KPMG

cutting through complexity

ANGOLA –
COUNTRY PROFILE

Contents

1 Background

1.1 Geographical information

Angola's coastline stretches from the mouth of the Cunene River in the south to the mouth of the Congo River in the north. The Cabinda Province is separated from the rest of the country by the neighbouring DRC controlling the north side of the mouth of the Congo River. To the south, Angola borders Namibia, to the west Zambia and to its northwest and north, the DRC. Angola has a total land area of 1,246,700 sq km.

Angola has a semiarid climate in south and along coast to Luanda. The north of the country has a cool, dry season from May to October, and a hot, rainy season from November to April.

Angola's natural resources include petroleum, diamonds, iron ore, phosphates, copper, feldspar, gold, bauxite and uranium.

1.2 History

Angola is rebuilding its country after the end of a 27-year civil war in 2002. Fighting between the Popular Movement for the Liberation of Angola (MPLA), led by Jose Eduardo Dos Santos, and the National Union for the Total Independence of Angola (UNITA), led by Jonas Savimbi, followed independence from Portugal in 1975.

Peace seemed imminent in 1992 when Angola held national elections, but fighting picked up again by 1996. Up to 1.5 million lives may have been lost – and 4 million people displaced – in the quarter century of fighting. Savimbi's death in 2002 ended UNITA's insurgency and strengthened the MPLA's hold on power. President Dos Santos held legislative elections in September 2008 and, despite promising to hold presidential elections in 2009, has since pushed through a new constitution that calls for elections in 2012

Facilities for tourism, particularly outside the capital of Luanda, are often rudimentary and despite its extensive oil and mineral reserves and arable land suitable for large-scale production of numerous crops, Angola has some of the world's lowest social development indicators.

2 Population

2.1 Population figures

Angola has a population of 18,056,072 (July 2011 est.)

2.2 Population growth rate

2.784% (2011 est.)

2.3 Age structure (2011 estimates)

	Total percentage	Male	Female
0 – 14 years	43.2%	2,910,981	2,856,527
15 – 64 years	54.1%	3,663,400	3,549,896
65 years and over	2.7%	157,778	199,959

Source: CIA World Factbook

2.4 Gender ratios (2011 estimates)

Total Population	1.02 male / female
Under 15 years	1.04 male / female
15 – 64 years	1.02 male / female
65 years and over	0.86 male / female

Source: CIA World Factbook

2.5 Life expectancy (2011 estimates)

Total Population	54.59 years
Male	53.49 years
Female	55.73 years

2.6 Ethnic groups

Angola's population is composed of the following ethnic groups:

- Ovimbundu 37%
- Mbundu 25%,
- Bakongo 13%
- Mestiços (mixed European and native African) 2%
- European 1%
- 'Other' ethnic groups 22%

The two Mbundu and Ovimbundu nations combined form a majority of the population, at 62%.

It is estimated that Angola was host to 12,100 refugees and 2,900 asylum seekers by the end of 2007. 11,400 of those refugees were originally from the Democratic Republic of Congo (Congo-Kinshasa) who arrived in the 1970s.

As of 2008 there were an estimated 400,000 DRC migrant workers, at least 30,000 Portuguese, and 100,000+ Chinese living in Angola. Prior to independence in 1975, Angola had a community of approximately 500,000 Portuguese.

2.7 Religions

- Indigenous beliefs 47%
- Roman Catholic 38%
- Protestant 15%

2.8 Language

Angola's official language is Portuguese. Approximately 40 percent of Angola's population speak only Portuguese. The rest of the population speak other languages such as Umbundo, Kimbundu and Kikongo.

2.9 Education

Children who wish to attend secondary education would have to do so at Luanda or another large city.

Angola has four years of compulsory, free primary education which begins at age seven, and secondary education which begins at age eleven, lasting eight years. Most children in Angola do not return to school after completion of the fourth grade of elementary education. Basic adult literacy continues to be extremely low, but there are conflicting figures from government and other sources. It is difficult to assess not only literacy but also other educational needs.

Angola is still far from meeting the goal of universal quality primary education. The prolonged civil conflict left the Angolan educational sector in a state of disarray. Between 1992 and 1996 alone, the war destroyed more than 1,500 classrooms. The country faces the huge challenge of raising the number of children in primary school from an estimated 2.1 million in 2003 to five million by 2015, in order to achieve universal primary education – while keeping up with the rapid growth of the school-age population.

Institutional and systemic strengthening of the education sector and related capacity building are a pre-requisite to take on this challenge. Currently, strategic medium and long-term planning for the sector is seriously constrained by the lack of valid quantitative and qualitative information and integrated programming by all actors working in the sector. A functional Education Management Information System is not yet in place, qualitative research has been very limited during recent years and co-ordination mechanisms are emerging but need to be more inclusive of all partners.

Key reasons for children not enrolling and attending school are a mix of supply and demand related factors:

- A weak institutional system in terms of structure, information and resources
- Low budget allocations for the education sector
- Weak coordination of all actors, hindering effective allocation of already scarce resources
- Direct and indirect costs of education (e.g. 'informal' fees, material costs, opportunity costs)
- A lack of adequate school infrastructures, including poor water and sanitation facilities
- A lack of basic school materials and teaching and learning materials
- A lack of teachers, in particular in remote and rural areas
- Overcrowded and multi-age classroom groups

Official data from the Ministry of Education for the 2002 school year suggest that the proportion of girls in the total enrolment is less than 40% nationwide, while it is considerably lower in some provinces, such as in Huambo (23%). The 2001 MICS confirmed the strong correlation between women's education and the increased vulnerability of both mothers and children to a range of life-threatening conditions.

These factors are enforced by poorly qualified and trained teachers and impact not only on enrolment and attendance but also on the quality of education and learning outcome. Although a system of measuring learning achievement and student competencies is not in place in Angola, a range of findings indicate that quality of education and consequently learning outcome in general is poor.

2.10 Health

The degree of risk for infectious diseases in Angola is very high. Food or waterborne diseases include bacterial and protozoal diarrhea, hepatitis A and typhoid fever. Vectorborne diseases include malaria and African trypanosomiasis (sleeping sickness). The prevalent water contact disease in Angola is schistosomiasis.

Medical facilities and services are available in Angola, but are limited. Adequate care for medical emergencies is limited to Luanda, where there are some good private clinics that usually have 24-hour service provided by a general practice physician and specialists on call Local pharmacies provide a limited supply of prescriptions and over-the-counter medicines/drugs.

USAID/Angola's 2006-2009 Strategy Statement identified weak governance as a key source of fragility, because shortfalls in governance limit economic opportunity and access to basic services. This weakness is exacerbated by the limited and/or inadequate institutional, infrastructural, and human capacity faced by Angolan institutions, be they public sector, private non-extractive industry enterprises or NGOs. As a result, access to basic services, such as health care and electricity are inadequate, inaccessible or even nonexistent for large parts of the population.

Government inability to meet the basic needs of many of its people, combined with other factors such as lack of economic opportunity, rapid urbanization, and large numbers of youth without work, education, or services contribute to fragility.

The HIV/AIDS prevalence in the adult population is 2.1%. There are approximately 190,000 people living with HIV/AIDS in Angola.

3 Economy

Angola's high growth rate in recent years was driven by high international prices for its oil. Angola became a member of OPEC in late 2006 and its current assigned a production quota of 1.65 million barrels a day (bbl/day). Oil production and its supporting activities contribute about 85% of GDP. Diamond exports contribute an additional 5%.

Subsistence agriculture provides the main livelihood for most of the people, but half of the country's food is still imported. Increased oil production supported growth averaging more than 17% per year from 2004 to 2008.

A post-war reconstruction boom and resettlement of displaced persons has led to high rates of growth in construction and agriculture as well. Much of the country's infrastructure is still damaged or undeveloped from the 27-year-long civil war. Land mines left from the war still mar the countryside, even though peace was established after the death of rebel leader Jonas Savimbi in February 2002.

Since 2005, the government has used billions of dollars in credit lines from China, Brazil, Portugal, Germany, Spain, and the EU to rebuild Angola's public infrastructure. The global recession that started in 2008 temporarily stalled economic growth. Lower prices for oil and diamonds during the global recession slowed GDP growth to 2.4% in 2009 and to 3.4% in 2010, and many construction projects stopped because Luanda accrued US$9 billion in arrears to foreign construction companies when government revenue fell in 2008 and 2009.

Angola abandoned its currency peg in 2009, and in November 2009 signed onto an IMF Stand-By Arrangement loan of US$1.4 billion to rebuild international reserves. Consumer inflation declined from 325% in 2000 to 14% in 2011. Higher oil prices in 2011, helped Angola climb turn a budget deficit of 8.6% of GDP in 2009 into an surplus of 7.5% of GDP in 2010. Corruption, especially in the extractive sectors, also is a major challenge.

3.1 Currency

The Angolan currency is the kwanza. Visit www.xe.com/ucc/ for currency conversions.

3.2 Latest economic indicators

	2010			2011				2012
	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr
Prices								
Consumer prices (2005=100)	182.1	188.9	197.3	203.1	208.6	213.8	219.8	226
Consumer prices (% change, year on year)	13.8	14.5	15.8	15	14.6	13.2	11.4	11.3
Financial indicators								
Exchange rate Kz:US$ (av)	93.01	91.86	92.31	93.15	92.95	93.63	95.23	95.3
Exchange rate Kz:US$ (end-period)	92.57	91.8	92.64	93.27	93.3	94.7	95.27	95.31
Deposit rate (av; %)	14.7	13.5	9.9	8.2	7.6	5.5	4	4.4
Lending rate (av; %)	26.1	23.9	21	20.4	18.4	19.8	16.4	18.3
3-month money market rate (av; %)	30	30	25	25	20	20	20	20
M1 (end-period; Kz bn)	746.9	727.8	869.4	780.7	892.8	960.6	1161.8	977.5
M1 (% change, year on year)	12.5	-2.3	11.9	2.4	19.5	32	33.6	25.2
M2 (end-period; Kz bn)	2,184.7	2,429.9	2,626.2	2,635.5	2,864.5	3,111.4	3,506.2	3,452.9
M2 (% change, year on year)	26.7	27.7	14	20.2	31.1	28	33.5	31
Sectoral trends								
Crude oil production (m barrels/day)	1.81	1.71	1.61	1.61	1.55	1.69	1.72	1.73
Foreign trade (US$ m)								
Exports fob	12,519.2	12,180.6	12,444.9	15,552.3	15,817.4	17,045.6	17,242.4	n/a
Imports fob	-3,728.0	-5,602.4	-4,751.9	-4,182.6	-5,865.5	-3,400.8	n/a	n/a
Trade balance	8,791.2	6,578.2	7,693.0	11,369.7	9,951.9	13,644.8	n/a	n/a
Foreign payments (US$ m)								
Reserves excl gold (end-period)	16,208	17,724	19,750	20,485	24,064	25,571	27,401	27,419

Sources: Banco Nacional de Angola; International Energy Agency, Monthly Oil Market Report; IMF, International Financial Statistics

3.3 Five-year forecast figures

Gross Domestic Product – current market prices

	2007 (a)	2008 (a)	2009 (a)	2010 (a)	2011 (b)	2012 (b)	2013 (c)	2014 (c)	2015 (c)	2016 (c)
Expenditure on GDP (Kz bn at current market prices)										
GDP	4,546	6,316	5,989	7,580	9,803	11,801	13,841	16,042	18,464	21,178
Private consumption	999	1261	1,311	1,583	1,937	2,275	2,631	3,035	3,490	3,990
Government consumption	1499	1972	2,516	3,096	3,942	4,718	5,483	6,366	7,334	8,391
Gross fixed investment	636	1,010	887	1,021	1,309	1,574	1,847	2,144	2,477	2,853
Exports of goods & services	3,429	4,820	3,128	3,497	3,738	4,589	5,495	6,198	6,891	7,675
Imports of goods & services	2018	3,236	2,769	3,166	3,682	4,436	5,228	5,889	6,549	7,260
Domestic demand	3,134	4,243	4,715	5,700	7,188	8,567	9,961	11,545	13,301	15,234
Expenditure on GDP (US$ bn at current market prices)										
GDP	59.3	84.2	75.5	82.5	104.6	123.4	145	170.1	199.2	233.4
Private consumption	13	16.8	16.5	17.2	20.7	23.8	27.6	32.2	37.7	44
Government consumption	19.5	26.3	31.7	33.7	42	49.3	57.4	67.5	79.1	92.5
Gross fixed investment	8.3	13.5	11.2	11.1	14	16.5	19.3	22.7	26.7	31.4
Exports of goods & services	44.7	64.2	39.4	38.1	39.9	48	57.6	65.7	74.4	84.6
Imports of goods & services	26.3	43.1	34.9	34.4	39.3	46.4	54.8	62.4	70.7	80
Domestic demand	40.9	56.5	59.4	62	76.7	89.6	104.4	122.4	143.5	167.9
Economic structure (% of GDP at current market prices)										
Private consumption	22	20	21.9	20.9	19.8	19.3	19	18.9	18.9	18.8
Government consumption	33	31.2	42	40.8	40.2	40	39.6	39.7	39.7	39.6
Gross fixed investment	14	16	14.8	13.5	13.4	13.3	13.3	13.4	13.4	13.5
Exports of goods & services	75.4	76.3	52.2	46.1	38.1	38.9	39.7	38.6	37.3	36.2
Imports of goods & services	44.4	51.2	46.2	41.8	37.6	37.6	37.8	36.7	35.5	34.3
Memorandum items										
Oil production ('000 b/d)	878	1,922	1,770	1,730	1,643	1,810	1,975	2,055	2,115	2,183

a) Actual; b) Economist Intelligence Unit estimates; c) Economist Intelligence Unit forecasts

Source: Economist Intelligence Unit

3.3.1 Gross Domestic Product by sector of origin

	2007 (a)	2008 (a)	2009 (a)	2010 (b)	2011 (b)	2012 (c)	2013 (c)	2014 (c)	2015 (c)	2016 (c)
Origin of GDP (Kz m at constant 1987 prices)										
GDP at factor cost	4,640	5,260	5,290	5,468	5,656	6,110	6,536	6,940	7,349	7,772
Agriculture	480	490	630	668	738	775	817	858	902	947
Industry	3,140	3,450	3,460	3,526	3,582	3,869	4,101	4,343	4,590	4,834
Services	1,020	1,320	1,200	1,274	1,336	1,466	1,618	1,739	1,857	1,991
Origin of GDP (real % change)										
Agriculture	20.2	2.1	28.6	6	10.5	5	5.5	5	5.1	5
Industry	19.7	9.9	0.3	1.9	1.6	8	6	5.9	5.7	5.3
Services	21.9	29.4	-9.1	6.2	4.8	9.8	10.3	7.5	6.8	7.2

3.3.2 Growth and productivity

	2007 (a)	2008 (a)	2009 (a)	2010 (a)	2011 (a)	2012 (b)	2013 (b)	2014 (b)	2015 (b)	2016 (b)
Growth and productivity (%)										
Labour productivity growth	9.4	8.9	-2.3	0.3	0.3	4.5	4.2	1.4	2.5	2.9
Total factor productivity growth	14	9.8	-2	0.7	0.4	4.8	4.1	1.9	2.5	2.6
Growth of capital stock	0.4	1.6	2	1.9	2.6	2.9	3.1	3.3	3.5	3.7
Growth of potential GDP	20.7	12.2	0.6	3.2	3.2	7.7	7	4.9	5.5	5.6
Growth of real GDP	21.1	12.5	0.8	3.4	3.4	8	7	6.2	5.9	5.7
Growth of real GDP per head	17.6	9.3	-2	0.5	0.5	5.1	4.2	3.4	3.1	3

a) Economist Intelligence Unit estimates; b) Economist Intelligence Unit forecasts; c) Actual

Source: Economist Intelligence Unit

3.3.3 Fiscal indicators

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fiscal indicators (% of GDP)										
General government expenditure	31.6	34.5	45.6	37.2	36.7	37.5	35.9	34.9	34.2	33.6
General government revenue	46.4	45.8	55.3	29.1	44.2	47	38.9	36.4	35	34.3
General government budget balance	14.8	11.3	9.7	-8.1	7.5	9.5	3	1.5	0.8	0.7
General government debt	17	16.4	18	22.9	21.9	21.2	21.4	20.4	18.7	17.2

a) Actual; b) Economist Intelligence Unit estimates; c) Economist Intelligence Unit forecast; d) Only domestic debt

Source: Economist Intelligence Unit

3.3.4 Employment, wages and prices

	2007 (a)	2008 (a)	2009 (a)	2010 (a)	2011 (a)	2012 (b)	2013 (b)	2014 (b)	2015 (b)	2016 (b)
The labour market (av)										
Labour force (m)	7.4	7.6	7.8	8	8.2	8.5	8.7	8.9	9.2	9.4
Labour force (% change)	10.1	2.9	2.9	2.8	2.8	2.8	2.7	2.7	2.7	2.6
Wage and price inflation (% except labour costs per hour)										
Consumer prices (av)	12.2	12.5	13.9	14.5	13.5	11.3	9.6	8.5	8	7.8
Consumer prices (year-end)	11.8	13.2	14	15.3	11.4	10.6	8.6	8.3	7.8	7.7
GDP deflator (av)	3.4	23.5	-5.9	22.4	25.1	11.5	9.6	9.2	8.7	8.5
Private consumption deflator (av)	25.1	12.5	-3.2	14.5	13.5	11.3	9.6	8.5	8	7.8

a) Economist Intelligence Unit estimates; b) Economist Intelligence Unit forecasts; c) Actual

Source: Economist Intelligence Unit

3.3.5 Economic structure, income and market size

	2007 (a)	2008 (a)	2009 (a)	2010 (a)	2011 (b)	2012 (c)	2013 (c)	2014 (c)	2015 (c)	2016 (c)
Population, income and market size										
Population (m)	17.5	18	18.6	19.1	19.6	20.2	20.7	21.3	21.8	22.4
GDP (US$ m at market exchange rates)	59,262	84,179	75,493	82,470	104,576	123,433	145,007	170,058	199,248	233,366
GDP per head (US$ at market exchange rates)	3,380	4,670	4,070	4,320	5,330	6,120	7,000	7,990	9,120	10,410
Private consumption (US$ m)	13,026	16,805	16,528	17,228	20,661	23,794	27,569	32,175	37,663	43,963
Private consumption per head (US$)	740	930	890	900	1,050.0	1,180.0	1,330.0	1,510.0	1,720.0	1,960.0
GDP (US$ m at PPP)	91,538	114,097	131,222	133,615	139,751	147,525	163,265	178,894	193,700	209,584
GDP per head (US$ at PPP)	5,220	6,330	7,070	7,000	7,120	7,320	7,880	8,410	8,870	9,350
Memorandum items										
Share of world population (%)	0.27	0.27	0.28	0.28	0.29	0.29	0.3	0.3	0.31	0.31
Share of world GDP (% at market exchange rates)	0.11	0.14	0.13	0.13	0.15	0.18	0.2	0.22	0.24	0.26
Share of world GDP at PPP (%)	0.14	0.16	0.18	0.18	0.18	0.17	0.18	0.19	0.19	0.2
Share of world exports of goods (%)	0.32	0.41	0.33	0.34	0.37	0.42	0.39	0.4	0.36	0.36

a) Actual; b) Economist Intelligence Unit estimates; c) Economist Intelligence Unit forecasts

Source: Economist Intelligence Unit

3.3.6 Monetary indicators

	2007 (a)	2008 (a)	2009 (a)	2010 (a)	2011 (a)	2012 (b)	2013 (b)	2014 (b)	2015 (b)	2016 (b)
Monetary indicators										
Exchange rate Kz:US$ (av)	76.71	75.03	79.33	91.91	93.74	95.61	95.45	94.33	92.67	90.75
Exchange rate Kz:US$ (year-end)	75.02	75.17	89.4	92.64	92.27	95.8	95.2	93.5	92	90
Exchange rate Kz:€ (av)	105.16	110.33	110.52	122.01	130.49	124.8	123.13	119.33	114.68	114.35
Exchange rate Kz:€ (year-end)	109.56	104.63	128.13	124.07	122.7	123.58	122.33	116.41	115.46	113.45
Real effective exchange-rate index (av), CPI-based, 1997=100	161.96	173.04	191.59	183.45	190.88	208.01	223.45	240.03	258.34	275.94
Purchasing power parity Kz:US$ (av)	49.66	55.36	45.64	56.73	70.15	79.99	84.78	89.67	95.32	101.05
Money supply (M2) growth (%)	38.6	66.2	62.6	14	28.4	28.1	24.3	21	19.4	18.8
Domestic credit growth (%)	-166.8	573.9	194.2	2	14.7	26.9	27.2	23.6	21	19.6
Lending rate (av; %)	17.7	12.5	15.7	22.5	18.6	16	14.5	14	13.5	13
Deposit rate (av; %)	6.8	6.5	7.6	12.8	6.3	5.5	5.3	5	4.8	4

a) Actual; b) Economist Intelligence Unit forecasts; c) Economist Intelligence Unit estimate

Source: Economist Intelligence Unit

3.3.7 Current Account and terms of trade

	2007 (a)	2008 (a)	2009 (a)	2010 (a)	2011 (b)	2012 (c)	2013 (c)	2014 (c)	2015 (c)	2016 (c)
Current account (US$ m)										
Current-account balance	10,581	7,194	-7,572	7,421	16,017	20,199	17,292	19,168	17,502	20,618
Current-account balance (% of GDP)	17.9	8.5	-10	9	15.3	16.4	11.9	11.3	8.8	8.8
Goods: exports fob	44,396	63,914	40,828	50,595	65,901	75,533	75,089	81,580	81,802	90,046
Goods: imports fob	-13,662	-20,982	-22,660	-16,667	-19,750	-22,318	-25,108	-26,991	-28,880	-30,613
Trade balance	30,735	42,932	18,168	33,928	46,151	53,216	49,982	54,590	52,922	59,433
Services: credit	311	330	623	857	777	897	938	1,017	1,057	1,127
Services: debit	-12,643	-22,139	-19,169	-18,754	-21,716	-23,453	-23,320	-25,340	-25,410	-27,970
Services balance	-12,333	-21,810	-18,546	-17,898	-20,939	-22,557	-22,382	-24,323	-24,353	-26,843
Income: credit	623	422	131	134	142	260	393	522	609	846
Income: debit	-8,222	-14,140	-6,955	-8,306	-8,985	-10,300	-10,240	-11,130	-11,160	-12,280
Income balance	-7,599	-13,718	-6,823	-8,172	-8,843	-10,040	-9,847	-10,608	-10,551	-11,434
Current transfers: credit	46	155	57	58	70	75	80	85	90	90
Current transfers: debit	-268	-365	-427	-496	-422	-495	-541	-576	-606	-628
Current transfers balance	-222	-210	-370	-438	-352	-420	-461	-491	-516	-538
Memorandum item										
Export market growth (%)	7.9	0.1	-9.2	16.7	9.7	8.4	7.3	8.3	8.3	9.3

a) Actual; b) Economist Intelligence Unit estimates; c) Economist Intelligence Unit forecasts

Source: Economist Intelligence Unit

3.3.8 Foreign direct investment

	2007 (a)	2008 (a)	2009 (a)	2010 (a)	2011 (b)	2012 (c)	2013 (c)	2014 (c)	2015 (c)	2016 (c)
Foreign direct investment (US$ m)										
Inward direct investment	9,796	16,581	11,672	9,942	12,565	13,642	14,850	16,100	16,950	17,010
Inward direct investment (% of GDP)	16.5	19.7	15.5	12.1	12	11.1	10.2	9.5	8.5	7.3
Inward direct investment (% of gross fixed investment)	118.1	123.2	104.3	89.5	90	82.9	76.8	70.8	63.4	54.1
Outward direct investment	-912	-2,570.0	-8	-1,163.0	-1,250.0	-1,850.0	-1,950.0	-2,050.0	-2,130.0	-2,530.0
Net foreign direct investment	8,884	14,011	11,664	8,779	11,315	11,792	12,900	14,050	14,820	14,480
Stock of foreign direct investment	51,115	67,696	79,368	89,310	101,875	115,517	130,367	146,467	163,417	180,427
Stock of foreign direct investment per head (US$)	2,917	3,753	4,277	4,680	5,193	5,729	6,294	6,884	7,482	8,048
Stock of foreign direct investment (% of GDP)	86.3	80.4	105.1	108.3	97.4	93.6	89.9	86.1	82	77.3
Memorandum items										
Share of world inward direct investment flows (%)	0.5	1.1	1.4	1.1	1.2	1.1	1.1	1.1	1	1
Share of world inward direct investment stock (%)	0.3	0.5	0.5	0.5	0.6	0.6	0.6	0.7	0.7	0.8

a) Actual; b) Economist Intelligence Unit estimates; c) Economist Intelligence Unit forecasts

Source: Economist Intelligence Unit

3.3.9 External debt

	2007 (a)	2008 (a)	2009 (a)	2010 (a)	2011 (b)	2012 (c)	2013 (c)	2014 (c)	2015 (c)	2016 (c)
External debt										
Total external debt (US$ m)	11,493	15,100	16,616	18,562	18,779	19,865	19,886	20,013	20,457	21,622
Total external debt (% of GDP)	19.4	17.9	22	22.5	18	16.1	13.7	11.8	10.3	9.3
Net debt/exports ratio (%)	0.7	-4.3	7.1	-2.3	-13.7	-20.2	-21.7	-24	-26.4	-24.2
Debt-service ratio, paid (%)	9.8	2.5	8.5	4.5	7.5	6.9	6.5	6.3	5.8	4.9

a) Actual; b) Economist Intelligence Unit estimates; c) Economist Intelligence Unit forecasts

Source: Economist Intelligence Unit

3.4 Natural resources

Angola has enormous reserves of oil, gas and diamonds, as well as considerable hydroelectric potential, varied agricultural land, good rainfall and considerable marine resources.

Mineral resources include Petroleum, diamonds, iron ore, phosphates, copper, feldspar, gold, bauxite and uranium. In terms of water resources, Angola has annual internal renewable water resources of 15,376 cu m Per Capita. Domestic sector withdrawals of water account for 14%; Industrial withdrawals 10% and Agricultural withdrawals 76%.

Angola is sub-Saharan Africa's second largest oil producer behind Nigeria. Angola lies on the southern curve of the Gulf of Guinea, anchoring an oil-rich geologic shelf running across the Atlantic from Brazil that has turned Nigeria, Cameroon and Gabon into major crude exporters.

The United States imports more oil from Angola than from Kuwait. The U.S. is expected to import 25 percent of its oil from Africa by 2015. February 2006, Angola replaced Saudi Arabia as "oil-hungry" China's "top source of crude imports," shipping 2.12-million tonnes of crude to China, exceeding Saudi Arabia's 1.98-million tonnes, Petromatrix Gmbh. Chinese imports of Angolan crude are up 42% on year.

Angola's oil industry and oil derivatives industry account for 91.92 percent of total exports. Petroleum and petroleum products generated nearly US$9.7 billion in State revenues in 2004. Angola is a key player in Africa's oil industry as both a major producer and exporter. It is the second largest producer of oil in Sub-Saharan Africa after Nigeria and offshore Angola is recognised as a world-class area for oil exploration and production

Angola's economy is highly dependent on the oil sector, which accounts for around 40% of GDP and 80% of government revenues. Sonangol, the national oil company of Angola, was established in 1976 and manages all fuel production and distribution in Angola.

3.5 Environmental issues

Current environmental issues include the overuse of pastures and subsequent soil erosion attributable to population pressures; desertification; deforestation of tropical rain forests (in response to both international demand for tropical timber and to domestic use as fuel, resulting in loss of biodiversity); soil erosion contributing to water pollution; and inadequate supplies of potable water.

Angola is party to the following international agreements:

- Biodiversity
- Climate Change
- Climate Change-Kyoto Protocol
- Desertification
- Law of the Sea
- Marine Dumping
- Ozone Layer Protection
- Ship Pollution

4 Country risk rating

	Sovereign risk	Currency risk	Banking sector risk	Political risk	Economic structure risk	Country risk
May-12	BB	B	CCC	B	B	B

(AAA=least risky, D=most risky)

Sovereign risk

Stable. Angola maintains its BB sovereign risk rating, which is supported by continuing large fiscal and current-account surpluses and a rising trend in international reserves.

Currency risk

Stable. The kwanza is expected to remain broadly stable against the US dollar, underpinned by the strength of the current-account position. However, the outlook would change in the event of a sharp dip in oil prices.

Banking sector risk

Stable. Although Angola's banking sector risk score has improved owing to an improvement in the net foreign asset position of commercial banks, the heavy involvement of the government and the political elite keeps the risks of dubious lending decisions and loan defaults elevated. The rating, therefore, remains unchanged at CCC.

Political risk

Corruption, mismanagement, opacity in the use of public resources and political uncertainty – resulting mainly from the presidential succession issue – pose risks to sovereign creditworthiness.

Economic structure risk

A high level of fiscal dependence on oil revenue and a lack of diversification will sustain economic structure risk. Deficiencies in the business environment and structural weaknesses in the public finances will constrain GDP growth.

5 Government and Politics

5.1 Political structure

Official name

República de Angola

Form of state

Unitary republic

Legal system

The Angolan legal system is based on the new constitution implemented in February 2010.

National legislature

Assembleia Nacional (parliament), with 220 seats

National elections

The last legislative elections were held on 5 & 6 September 2008 (legislative). The presidential election has been abolished under the new constitution, with the leader of the party with the most parliamentary seats automatically becoming President. The next legislative election is scheduled for 31 August 2012.

Head of state

The Head of state is the President, José Eduardo dos Santos (since 1979).

National government

The government is comprised exclusively of members of the ruling Movimento Popular de Libertação de Angola (MPLA); the office of the presidency operates parallel power structures that are generally independent of parliament and government.

Main political parties

The MPLA has an absolute majority in parliament, with 191 seats. The main opposition party, the União Nacional para a Independência Total de Angola (UNITA), has 16 seat and the remaining 13 seats are divided between three smaller parties.

Key ministers

Vice-President: Fernando Piedade Dias dos Santos "Nandó"

Minister of State-Economic Co-ordination: Manuel Vicente

Minister of State-Casa civil: Carlos Maria Feijó

Minister of State-Casa Militar: Manuel Hélder Vieira Dias Júnior

Agriculture and Fisheries: Afonso Pedro Canga

Commerce: Maria Idalina de Oliveira Valente

Culture: Rosa Maria Martins da Cruz e Silva

Defence: Cândido Van-Dúnem

Economy: Abraão Pio dos Santos Gourgel

Education: Mpinda Simão

Energy and Water: João Baptista Borges

Environment: Maria de Fátima Monteiro Jardim

Finance: Carlos Alberto Lopes

Foreign Affairs: George Chikoty

Geology, Mining and Industry: Joaquim Duarte da Costa David

Health: José Viera Dias Van-Dúnen

Hotels and Tourism: Pedro Mutindi

Interior: Sebastião José António Martins

Justice: Guilhermina Contreiras da Costa Prata

Media and Communication: Carolina Cerqueira

Petroleum: José Maria Botelho de Vasconcelos

Planning: Ana Dias Lourenço

Public Administration and Social Security: António Domingos Pitra Costa Neto

Telecoms and IT: José de Carvalho da Rocha

Territorial Administration: Bornito de Sousa Baltazar Diogo

Transport: Augusto da Silva Tomás

Urbanisation and Construction: Fernando Fonseca

Central Bank Governor: José de Lima Massano

International organization participation:

- ACP
- AfDB
- AU
- CPLP
- FAO
- G-7
- IAEA
- IBRD
- ICAO
- ICRM
- IDA
- IFAD
- IFC
- IFRCS
- ILO
- IMF
- IMO
- Interpol
- IOC
- IOM
- IPU
- ISO (correspondent)
- ITSO
- ITU
- ITUC
- MIGA
- NAM
- OAS (observer)
- OPEC
- SADC
- UN
- UNCTAD
- UNESCO
- UNIDO
- Union Latina
- UNWTO
- UPU
- WCO
- WFTU
- WHO
- WIPO
- WMO
- WTO

6 Transport and Communications

Angola's transport infrastructure suffered extensive damage during 30 years of warfare, with destruction and neglect causing the closure of most of the road and rail network. However, since 2004 massive investment in the rehabilitation of the road, railway, port and air infrastructure, most of it financed by Chinese loans and credit lines, is set to transform the country's infrastructure and revive Angola's role as a regional transport hub.

6.1 Railways

Three main railways were built eastwards from the coast in colonial times, linking Angola's key Atlantic ports to the interior. At their height in 1973 they carried 9.3m tonnes of freight, spurring the growth of many of Angola's main towns and cities in the interior. Much of this was destroyed during the civil war. In 2005 the government started rehabilitating the rail system, mostly funded by Chinese loans. The project involves the rehabilitation of the three main lines: the 1,336-km Benguela railway from Lobito to the eastern border with Zambia and the DRC; the 479-km line from Luanda to Malange; and the 907-km Moçâmedes railway from the coastal town of Namibe (known as Moçâmedes in colonial times) to Menongue. All three lines are due for completion by 2011.

Construction is also expected to begin on a railway line linking Angola to the Namibian railway network (which in turn links into the South African railway network). There are also plans to extend the Malange railway to Saurimo and to connect the Benguela railway to a new Zambian railway that would provide Zambia's copper mines with access to Angola's ports. A feasibility study is also under way to build a rail link from Namibe in the south to the enclave of Cabinda via a proposed US$3bn bridge over the Congo River, which separates mainland Angola from Cabinda. The government also has long-term plans to construct new rail links to Botswana, the DRC and Zimbabwe.

6.2 Roads

The road network totaled 51,429 km in 2001, down from 75,000 km in 1994, and by the end of the civil war in 2002 little of the paved network remained outside the main cities. The war meant that much freight was transported by air, as road haulage was risky and limited, isolating most settlements in the interior. Since 2002 efforts to clear an estimated seven million landmines and rebuild roads and bridges have reopened most of the main arteries. In April 2007 the government also announced plans to rehabilitate and expand Angola's road network. An initial US$2bn phase of works will build 5,300 km of roads by the end of 2008, rising to 14,000 km, and with 120 new bridges, by the end of 2011.

6.3 Ports

Luanda, Lobito and Namibe are the main cargo ports, geared almost exclusively to imports, and activity has grown sharply since the war, especially in Luanda. Trans-shipments from other countries and national exports through the ports fell from 15.9m tonnes in 1973 to just 94,000 tonnes in 1994, but have recovered since the end of the war in 2002. Most imports pass through Luanda port, which has four terminals, and a fifth to support mining activity is to be added. Luanda port handled 5.6m tonnes of cargo in 2007, up from 3.19m tonnes in 2004. However, the port has become heavily congested due to years of underinvestment and the sharp rise in imports in the past five years, leading to an average three-month delay in importing goods. The port is currently undergoing a US$130m rehabilitation, and in late 2008 work is due to start on a new commercial port in Baia do Dande, 50 km north of Luanda, which will have more than twice Luanda's existing capacity.

Angola's second-largest port, Lobito, handled 1.6m tonnes of merchandise in 2007, up from 300,000 tonnes in 2002. In June 2008 construction started on a new dry port three km from the existing port, in order to cope with the anticipated increase in cargo traffic after the reopening of the Benguela railway, which will export copper and other minerals from Zambia and the DRC through Lobito. Cabinda port is also forecast to expand, as a result of rehabilitation work started in 2007. The oil industry is served by the Malongo terminal in Cabinda, the Kwanda facilities at Soyo, the Sonils centre in Luanda and a base at Lobito.

6.4 Air transport

Because of military insecurity in the countryside, air travel played a dominant role during the war. Before the April 2002 ceasefire up to 80% of traffic to the interior was carried by air, but road transport has since become safer following de-mining work after the war. In 2007 the government announced plans to rehabilitate 32 airports and aerodromes by 2010. The first stage involved the US$400m rehabilitation of 25 airports in 2007-08. Work is also continuing on Luanda's new international airport, located in Bom Jesus, 40 km east of the capital, which is due for completion by 2010.

The state airline, Transportadora Aérea Angolana (TAAG), has been in debt for years and has periodically been suspended from the International Air Transport Association (IATA) and from European air space. Nonetheless the company has ambitious plans to establish Angola as a regional air transport hub, and in July 2006 it announced plans to invest US$600m on a modernisation programme, which will include the purchase of seven new aircraft. European carriers flying to Luanda include TAP Air Portugal, Air France, SN Brussels Airlines and British Airways, and there are connections to regional destinations including South Africa, Namibia, the DRC, Congo (Brazzaville), Gabon and São Tomé.

6.5 Telecommunications

The state-owned Angola Telecom, which operates Angola's fixed-line network, has around 100,000 subscribers. The company plans to increase this to 420,000 by the end of 2009. Angola Telecom's privatisation has been under discussion for years and the government is believed to be considering listing the company on Luanda's stock exchange.

In May 2005 the Agência Nacional de Investimento Privado (ANIP) granted approval for Telecom Namibia – operating through an Angolan company called Mundo Startel – to become the first private operator in Angola's fixed-line telephone network. Angola Telecom introduced a mobile-phone network in Luanda in 1993 and has since extended this network, named Movicel, to the main towns. Movicel competes with the privately-owned Unitel, a joint venture formed in 2001 that includes Portugal Telecom, Sociedade Nacional de Combustíveis de Angola (Sonangol) and investors close to the family of the president, José Eduardo dos Santos.

According to Angola's Instituto Nacional de Comunicações (INACOM), five milliom Angolans – around one-third of the population – own or have access to a mobile phone, compared with just 20,000 when mobile telephony took off in 1995. Unitel had 66% of the market in 2007, with an estimated 3.3 million subscribers.

The government is considering launching a tender for a third mobile-phone operator. Private Internet service providers, including Ebonet.net and Netangola.com, provide Internet access and e-mail services on dial-up lines. Angola Telecom has only 1,000 broadband subscribers, but post-paid broadband services with speeds up to one megabyte/second are available.

7 Energy

7.1 Oil and gas

7.1.1 Overview

Angola has substantial reserves of oil and natural gas, and plays an increasingly important role in supplying the global energy market. Proven oil reserves were estimated at 13.5bn barrels (1.1% of world total) and natural gas reserves at 9.5trn cu ft (0.2% of world total) at the end of 2008. The state-owned refining sector is underdeveloped, with a single, 39,000-b/d, refinery located in Luanda, leaving the country heavily reliant on imports for its own energy needs.

The oil sector is dominated by the state-owned oil company, Sonangol, which operates a number of joint ventures with major multinational oil companies and has numerous interests in sectors as diverse as transport, construction and banking.

7.1.2 Demand

Since the civil war ended in 2002 growth in petroleum consumption has grown steadily, reaching an estimated 59,600 b/d in 2009. Domestic demand primarily comes from the transport, construction and manufacturing sectors, as well as from private car owners. In addition, an estimated 42.6% of Angola's output in 2009 used diesel generators.

Owing to the unreliability of the electricity network, over two-thirds of domestic businesses rely on their own generators, the highest recorded rate in Africa, adding to fuel demand. Rapid growth in Angola's fledgling manufacturing hubs around Luanda and Benguela is also increasing domestic oil demand. Domestic household demand for gas is predominantly for butane and cooking oil, which is sold in canisters, as very few households are connected to mains supplies. Given high government subsidies for refined fuel products, domestic demand has been mostly unaffected by increases in international energy prices.

Strong economic growth, coupled with ongoing investment in infrastructure, rapid urbanisation and growth of the manufacturing sector is expected to boost the demand for oil and gas. The supply of imported and domestically refined products is expected to improve, especially once the Lobito refinery project, which could meet all domestic fuel demand, finally becomes operational. However, Sonangol's plans to start production by 2012 are likely to be delayed, given concerns over the project's commercial viability. After falling in 2009 owing to the recession, petroleum consumption is forecast to rise by an annual average of 10.9% in 2010-14, reaching 100,000 b/d by 2014. Consumption of natural gas is forecast to grow at a similar rate, rising from an estimated 799m cu metres in 2009 to 1.3bn cu metres in 2014.

Over 95% of all Angolan oil production is exported, but the country exports only negligible amounts of LNG. In 2009 Angola was Sub-Saharan Africa's largest crude oil exporter (a position that it has since ceded to Nigeria), with China and the US representing its largest export markets. China and the US accounted for 34% and 27% of total oil exports respectively in 2008, followed by Western Europe and South America.

The global downturn weakened demand for oil in Angola's key export markets in 2009, but a rebound in economic growth from 2010 onwards should see reasonably strong growth in demand for Angolan oil exports over the forecast period, in addition to the first exports of LNG starting in 2012. In the long term Angola's strategic location in the Gulf of Guinea will become an increasingly important focus of interest for the US and the EU, which are keen to secure energy supplies outside the Middle East.

7.1.3 Pricing

Refined domestic fuel products are sold at prices fixed substantially below the cost of importing or producing them, a populist government policy that has been possible owing to rapidly rising oil revenues. The government estimates that it spent US$5bn on fuel subsidies in 2008, the equivalent of 8.2% of GDP. Of this amount around 80% paid for imported refined products (which in turn accounted for around 70% of the local market), which are supplied t o the domestic market at Kz40/litre (51 US cents/litre) for gasoline and Kz29/litre for diesel, one of the lowest reported prices in Southern Africa.

However, bottlenecks in distribution caused by the relative lack of filling stations, especially in the more urbanised parts of Luanda, have led to long queues for fuel. The government has long-standing plans to reform the expensive fuel subsidy regime. However, given the recent fall in the cost of imported fuel, it is likely to continue fuel subsidies in order to avoid the popular backlash that could be unleashed by sharp rises in domestic prices.

7.1.4 Oil and natural gas consumption

	2009	2010	2011	2012	2013	2014	2015	2020
Oil								
Petroleum products: consumption (ktoe)	3,319	3,824	4,322	4,715	5,262	5,824	6,408	9,901
Petroleum products: transport (ktoe)	1,583	1,827	2,090	2,385	2,710	3,015	3,360	5,457
Gasoline: demand ('000 b/d)	12	13	14	15	16	17	18	26
Distillates: demand ('000 b/d)	50	58	66	70	78	86	95	157
Natural gas								
Energy consumption (ktoe)	606	674	744	836	926	1,020	1,113	1,834
Electricity sector (ktoe)	0	0	0	0	0	0	0	0
Industry sector (ktoe)	598	662	731	815	902	994	1,084	1,785
Transport sector (ktoe)	0	0	0	0	0	0	0	0
Residential sector (ktoe)	0	0	0	0	0	0	0	0
Commercial and public services (ktoe)	0	0	0	0	0	0	0	0
Other (ktoe)	8	11	13	21	24	26	28	48

7.1.5 Supply

Oil and natural gas supply

	2009	2010	2011	2012	2013	2014	2015	2020
Crude oil: production ('000 b/d)	1,835	1,950	2,035	2,105	2,125	2,150	2,175	2,050
Refineries (no.)	1	1	1	1	1	2	2	3
Natural gas: production (ktoe)	580	632	654	719	791	870	958	1,542

The oil- and gas-production sectors are dominated by Sonangol, which operates joint ventures with all major multinational oil companies operating in Angola. Angola's rising level of proven oil and gas reserves, coupled with the active encouragement of the government and attractive investment sweeteners, has ensured that four of the five oil majors (with the exception of Shell, which has a disappointing exploration record in Angola) are operating in the country.

Since the late 1950s oil has been produced mainly in the offshore area located off the enclave of Cabinda, which, until the mid-1990s, was responsible for over 80% of national output. However, since the late 1990s the development of Angola's deepwater fields has overtaken the Cabinda acreages, with projects in blocks 15, 17 and 18 adding over 1.5m b/d to Angola's production capacity.

Despite the ongoing separatist conflict in Cabinda, offshore oil installations have been unaffected. Since 2004 Angolan oil production has almost doubled, averaging an estimated 1.84m b/d in 2009. This has been achieved despite the imposition in January 2009 of a production quota by OPEC believed to be between 1.52m b/d and 1.66m b/d. After cutting production sharply in the first quarter of 2009, to an average of 1.7m b/d, Angola has ramped up output to an estimated 1.95m b/d in February 2010, the highest level since January 2007.

The government has plans to increase proven reserves to over 25bn barrels and to boost production capacity to over 2.5m b/d. However, both targets look unattainable, as they will depend on the development of Angola's so-called "ultra-ultra-deepwater" acreages, which have yet to be licensed and are likely to take many years to come into full production. In addition, the current development of Angola's deepwater fields has been plagued with difficulties, causing extensive delays in new fields coming into production.

Nonetheless, development of a range of major projects is continuing. Total's Block 17 and ExxonMobil's Block 15 are driving the expansion in production, with four developments – Xikomba and Kizomba A, B and C – having come on stream since 2003. These have made ExxonMobil, which currently produces 600,000 b/d from Block 15, the largest operator in Angola's oil sector. However, both Total and Chevron could overtake it by 2012, when they expect to be producing 700,000 b/d and 750,000 b/d respectively in Angola. Total, after a series of delays caused by technical problems and political differences between Angola and France, brought its Dália oilfield in Block 17 into production in March 2007 and plans to add a further 360,000 b/d on the same block by 2015. BP, which brought its Greater Plutônio development on Block 18 into production in October 2007, plans to start up its Plutão Cluster on Block 31 in 2011-12, to be followed by two further production hubs on the same block over the following three to four years. In addition to offshore activity, onshore drilling is under way in Cabinda, although results so far have not proved commercially viable.

7.1.6 Commercial exploitation

Angola has relatively little natural gas compared with the other major Sub-Saharan African oil exporter, Nigeria. In 2008 Angola's proven reserves were estimated at just 9.5trn cu ft. However, this has been sufficient to stimulate investment. In the light of the growth of the global LNG market in recent years and the government's commitment to reducing gas flaring, in September 2004 Sonangol incorporated a new subsidiary, Sonangol Gás Natural (Sonagás), to explore, develop and exploit gas products. Two major projects are under way to reduce flaring and commercially exploit gas.

The first is Chevron's US$1.9bn Sanha condensate project in shallow-water Block O. Sanha contains natural gas, liquefied petroleum gas (LPG) and condensate. Chevron is implementing a "cycling" project, under which condensate liquids, LPG and crude oil are extracted and sold, while the gas is re-injected into the field at a rate of 500m cu ft/day, enabling Chevron to phase out gas flaring in Cabinda's offshore area. Sanha started producing condensate in 2005 and in 2007 production reached 100,000 b/d of oil, condensate and LPG. Eventually the gas that has been re-injected into the reservoir will be extracted for export or could be used to feed other future LNG projects.

The second project, Angola LNG, whose cost could reach US$8bn, will construct an LNG plant near Soyo, in partnership with Chevron, Sonangol, Italy's ENI, Total and BP. The plant, which will produce 5.2m tonnes/year of LNG, started construction in November 2008 and is scheduled to start production in 2012. The Dutch government has also expressed interest in importing Angolan LNG as part of efforts to develop Rotterdam into Europe's main gas import hub. In addition, Sonagás plans to use 75m cu ft/day of gas from the LNG plant for an ammonia plant at Soyo, and also possibly for a thermal power plant in Luanda.

7.2 Electricity

Owing to the destruction caused to the power transmission network during the civil war and decades of underinvestment, Angola suffers from under-supply of electricity and frequent blackouts. Empresa Nacional de Electricidade (ENE) is the state-owned monopoly electricity provider. Angola has immense hydroelectric potential, by virtue of its extensive river system, but only a small fraction is being utilised. Rapid urbanisation and the explosion in informal settlements around the main cities have driven a dramatic rise in the number of illegal connections to the national grid, further exacerbating power shortages.

7.2.1 Demand

Since the civil war ended in 2002, ENE has struggled to keep pace with rising demand for power from industry and urban households. Around 75% of national electricity output is consumed in Luanda but only around one-quarter of the city's residents have access to a regular power supply. This forces most businesses and households that can afford it to use their own diesel generators for power supply, at a significantly higher cost than power provided by ENE.

The rising number of illegal connections and regular theft of cables has further exacerbated power shortages. Outside the main cities, most rural areas have no access to electricity; the only exceptions are towns located near to Angola's hydroelectric dams, such as Matala in Huíla province or Cahama in Cunene province. Overall, less than 20% of Angola's population has access to electricity, and most households still depend on wood or charcoal. In urban areas paraffin, kerosene and candles are popular, given the difficulty of obtaining wood, and they remain the main sources of lighting.

Given the country's rapid urbanisation and economic growth, it is expected that electricity consumption will rise by an annual average of 12.1% during 2010 –14. However, demand will continue to exceed available electricity supply for the foreseeable future, which will cause many residential and business customers, including large industrial enterprises, to continue to experience shortages.

7.2.2 Pricing

The government has pledged to overhaul the system for electricity charging, which is inadequate. Electricity prices are subsidised and over half of existing connections are illegal, preventing ENE from raising sufficient revenue to finance its operations. Plans to introduce a metered system are under way but it will take many years to establish a functioning service.

7.2.3 Electricity consumption and supply

	2009	2010	2011	2012	2013	2014	2015	2020
Consumption (gwh)								
Industry	1,030	1,089	1,154	1,273	1,354	1,389	1,472	1,935
Transport	0	0	0	0	0	0	0	0
Residential	2,213	2,350	2,504	2,672	2,861	3,103	3,528	5,501
Commercial & public services	0	0	0	0	0	0	0	0
Other	223	236	250	265	280	296	317	441
Total	3,466	3,675	3,908	4,210	4,494	4,788	5,316	7,877
% change, year on year	0.6	6.1	6.3	7.7	6.8	6.5	11	8
Capacity (mwe)								
Combustible fuels	385	435	485	708	788	635	685	935
Nuclear	0	0	0	0	1	0	0	0
Hydro	518	533	558	0	0			1,058
Non-hydro renewables	0	0	0	0	0			2
Geothermal	0	0	0	0	0			0
Solar	0	0	0	0	0	0	1	1.5
Tide/wave/ocean	0	0	0	0	0	0	0	0
Wind	0	0	0	0	0	0	0	0
Net maximum	903	968	1,043	1,143	1,243	1,343	1,474	1,995

Angola's hydroelectric potential is estimated at 18,000 mw. Since the end of the civil war in 2002 generating capacity has been expanded to 1,160 mw in 2007, of which 77% was hydroelectric and 23% diesel-generated. Rehabilitation of existing dams has increased the capacity of the Capanda and Cambambe dams on the Kwanza River, which primarily serve Luanda, to 520 mw and 180 mw respectively.

The 51-mw Matala dam on the Cunene River is the main source of electricity in the south-west. Despite the recent expansion of capacity, Angola's internal electricity grid is weak and poorly integrated, with much power lost in transmission. Power outages are common, worsened by poor maintenance, theft of cables and below-cost tariff structures.

The ENE is the state-owned monopoly electricity provider in Angola. For many years the company has suffered from insufficient government financial support, a low tariff structure that does not cover costs and an inability to collect revenue from numerous illegal connections. This has resulted in regular blackouts, forcing most wealthy households and nearly all companies operating in Angola to use their own generators.

Few consumers pay for their electricity, which means that ENE is heavily dependent on fuel subsidies and cannot fund capital projects. The government has long-term plans to restructure ENE, with the possibility of selling a majority stake in the company to a private investor, but these plans have been put on hold during the global downturn.

Since the end of the civil war the government has embarked on an ambitious programme to boost generating capacity, repair and expand existing urban power networks and establish a comprehensive national grid, with the priority on bringing power supplies to rural communities. A total of US$8.4bn is to be invested in electricity projects in 2009-16, focusing primarily on the Kwanza River (US$7.3bn) but also on the Catumbela and Cunene rivers, with the aim of connecting all of the country's 18 provincial capitals to the national grid.

Key projects include construction of a 500-mw dam at Epupa Falls and a 450-mw dam at Nyanga, both in Cunene province, as well as three new dams on the Kwanza River, each with a generating capacity in excess of 500 mw. The power distribution company, Empresa de Distribuição de Electricidade (EDEL), is implementing a ten-year project, supported by Chinese financing, to rehabilitate the distribution network in the capital, Luanda, and formalise all existing illegal connections. EDEL also plans to connect an additional 41,500 households to the grid by 2012 under a pilot pre-payment scheme, which could subsequently be rolled out across the whole of Angola.

7.3 Coal

Angola has no known reserves of coal. However, the Ministry of Geology and Mining is carrying out a comprehensive survey of the country's mineral deposits and is hopeful that commercial quantities of coal will be discovered.

7.4 Alternative energy

Given Angola's abundance of fertile land and water resources, most of which is unused, the country has huge potential for setting up a biofuel industry.

It has been estimated that by 2050 Angola could produce six exajoules of biofuel annually, the equivalent of 2.7m b/d of oil, which is well in excess of the country's current crude output.

Prior to independence Angola had a strong commercial agricultural sector and was the world's fourth-largest coffee exporter, but the dispersal of the rural workforce and the destruction of infrastructure caused by the war has all but eliminated the cash-crop sector. The government is hopeful that a biofuel sector could drive employment growth in rural areas, which have typically been starved of investment, and create a sustainable source of income that is not dependent on oil or hard minerals.

In March 2010 the National Assembly approved new biofuel legislation that obliges foreign firms to sell a fixed portion of their produce to Sonangol, and to form partnerships with local businesses. These firms must also ensure that local populations have access to clean water, basic services and medical care, mirroring the "social content" provisions of existing oil contracts.

In order to prevent biofuel projects from competing with local food production, projects will only be authorised to use "marginal" land that is not under cultivation or has not been earmarked for food production. Management of the sector will be overseen by a new Biofuel Commission, chaired by the Ministry of Petroleum.

At least a dozen projects are currently under development, the largest of which involves a US$260m sugar project in Malange province, which aims annually to produce 30m litres of ethanol, 160 mw of electricity and 260,000 tonnes of sugar for domestic consumption by 2012. However, major government investment will be needed to sustain a nascent biofuel sector, and without the incentives used in other countries it is unlikely that the sector will attract the large-scale foreign investment needed to build it into an industry of sufficient scale to compete internationally.

Alternatives consumption and supply

	2009	2010	2011	2012	2013	2014	2015	2020
Consumption (% of total)								
Hydro	2.5	2.4	2.4	2.4	2.5	2.5	2.6	2.6
Geothermal	0	0	0	0	0	0	0	0
Solar/wind/other	0	0	0	0	0	0	0	0
Capacity (mwe)								
Hydro	518	533	558	608	658	708	788	1,058
Non-hydro renewables	0	0	0	0	0	0	1	1.5
Geothermal	0	0	0	0	0	0	0	0
Solar	0	0	0	0	0	0	1	1.5
Tide/wave/ocean	0	0	0	0	0	0	0	0
Wind	0	0	0	0	0	0	0	0

8 Investing in Angola

8.1 Investment climate

8.1.1 Openness to, and restrictions upon, foreign investment

Angola offers both high returns and great risks to investors and exporters. The oil and diamond industries and intensive infrastructure rebuilding following the end of civil war in 2002 create business opportunities, and future opportunities may develop in new areas such as agriculture. From 2004 to 2008, the Angolan economy had double digit growth rates, but the global financial crisis slowed growth to the low single digits from 2009-2011. The IMF forecasts an increase to 10.8 percent growth in 2012. The business environment remains one of the most difficult in the world. Investors must factor in pervasive corruption, an underdeveloped financial system, poor infrastructure and extremely high on-the-ground costs. Surface transportation inside the country is slow and expensive, while bureaucracy and port inefficiencies complicate imports and raise costs.

A new private investment law, passed in May 2011, altered the benefits and incentives available for investors. The minimum size requirement to qualify for incentives was increased from US$100,000 to US$1 million under the new law. Investors must enter into an investment contract with the Angolan state, represented by ANIP, the National Agency for Private Investment, which will establish the conditions for the investments as well as the incentives granted. The incentives and benefits, which include repatriation of funds for foreign investments, tax deductions, and exemption from certain taxes and duties, will be negotiated with

ANIP and other ministries of the Angolan government on a case-by-case basis. In determining whether to grant incentives, consideration will be given to the economic and social impact of the investment according to the economic development strategy set by the Angolan executive. In addition to the process described above, investments with a value between US$10 million and US$50 million must be approved by the council of ministers, and investments above US$50 million require the approval of an ad-hoc Presidential committee. By law, the council of ministers has 30 days to review an application, although in practice decisions by the Council of Ministers are often subject to lengthy delays.

Angola's private investment law expressly prohibits private investment in the following areas:

- Defense
- Internal public order and state security
- Banking activities relating to the operations of the Central Bank and the Mint
- Administration of ports and airports
- Other areas where the law gives the state exclusive responsibility

Investment in the petroleum, diamond, and financial sectors is governed by sector-specific legislation.

In November 2011, the government passed a new law requiring oil companies to conduct a much greater share of their financial transactions through the Angolan banking system. The new law will be implemented in phases. Under the first phase, which will apply when the law becomes effective in early 2012, oil companies will be required to pay their taxes owed to the Angolan treasury through a local bank. Under the final phase, oil companies operating in Angola must use local banks to make all payments, including payments to suppliers and contractors located outside of Angola.

Obtaining the proper permits and business licenses to operate in Angola can be time-consuming. The World Bank Doing Business in 2012 report identified Angola as one of the most time-consuming countries surveyed for establishing a business (ranked 129 out of 183 in the survey).

Launching a business typically requires 184 days, compared with a regional average of 80 days. The government has established the "Guichet Único," or one-stop shop, under the Ministry of Justice, bringing together representatives of various ministries in one place, in an effort to simplify and speed up company registration time. However, the Ministry of Justice lacks authority over the other government ministries and the process remains slow. With the assistance of advisors from the Portuguese Ministry of Justice, the Angolan Ministry of Justice is in the process of reorganizing the Guichet to increase its efficiency.

While no formal discrimination against foreign investment exists, Angolan or other companies familiar with the bureaucratic and legal complexities of the business environment hold an advantage over newcomers. The Promotion of Angolan Private Entrepreneurs Law gives Angolan-owned companies preferential treatment in tendering for government contracts for goods, services and public works.

Measure	Year	Index / ranking
TI Corruption Index	2011	68 of 183
Heritage Economic Freedom	2011	161 of 183
World Bank Doing Business	2012	172 of 183
MCC Government Effectiveness	FY 2012	-0.66 (14%)
MCC Rule of Law	FY 2012	-0.77 (7%)
MCC Control of Corruption	FY 2012	-0.85 (3%)
MCC Fiscal Policy	FY 2012	3.9 (92%)
MCC Trade Policy	FY 2012	65.2 (16%)
MCC Regulatory Quality	FY 2012	-0.50 (21%)
MCC Business Start-up	FY 2012	0.844 (7%)
MCC Land Rights Access	FY 2012	0.499 (14%)
MCC Natural Resource Management	FY 2012	60.08 (8%)

8.1.2 Conversion and transfer policies

Economic and financial reform measures in recent years have improved local access to foreign exchange and facilitated remittance and transfer of funds. However, during the recent global financial crisis, when Angola's oil revenues declined by over 60 percent, the government sharply reduced the amount of U.S. dollars auctioned off to the commercial banking system. The investment law passed in May 2011 guarantees the repatriation of profits for officially approved foreign investments, and investors can remit funds through local commercial banks. However, under a separate law (Central Bank Order 4/2003), the Central Bank (Banco Nacional de Angola, or BNA) must authorize the repatriation of profits and dividends exceeding US$300,000. In addition, the Central Bank can temporarily suspend repatriation of dividends or require that repatriation take place in installments if immediate repatriation would have an adverse effect on the country's balance of payments.

In the aftermath of its 2009 temporary suspension of wire transfers, the BNA is requiring much more detailed information from the transferring entity, including copies of employment contracts for any individuals paid off-shore with U.S. dollars. These new documentation requirements are expected to be permanent and have significantly increased the BNA's approval time for transfers.

8.1.3 Expropriation and Compensation

The government of Angola is unlikely to expropriate the assets of foreign investors directly. In 2009 and 2010, however, the government fell far behind in payments to foreign companies working on government contracts, eventually running up arrears totaling at least US$ 6.8 billion. Repayment of these arrears began in July 2010, and they have been largely though not entirely cleared by the end of 2011.

Changes in legislation and enforcement of existing laws pose some risk of reducing company profits. This is especially true in the petroleum sector, which has been subject to revised local content regulations and will be impacted by the new foreign exchange law expected to come into effect in early 2012. The legislative process is generally secretive and closed to public review, though the government increasingly consults with major companies and industries on the drafting of legislation that will affect them.

8.1.4 Dispute settlement

Angola's legal and judicial system lacks capacity and is inefficient. Legal fees are high, and most businesses avoid taking commercial disputes to court. The World Bank's Doing Business in 2012 survey ranks Angola at 181 out of 183 on contract enforcement, and estimates that commercial contract enforcement, measured by time elapsed between filing a complaint and receiving restitution, takes an average of 1,011 days, at an average cost of 44.4 percent of the claim. The Voluntary Arbitration Law provides a general legal framework for non-judicial arbitration of disputes, except for cases expressly excluded by the law.

In 2008, the Attorney General ruled that Angola's specialized tax courts were unconstitutional. This effectively left businesses with no legal recourse to dispute taxes levied by the Ministry of Finance, as the general courts consistently rule that they have no authority to hear tax dispute cases and refer all cases back to the Ministry of Finance for resolution.

Angola is not a signatory to the United Nations New York Convention, the World Bank's International Center for Settlement of Investment Disputes (ICSID), or the United Nations Convention on the International Sale of Goods (CISG). Angola is a member of the Multilateral Investment Guarantee Agency (MIGA), which provides dispute settlement assistance.

8.1.5 Performance requirements and incentives

Angola's investment law gives foreign and domestic investors equal access to investment incentives. Incentives for such high-priority sectors as agriculture, manufacturing, energy, water and housing include exemption from industrial and capital gains taxes for up to 10 years and from customs duties for up to six years. Many foreign companies now operating in Angola enjoy some form of tax or duty waiver. Companies need to apply for such incentives when submitting an investment application to ANIP.

The government encourages "Angolanization" of companies' work force and urges use of Angolan suppliers of goods and services. Decrees 5/95 and 6/01 limit expatriate staffing of local companies set up in Angola by national or foreign investors to 30 percent of the workforce and require Angolan and expatriate staff with the same jobs and responsibilities to receive the same salaries and social benefits.

A 2008 decree requires oil companies to first seek Angolan employees to fill any vacant position prior to seeking expatriate appointment, which must first be authorized by the Ministry of Petroleum. International oil companies are working with the government on a new local-content initiative that will establish more explicit sourcing requirements for the petroleum sector. Oil service companies may meet these requirements by partnering with local Angolan firms, hiring more Angolan employees, or substituting local products for imports. Foreign investors can set up fully-owned subsidiaries in many sectors and frequently are encouraged, but not required, to take on local partners. In recent years, the government has enforced Decree 5/95 more strictly. Expatriate employees typically receive no more than three renewals to their one-year work visas, for a total of four years in country. Approval for the fourth year is contingent upon the company's identifying the Angolan employee who will take over the position after the expatriate leaves.

In the oil and diamond sectors, contracts with the government spell out the commitments companies make to invest in infrastructure and social services to benefit local communities, such as building schools, equipping hospitals, or funding microcredit programs. The government also encourages downstream investments in facilities such as refineries and diamond-processing plants.

The Angolan government requires an Environmental Impact Study for investments in petroleum, mining, road construction, or power stations. The Ministry of Environment must approve all Environmental Impact Studies before projects can be licensed.

8.1.6 Right to private ownership and establishment

Foreign and domestic private entities have the right to establish, acquire, and dispose of interests in business enterprises. Public enterprises hold some practical advantages in access to markets and credit. Under the new constitution, which took effect in February 2010, all non-urban and some urban land is declared to be under state ownership, but can be leased to private entities. Oil and diamond production and exploration rights are granted for limited periods of time and only as partnerships between private companies and the resource owners, Sonangol and Endiama, respectively. Recent changes to the mining code have allowed for the possibility of a single contract for exploration, mining, and commercialization of diamonds, processes that were once governed by separate contracts. Oil exploration concessions normally last for ten years.

The government allows and encourages public-private partnerships and participation of private investors in public utilities such as electricity and water. Private companies have concessions to operate hydroelectric dams and shipping terminals in the port of Luanda.

8.1.7 Protection of property rights

Intellectual property

Angolan law recognizes the protection of intellectual property rights. Angola's National Assembly adopted the Paris Convention for the Protection of Industrial Intellectual Property in August 2005, incorporating the 1979 text and the patent cooperation treaty concluded in 1970 and amended in 1979 and 1984.

The Ministry of Industry administers intellectual property rights for trademarks, patents and designs under Industrial Property Law 3/92. The Ministry of Culture regulates authorship, literary and artistic rights under Copyright Law 4/90. Angola is a member of the World Intellectual Property Organization (WIPO) and follows international patent classifications of patents, products and services to identify and codify requests for patents and trademark registration.

Real estate

Angola's Law on Land and Urban Planning affirms that all land ultimately belongs to the State, but permits most urban and some non-urban land to become effectively privately owned through long-term renewable leases from the Angolan government. Registering parcels of land over 10,000 hectares must be approved by the Council of Ministers. Registering property takes six months on average, according to the World Bank's "Doing Business in 2012" survey, with fees averaging 3.2 percent of property value. Owners must also wait five years after purchase before selling land. Implementing regulations, when written, are expected to set out guidelines defining different forms of land occupation, including commercial use, traditional communal use, leasing and private homes.

8.1.8 Transparency of the regulatory system

The regulatory system has been complex, vague, and inconsistently enforced. In many sectors, no effective regulatory system exists, due to lack of capacity. The Angolan Communications Institute (INACOM) sets prices for telecommunications services and is the regulatory authority for the telecommunications sector. Revised energy-sector licensing regulations have improved legal protection for investors to attract more private investment in electrical infrastructure, such as dams, power plants and distribution grids.

8.1.9 Efficient capital markets and portfolio investment

Angola's financial sector, though still underdeveloped, has grown rapidly and key indicators have improved in recent years. As of December 2010, the latest figures available, total customer deposits with the Angolan commercial banks stood at AKZ 2,623 billion, an increase of 14 percent over 2009. Most banks focus their operations on such short-term commission-related activities as currency trading and trade finance. Foreign investors do not normally access credit locally, and local investors either self-finance or seek financing from non-Angolan banks and investment funds.

Subsidized government loan programs to promote economic development are available only to majority-owned Angolan companies and on a very selective basis.

In the past, triple-digit inflation resulted in a high level of dollarization in the economy and banking system, with the majority of banking assets held in dollars. Since the end of the civil war in 2002, the Central Bank has devoted considerable effort to rebuilding trust in the kwanza, bringing inflation down to 15% in 2010. The mandatory reserve requirement for non-government deposits in kwanzas is 20 percent, and in foreign currency is 15 percent. The reserve requirement for government deposits is 100 percent, a measure that seriously limits lending by state-owned banks.

The number of private banks has been growing since the end of the civil war, transforming a sector previously dominated by state-owned banks. As of late 2011 Angola had 23 commercial banks, only three of which are state-owned. While every provincial capital has at least three bank branches, only 14 percent of the population uses banks, and few businesses even apply for loans. In 2010, credit to the private sector grew by 16 percent compared to 2009.

Banks in Angola extend little unsecured credit, requiring instead significant amounts of collateral in the form of property or dollar deposits from the borrower. The government's failure to honor contracts with many private businesses through much of 2009 and 2010 strained the commercial banking system, as government spending drives the non-petroleum economy, resulting in an increase of non-performing loans on bank balance sheets. Commercial credit in Angola remains tight. Unclear land titles and ill-defined property rights may, in some instances, complicate and lengthen the process of applying for a mortgage.

Banks' lending in 2010 amounted to AKZ 2,571 billion, from which 45 percent in Kwanzas and 55 percent in dollars. Banks' abilities to know their customers and secure collateral are limited because State-owned property cannot be offered as collateral, the judicial system is weak, credit histories cannot be tracked, and few houses have street addresses. Banks profit largely from transactions, short-term trade financing, and investments in high-interest government bonds, though increasingly also from loans, especially to the construction sector. In the past, State and State-affiliated companies enjoyed privileged access to loans, often at concessionary rates, leading to several bank failures.

The Central Bank has developed a market for short-term bonds, called Títulos do Banco Central, and long-term bonds, called Obrigações do Tesouro. Most of these bonds are bought and held by local Angolan banks. The Obrigações have maturities ranging from 1 to 7.5 years, whereas the Títulos have maturities of 91 to 182 days.

In December 2005, the government announced plans to develop a stock market and appointed a commission to oversee its creation. No visible progress has been made of late, even though the Minister of Finance had said he hoped the stock exchange would start operations in 2011.

8.1.10 Competition from state-owned enterprises (SOEs)

In Angola certain SOEs exercise delegated governmental powers, especially in the mining sector where the government is the sole concessionaire. Foreign investors may sometimes find demands made by SOEs excessive, and under such conditions SOEs have easier access to credit and government contracts. There is no law mandating preferential treatment to SOEs, but in practice they have access to inside information and credit. Currently, SOEs are not subject to budgetary constraints and quite often exceed their capital limits.

SOEs operate mostly in the extractive sectors, transportation, commerce, banking and construction. SOEs are given certain advantages in sectors such as transportation and mining. All SOEs in Angola are required to have boards of directors, and most board members are affiliated with the government. SOEs are not explicitly required to consult with government officials before making decisions.

The government has discussed establishing a Sovereign Wealth Fund but has not done so to date. By law SOEs must publish annual financial reports for the previous year in the national daily newspaper by the 1st of April. Such reports are not subject to external auditing. The standards used are often questioned. Although not all SOEs fulfill their legal obligations, very few are sanctioned.

8.1.11 Corporate social responsibility (CSR)

There is an awareness of corporate social responsibility among foreign companies and some of the larger local companies. Many foreign companies and a few local ones share concern for the environment and support community projects. Most multinationals from the extractive sector invest significant funds in CSR projects, which are appreciated by the benefiting communities and by the government.

8.1.12 Political violence

Political violence is not a substantial risk in most of Angola. The most significant incident of political violence since the end of the civil war was the January 2010 attack on the Togolese national soccer team by FLEC (Front for the Liberation of the Enclave of Cabinda), a separatist group. The team was traveling through the northern province of Cabinda by road to take part in a soccer tournament.

8.1.13 Corruption

Corruption, including bribery, raises the costs and risks of doing business and can create an uneven playing field for foreign investors.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

To lower investment risks and provide greater assurance to investors, Angola needs greater progress toward good governance, the rule of law and diminished corruption. Senior officials are widely seen as corrupt, while the government's limited publication of accounting information fuels public suspicions. Since 2006, under pressure from the international community, the government has made significant strides towards greater transparency by publishing financial information and preventing extra-budgetary expenditures. In 2010 Angola published its detailed budget online at http://www.minfin.gv.ao/.

In recent years, both the amount and quality of budgetary and oil revenue data has gotten better. Angola now publishes online a monthly block-by-block accounting of oil production and revenues at http://www.minfin.gv.ao/. Additionally, Angola has committed to taking greater steps toward transparency, such as publishing the external audits of state-owned oil company Sonangol, as was required as a prior condition for its Stand-By Arrangement with the IMF.

Angola participates in the New Partnership for Africa's Development (NEPAD), which includes a Peer Review Mechanism on good governance and transparency.

Low civil-service salaries and a proliferation of bureaucracy and regulations present opportunities for rent-seeking and encourage corruption. Complicated procedures and long bureaucratic delays sometimes tempt investors to seek quicker service and approval by paying gratuities and facilitation fees. Transparency International's 2011 Corruption Perception Index (CPI) placed Angola at 168 of 183 countries surveyed. The Heritage Foundation ranked Angola 161 of 183 countries surveyed on its 2011 Index of Economic Freedom, describing Angola as "repressed."

The 2002 Audit Law requires audits for all "large" companies, but the lack of a professional accounting oversight body has impeded enforcement, and the law does not require that the results of the audit be made public. In November 2009, President Dos Santos called for a zero tolerance policy against corruption, but there is little sense that this call has led to a decrease in corruption in practice.

In March 2010, the National Assembly approved a law on Public Probity which requires most government officials to declare their assets to the Attorney General, though the information is not made public. In May 2010 the National Assembly passed a new anti- money laundering and terrorism financing law, which came into effect in July 2010, and is still being implemented.

8.1.14 Bilateral investment agreements

Angola has bilateral investment agreements in force with Cape Verde, Germany, and Italy, and has signed agreements with Portugal, South Africa, Spain and the United Kingdom, though these agreements have not entered into force.

8.1.15 OPIC and other investment insurance programmes

The Overseas Private Investment Corporation (OPIC) has provided investment insurance to projects in Angola in recent years,.

Angola is a member of the Multilateral Investment Guarantee Agency (MIGA), which provides insurance to foreign investors against such risks as expropriation, non-convertibility, war or civil disturbance. MIGA also provides investment dispute resolution on a case-by-case basis.

8.1.16 Labour

Angola's General Labor Law (Law No. 2/00) provides significant protection and benefits to workers, including the right to strike and bargain collectively. The law spells out proper procedures for hiring workers. For work contracts of indefinite duration, the law provides for a basic probationary period of up to six months, during which the worker or employer can terminate the contract without notice or justification. After the probationary period ends, dismissed workers have the right to appeal to a Labour Court. Many employers prefer to reach a monetary settlement with workers when a dispute arises, rather than bring cases before the Court. The World Bank Group's 2012 Doing Business report placed the average cost of firing a worker in Angola at 11.6 weeks of salary for workers with 1- 10 years of tenure, and 54.2 weeks of salary for workers with 20 or more years of tenure.

The Angolan labour force has limited technical skills, English language ability and managerial ability. Many employers find it necessary to invest heavily in educating and training their Angolan staff.

The government conducts annual surveys of the oil industry to implement a requirement that oil companies hire Angolan nationals when qualified applicants are available. If no qualified nationals apply for the position, then the companies may request the government's permission to hire expatriates. Outside of the petroleum sector, policies to encourage "Angolanization" of the labour force discourage bringing in expatriate labour. This has extended to delays in approving visas for technicians to visit for a few weeks. The constitution grants the right to engage in union activities and labor strikes, but the government may intervene in labour disputes that affect national security, particularly strikes in the oil sector.

8.1.17 Foreign-trade zones/free ports

Angola is a signatory to the SADC Free Trade Protocol that seeks to harmonize and reduce tariffs and establish regional policies on trade, customs and methodology; however, Angola has not yet begun to implement the protocol. A new tariff schedule came into force in September 2008 that removed duties on the import of raw materials, equipment, and intermediate goods for industries and reduced tariffs on 58 categories of basic goods. Angola has signed customs cooperation agreements with Portugal, São Tomé and Príncipe, and Namibia, and has begun negotiating customs agreements with Zambia and the Democratic Republic of Congo, both fellow SADC members.

8.1.18 Foreign direct investment statistics

According to the UN Conference on Trade and Development's (UNCTAD) 2011 World Investment Report, in 20 Angola had a total inward stock of FDI of US$25.028 billion, or 63.3% of GDP, and an outward stock of US$4.6 billion.

UNCTAD reported the 2010 FDI inward flows at US$9.9 billion, and outward at US$1.16 billion. UNCTAD does not provide data on the countries of origin for FDI in Angola. Angola's National Private Investment Agency (ANIP) has released some figures on FDI for 2010, but limits its figures to the non-extractive sectors of the economy, thereby leaving out the diamond and oil sectors, which are the primary source of FDI for Angola.

9 The Business Outlook in Angola

Business environment rankings

	Value of index		Global rank		Regional rank	
	2005-09	2010-14	2005-09	2010-14	2005-09	2010-14
Overall position	3.76	4.07	82	82	17	17
Political environment	2.6	3.1	81	80	16	16
Political stability	3.6	4.8	78	69	16	11
Political effectiveness	1.6	1.6	82	82	17	17
Macroeconomic environment	6.9	6.6	47	51	11	11
Market opportunities	6.1	5.8	30	46	9	9
Policy towards private enterprise & competition	2	2.8	81	79	17	15
Policy towards foreign investment	2.8	4.2	81	72	16	14
Foreign trade & exchange controls	3.7	3.3	78	81	14	16
Taxes	5	5.2	70	70	12	13
Financing	2.5	2.9	81	82	16	17
The labour market	3.7	3.7	82	82	17	17
Infrastructure	2.4	3.3	80	79	16	15

Source: Economist Intelligence Unit

The business environment in Angola is expected to improve modestly over the next few years: the business environment ranking score has risen from 3.76 in the historical period (2005-09) to 4.07 in the forecast period (2010-14). However, despite this increase, the rate of change is still much slower than in many other countries.

The score for the political environment is forecast to improve marginally, reflecting improved political stability due to the dominance of the ruling Movimento Popular de Libertação de Angola (MPLA) and the abolition of the presidential election, which could enable the president, José Eduardo dos Santos, to remain in power until 2022. Nevertheless, lack of progress in improving governance will keep the score for political effectiveness flat.

Growth prospects are encouraging, driven by growth in oil and diamond output, which is reflected in the macroeconomic environment score, the strongest component of Angola's business environment. However, dwindling opportunies for catch-up growth and lacklustre growth of GDP per head will undermine the market opportunities in 2010-14, dropping Angola's global ranking from 30 to 46.

Policy towards private enterprise, competition and foreign investment will improve in 2010-14, raising the global ranking for the latter from 81 to 72, reflecting the government's eagerness to attract new sources of foreign and private investment. However, efforts to create a signficantly more attractive business environment will produce only modest results, owing to widespread corruption, weak government institutions and an extremely poor infrastructure, which will take many years to become fully functional again. Investment opportunities will therefore remain limited, with the exception of the oil and diamond sectors and, to a lesser extent, construction, retail and the financial sector.

9.1 Starting a Business in Angola

Procedures for starting a business in Angola

No.	Procedure	Time	Cost
1.	**Search for a unique company name and pick up the relevant certificate** The company name can be verified at the commercial registry (Ficheiro Central de Denominações Sociais), affiliated with the Ministry of Justice. To obtain the company name certificate, an application (with copy of identification attached) must be filed with the one stop shop (Guiché Único das Empresas), as follows: 1 State the company's proposed name 2 Request the issuance of a certificate, confirming that such name is acceptable and is not similar to any existing company name	1 day	AOA 500 + AOA 24,090
2.	**Deposit the legally required initial capital in a bank and obtain deposit evidence; pay the registration fee** The Kwanza amount equivalent to US$1,000 will soon become the minimum share capital required for the incorporation of a limited liability company (Sociedade por Quotas de Responsabilidade Limitada), according to the new Companies Law, recently approved by the Angolan Parliament and due to be published in the Official Journal. For such corporate form, notaries require an amount equivalent to about US$135.	1 day	No charge
3.	**Verify the company documents at the Guichet Unico** This procedure takes place in the Guichet Unico. Companies have two options; either to resort to lawyer services to draft the company documents or to fill in the standards documents. If the company decides to use the standard statutes of Association from the Guichet, it takes one hour at most. The applicant just enters the information (ID info of associates, address, activities of company) and confirms that the articles are applicable to the type of company as the Guichet has four different types of statutes. In the case statutes are prepared by a lawyer, the process might take 1/2 to one day for lawyers to review. However, in this case company documents are more detailed and thus documents' rejection is unlikely.	1 day	The fees are included in the company registration fees
4.	**Obtain NIF at Guichet Unico** Once documents are verified and completed, the applicant apply to the station of the Direccao National dos Impostos to obtain NIF, where all taxes and fees one must pay are calculated. This service is free of charge and does not take more than 15 minutes. However, the tax fees is AOA25,595. The tax fee varies according to the sector on which the company will operate.	1 day	Tax fee included in next procedure
5.	**Notarize company draft documents, register the company and pay registration fees at Guichet Unico** The applicant submits the dossier to the Notary Public at the Guichet Unico. Once the Notary reviews and notarizes the dossier, he will have a reading with the applicant present or the accredited person to ensure there are no mistakes. This service fee is included in the Guichet fees and takes a day depending on room availability and complexity of the company's Articles of incorporation. After this lecture, the notary makes copies and send to each of the agencies involved a copy for approval and filing. The centralized post distribute these to the representatives of Impresa National, National Institute of Statistics, Tax office of the Ministry of Finance, Social Security Institute and the Ministry of Public Administration, Employment, and Social Security. Each agent from each institution is in charge of sending the files to his/her agency, but this doesn't impede on the process of registration. For Impresa national, the receipt is sufficient to continue the process. Despite the fact that law says documents should be published before getting the license to operate, the system at Impresa National makes it unlikely for daily or weekly publication, therefore the Ministry of Commerce uses the receipt as proof. The fees for these services are included in the Guichet Unico's cost. The time for this process depends on the presence of various agents and the complexity of the case. Each of the organizations sited above have a representative within Guichet with authority to deliver the accreditation that the step has been accomplished. Obtaining the final document (except the publication in the Official Gazette) would take four days (on average). Fees are paid at the bank counter of banco BAI within the Guichet to facilitate payment of the different fees. Each agency and fees goes to a specific account and payments can be made cash or by card.	4 days	AOA 25,000 AOA Guichet Unico fees + registration in the conservatoria AOA100,002 + AOA12,000 statistics institute + AOA20,000 Impresa National (fixed cost) + AOA10 social security + AOA132,730 Notary fees + AOA25,595 taxes fee

No.	Procedure	Time	Cost
6.	**Obtain the Commercial Operations Permit from the Ministry of Commerce** To carry out commercial activities in Angola, a company must obtain a commercial operations permit (alvará) from the Ministry of Commerce. To apply for the issuance of the commercial operations permit, the following documents must be filed with the Municipal Delegation of the Ministry of Commerce: 1 Company's notary deed of incorporation 2 Copy of the tax identification card 3 Commercial registration certificate 4 Statistical registration certificate 5 Extracts from the criminal record of the founders 6 Opinion, by the relevant administrative authority, on the company's geographical location and social and economic feasibility 7 A photocopy of ID or passport For the issuance of the commercial operations permit, one requirement is for the relevant administrative authorities to inspect the company's premises to confirm they are suitable for commercial activities.	60 days	US$1,000
7.	**Legalize the inventory and diary books with the Tax Office** The inventory and diary books are taken annually to the Tax Office for registration of the annual accounts.	1 day (simultaneous with previous procedure)	US$3
8.	**Legalize the inventory and diary books with the judge of the provincial court having jurisdiction over the area of the company's headquarters** The registration book of the minutes of the General Assembly meetings must be registered with the Tax Office (US$ 0.0125 cents per page) and the Provincial Court (US$ 0.67 cents per page). After the registration of any such minutes in the book, it should be registered with the notary public (US$ 17 per shareholder signature).	1 day (simultaneous with previous procedure)	US$20

Source: World Bank Doing Business Report

10 Country Outlook: 2011 – 2012

10.1 Political stability

The president, José Eduardo dos Santos, and his ruling party, Movimento Popular de Libertação de Angola (MPLA), which holds 191 out of the 220 seats in the National Assembly, enjoy complete hegemony over the political system. Mr. dos Santos sits at the centre of a vast patronage network, skillfully appeasing conflicting interests both nationally and within the party while underpinning his own position.

The adoption of a new constitution in February 2010 consolidated his grip on power, establishing a presidential-parliamentary system under which the Angolan president will no longer be elected by popular vote but will instead be the head of the party with the most seats in parliament. Although a limit of two five-year presidential terms has been set, this does not take into account the 31 years already spent in office by Mr. dos Santos, enabling him to remain as president until 2022, should he so wish.

10.2 Election watch

A legislative election is scheduled to take place in the second half of 2012. Electoral registration has been completed but no formal date has been set – although local media reports suggest that the poll will take place on 31 August.

Enjoying complete dominance of the public (and, increasingly, private) media, and helped by its solid funding base and strong business connections, the MPLA appears well placed to secure another strong victory, although possibly with a diminished majority. Moreover, with the President now elected indirectly from the head of the winning party list, it is hard to see how anyone can usurp Mr. dos Santos (or his chosen successor). The main opposition party, União Nacional para a Independência Total de Angola (UNITA), has failed to capitalise on popular discontent over poor public services, high unemployment and acute housing shortages; the party is suffering internal divisions and its effectiveness is continuing to diminish. In contrast, smaller opposition parties without seats in parliament, such as Bloco Democrático, appear to be gaining support, especially among young people. However, the entry of Abel Chivukuvuku's new Convergência Ampla de Salvação de Angola (CASA) party will further split the opposition vote. The best chance for smaller parties may come in the long-delayed municipal elections, which have now been promised for 2013 or 2014.

10.3 International relations

Angola's key foreign-policy aims will be to diversify access to international finance, to expand the county's regional and international influence, and to consolidate relations with key strategic partners – in particular, China, Brazil and Portugal.

Relations with its northern neighbour, the DRC, will remain tense, owing to expulsions of illegal immigrants by both countries and a quarrel over the delineation of the maritime border in oil-rich waters. However, the DRC will be careful to avoid an escalation of the dispute into an armed conflict, given Angola's superior military strength.

Angola's relationship with China, which is based on oil-backed Chinese loans and credit lines, continues to deepen.

Warm relations with Portugal will continue, with that country's financially strapped government keen to attract Angolan investment. There has been little progress on a Joint Way Forward agreement with the EU – perceived as an interim move towards a full strategic partnership – despite a recent visit by the president of the European Commission, with Angola apparently prioritising individual bilateral agreements.

10.4 Policy trends

The government's aim over the forecast period will be to guide Angola's transition from post-conflict reconstruction to sustained economic growth. Policy will focus on implementing the poverty-reduction programme and the "second wave" of infrastructure rehabilitation without jeopardising macroeconomic stability as rising oil output and high global prices boost government revenue.

Although the government is committed to a progressive phasing-out of fuel subsidies – which cost an estimated 2.5% of GDP in 2008, according to the World Bank – further reductions appear unlikely in the short term, given popular discontent over high living costs. The recent creation of a powerful new economic role – Minister of State for Economic Co-ordination – is seen by some as an attempt to overcome "turf wars" between the economy, finance and planning ministries, although others perceive it more as a vehicle to ensure that the president retains a grip on economic policy via his trusted confidante, Mr. Vicente.

Overall, despite the positive noises about economic reform, the country's small elite are likely to continue to block any measures that could threaten their personal interests, meaning that progress on the implementation of economic reforms will be uneven.

10.5 Economic growth

A steady rise in oil output and historically high global oil prices will drive real GDP growth in 2012-16. It is forecast that crude output will rise from an estimated average of 1.64m barrels/day (b/d) in 2011 to 1.8m b/d this year and 2.18m b/d in 2016. However, given the history of technical delays and the slim possibility that OPEC may try to enforce Angola's quota more strictly, there is a risk that production may increase at a slower rate.

Although oil output will rise this year as new fields come on stream, there has been a delay in the launching of the giant, US$9bn liquefied natural gas (LNG) project, which is not expected to begin exports until June at the earliest. Reflecting this, the Economist Intelligence Unit's 2012 GDP forecast is 8%.

Economic growth will remain robust in 2013-16, averaging 6.2%, underpinned by a steady expansion in oil production – although net hydrocarbon output increases will start to tail off in 2015-16. Growth will remain capital-intensive and import-dependent, with few linkages to areas of the economy other than government-dominated sectors such as construction and finance. The development of a dynamic private sector will be hindered by weak human capital, a flawed judicial system, poor regulation, corruption and the crowding-out of private investment by the public sector.

10.6 Inflation

The capacity of the Banco Nacional de Angola (BNA, the central bank) to support the exchange rate – which has a key role as a monetary anchor – has improved significantly with the recovery in the level of international reserves. In addition, the government appears to have ruled out any further near-term reduction in the fuel price subsidy, given popular discontent over high living costs.

The year-on-year rate of inflation slowed to a multi-decade low of 11.4% at the end of 2011. However, strong domestic demand growth – coupled with monetary easing over the past 12 months – will constrain any further significant near-term easing in inflationary pressures.

The official goal is to reduce inflation to 10% in 2012. Assuming that structural measures gradually start to address underlying distortions, inflation is expected to decline further over the forecast period. However, this will also be contingent on the ability of the monetary policy committee to resist political pressure for a more accommodative monetary policy.

10.7 External sector

Reflecting buoyant world oil prices, the merchandise trade surplus reached an estimated US$46bn in 2011. The surplus will expand further in 2012, to US$53bn, as high oil prices and rising oil export volumes more than offset the continued rapid growth in imports. Imports will continue to rise, to US$30.6bn in 2016, reflecting a recovery in investment and domestic demand. Large trade surpluses will be sustained in 2013-16, averaging US$54.2bn per year, underpinned by the strength of oil revenue. Booming oil-sector activity will also ensure continuing large deficits on the services and income accounts, but the overall current-account position will remain in healthy surplus. After a forecast 16.4% of GDP in 2012, the surplus on the current account will fall back to a still robust 10.2% of GDP in 2013-16, given rapidly growing import demand on the back of government-led capital investment.

A Appendix 1 – Sources of Information

Economist Intelligence Unit

CIA World Factbook

World Bank

MBendi

Doing Business: www.doingbusiness.org

US Department of State