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Monitoring of countries graduating and graduated from the list of LDC category:

Angola

SUSTAINABLE DEVELOPMENT GOALS

Contents

Summary

The CDP takes note that the pandemic has aggravated the overall macro-economic situation in Angola, leading to the fifth consecutive year of economic recession in 2020 and continuing debt unsustainability. Despite some recent improvements in 2021, along with higher oil prices, the GNI/capita in Angola could fall below the graduation threshold on income criteria in 2023. Also, CDP takes note that the country has not improved in the other two LDC indicators – HAI and EVI – which continue to be insufficient to grant Angola graduation beyond the income criteria.

As such, the CDP considers the situation in Angola fragile and highlights the need to continue to monitor closely the situation through the newly created Enhanced Monitor Mechanism. The monitoring provided by the Secretariat will contribute to decide on further steps regarding the graduation of Angola.

The CDP also welcomes the recent information provided by Angola regarding their efforts towards the preparation of the smooth transition strategy. The CDP recommends Angola to finalize their STS as soon as possible, as an opportunity to reflect on strategic options to ensure a sustainable development path for the country in line with the priorities included in the National Development Plan. Moreover, structural transformation is most critical for Angola as oil dependent country, which requires addressing trade-offs between long-term objectives and short-term macroeconomic stability. This transformation is not possible without international support.

Macroeconomic situation

Economically, Angola continues highly dependent on the oil sector (contributing to one third of GDP, over 90 per cent of exports[1]) and vulnerable to drops in oil prices and oil output, as experienced in the past few years. The pandemic aggravated the overall macro-economic situation, prolonging the recession which had started in 2015. The latest data available points to a significant contraction of the economy in 2020, as GDP growth is expected to register -4 per cent (WESP, 2022) (IMF projects a deeper contraction: -5.4 per cent.).

More recently, Angola seems to experience a gradual recovery from the impacts of the Covid-19 pandemic, mainly supported by a resurgence in oil prices. This will, however, be insufficient to recover from the years of economic recession. As long as new oil fields will not come to full maturity, oil output is not expected to rebound and may even continue to decline in the short-term. In the meantime, other sectors, such as mining and agriculture, may moderately increase their output and improve their contribution to GDP.

Indicator	2015	2016	2017	2018	2019	2020
GDP growth rate (per cent, constant price)	0.9	-2.6	-0.1	-2.0	-1.5	-4.0
Inflation rate (%)	9.2	30.7	29.8	19.6	17.1	22.3
Govt revenue (billions of national currency)	3,366.7	2,900.0	3,546.3	5,860.0	6,530.2	7,052.8
Govt expenditure (billions of national currency)	3,773.7	3,648.0	4,879.7	5,273.9	6,290.9	7,690.9
Govt balance (billions of national currency)	-407.0	-748.1	-1,333.4	586.1	239.2	-638.1
Govt balance (per cent of GDP)	-2.9	-4.5	-6.6	2.3	0.8	-1.9
Net ODA received (millions of US dollars)	380.1	206.5	223.2	162.7	21.5	
Balance of Payments (millions of US dollars)						
Current Account	-10,272.8	-3,085.2	-632.9	7,402.6	5,137.4	871.9

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[1] World Bank (2019), World Development Indicators, accessed December 2019.

Goods, Credit (Exports)	33,181.1	27,588.9	34,613.5	40,757.8	34,725.6	20,937.4
Goods, Debit (Imports)	20,692.5	13,040.5	14,463.2	15,797.8	14,127.1	9,543.1
Balance on Goods	12,488.6	14,548.4	20,150.2	24,959.9	20,598.5	11,394.3
Services, Credit (Exports)	1,256.2	710.9	984.6	631.1	454.6	67.0
Services, Debit (Imports)	17,276.2	12,616.5	13,793.3	10,089.5	8,172.3	5,602.5
Balance on services	-16,020.1	-11,905.6	-12,808.7	-9,458.4	-7,717.7	-5,535.5
Balance on Goods and Services	-3,531.5	2,642.7	7,341.5	15,501.5	12,880.8	5,858.8
Balance on income	-5,907.5	-5,273.7	-7,505.6	-7,829.5	-7,516.3	-4,924.2
Balance on current transfers	-833.8	-454.2	-468.7	-269.4	-227.1	-62.7
Capital Account	6.3	0.6	2.6	2.9	2.0	1.2
Financial Account	-11,465.6	-4,892.3	-748.4	7,246.0	4,185.8	1.4
Direct investment (net)	-10,813.1	452.5	8,749.3	6,461.8	1,749.1	1,957.0
Portfolio investment (net)	-446.2	-16.6	9.1	-3,652.8	-1,675.9	-1,640.4
Fin. Deriv. (other than reserves) + stock opt.	0.0	78.2	-78.2	51.5	-0.7	-20.1
Other investment (net)	2,852.9	-5,776.5	-4,421.6	5,333.2	3,146.4	2,523.4
Reserve assets	-3,059.2	370.0	-5,007.0	-947.7	966.9	-2,818.5
Reserves (months of imports)	6.5	9.1	5.8	5.4	6.4	8.0

Source: GDP growth and inflation: UN DESA, WESP 2022; Net ODA: OECD, OECD.Stat, accessed 15 Nov 2021; other data: Government balance: IMF, World Economic Outlook Database, October 2021 edition, accessed 15 Nov 2021; external sector indicators: IMF, BoP Data Reports, accessed 15 Nov 2021.

Inflation has accelerated in 2020 and is expected to register even a higher level in 2021. This was in part due to the depreciation of the kwanza and supply-side constraints. The Banco Nacional de Angola (the central bank) has introduced flexibility measures which should stabilize the exchange rate, while supply-side bottlenecks should ease already in 2022. As a result, inflation is expected to stabilize, even though remaining high in the short-term with adversary effects on living conditions for the most vulnerable.

Despite substantial fiscal consolidation in 2020, the slump in oil prices, combined with falling production volumes, has led to a sharp drop in government revenue in 2020 and an estimated fiscal deficit of 1.9 per cent. An ongoing IMF program will require further fiscal consolidation, while higher oil revenues should contribute to the improvement of the fiscal balance in the coming years, while in the meantime it should be back to positive territory starting already in 2021.

On the external sector, as global oil prices and overall external demand trended lower in 2020, due to the Covid-19 pandemic, exports have plummet markedly, by about 40 per cent. As a result, the current account surplus has declined considerably in 2020, to about one fifth of its value in 2019. Even though the Covid-19 situation is still uncertain, the external sector is expected to improve in 2021 supported by higher oil prices. However, the external sector will continue highly vulnerable in the next few years due to the volatility of oil prices.

LDC criteria and supplementary indicators

LDC criteria indicators

The GNI per capita of Angola has been falling since 2017. The latest three-year average is estimated to be $2,791, which remains well above the LDC graduation threshold on income criteria only. However, using the latest IMF economic forecast, the GNI per capita criterion in Angola is expected to drop and remain

below the income-only graduation threshold in the coming years. It should be noted that the IMF forecast assumes a resumption of moderately positive economic growth in 2022 and that the expected decline in income is to a large extent driven by depreciation of the kwanza.

Human development in Angola remains inconsistent with the country income level. While there is slight improvement in the HAI score in 2021, 52 is still a very low value compared to the HAI scores of countries with similar income levels (e.g., Mongolia 92.1, Libya 93.7, Indonesia 90.1, Tunisia 89.8).[2]

The EVI score has improved slightly in 2021, before returning to deteriorate again in 2022, remaining above the graduation threshold established at the 2018 review of 32 or below. Angola continues to be vulnerable to external shocks. As presented by the EVI sub-indicators, the country has experienced an increasing share of agriculture in GDP, increasing agricultural production, as well as rising number of victims of national disasters. The diversification of the economy remains a major priority under the National Development Plan, but the investment into the non-oil economy remains insufficient.

Table 2. LDC criteria, Angola, 2018-2022

	GNI per capita	EVI	HAI
2018	4459.4	45	51.7
2019	3942.8	45.4	51.8
2020	3470.3	45.1	51.9
2021	3198.7	44.5	52
2022	2791.2	45.6	52.2

Source: CDP/DESA. Time series estimates of the LDC criteria (2002-2021). Year refers to actual or hypothetical review years. Years of underlying data vary by indicator. E.g., data for GNI per capita in 2022 refers to the 2018-2020 average. Please see source for details.

Supplementary indicators

In addition to the traditional economic LDC criteria indicators, it is worth looking into the debt-to-GDP ratio, which peaked in 2020 at 135 per cent of GDP and is projected to decline, although remaining high, to 95.9 per cent in 2021 (IMF, 2021). The improvement is explained by a myriad of factors - fiscal consolidation, higher oil prices, and exchange rate stabilization – which have contributed to ease debt risks in 2021.

The total debt service has also remained high, having exceeded 100 per cent of fiscal revenues in 2020. Pressures on financing needs have eased once the country benefited from the G20-DSSI and parallelly reached agreements with some of the largest bilateral creditors – including Chinese main official lenders. This allowed the country to postpone a debt servicing payments in 2021 and 2022, but debt service needs may increase significantly in 2023.

In June 2021, the IMF approved an extended arrangement under the Extended Fund Facility (EFF) allowing for a disbursement of $772 million, bringing the total disbursement to about $3.9 billion since 2018. The extended arrangement has restored some external and fiscal stability, while supporting the diversification of the economy. However, Angola's financial needs may require additional support from the IMF beyond 2021.

Notwithstanding some improvements on the public debt stabilization, the external debt profile in Angola

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[2] CDP Secretariat calculation.

remains highly vulnerable to external shocks and domestic shocks. For instance, the debt profile vulnerability in Angola has exceeded the upper early warning thresholds on several indicators. The public debt held by non-residents represents currently 75 per cent of total debt, well above the upper early warning threshold (45 per cent). The percentage of total public debt in foreign currency is also extremely high, 75 per cent, above the upper early warning threshold (60 per cent).

Productive Capacity
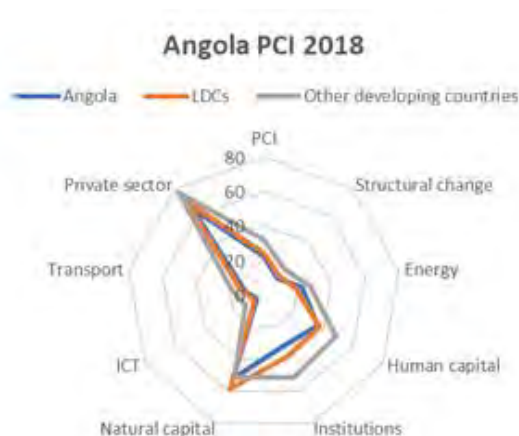
The PCI of Angola is slightly lower than that of the average LDC, but more than 30% below the average ODC. This stands in contrast with the country's income level, which is typical of oil-dependent economies. Given the very high level of reliance of the economy on oil exploitation for value addition and exports, the country fares very poorly in terms of structural change. It is placed even below the average LDC on structural change and stands 36% below the average ODC. Moreover, the country has lost ground on this dimension since 2010.

Another peculiarity of the country is its low institutional development, which leads it to have a gap vis-à-vis the average ODC similar to that of structural change. Additionally, the country lost ground in this field during the 2010s, similarly to what happened in the case of structural change,

Like to virtually all LDCs, Angola has an especially low level of development of productive capacities in the dimensions of transport and ICTs. This is a consequence of yawning gaps in investment and operation of infrastructure (both of the traditional type and of the modern digital type), and of the still incipient level of incorporation of digital technologies in the productive sphere. Still, the country progress on these two issues during the 2010s, albeit form a low basis.

In terms of strengths, Angola performs better than the average LDC in terms of Energy, although stands below the average ODC on this dimension. In the case of Natural Capital, the opposite is true. This is the one dimension of productive capacities where LDCs are ahead of ODCs, but Angola stands somewhat behind the LDC average. The area in which Angola advanced most during the 2010s was human capital, thanks to its ongoing investment in education and health.

Table 3. Productive Capacity Index, Selected Countries, 2018 value.

Country	PCI	Energy	Human capital	ICT	Institutions	Natural capital	Private sector	Structural change	Transport
Angola	22.2	22.8	35.9	5.0	32.2	51.9	65.6	12.3	10.5
Bangladesh	26.8	25.3	44.7	6.7	37.7	58.1	72.7	16.5	13.6
Bhutan	30.1	22.4	46.5	9.2	63.3	41.5	73.9	16.7	21.7
Lao PDR	27.1	23.5	41.0	8.2	40.1	46.0	78.0	20.6	12.5
Nepal	26.3	18.3	46.2	7.8	39.9	52.3	70.6	15.9	14.8
Sao Tome and Principe	26.7	19.6	43.7	7.2	48.4	46.7	75.8	16.3	15.2
Solomon Islands	26.2	21.2	40.0	5.5	46.9	44.7	81.1	13.5	20.7
Vanuatu	29.4	23.1	41.2	6.7	55.5	46.2	80.4	17.7	24.2
LDCs	23.9	18.8	37.9	6.1	38.2	58.2	71.0	14.0	13.4
ODCs	31.9	27.8	48.7	12.4	51.4	51.3	77.7	19.4	19.2

Source: UNCTAD.

Data gap

In general, Angola's statistical capacity index declined in 2020 to 45.6, much lower than lower middle income countries (66.4).[3] Data required for monitoring exercise is, however, available and up to date.

Smooth transition, national plan and country specific factors

On December 15th, 2021, the Government of Angola has submitted to the Resident Coordinator in Angola a report on the status of their smooth transition strategy (STS). The report indicates that the government has not started the preparation of the STS, but it has elaborated a timeline and listed several studies that will be prepared in 2022 to support the preparation of the STS. The Government indicated that it would rely on the RCO, UNCTAD and the European Union for the preparation of these studies and other technical support necessary for STS. The Government also indicated that between January and April 2022 they will organize workshops to discuss issues related to the graduation and STS and intend to finalize it by end of the second quarter of 2022. Angola's accession to the Economic Partnership Agreement (EPA) between European Union and SADC are also forthcoming. Accession to the EPA would allow Angola to maintain duty-free and quota-free access to the European market, while requiring policy changes at the country level.

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[3] World Bank. WDI. Accessed 12 January 2022.

Annex 1: Heatmap extract of the supplementary graduation indicators (SGIs) for LDCs and former LDCs (2022 or latest available year)

COUNTRY GROUP	COUNTRY
Graduating LDCs	Angola
Graduating LDCs	Bangladesh
Graduating LDCs	Bhutan
Graduating LDCs	Lao People's Democratic Republic
Graduating LDCs	Nepal
Graduating LDCs	Sao Tome and Principe
Graduating LDCs	Solomon Islands
LDCs recommended for graduation by the CDP, under consideration by ECOSOC	Kiribati
LDCs recommended for graduation by the CDP, under consideration by ECOSOC	Tuvalu
LDCs met criteria two or more consecutive times, but deferred by CDP	Myanmar
LDCs met criteria two or more consecutive times, but deferred by CDP	Timor-Leste
LDCs met criteria for the first time and are under CDP review	Cambodia
LDCs met criteria for the first time and are under CDP review	Comoros
LDCs met criteria for the first time and are under CDP review	Djibouti
LDCs met criteria for the first time and are under CDP review	Senegal
LDCs met criteria for the first time and are under CDP review	Zambia
LDCs met only one graduation threshold	Central African Republic
LDCs met only one graduation threshold	Democratic Republic of the Congo
LDCs met only one graduation threshold	Eritrea
LDCs met only one graduation threshold	Guinea
LDCs met only one graduation threshold	Haiti
LDCs met only one graduation threshold	Lesotho
LDCs met only one graduation threshold	Mauritania
LDCs met only one graduation threshold	South Sudan
LDCs met only one graduation threshold	Sudan
LDCs met only one graduation threshold	Togo
LDCs met only one graduation threshold	Uganda
Remaining LDCs	Afghanistan
Remaining LDCs	Benin
Remaining LDCs	Burkina Faso
Remaining LDCs	Burundi
Remaining LDCs	Chad
Remaining LDCs	Ethiopia
Remaining LDCs	Gambia
Remaining LDCs	Guinea-Bissau
Remaining LDCs	Liberia
Remaining LDCs	Madagascar
Remaining LDCs	Malawi
Remaining LDCs	Mali
Remaining LDCs	Mozambique
Remaining LDCs	Niger
Remaining LDCs	Rwanda
Remaining LDCs	Sierra Leone
Remaining LDCs	Somalia
Remaining LDCs	United Republic of Tanzania
Remaining LDCs	Yemen
Former LDCs	Botswana
Former LDCs	Cabo Verde
Former LDCs	Equatorial Guinea
Former LDCs	Maldives
Former LDCs	Samoa
Former LDCs	Vanuatu

Legend:
- Indicator furthest below reference point, indicating most concern (5th percentile)
- Indicator furthest above reference point, indicating least concern (95th percentile)
- Reference point (e.g. 33th percentile)
- No data available