



United Nations
CDP
Committee for
Development Policy

CDP2019/PLEN/5a

Committee for Development Policy 21st Plenary Session

United Nations
New York, 11-15 March 2019
Conference Room 6

Monitoring of graduated and graduating
countries from the least developed
country category:

Angola

**SUSTAINABLE
DEVELOPMENT GOALS**

Contents

SUMMARY AND THE MONITORING TIMELINE.....	2
1. ANGOLA.....	3
1.1. DEVELOPMENT TREND AND FORECAST	3
1.2. DEVELOPMENT RELATED TO INDICATORS IN THE LDC CRITERIA.....	4
1.3. PRODUCTIVE CAPACITY	4
1.4. SMOOTH TRANSITION	5

Summary and the monitoring timeline

Angola: Scheduled to graduate on 12 February 2021. Income has been sustained at a high level and is expected to recover moderately in coming years from the contraction in 2018-2019. Human assets, while improving, are underdeveloped comparing to other countries with similar income levels. There is no update on the preparation of the smooth transition strategy.

Equatorial Guinea: Graduated on 4 June 2017. GDP is projected to continue to decline significantly due to the depletion of the existing oil reservoirs and limited new investment, but it will remain far above the LDC inclusion and graduation thresholds. HAI remains very low. After graduation became effective, the Government expressed interest on possible postponement of the graduation.

Vanuatu: Scheduled to graduate on 4 December 2020. The growth rate is projected to stay around 3-4 per cent. The HAI and EVI indicators show no major change in 2018-2019. While no indication of regress has been observed, the country remains highly vulnerable to external shocks, in particular natural disasters.

Table 1 Timeline for graduation and monitoring reports

Date	Angola	Equatorial Guinea	Vanuatu
<i>June 2017</i>		Graduation	
March 2018	Graduating	Graduated #1	Graduating
March 2019	Graduating	Graduated #2	Graduating
March 2020	Graduating	Graduated #3	Graduating
<i>December 2020</i>			Graduation
<i>February 2021</i>	Graduation		
March 2021	Graduating	Review #1	Graduating
March 2022	Graduated #1		Graduated #1
March 2023	Graduated #2		Graduated #2
March 2024	Graduated #3	Review #2	Graduated #3
March 2027	Review #1		Review #1
March 2030	Review #2		Review #2

Note: “Graduating” indicates monitoring as a graduating country; “Graduated #1” indicates monitoring for the first as a graduated country; “Review #1” indicates monitoring for the first time as a complement to the triennial review.

1. Angola

1.1. Development trend and forecast

The economic situation is improving in Angola, the second largest economy of the region. Angola is highly dependent on the oil sector (contributing to half of GDP, over 90 per cent of exports, and over 70 per cent of fiscal revenue), and its economic growth has been strongly affected by the low oil prices in the world market. Following the 2.6 percent contraction of GDP per capita growth in 2016, the economy slowly recovered in 2017-2018 (see Table 2), helped by rising oil prices. GDP is projected to grow at 2.4 percent in 2019 and 3.0 per cent in 2020.¹

Table 2 Angola: macroeconomic indicators, 2012-2018

Indicator	2012	2013	2014	2015	2016	2017	2018
GDP (USD billions) ¹	128.1	136.7	145.7	116.2	101.1	126.5	114.5
GDP growth rate (per cent, constant price) ²	8.5	5.0	4.8	0.9	-2.6	0.7	1.0
Inflation rate (%) ²	10.3	8.8	7.3	10.3	32.4	31.7	20.8
Government balance (per cent of GDP) ¹	4.1	-0.3	-5.7	-2.9	-4.5	-6.1	-0.8
Current account balance (USD billion) ¹	13.9	8.3	-3.7	-10.3	-4.8	-1.3	-2.5
Exports of goods and services (USD billion) ³	71.9	69.6	60.9	34.4	28.3	35.6	N.A.
Net ODA received (USD million) ⁴	243.6	285.5	235.4	380.1	206.5	223.2	N.A.

Source: ¹IMF, World Economic Outlook Database, accessed 18 February 2019; ²UN/DESA World Economic and Social Prospects 2019; ³IMF, International Financial Statistics, accessed 18 February 2019; ⁴The World Bank, World Development Indicators, accessed 18 February 2019.

Economic growth is expected as the Kaombo oil field bolsters local oil production, combined with a more solid expansion in government and private consumption. These dynamics are expected to continue, and should see a stronger overall real GDP growth performance in 2020-23.² However, despite efforts to diversify the economy, investment outside hydrocarbons will continue to be constrained by the difficult operating environment.

Fiscal revenue declined by more than 50 per cent between 2014 and 2017. Public debt, largely external, increased from 40.7 per cent of GDP in 2014 to an estimated 80.5 per cent in 2018, raising concerns about the country's sustainability.³ Inflationary pressures persist, as the Kwanza has lost over 85 per cent of its value against the dollar in 2018.⁴

The partial recovery in global commodity prices has yet to translate into a recovery in FDI flows. To attract foreign investment, a new private investment law approved in June 2018 reduces the minimum capital requirement, facilitates repatriating capital, and eliminates a requirement that local investors have a 35 per cent stake. However, the law does not cover specific sectors regulated by other laws, i.e. mining, oil and gas, financial services.

The current account balance will depend on the oil price. Angola's current account deficit is estimated as \$2.5 billion in 2018, and expected to decrease to \$0.4 billion by 2020 (IMF WEO 2018). Total export earnings, which remain dominated by oil, will pick up as well, accompanied by an increase in import spending, reflecting a slight rise in government-led capital investment.

¹ UN/DESA (2018). World Economic Situation Prospects (WESP) 2019.

² Economic Intelligence Unit (EIU) (January 2019). Angola Country Report.

³ African Development Bank (2019). African Economic Outlook (AEO).

⁴ EIU Country Report (January 2019). Angola Country Report.

1.2. Development related to indicators in the LDC criteria

The GNI per capita of Angola is estimated as \$3,942 in 2019, about three times higher than the LDC graduation threshold established at the 2018 triennial review, \$1,230 (see Table 3). As the economy is forecast to achieve slow but positive growth in coming years, GNI per capita is expected to remain far above the graduation thresholds.

Table 3 Angola: LDC criteria indicators, 2012-2019

Index/Criteria	2012	2013	2014	2015	2016	2017	2018	2019
GNI per capita (USD, Atlas method)	3,108	3,253	3,607	4,122	4,652	4,802	4,465	3,942
Human assets index (HAI)	39.0	40.6	43.5	46.6	49.9	52.9	55.3	55.9
Maternal mortality rate (per 100,000 live births)	561.3	546.0	526.1	508.8	493.4	477.0	477.0	477.0
Under-five mortality rate (per 1,000 live births)	121.3	113.2	105.8	99.2	93.6	88.9	84.6	81.1
Percentage of population undernourished	42.5	40.4	38.2	35.1	30.8	27.0	24.8	23.9
Adult literacy rate (%)	66.5	66.3	66.2	66.1	66.0	66.0	66.0	66.0
Gross secondary enrolment ratio (%)	26.5	26.7	31.4	36.2	41.0	45.7	50.5	50.5
Economic vulnerability index (EVI)	34.3	34.6	37.4	36.3	36.8	38.6	39.7	39.3
Population (thousands)	23,369	24,219	25,096	25,998	26,920	27,859	28,813	29,784
Remoteness	58.7	58.9	59.1	59.2	59.3	59.5	59.8	60.1
Merchandise export concentration	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Share of agricultural, forestry and fisheries in GDP (%)	5.9	6.2	6.0	6.0	6.6	7.7	8.8	9.3
Share of population living in low elevated coastal areas (%)	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Instability of agricultural production	5.7	5.6	7.4	7.7	8.1	9.2	9.6	9.6
Victims of natural disasters (%)	0.3	0.3	0.7	0.7	0.7	0.7	0.7	0.9
Instability of exports of goods and services	13.5	13.9	14.3	12.8	13.1	14.4	15.2	14.3

Source: Committee for Development Policy Secretariat

Note: Indicators are generated based on the same data source and methodology used for the 2018 review using most recent available data. Therefore, the values in 2012 and 2015 may be different from the values included in the triennial reviews presented in the CDP reports to the ECOSOC in the respective year.

The income level and human development of Angola are unbalanced. While there is improvement in the HAI score in 2019, 55.9 is still a very low value compared to the HAI scores of countries with similar income levels (e.g., Sri Lanka 94.7, Armenia 95.5, Jordan 85.7, Paraguay 87.1).

The EVI score is 39.3 in 2019 and remains above the graduation threshold established at the 2018 review of 32 or below. Vulnerability has increased over the past eight years, mainly driven by an increasing share of agriculture in GDP (caused by decline in the mining sector) and increasing instability of exports and agricultural production. Overall, the LDC indicators do not suggest diversification of the economy or a reduction in vulnerability to outside shocks.

1.3. Productive capacity

Angola's overall Productive Capacities Index (PCI) is lower than the average for LDCs and, obviously, far lower than the average of non-LDC Other Developing Countries (ODCs), as presented in Table 4. On individual categories, when compared to ODCs, Angola's performance on PCI is weak except on natural

capital component score, which is relatively higher thanks to its dominant extractive sectors. Paradoxically, the country's structural change is significantly higher than other LDCs thanks to Angola's relatively higher GDP per capita driven largely by its exports but still lower than that of ODCs. Seemingly higher level of structural transformation vis a vis the average for LDCs only shows the low score for LDCs as a group. However, the country's performance is very weak even by LDCs standard on other important categories such as Information and Communication Technology (ICT), institutions and the private sector. Angola is almost at par with the rest of the LDCs group on transport and human capital components.⁵

Table 4 Productive Capacities Index (PCI): Angola, Equatorial Guinea and Vanuatu vis-a-vis LDCs and ODCs

Country	PCI	Natural Capital	ICT	Structural Change	Institutions	Energy	Private sector	Transport	Human Capital
Angola	43.3	50.1	42.2	46.8	39.8	43.8	34.1	47.6	42.1
Equatorial Guinea	42.9	47.0	43.6	46.7	36.1	44.8	41.4	47.6	35.8
Vanuatu	47.1	46.9	44.2	41.3	50.6	43.8	49.4	47.6	52.6
LDCs	45.1	53.1	43.1	43.1	42.9	42.4	45.3	47.7	43.0
ODCs	50.0	48.7	51.4	49.6	49.1	50.2	49.9	50.0	51.2

Source: UNCTAD.

1.4. Smooth transition

Angola is scheduled to graduate on 12 February 2021 (A/RES/70/253). In 2017, the Government of Angola has initiated its work on finalizing its 10-step road map to prepare the smooth transition strategy.⁶ the Government has yet to report a progress in implementing the initial steps in the preparation of the transition strategy.

In March 2018 Angola signed the African Continental Free-Trade Area agreement, which aims to create the world's largest single market of 1.2 billion consumers and workers. Tariffs on 90 per cent of goods are set to be eliminated over the next five years to 2023. However, it is uncertain whether Angola will be prepared to open its markets fully to regional competitors, and logistical and political concerns across the region are expected to hamper growth potential.

There is no information on developments of other preferential trading agreements for the time after LDC-specific duty-free quota-free arrangements will cease to apply after smooth transition from the LDC category. Angola has an option to join the Economic Partnership Agreement between the European Union and the South African Development Community (SADC).

⁵ UNCTAD note for the monitoring report dated 17 January 2019, provided in accordance with ECOSOC resolution E/RES/2017/29.

⁶ Government of Angola (2017). First Annual Report on The Angola Graduation Process from LDC Category. <https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/CDP-PL-2017-5a.pdf#page=6>