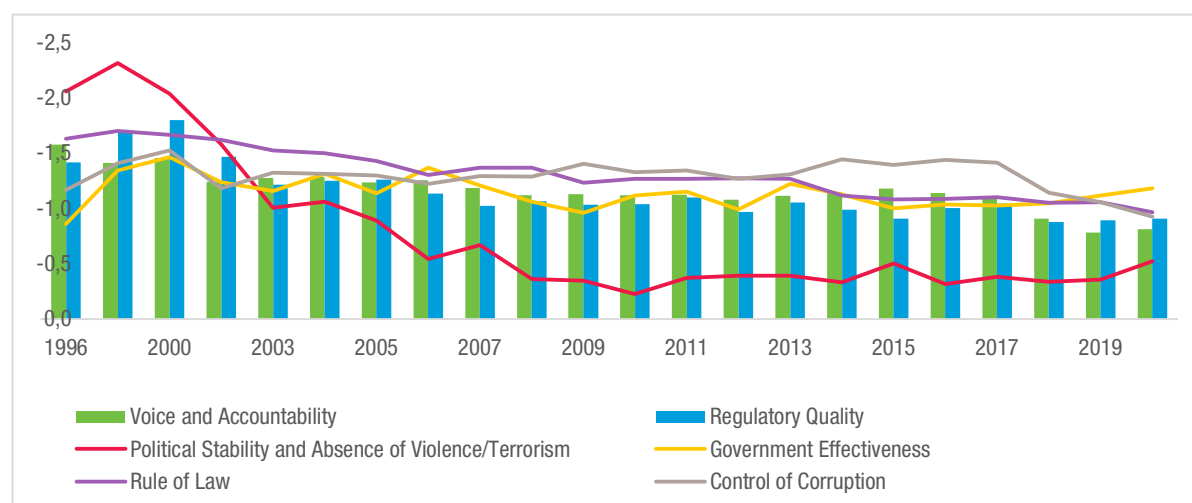
Source: UNCTAD Secretariat calculations based on data from World Bank, Worldwide Governance Indicators [accessed October 2021].

Government effectiveness, which gauges perceptions about the quality of the civil service and its independence, also deteriorated in 2017–2020. There were, however, important gains in voice and accountability; the control of corruption; regulatory quality; on the rule of law-all of which are important dimensions in strengthening governance and institutions. Overall, Angola would have to improve, as its average percentile rank was the across all indicators and countries, as it was 18th lowest in 2020. The percentile ranking on government effectiveness was the lowest at 11th, while the highest ranking was on political stability and absence of violence/terrorism at 26th.

The low rank on government effectiveness is a major drawback as it points to perceived flaws in public service delivery or bureaucratic setup. It could also mean that public opinion on quality of public goods including infrastructure, transport systems, health services, education, and water is generally low. The indicator also raises questions about the adaptability of government policies to economic realities, and whether the bureaucratic setup is facilitating or hindering business activities. Decentralisation and building capacity of municipal governments is an important strategy that has worked to devolve some power. However, informal state structures such as local political committees that have control over policy, resources and public investment in infrastructure, and other sectors, weaken and erode the role of formal government institutions (Hackenesch, 2018; Martins,

2017). These forces weaken public service delivery and may result is an ineffective civil service, high inefficiency, and costs for delivering services.

5. Partnerships

Cumulatively, Angola has received $4.3 billion in official development assistance (ODA) in 2002–2019, representing an average of 0.9 per cent of GNI. It should be noted, however, that the net ODA received as a percentage of GNI has receded to less than 0.20 per cent in 2011–2019. In 2002–2019, 45 per cent of the ODA was delivered through channels not disclosed (not reported) to the Development Assistance Committee of the Organisation of Economic Cooperation and Development (OECD-DAC). The reported major channels were the public sector (25 per cent), NGOs and civil society (19 per cent), and multilateral organizations (5 per cent). Teaching institutions, research institutes or think tanks (0.9 per cent); and private sector institutes (1.1 per cent) received low shares of the aid during these years. However, in 2019 the $95 million in ODA received by Angola was channelled mainly to the public sector (48 per cent), NGOs and civil society (28 per cent) and private sector institutes (18 per cent). In terms of sectoral distribution, most of the aid in 2016-2020 went to social infrastructure and services (77 per cent), followed by economic infrastructure and services (6.6 per cent); multi-sector or cross-cutting (5.6 per cent); production sectors (3.7 per cent);

humanitarian aid (3.3 per cent); and commodity aid or general programme assistance (0.4 per cent).

ODA is of course not the main channel of resources received by Angola from its development partners. Because of its income level, Angola faces a higher share of loans in ODA than grants, as compared to other LDCs. In fact, only Bangladesh and Mauritania had a higher share of loans in ODA compared to Angola in 2015–2017. Moreover, Angola was the only LDC not covered by the World Bank–International Monetary Fund Debt Sustainability Framework since December 2018 (UNCTAD, 2019). In addition, the significant share of private and non-Paris club creditors among debt stockholders for Angola may imply very complex negotiations for debt restructuring and maintaining control over debt sustainability. Further more, although Angola mobilizes substantial private flows through foreign direct investment, these flows target mostly the natural resources sectors – oil, gas and mining – while debt finance has been used for various infrastructure projects and in expanding public investments in key sectors. The total outstanding external debt stock reached $135 billion in 2020, with China (33 per cent) holding the largest chunk among cooperating countries, followed by the United Kingdom (7 per cent), Israel (2.8 per cent), Ireland (1.8 per cent), Portugal (1.4 per cent), Spain (1.4 per cent) and Japan (1 per cent) (Figure 34). Other multiple lenders (25.5 per cent), bondholders (11.9 per cent), IMF (4.4 per cent), the African Development Bank (1.9 per cent), and World Bank's International Bank for Reconstruction and Development (IBRD) (1.8 per cent) are the other lender groups holding significant shares of Angola's debt. Angola's participation in the G20 Debt Service Suspension Initiative, which followed the COVID-19 pandemic potentially saved the country about 3.2 per cent of GDP ($2.9 billion) in debt service between January to December 2021, with an estimated $571.5 million (0.6 per cent of GDP) deferred debt service in 2020 (World Bank, 2021).

Figure 34:
Debt counterparts, share of both debt restructuring, stock in 2020 (Per cent)
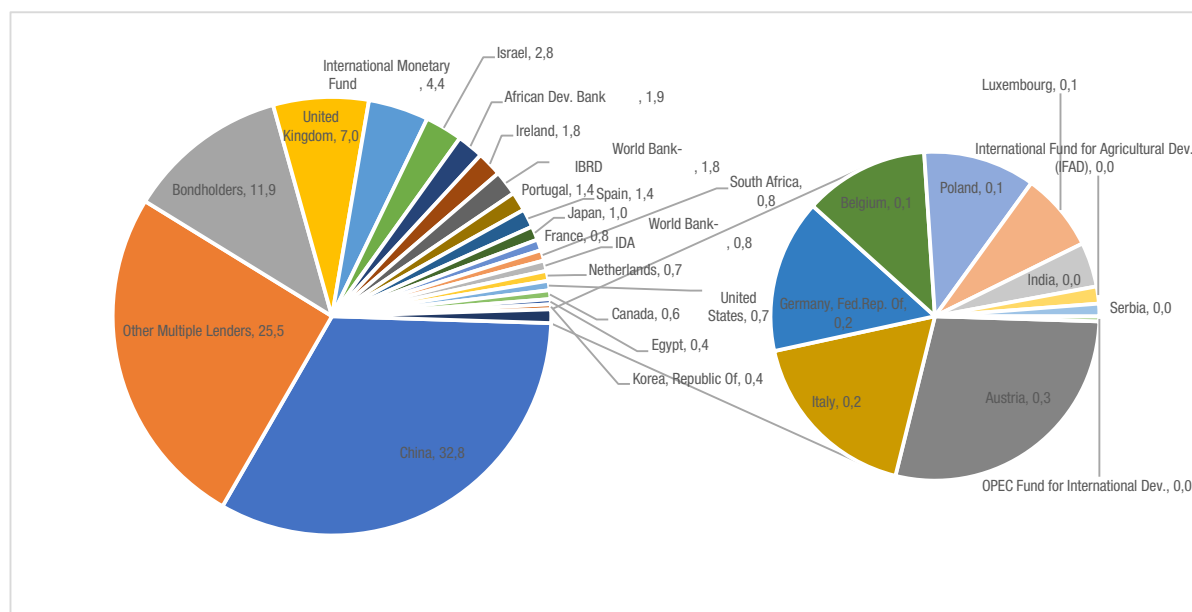
UNCTAD Secretariat calculations based on World Bank, International Debt Statistics database [accessed October 2021].

Angola spent $86.3 billion in debt service in 2010–2020, and is expected to pay out a further $29 billion in 2021–2023. The debt burden is now worse due to the economic crisis. The external debt to GNI ratio and exports level all increased in 2014–2020, with the external debt to exports ratio rising fastest (Figure 35). Because of the longstanding recession, the increase in these ratios is undesirable and signals serious balance of payments problems. Considering that merchandise exports in 2020 were worth only $36 billion, the country has edged close to unsustainable levels in debt and would have to monitor the trends in both borrowing, and repayments, as they are likely to get tighter with each passing year of a slowing economy.

Figure 35:
Debt ratios

UNCTAD Secretariat calculations based on World Bank, International Debt Statistics databased [accessed October 2021].

As expected, debt service shares reflect debt holdings by partners, but some debt stockholders earn more in debt service than the proportion of debt they hold. This may reflect debt scheduling differences and interest charged, but the diversity of the partners should average out the impact. For example, China is expected to receive 34 per cent from the debt service of about $49 billion in 2019–2023, while other multiple lenders are expected to take 21 per cent. The United Kingdom, which holds about 7 per cent of the debt stock, will receive more than double the share at 16 per cent, and others Ireland (3 per cent), Israel (2.5 per cent), Spain (2.2 per cent), United States (1.4 per cent), South Africa (1.4 per cent), Portugal (1.2 per cent) and the African Development Bank (1 per cent). Bondholders who hold about 12 per cent of the debt stock are expected to take 9 per cent of the debt service in 2019–2023.

Angola has been posting negative FDI values since 2016. The disinvestment trend has slightly improved, but foreign investors are still taking more than the value of capital newly invested. In 2016–2020, the disinvestment amounted to $21 billion, with $14 billion lost in 2017 and 2018 alone. Data from the agency for private investment and export promotion show that between August 2018 and August 2021, Angola registered 413 new investments worth $4.4 billion, and half was in industry (Table 4). Of these, $1.5 billion (35 per cent) was raised internally, $1.97 billion capital was from foreign sources, and $871 million was joint ventures between Angolan and foreign investors. The FDI partners in 2018–2021 were South Africa ($678 million), United Arab Emirates ($351 million), United Kingdom ($282 million), China ($222 million) and Turkey ($200 million).

Table 4:

Projects registered by sector of activity August 2018– August 2021

Sector	Number of projects	Investment in million US dollars
Industry	178	2,021
Construction	9	686
Personal services	89	342
Telecommunications	3	307
Mining	6	241
Agriculture	19	220
Trade	86	152
Fisheries	8	132
Health	4	131
Financial services	3	93
Hotel and tourism	5	31
Education	3	30
Total	413	4,386

Source: AIPEX, 2021

The diversity of sectors receiving FDI in 2018–2021 is important for the country's priority to achieve structural transformation. Wanda (2017) argues that Angola's affinity for FDI from emerging countries, particularly the Brazil, Russia, India, China, South Africa has benefitted the country to increase FDI including manufacturing and construction. The FDI partners, including China, India and South Africa, are also among the major destinations for Angola's exports. However, some sectors are still receiving very little attention from both the private sector and the public sector.

D. Implications of the vulnerabilities

Crude oil is a lucrative resource when global demand and price conditions are right. The years 2018–2020 have been anything but stable for oil exporters: the price of oil was at its weakest in decades, and the situation was further worsened by COVID-19 affecting trade logistics and demand. Although global demand and prices seemed to have recovered in 2021, the oil market is still adjusting to oversupply conditions created by excess stocks, overproduction, and growing market share of non-OPEC producers. For Angola, the oil industry's domination of the economy is an open door to external vulnerabilities which manifest in various forms. The most obvious source of vulnerability is the oil price effect that destabilizes exports, fiscal revenues, and economic activities throughout the economy. Understanding the impact of oil price movement on the economy is important but this needs to be accurately assessed, particularly since

the economy is already in a recession. Projections made in 2007 used scenarios that assumed large fluctuations in prices, but kept per capita wealth estimates of $8,500–$19,000 based on a population that was less than half the current population (World Bank, 2007). The GNI per capita in 2015–2020 is less than half the lower estimate, hence the importance of accurate projections of future oil wealth and its impacts on the macroeconomy.

After repetitive shocks affecting the oil market, Angola's pace of economic diversification has been slow, and ring-fencing the economy from oil price shocks is long overdue. The UNCTAD Productive Capacities Index shows that Angola increased its productive capacities from an overall score of 17.5 in 2000 to around 22.2 in 2018. Equatorial Guinea and Nigeria are the closest comparators in terms of economic structure, and the Productive Capacities Index reveals a similar performance, with Equatorial Guinea moving from 20 in 2000 to 22 in 2018, while Nigeria moved from 19 to 21 in the same period (Figure 36). Other economies, like Botswana and South Africa moved from 26 to 27, and from 30 to 32, respectively, during 2000-2018. Angola has registered some improvements in human capital development, institutions, and private sector subcomponents of the productive capacities index, but struggled in information and communications technologies, transport infrastructure and structural change especially in 2000-2009. The slight loss in advantage over the natural resources component was slightly compensated by marginal increments in the

private sector and human capital components but the latter was from a very low base. A complete analysis of the PCI and its subcomponents can be found in the Angola National Productive Capacities Gap Assessment Report (UNCTAD, forthcoming).

The main asset that Angola has not utilised to the fullest is its population. The youth population has bulged and will likely continue to growth at a higher pace that the current growth of GDP and GNI per capita. The GNI per capita growth is in a phase that is likely to remain slow or negative for the foreseeable future, but population growth will remain high at above 3 per cent. According to some studies, it is the growth in the working population that matters most for per capita income growth (Leimbach et al., 2017) or age structure of the economy (Peterson, 2017). However, in Angola, the population growth rate was 3.6 per cent during the recession in 2015–2019, at which per capita GDP and per capita GNI was slow or negative growth.

Jobs held firm in some sectors during the COVID-19 pandemic, but unemployment remained high at 8 per cent. Poverty has picked up, and its interaction in the short-to-medium-term with unemployment among the youth could spell disaster for socioeconomic development. Youth unemployment raises several questions about

Angola's development plan for the youth: what role is expected to be played by the youth and how the country is preparing the youth for its role? The investments in youth capacity should adequately respond to the constraints faced by the youth labour force. Fostering investments in sectors that benefits youth employment such as ICT (information communication technology), education and vocational training, agriculture, tourism, and entrepreneurship could help Angola increase the role of businesses that create jobs and can boost economic activities in their value chains.

Industry is responsible for the slowdown in labour productivity, but it is also the sector with the lowest potential for employment creation, as it absorbs less than 8 per cent of the labour force. One of the challenges for high education labour force and local entrepreneurs is the high utilization of foreign labour in industry and other sectors which is evidenced by a large share of payment for foreign workers and capital/property income in the balance of payments. The compensation of employees and property income to the rest of the world grew from 10 per cent of GDP in 2003 to 17 per cent in 2008, before receding to 11 per cent in 2009. There was a gradual decline in 2012–2015 to 4 per cent (2015), as disinvestments and ownership structures evolved with changing economic conditions, and as partnerships with other

Figure 36:

Productive capacities index of Angola and other selected African economies
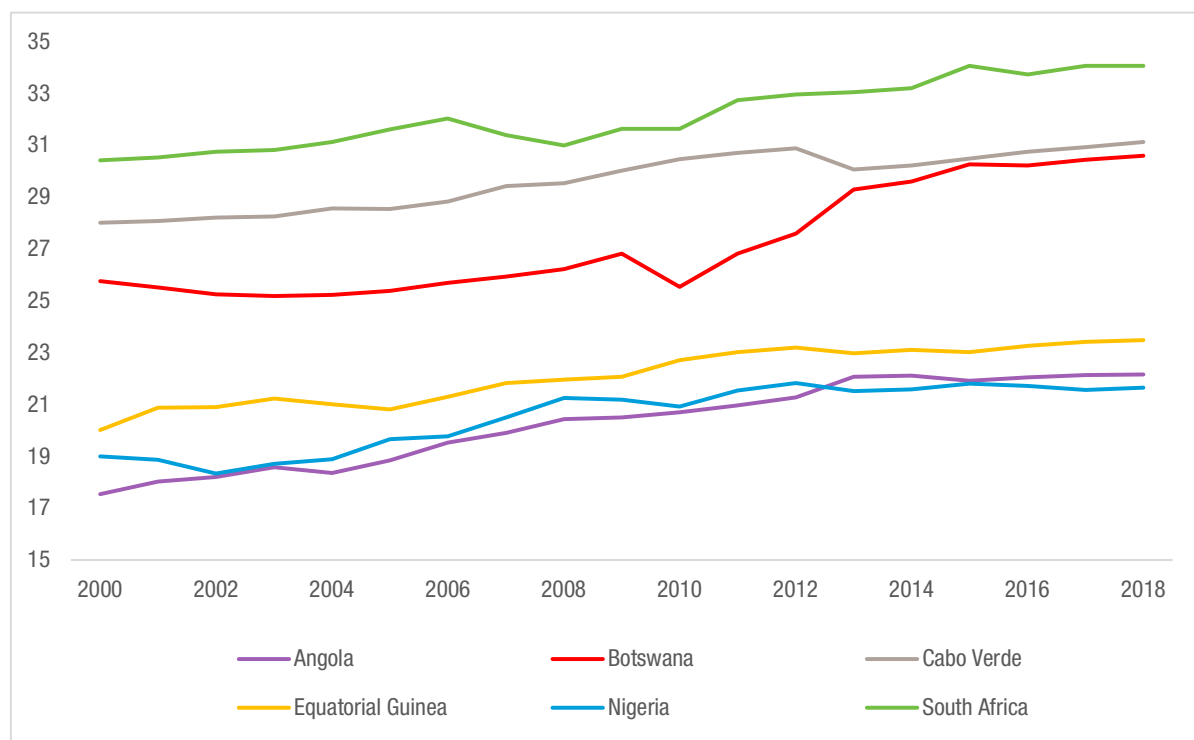
Source: UNCTAD secretariat calculations based on UNCTADStat [accessed March 2022].

investors became more prominent. For example, an oil-backed loan with China's export import bank (Exim Bank) and the China International Fund (CIF) is said to have played a significant role in the post-war economic revival of Angola (Wanda, 2017). As compensation of employees and property income to the rest of the world rose again from 4 to 8 per cent of GDP in 2015–2018, it is important to recognize the impact on long-term industrial growth. According to national statistics, the compensation of employees as a percentage of gross operating surplus was up from 27 per cent to 33 per cent in 2015–2018, which is as large as corporate taxes in some countries.

Related to the drainage of resources through official channels is the loss of revenue through illicit financial flows while oil sector. The oil sector is the number one sector by cumulative illicit financial flows from Africa in 2000–2009, it is estimated that trade mispricing alone costed the continent $70 billion. Estimates suggests that Angola loses 5–7 per cent of GDP to illicit financial flows, resources that could have helped the country meet under-five mortality targets in less than half the years it would take without the resources (ECA, 2015; AU and ECA, 2015; UNCTAD, 2020b).

Labour market constraints have increased with the slowdown in economic activities. Marginalisation of the youth and the labour force with intermediate level of education is creating a gap in income distribution, which in turn is increasing inequalities a structural constraint for economic transformation. According to the latest demographic data, the secondary school age group is almost 8 million people, which is close to a quarter of the population, but lower secondary completion rate was only 21 per cent in 2011 (only 46 per cent completed primary school in 2011). Although the 2011 completion rate may be outdated, the gross enrolment rates are quite recent, hence on a cohort basis, there are lost opportunities in human capital development of at least 6 million people who could be trained and improved to raise the standards of the labour force, entrepreneurship, productivity, and household incomes.

GDP grew by 2.5 per cent in 2020: Q3 from -7 in 2020: Q2. The first quarter of 2021 opened with a subdued 0.2 per cent growth as 2020 closed on uncertain global outlook with the COVID-19 pandemic still raging and vaccines not yet rolled out. Although a lot has changed since then in global economic projections, the state of the economy is still not conducive for Angola to graduate on a solid grounding until the recovery reverts with stronger growth from a wider base. The immediate challenge is to increase investment in non-

oil sectors to ensure that the distinction between the oil and non-oil sectors become stronger, or that oil should contribute positively to other sectors. There is a need for better linkages among non-oil sectors; closing revenue leakages including illicit flows; and reviewing capital repatriation policies in light of the increased risk to investments.

Both the economic and environmental vulnerability index and human assets index graduation thresholds have not been met, and the gaps implied by both in-dices could assist the country in directing efforts for building a stronger economic base. There is a need to raise the prospects for knowledge economy, ICT and technology in economic development of the country building on the foundation of a strong population growth and untapped potential in other economic sectors, including agriculture, fisheries, tourism and services. Natural resource-based economies tend to suffer the brunt of climate change impacts, but for An-gola, most impacts are habitat-related in human sett-lements in urban areas, but the impact on agriculture and fisheries is considered moderate to low. Howe-ver, climate models show that current losses due to climate change exceeded the value of annual food exports in 2016–2020 and were 22 per cent higher than exports of agricultural raw materials. With the im-pacts projected to increase 7 times under changing climatic conditions, they will wipe out 40–70 per cent of livestock, putting at risk close to 8 million people, and spreading the geographic risk beyond urban in-frastructure (CIMA and UNDRR, 2019). Since climate impacts in the agriculture sector fall disproportionately more on the poor, it is important for Angola to find adaptive measures particularly in the livestock sub-sector. The measures should take into account the investment needed to transform the agriculture into a productive and vibrant sector as part of the economic diversification drive.

The process of reducing dependence on oil will inevitably involve expensive trade-offs. It is critical for the country to capitalise on the accumulated oil wealth to invest in other sectors that can break the dependence on oil. A positive oil price trend has done little to uplift the economy, while debt service on outstanding debt has increased compared to exports, increasing vulnerability of oil assets to predatory lending by partners. The resource-backed loans increased volatility caused by fluctuations in foreign exchange earnings, and worsened the negative impacts of reduced fiscal revenue and high cost of resource-backed debt. Commodity swap deals could have played a role in the recession period as contractually, the country faced an obligation to honour debts

even as liquidity lines dried up when the COVID-19 pandemic was at its peak globally. The debt situation is also a reflection of the unsustainable borrowing triggered by low interest rates on dollar denominated loans even as commodity earnings dipped due to low aggregate demand following the 2008 financial crisis (Tröster and Küblböck, 2020; Perry, 2020). It is therefore important for debt finance to be strategic, targeting investment to diversify the economy and raise potential output. There is need to balance the share of commercial, non-Paris Club debt issuances that have the potential of raising debt burdens and negotiate better concessions from traditional creditors. Effective management of debt profile could lower debt service costs, reduce risk of debt distress, and align debt with national development objectives. Transparency in new or existing debt, and fiscal prudence in utilization of funds can also assist the country in reducing illicit financial flows and diversion of state assets (UNCTAD, 2019, 2020b).

Tightening of fiscal policy rules amid lower commodity prices is inevitable in a recession, but with a stagnant economy, the tendency is for authorities to borrow to maintain spending levels high. As prices recover, fiscal discipline is also needed to reign in expenditure and accelerate retirement of debt. In the last quarter of 2021 and in the first month of 2022, the oil price per barrel, both in London and New York, contracts far exceeded expectation by $30-$35/barrel, compared to the price of about $59 that has been put in the General State Budget (OGE) for the 2022 fiscal year. According to Goldman Sachs, the price of crude could reach $100/barrel in 2022 (Bloomberg, 2021), and hence, for Angola this scenario represents a

significant boost on GDP growth and tax revenues, although production remains below 1.1 million barrels per day. The utilization of these budget surpluses will be so critical for economic stabilization, particularly in an election year. Fiscal discipline needs to be maintained to ensure success of the macroeconomic recovery and diversification efforts.

As Angola embarks on the process of privatizing state-owned enterprises to finance some of the reforms, it is critical for the government to insist and firmly articulate policies supporting employment creation, encouraging local content and participation, technology transfer in FDI, and human capital development. It is also important to encourage transparency on past and future resource-backed loans without compromising commercial interests of lenders and the state. The lock-in nature of the loan contracts make renegotiation almost impossible, unlike open market transactions backed by hedging instruments that allow a fund manager to manipulate their holding positions based on market conditions. The uncertainty with oil wealth therefore makes resource-backed loans uncompetitive particularly if they are held in bulk by a few lenders (Mihalyi et al., 2020). Where it is considered beneficial, a reconversion of the loans to commercial value should be pursued based on expert assessments of outstanding amounts and market valuation of future flows of the natural assets. Public-private partnerships may also be more beneficial in re-floating some of the assets owned by state-owned enterprises and expanding investments in some of the sectors where private investment has failed to flourish during the years of oil domination.

Conclusions

Angola's graduation from the least developed countries category hinges on it reversing the economic meltdown experienced since 2016. Its vulnerability to oil price fluctuations coupled with a weak structural base have grounded the export-dependent economy, and have severely damaged the prospects of the country graduating on income-only criterion. The year 2022 is a critical juncture for the country as it attempts to reverse a long-running recession, while at the same time battling the COVID-19 pandemic and its lingering consequences. The significance of the recovery is not just for the graduation purpose scheduled for 2024 according to the new timeline,[9] but also because of the devastated state of the economy from the recession, and the risk of falling into a slow growth path despite commodity successes experienced in 2006–2015.

The analysis in this vulnerability profile has highlighted several dimensions of Angola's vulnerabilities along the five Ps, namely, people, planet, prosperity, peace, and partnerships. Among the key vulnerabilities are the low human capital development, rising poverty and inequalities, and unemployment among the fastest growing segment of the labour force (i.e, the youth). Economic prosperity measured in terms of alternatives to GNI per capita show how delicate the economic situation has become, and short-term projections of future growth do little to divert the trajectory from its negative income per capita growth trend. Climate change impacts, quality of institutions, and the debt burden are also conspicuously hindering Angola from achieving its potential.

The main source of economic vulnerability is the dependence on oil, and the weak structure of the economy that exposes it to external shocks. The risk of hysteresis is ever present after a long recession; hence, the country should take advantage of the positive gains in the last two quarters of 2021 to continue implementing policy reforms aimed at building resilience to shocks by strengthening, upgrading, diversifying, and expanding agriculture, manufacturing, tourism, and services sectors. Private investment is spread thinly across these key sectors, but should be bolstered by the ballooning share of household final consumption in GDP, which increased from 34 per cent in 2011 to 56 per cent in 2019, and up again to 63 per cent in 2020. Returning public expenditure to its pre-recession level (i.e., 21 per cent of GDP in 2013) from the 10 per cent of GDP in 2020 should be balanced against

expediency to meet priorities in infrastructure projects that stalled during the recession as well as and social sector priorities including the need to expand social services in health, education, water and sanitation, and energy supply; and coverage of social security.

The preparatory period before graduation is an important phase for reviewing trade and industrial policies in line with expected changes to the international environment when LDC-specific support measures are withdrawn. In the case of Angola, the international support measures of relevance to the main export sector, oil, have had minimal impact on the sector itself, and on others. For example, the MFN on crude oil is virtually zero in all partner markets, hence, the withdrawal of the LDC-specific support will not directly affect the sector. However, lack of diversification in manufacturing, agriculture and other sectors means that the country has not been taking advantage of LDC flexibilities to foster diversification in those key sectors, and the participation of these non-oil sectors in trade would remain marginal if no action is taken on the policy front to accelerate diversification. The preparatory phase is therefore an opportunity to make process and reduce opportunity costs of underutilized international support measures that will expire after graduation.

Some of the vulnerabilities in the oil sector are linked to the dominant role of foreign direct investment in the sector, foreign debt finance and the capital ownership structure of the main export sectors. As the country continues its economic reform programme, there is a need for domestic investors to play an elevated role in both the privatization process and decoupling the economy from oil, as well as reducing the financial sector's exposure to oil assets. However, the government should utilize its policy space to channel investments, and purposefully nudge capital flows, and build capacity to regulate the investment flowing into all sectors. Another area of high potential benefits to non-oil sectors is the AfCFTA, but it will require utilising the SADC market to benefit from a tailored trade policy adjustment with South Africa, Namibia, Mozambique, and other SADC partners while also providing valuable experience for Angolan firms to meaningfully exploit the wider AfCFTA.

Building an ecosystem of an entrepreneurial base in the non-oil economy of Angola should be a major priority. Like in other developing countries, addressing

systemic impediments to entrepreneurial and business growth is the first step to removing constraints to private sector development and creating a flourishing business environment. Increasing access to finance; availability of supportive infrastructure; effective utilization of human capital stock; investment in education, training and skills development; and continuous upgrading of productive capacities are some of the factors that could accelerate entrepreneurial development (UNCTAD, 2021c). UNCTAD (2018) highlighted traditional and new policy options that could accelerate entrepreneurial development. Among them, creating market linkages within and outside the country, channelling FDI to value chains linking microenterprises and SMEs to larger companies, and local content policies to stimulate linkages between the extractive sector and indigenous enterprises, are some of the traditional options that are relevant to Angola. Fostering start-ups, scaling up businesses, offering selective support to deserving businesses at the stages of venture development, proactively identifying prospective growth firms, and addressing the skills as well as managerial skills gaps in business are the contemporary options. Digitization of business operation, investment in technology, and continuously expanding the business ecosystem is also an important consideration in the changing global environment (UNCTAD, 2021c).

The process of rationalising the investment process goes at the heart of reducing inequalities that are often associated with resource-rich economies. It is therefore important for the business development model to take into account the widespread informality and inequalities in Angola. Creating decent jobs and sustaining them is an important indicator of reducing inequalities, and the share of new jobs in the non-oil sector would demonstrate progress towards diversification of the economy. Dismantling the vested interests that perpetuate distortions in domestic investments and income distribution may assist the country to diversify the economy quicker and at lower cost, and allow private sector to flourish in sectors normally reserved for special interests. Related to the widespread and growing inequalities in the country are the youthful population dynamics. Education and training are key to unlocking the potential of the population and building an entrepreneurial base for business environment. Government investments in the education sector should be bolstered to build some knowledge, and an innovation driven economy with the potential to create jobs for a growing labour force.

References

Addison T (2015). Thirty years in Africa's development: From structural adjustment to structural transformation? WIDER Working Paper. No. 2015/119.

AU and ECA (2015). Illicit Financial Flows: Track It! Stop It! Get It! Report of the High Level Panel on Illicit Financial Flows from Africa, Commissioned by the AU/ECA Conference of Ministers of Finance, Planning and Economic Development. Economic Commission for Africa. Addis Ababa. (accessed 22 November 2021).

Baek SJ (2017). Is rising income inequality far from inevitable during structural transformation? A proposal for an augmented inequality dynamics. Journal of Economics and Political Economy. 4(3):224–237, KSP Journals.

Bala U and Chin L (2018). Asymmetric Impacts of Oil Price on Inflation: An Empirical Study of African OPEC Member Countries. Energies. 11(11):, MDPI AG.

Beck M (2019). E-International Relations. Available at https://www.e-ir.info/2019/01/24/opec-and-beyond-how-and-why-oil-prices-are-high/ (accessed 4 October 2021).

Beloso B and Cabeçadas N (2020). Privatization trends in Angola. Available at https://www.whitecase.com/publications/insight/africa-focus-autumn-2020/privatization-trends-angola (accessed 12 November 2021).

Bloomberg (2021). Goldman Says $100 Oil Possible as Record Demand Outpaces Supply. 17 December.

Borin A and Mancini M (2019). Measuring What Matters in Global Value Chains and Value-Added Trade. World Bank Policy Research Working Paper No. 8804.

Casimiro H da FJ, Luanda A, Domingos AMD, Gomes BV and Cuando-Cubango A (2021). Angola's Economic Potential: Problems and Development Prospects Under the Current Conditions of the Global Crisis. 3rd International Conference Spatial Development of Territories (SDT 2020). Atlantis Press: 340–344.

Chiteculo V, Hájek M and Vrabcová P (2018). Production and Commercialization of Timber in Angola after the Declaration of Independence. Scientia Agriculturae Bohemica. 49.

CIMA and UNDRR (2019). Angola Risk Profile - Floods and Droughts. Available at http://riskprofilesundrr.org/documents/1850 (accessed 4 November 2021).

Cross-Border Road Transport Agency (2021). Angola Country Profile. The Cross-Border Road Transport Agency. Pretoria, South Africa. (accessed 4 February 2022).

Deloitte (2021). Banca em Análise 2021: (R)Evolução no sector bancário em Angola. (accessed 1 October 2021).

ECA (2015). Illicit financial flows: why Africa needs to "track it, stop it and get it." Economic Commission for Africa. Addis Ababa. (accessed 22 November 2021).

Energy Capital and Power (2021). A Guide to Angola's Refining Capacity. Available at https://energycapitalpower.com/a-guide-to-angolas-refining-capacity/ (accessed 1 November 2021).

European Commission (2021). Sustainability Impact assessment (SIA) in support of trade negotiations with Angola for EU-SADC EPA accession. European Commission, 154.

FAO (2018). Fishery and Aquaculture Country Profiles - The Republic of Angola. Available at https://www.fao.org/fishery/facp/AGO/en (accessed 9 November 2021).

FAO (2021). FAO Yearbook. Fishery and Aquaculture Statistics 2019. Food and Agriculture Organization of the United Nations. Rome.

Fernandes AJS, Jimenez A, Kraak JM and Tsagdis D (2019). Managing political risk in the oil and gas industry in a developing economy: the case of BP in Angola. European Journal of International Management, Inderscience Publishers (IEL).

Hackenesch C (2018). Angola. In: Hackenesch C, ed. The EU and China in African Authoritarian Regimes: Domestic Politics and Governance Reforms. Governance and Limited StatehoodSpringer International Publishing. Cham: 149–192.

Haddad EA, Perobelli F, Araújo IF and Dentinho TLC (2020). Uneven Integration: The Case of Angola. preprint. In Review. (accessed 14 November 2021).

Huntley BJ (2019). Angola in Outline: Physiography, Climate and Patterns of Biodiversity. In: Huntley B J,, Russo V,, Lages F, and Ferrand N, eds. Biodiversity of Angola: Science & Conservation: A Modern Synthesis. Springer International Publishing. Cham: 15–42.

ILO, ed. (2018). Women and Men in the Informal Economy: A Statistical Picture. International Labour Office. Geneva.

IMF (2021). Angola: Fifth Review Under the Extended Arrangement Under the Extended Fund Facility and Request for Modifications of Performance Criteria-Press Release; Staff Report; and Statement by the Executive D. International Monetary Fund (IMF).

Institute for Health Metrics and Evaluation (2017). Global Burden of Disease Study 2017 (GBD 2017) Data Resources | GHDx. University of Washington. Seattle, WA. (accessed 15 March 2022).

Jeong H-W (2021). Political economy of development. In: Jeong H-W, ed. Transition to Peace: Between Norms and Practice. Rowman & Littlefield.

Lashitew AA, Ross ML and Werker E (2021). What Drives Successful Economic Diversification in Resource-Rich Countries? The World Bank Research Observer. 36(2):164–196.

Leimbach M, Kriegler E, Roming N and Schwanitz J (2017). Future growth patterns of world regions – A GDP scenario approach. Global Environmental Change. 42215–225.

Manuel NN (2015). Language and literacy policies in sub-Saharan Africa: Towards a bilingual language education policy in Angola. Washington State University. Available at https://www.proquest.com/docview/1711730356/abstract/F4787CD5D414F24PQ/1 (accessed 20 October 2021).

Martins V (2017). Politics of power and hierarchies of citizenship in Angola. Citizenship Studies. 21(1):100–115, Routledge.

Mead D and Stiger P (2015). The 2014 plunge in import petroleum prices: What happened? Beyond the Numbers: Global Economy. U.S. Bureau of Labor Statistics. 4(9):7.

Mihalyi D, Adam A and Hwang J (2020). Executive summary: Resource-Backed Loans: Pitfalls and Potential. 8.

NIE (2021). Contas Nacionais Trimestrais AJUSTADO SAZONALMENTE (PIB)-IIo Trimestre 2021 FIR. Instituto Nacional de Estatística da República de Angola. (accessed 26 October 2021).

Omolade A, Ngalawa H and Kutu A (2019). Crude oil price shocks and macroeconomic performance in Africa's oil-producing countries. Cogent Economics & Finance. 7(1):, Taylor & Francis Ltd.

Ovadia JS (2013). The Reinvention of Elite Accumulation in the Angolan Oil Sector: Emergent capitalism in a rentier economy. Cadernos de Estudos Africanos. (25):33–63, Centro de Estudos Internacionais.

Ovadia JS (2018). State-led industrial development, structural transformation and elite-led plunder: Angola (2002–2013) as a developmental state. Development Policy Review. 36(5):587–606.

Perry KK (2020). The triple crisis of debt, demand and decarbonisation: a preliminary analysis of the impact of COVID-19 on commodity-dependent developing economies. International Journal of Development Issues. 20(2):226–242, Emerald Publishing Limited.

Peterson EWF (2017). The Role of Population in Economic Growth. SAGE Open. 7(4):2158244017736094, SAGE Publications.

Redvers L (2013). Angola, the Reluctant SADC Trader. South African Institute of International Affairs. (152):32.

Reed K (2009). Crude Existence: Environment and the Politics of Oil in Northern Angola. University of California Press.

Republic of Angola (2019). 6th National Report on Biodiversity in Angola and the Achievement of the AICHI Goals 2011-2020. Available at https://www.cbd.int/doc/nr/nr-06/ao-nr-06-en.pdf (accessed 8 November 2021).

Shibre G (2020). Social inequality in infant mortality in Angola: Evidence from a population based study. PLOS ONE. 15(10):e0241049, Public Library of Science.

Siakwah P (2017). Political Economy of the Resource Curse in Africa Revisited: The Curse as a Product and a Function of Globalised Hydrocarbon Assemblage *. Development and Society. 46(1):83–112, Institute for Social Development and Policy Research, Seoul National University.

Simão R and Gallo PR (2013). Infant mortality in Cabinda, Angola: challenge to health public policies. Revista Brasileira de Epidemiologia. 16(4):826–837.

Sonangol (2020). Relatório de Gestão e Contas Consolidadas 2020. (accessed 27 September 2021).

Sopp LM and Leiman A (2017). Mineral resource accounting measures in Africa. Working Paper Series No. 283. African Development Bank Group. (accessed 8 November 2021).

Temudo MP and Talhinhas P (2019). Dynamics of change in a 'female farming system', Mbanza Kongo/Northern Angola. The Journal of Peasant Studies. 46(2):258–275, Routledge.

The Atlas of Economic Complexity (2019). The Atlas of Economic Complexity. Available at https://atlas.cid.harvard.edu/ (accessed 20 January 2022).

The DHS Program (2017). Angola DHS 2015-16 - Infographic (English). Available at https://dhsprogram.com/publications/publication-DM109-Other-Dissemination-Materials.cfm (accessed 20 October 2021).

Tröster B and Küblböck K (2020). Unprecedented but not Unpredictable: Effects of the COVID-19 Crisis on Commodity-Dependent Countries. The European Journal of Development Research. 32(5):1430–1449.

Umar AS and Kabamba L (2016). Maternal Mortality in the Main Referral Hospital in Angola, 2010-2014: Understanding the Context for Maternal Deaths Amidst Poor Documentation. International Journal of MCH and AIDS. 5(1):61–71.

UN Habitat (2017). Habitat-Minoth Country Programme Document for Sustainable Urban Development For Angola 2018-2022. Available at https://unhabitat.org/sites/default/files/2019/10/31_10_2018_hcpd_-_angola_en.pdf (accessed 3 November 2021).

UNCTAD (2006). The Least Developed Countries Report 2006: Developing Productive Capacities. United Nations publication. Sales No. E.06.II.D.9. New York and Geneva.

UNCTAD (2017). State of Commodity Dependence 2016. United Nations. Geneva.

UNCTAD (2018). The Least Developed Countries Report 2018: Entrepreneurship for Structural Transformation: Beyond Business as Usual. United Nations publication. Sales No. E.18.II.D.6. New York Geneva.

UNCTAD (2019). Least Developed Countries Report 2019: The Present and Future of External Development Finance -Old Dependence, New Challenges. United Nations Conference on Trade and Development. Geneva.

UNCTAD (2020a). The Least Developed Countries Report 2020: Productive Capacities for the New Decade. United Nations Conference on Trade and Development (UNCTAD). Geneva.

UNCTAD (2020b). Tackling Illicit Financial Flows for Sustainable Development in Africa. Economic development in Africa report, No. 2020. United Nations. Geneva.

UNCTAD (2021a). Reaping the Potential Benefits of the African Continental Free Trade Area for Inclusive Growth. Economic development in Africa report, No. 2021. United Nations. Geneva.

UNCTAD (2021b). Economic and Social Impact of COVID-19 in Angola 2021. United Nations Conference on

Trade and Developement (UNCTAD). Geneva.

UNCTAD (2021c). The Least Developed Countries Report 2021: The Least Developed Countries in the Post-COVID World: Learning from 50 Years of Experience. United Nations publication. Sales No. E.21.II.D.4. Geneva and New York.

UNCTAD (2022). Angola National Productive Capacities Gap Assessment. United Nations Conference on Trade and Developement (UNCTAD). Geneva.

UNESCO (2012). International Standard Classification of Education: ISCED 2011. UNESCO Institute for Statistics. Montreal, Quebec.

UNFPA (2021). World Population Dashboard: Angola. Available at https://www.unfpa.org/data/world-population/AO (accessed 19 October 2021).

United Nations (2005). General Assembly Resolution 59/209: Smooth transition strategy for countries graduating from the list of least developed countries. Adopted on 20 December 2004. Available at https://undocs.org/A/RES/59/209 (accessed 24 September 2021).

United Nations (2016). General Assembly Resolution 70/253: Graduation of Angola from the least developed country category. Adopted on 12 February 2016. Available at https://undocs.org/pdf?symbol=en/A/RES/70/253 (accessed 11 November 2021).

United Nations (2019). World Population Prospects 2019. Online Edition. Rev. 1. Department of Economic and Social Affairs, Population Division. (accessed 15 October 2021).

United Nations (2021). General Assembly Resolution 75/259: Extension of the preparatory period preceding the graduation of Angola from the least developed country category. Adopted on 11 February 2021. Available at https://digitallibrary.un.org/record/3901085?ln=en (accessed 27 September 2021).

United Nations Development Programme (2020). Human Development Report 2020: The Next Frontier - Human Development and the Anthropocene. Human Development Report. United Nations.

USAID (2018). Climate Risk Profile: Angola Factsheet. Available at https://www.climatelinks.org/sites/default/files/asset/document/2018_USAID-CCIS-Project_Climate-Risk-Profile-Angola.pdf (accessed 4 November 2021).

Wanda F (2017). Understanding Post-War Foreign Direct Investment in Angola: South–South Led or the West Still Rules? Journal of Southern African Studies. 43(5):1069–1085, Routledge.

World Bank, ed. (2007). Angola: Oil, Broad-Based Growth, and Equity. World Bank country study. United Nations publication. Sales No. HD9577.A52 A54 2007. Washington, D.C.

World Bank (2020). Angola Poverty Assessment. World Bank, Washington, DC.

World Bank (2021). COVID 19: Debt Service Suspension Initiative. Available at https://www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative (accessed 23 January 2022).

Annex

1. Annex Tables

Annex Table 1:
Angola: Share of imports by product category and share of imports by partner

Product	Share of total imports by product category					Share of imports by partner					Totals	
	Africa	America	Europe	Asia	Oceania	Africa	America	Europe	Asia	Oceania	Total imports in billion US dollars, average 2016-2020	Import share
Primary commodities, precious stones, and non-monetary gold, excluding fuels (SITC 0 + 1 + 2 + 4 + 68 + 667+ 971)	9.1	26.4	36.5	27.4	0.6	21.1	46.2	20.4	15.8	43.2	3.1	21.9
All food items (SITC 0 + 1 + 22 + 4)	8.9	27.3	37.8	25.7	0.3	18.7	43.6	19.3	13.6	31.8	2.8	20.0
Fuels (SITC 3)	18.4	2.7	26.6	52.1	0.3	16.3	2.1	6.3	12.4	9.6	1.3	9.0
Manufactured goods (SITC 5 to 8 less 667 and 68)	9.1	8.9	42.0	39.8	0.1	60.9	43.8	69.2	67.4	33.8	9.0	64.3
Other machinery and transport equipment (SITC 7 - (751 + 752 + 761 + 762 + 763 + 775 + 759 + 764 + 772 + 776))	11.4	13.7	41.6	33.1	0.3	31.5	29.2	29.6	23.8	28.3	3.9	27.8
Chemical products (SITC 5)	13.1	5.9	43.2	37.8	0.0	13.6	4.2	10.5	9.6	0.5	1.3	9.5
Machinery and transport equipment (SITC 7)	10.5	12.5	42.2	34.6	0.3	34.3	31.1	35.0	29.2	29.9	4.5	32.4
ALL PRODUCTS	9.7	13.0	39.2	37.9	0.3	100.0	100.0	100.0	100.0	100.0	14.0	100.0

Annex Table 2:
Quarterly growth in Angola output by economic activity

Period	Forestry	Fisheries	Petroleum	Diamonds, metallic minerals and other non-metallic minerals	Manufacturing	Electricity and water	Construction	GDP
2014q2	-0.9	7.6	4.6	1.0	11.8	-7.7	-2.9	11.6
2014q3	4.2	-16.8	5.0	7.2	10.9	6.1	-0.2	2.1
2014q4	1.0	12.2	3.9	-6.1	9.6	4.3	-3.0	9.5
2015q1	2.4	21.9	2.1	2.4	0.3	4.0	-11.8	-9.5
2015q2	1.6	-10.5	3.4	1.7	-0.4	1.2	24.7	2.7
2015q3	1.3	0.7	-1.2	2.1	-2.4	2.4	2.2	0.2
2015q4	3.6	1.7	0.9	10.7	-6.5	0.7	-17.5	-5.8
2016q1	-1.2	-9.5	0.7	-7.2	15.3	3.6	11.9	3.1
2016q2	-0.3	5.1	-2.6	-6.2	3.6	2.6	1.5	-1.7
2016q3	-0.5	24.4	-2.6	6.3	-0.5	2.1	-3.0	-2.6
2016q4	-0.9	8.0	-4.7	1.5	2.5	-0.3	-0.4	2.8
2017q1	1.9	-23.0	0.3	1.4	0.3	-8.1	4.6	0.1
2017q2	1.1	14.7	0.4	2.0	0.5	-3.8	-3.0	0.0
2017q3	-0.1	6.0	0.6	-25.4	-2.0	17.1	2.8	0.3
2017q4	-0.9	-12.1	-2.7	37.7	-4.1	0.7	0.9	-3.2
2018q1	-1.8	-22.5	-5.2	-10.9	6.6	7.5	-8.1	-0.7
2018q2	-0.0	24.0	-2.3	2.5	1.1	7.6	7.1	-0.5
2018q3	0.3	-0.6	-2.0	-33.7	4.6	-0.6	3.7	2.8
2018q4	0.6	-19.0	-0.5	67.9	-3.4	1.9	2.9	-0.2
2019q1	-0.1	3.8	-2.2	-7.2	-5.8	0.9	-5.0	-2.3
2019q2	0.6	3.1	0.5	-0.8	8.1	-0.1	3.5	0.7
2019q3	0.1	-16.1	-6.7	-1.6	-0.1	0.8	3.2	0.6
2019q4	-0.5	-13.1	1.8	-2.0	4.5	4.3	1.2	-0.3
2020q1	3.8	15.7	2.8	-0.8	-0.6	-1.1	-7.5	-2.0
2020q2	-1.8	-13.6	-6.1	-11.0	-6.4	0.3	-21.6	-6.8
2020q3	3.2	-6.8	-3.8	-11.5	7.6	-0.7	-11.2	2.5
2020q4	2.3	49.7	-5.1	34.7	-1.6	-1.4	-9.0	0.9
2021q1	1.2	7.2	-5.1	20.6	-2.8	1.5	8.1	0.2

Source: UNCTAD secretariat calculations based on data from NIE (2021) [accessed October 2021]

2. Towards a strategy for graduation with momentum for Angola

Angola is scheduled to graduate from the least developed countries category in 2024 after the latest postponement by the General Assembly in 2020, which considered the long-running recession and the COVID-19 shock as major perturbations. This section outlines key strategic considerations for Angola to graduate with momentum. They are proposals in line with the mandate in the General Assembly resolution 59/209 paragraph 4, and 67/221 which "requests the entities of the United Nations system to provide targeted assistance, including capacity-building, to graduating countries… in support of the formulation and implementation of the national transition strategy" (A/RES/67/221, paragraph 13).

These proposals are aimed at assisting Angola to effectively prepare for graduation and the postgraduation phase. They are only meant to trigger action in the relevant areas that this vulnerability profile has found major gaps. To reiterate, the vulnerabilities were identified according to the framework of analysis that followed the 5 Ps of the Sustainable Development Goals, namely, People, Prosperity, Planet, Peace and Partnerships. Accordingly, Angola should consider prioritizing the following actions:

Annex Table 3:
Quarterly growth in Angola output by economic activity

Thematic area	Gap	Proposed policy options
People	• Low human capital and skills. • Low social security coverage. • Weak interlinkages between social and economic development	• Aligning social development priorities with trade and industrial development goals • Investing in the education sector, targeting the youth with the overall objective of improving quality of education and secondary school completion rates • Investing in vocational training and skills development, which are key for improving employability and skills retention among the economically active population • Prioritize skilling and capacity development for entrepreneurship and private sector development with the target of reducing informality, and enhancing innovation • Investing in infrastructure across all social sectors, and improving services delivery in health, education, water and sanitation, and clean energy
Shared prosperity	• Commodity dependence • Poverty and inequalities	• Boosting economic growth through diversification and developing productive capacities focussing on human capital, energy, policies, and institutions; transport and logistics; and interlinkages within and beyond Angola • Accelerating structural reforms and economic diversification through targeted private sector development in key non-oil sectors • Continuation of structural reforms, privatization of state-owned enterprises and fostering investment in broad priority sectors. • Fostering investment in sectors that have potential to create more jobs for the youth including ICT, tourism, and e-commerce; and increasing the share of business / entrepreneurship in sectors supported by government • Promoting export diversification, product complexity and improving competitiveness of exports
Planet	• Pollution and natural resource degradation • Increased vulnerabilities to disasters • Climate change action	• Investment in infrastructure, and climate change adaptation to enhance disaster risk reduction in the most affected areas • Decoupling economic growth from oil due to increased risk of stranding of oil assets from future climate change actions • Enhance natural resource management and pollution control
Peace	• Inclusive development	• Improving governance and strengthening social cohesion
Partnerships	• Low domestic resource mobilization • High level of debt and illicit flows • Low foreign investment in non-oil sectors	• Strengthening domestic resource mobilization and management of fiscal policy • Strengthening international cooperation in tax policies, tackling illicit financial flows, and boosting mutually beneficial trade • Reducing the risk of debt distress by balancing debt and other sources of financing from traditional and new partnership with expediency in priority sectors • Prudent privatization and indigenous business development