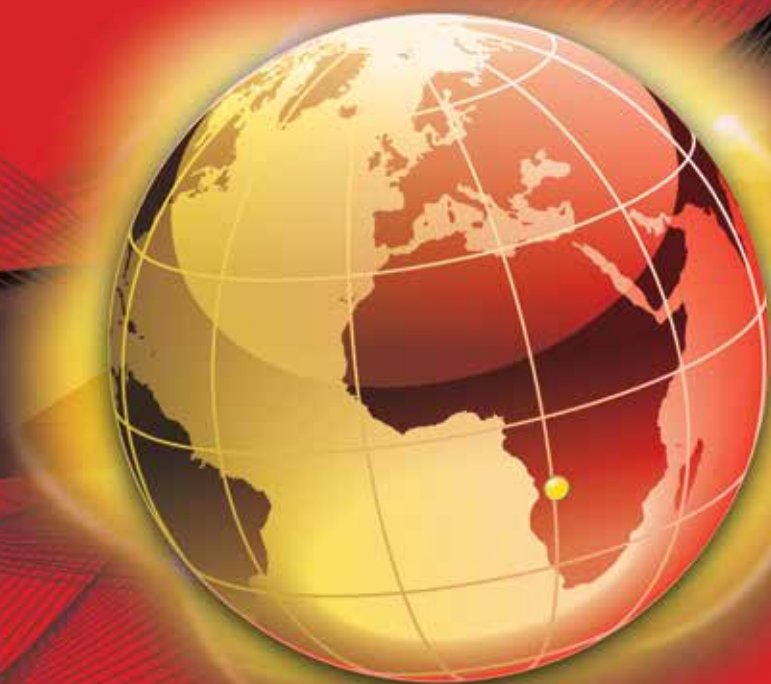




ANGOLA

TRADE POLICY FRAMEWORK





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NOTES

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ACRONYMS AND ABBREVIATIONS

ACP	African, Caribbean and Pacific States
ADB	African Development Bank
AGOA	African Growth and Opportunity Act
ANIP	Agência Nacional de Investimento Privado (National Private Investment Agency)
APS	Angola Payment System
ATM	automatic teller machine
COMESA	Common Market of Eastern and Southern Africa
DFQF	duty free and quota free
EAC	East African Community
EBA	Everything but Arms
ECCAS	Economic Community of Central Africa States
EDEL	Empresa de Distribuição de Energia Eléctrica
ENE	Empresa Nacional de Energia Eléctrica
EMIS	Inter-bank Services Company
FDI	foreign direct investment
GATS	General Agreement on Trade in Services
GDP	gross domestic product
GNP	gross national product
GSP	Generalized System of Preferences
ICT	information and communications technology
IEPA	interim economic partnership agreement
IPRs	intellectual property rights
ITES	information technology enabled services
ITU	International Telecommunications Union
LDC	least developed country
LNG	liquefied natural gas
LPG	liquefied petroleum gas
NBA	National Bank of Angola
MDGs	Millennium Development Goals
MFN	most favoured nation
NTB	non-tariff barriers
NTM	non-tariff measures
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
R&D	research and development
S&D	special and differential treatment
S&P's	Standard and Poor's
SADC	Southern African Development Community
SME	small and medium-sized enterprise
SPS	sanitary and phytosanitary measures
SWOT	strengths, weaknesses, opportunities and threats
TBT	technical barriers to trade
TIFA	Trade and Investment Framework Agreement
TRIP	trade-related intellectual property right
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization

EXECUTIVE SUMMARY

This study was prepared at the request of the Government of Angola in order to assist the country in elaborating a trade policy framework. The main challenge facing Angola in participating in international trade is the continued over-reliance on exports of one commodity, petroleum, which accounted for 99 per cent of total merchandise exports of \$62.4 billion in 2014 and manufactured goods accounting for only 0.1 per cent. Rather than shrink, the proportion of exports of primary commodities has increased in the past 20 years. While it has diversified its export market from traditional developed countries, namely the European Union and the United States of America, to China, Angola has not correspondingly diversified its exported products. The central question remains how the country can improve its trade portfolio for economic diversification. Angola's economy has been growing progressively over the last 20 years. Between 2004 and 2009, growth was in the range of 15–20 per cent but there is no evidence that that growth supported export diversification to a large extent. Now growth has declined from about 18 per cent in 2008 to about 2 per cent in 2014, and this performance may adversely affect export diversification efforts.

The study examines Angola's participation in international trade and its existing trade policy, and seeks to recommend some areas of policy changes that may help the Government to improve its trade performance and bring about inclusive development. As regards merchandise trade, the study identifies several sectors that could be usefully explored for the country's export diversification efforts, particularly through accelerated agro-based industries development. These include coffee, tea, fruits, fruit juice, vegetables, maize, cassava, sugar cane, cotton, floriculture, sawdust briquettes, fisheries, palm oil and natural rubber. Some of these sectors have been important in improving export performance of some developing countries such as Malaysia in palm oil and Viet Nam in coffee. Other recommendations centre on improving capacities with supportive services infrastructures, and regulatory and institutional framework, improving and strengthening trade related fundamentals.

As regards trade services, the study identifies some key services sectors in which reforms and improvement in the supply side would be necessary to boost trade. These include the energy, financial, construction, tourism, telecommunications and transport services. For example, it calls for improved quality of transportation and increased supply of road cargo transportation. For telecommunications services, it calls for raising funds to create a broadband infrastructure in order to connect all urban and rural geographic regions of the country and establish connections with the regional infrastructures supporting the development of telecommunications. For tourism services, it calls for development of the Angolan tourism services through quality products, incorporating the regional, cultural and natural diversity and to stimulate and facilitate the consumption of Angolan tourism products in the national, intraregional and international market.

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PARTICIPATION IN TRADE



A. OVERVIEW

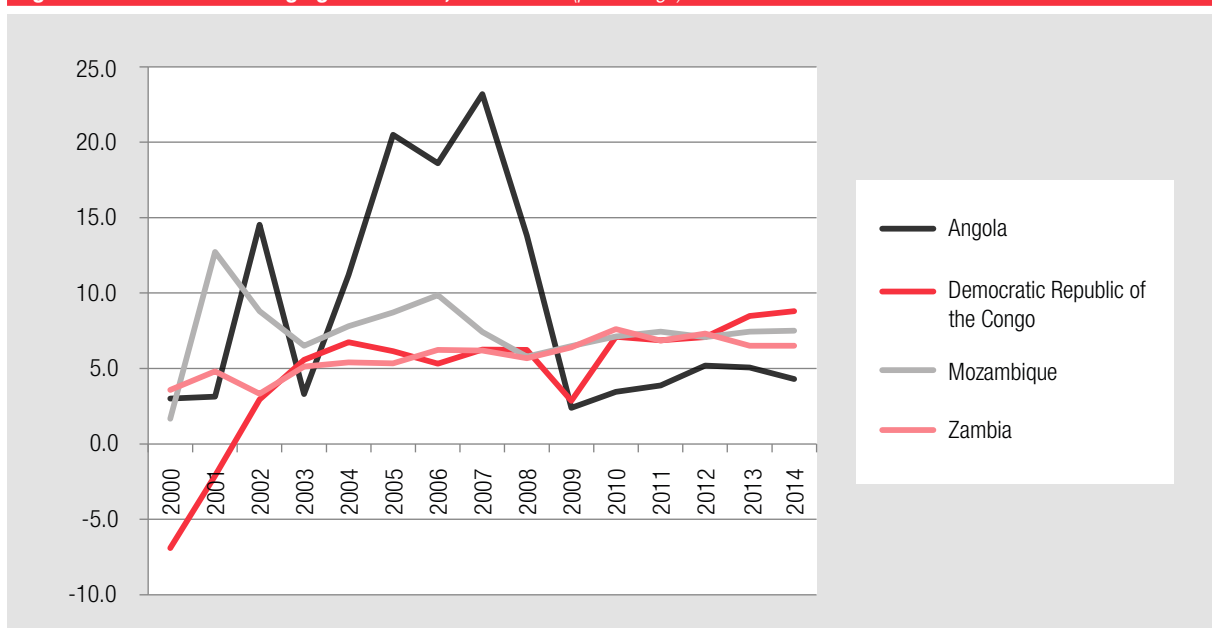
With a population of 19 million, Angola's gross domestic product (GDP) was \$39 billion in 2010, which is relatively high compared to other sub-Saharan African countries, excluding South Africa, and, indeed, remarkable for a least developed country (LDC). Buoyed by high petroleum prices, Angola has experienced accelerated growth in its GDP in the past 15 years with its highest growth rates of 20.5 per cent in 2005 and 23.2 per cent in 2007 (figure 1). However, the 2008–2009 global economic crisis reversed the high growth rate, which dropped to 2.4 per cent in 2009 and only managed to rise to 7.5 per cent in 2013 and in 2014 went below 5 percent. This is a weakness of the Government's economic programmes, which may have used the success of 2007 to plan its future economic development programmes. Now, Angola's growth rate is being challenged by other Southern African Development Community (SADC) members that were far behind between 2000 and 2007. For

instance, growth in 2013 was the same as in the Democratic Republic of Congo and Mozambique.

In 2013, the balance of payments as a share of GDP stood at 4.8 per cent, which is a decrease from 11.9 per cent in the previous year (table 1).

The past conflict in Angola, which lasted almost 27 years, continues to affect the main pillars of the country's economic development, particularly physical infrastructure for trade, including ports, rails, roads, electricity and information and communications technology (ICT) facilities. All this makes it difficult for traders, especially those beyond the vicinity of the capital of Luanda, to import and export goods and provide services on a nationwide basis. This affects product quality, particularly that of perishables. Furthermore, in less than a decade, the country has begun to move gradually from a centrally planned system to a market economy.

Figure 1. GDP annual average growth rates, 2000–2014 (percentage)



Source: UNCTADstat.

Table 1. Current balance of payments as a share of GDP, 2009–2013 (percentage)

	2009	2010	2011	2012	2013
Angola	[10.0]	9.1	12.6	11.9	4.8

Source: UNCTADstat.

Angola's economy continues to depend on petroleum oil. Oil and gas made up the largest share (46 per cent) of the country's GDP in 2010, which was, nonetheless, a reduction from 56 per cent in 2006. In trade, petroleum oil, almost all of it as crude oil, accounts for about 96 per cent of total exports and 80 per cent of fiscal revenue. Overdependence on exports of oil has disincentivized the country from moving into the global value chain and participating in exports of processed goods and value added services. This poses a major challenge to building economic resilience to help the country to weather external shocks manifested in global price fluctuations of petroleum oil, which impact negatively on the economy from time to time.

The contribution of value added services to GDP, which was substantial in 1980 (45 per cent), halved to 27.5 per cent in 2012.

The contribution of the agriculture sector to GDP also declined from 14.4 per cent in 1980 to 9.4 per cent in 2012. Notwithstanding, agriculture remains a very important sector of the economy, on which most of the rural population depends on for their livelihood. The agricultural sector in Angola comprises forestry, fisheries, livestock and the cultivation of bananas, plantains, sugarcane, coffee, sisal, corn, cotton, manioc, tobacco and vegetables. Prior to gaining independence, Angola was self-sufficient in food and exported cash crops like coffee and sugar.

Angola is no longer self-sufficient in food, and the production of crops has declined. Nevertheless, fertile soils (about 58 million hectares of land) and a favourable climate present an attractive opportunity for investment in agriculture and huge potential for its growth to pre-independence levels and beyond. Major constraints, however, are the need for large areas of

agricultural land to be demined and poor infrastructure (roads, railway, ports and warehousing).

The manufacturing sector accounted for only 6.1 per cent of GDP in 2012, which was a decline from 9.2 per cent in 1980.

The construction sector accounted for 7.8 per cent of GDP in 2012, which is an increase from 4.7 per cent in 1980 (table 2). The renovation of domestic infrastructure and construction of new infrastructure, which are necessary to cater to an expanding and diversifying economy, is expected to boost the growth of this sector and its share of GDP.

In terms of human resource development, it is important to note that commerce is largely dominated by the informal sector, which accounts for 60 per cent of the population and consists largely of displaced persons from the war and migrants to urban areas. While the oil sector provides job opportunities for Angolans, these remain limited and have not grown in direct proportion to increases in output. Despite strong economic growth, underemployment remains a major challenge and much of Angola's population of 19 million people continue to live below the \$1/day poverty line. There is a widespread lack of qualified human resources, which acts as a major constraint on growth in the medium term. Angola is currently dependent on the scientific and technological skills of foreigners, without which the source of Angola's economic growth would remain trapped. Some of the largest foreign companies in Angola have education programmes for Angolan nationals with an emphasis on science and technology.

In the Country Strategy Paper 2011–2015, the African Development Bank (ADB) identifies the Government's main objective as to promote and accelerate growth

Table 2. Contribution of sectors to GDP, 1980–2012 (percentage)

	1980	2012
Exports of goods and services	33.8	69.8
Imports of goods and services	28.6	45.8
Agriculture, hunting, forestry, fishing	14.4	9.4
Manufacturing	9.2	6.1
Construction	4.7	7.8
Services	45.2	27.5

Source: UNCTADstat.

and competitiveness through economic diversification and poverty reduction. The Government faces major challenges in translating this important objective into budgetary support to achieve export value addition and diversification and ensuring trade plays contributes to the achievement of the Millennium Development Goals (MDGs), including job creation, poverty reduction, raising living standards for the poor and vulnerable and improving education and health.

B. TRADE PERFORMANCE AND TRENDS

1. Trends in Angola's trade in goods¹

International trade can play an important role in Angola's economic development. Exports of goods and services accounted for almost 70 per cent of GDP in 2012, and imports for about 46 per cent. International trade is the single most important source of employment and finance for imports, especially in the productive sector. To date, however, exports of crude petroleum oils dominate the export mix and reflect the lack of structural transformation in the Angolan economy. This has resulted in a narrow productive base and an economy that is highly susceptible to price volatilities in the international petroleum oils market.

Angola has consistently recorded a trade surplus. This is despite its propensity to buy all its necessities from abroad, even in cases where the country has a potential comparative advantage in producing them. This may be due to the war² and the appreciation in the real exchange rate of the Angolan kwanza as a result of Dutch Disease, which has made the country's imports cheaper relative to its exports.

Trade surpluses have strengthened the country's balance of payments, which has meant less borrowing to finance its development programmes and other societal needs.

2. Exports and imports

Angola's global exports expanded from \$8 billion in 2000 to \$69 billion in 2013, although this was a drop from \$71 billion in the previous year that may have been caused by a drop in global oil prices. But in 2014 exports dropped to \$62 billion. In the same period, imports increased from \$3 billion to \$24 billion and in 2014 increased further to about \$ 27 billion,

at an average annual growth rate of 24 per cent. The trade balance increased from \$5 billion in 2000 to \$44 billion in 2013 and dropped to \$32 billion in 2014, at an annual average growth rate of about 29 per cent. There was a drop in the trade balance from \$47 billion in 2012 to \$44 billion in 2013.

Between 2008 and 2009, exports slumped from \$72 billion in 2008 to \$41 billion in 2009, as a result of slowing demand and the corresponding 2009 slump in oil prices from an average of nearly \$100 a barrel in 2008 to just over \$50 due to the global economic crisis. This was a decline of 43 per cent. Imports also fell, albeit by a smaller margin of about 10 per cent, from \$23 billion to \$21 billion. Consequentially, total trade and the balance of trade also recorded sharp declines, while still remaining positive.

Angola is one of the few African countries that have continuously recorded trade surpluses. For instance, in 2008 its trade surplus was \$51 billion, compared with \$5 billion in 2000, a tenfold increase over this period. In 2013, the trade surplus was \$43 billion. Increased trade surpluses help leverage external resources to support economic growth in other areas, in particular economic transformation that enables the country to diversify its exports and add value. The 2008–2009 economic crisis pushed Angola's current account and budget into deficit.

The economic crisis had a pernicious impact on Angola's trade and development. For Angola, as a single-commodity-dependent country, it was also a reminder of the perennial threat to its economic development and the need to expand its productive capacities and upgrade the necessary fundamentals to move into value addition and diversification and boost exports.

After a period of global crisis that shrank exports to almost half of those recorded in 2008–2009, Angola's trade is rebounding (figure 2), with exports reaching almost \$70 billion in 2013. However, in light of the incipient global economic recovery, this may be unsustainable. The recovery of world trade decelerated in the second half of 2010 and significant volatility remains in primary commodity markets.³

The country's balance of payments still registers a trade balance surplus, despite a decrease of 11.6 per cent from 2012 to 2013 in that surplus, which went from

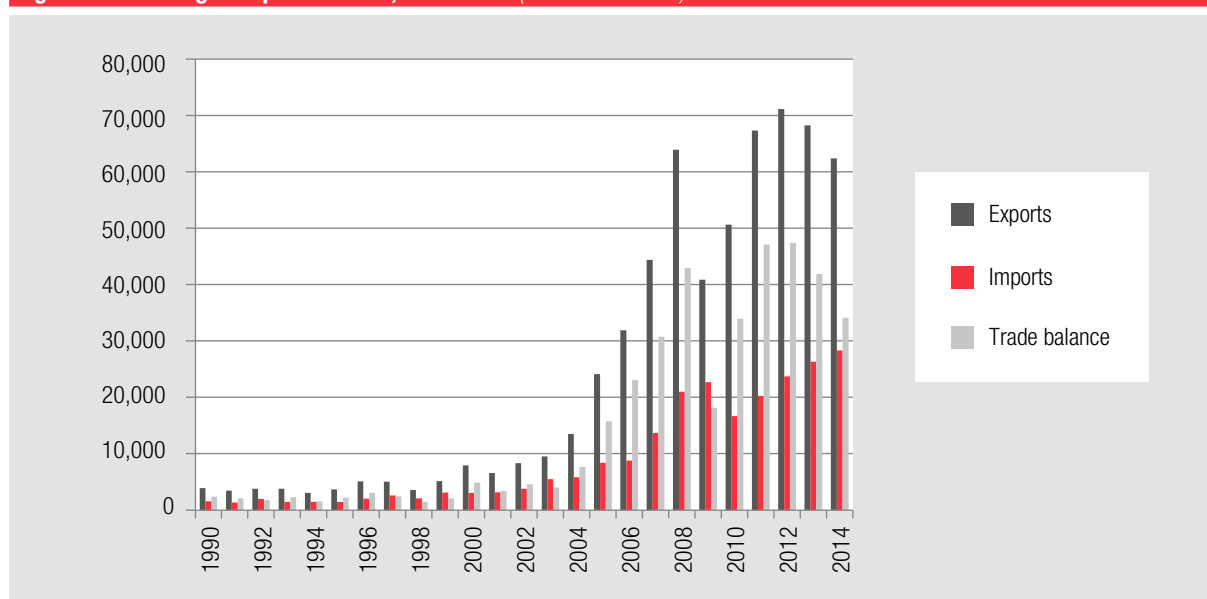
\$47.4 billion to \$41.9 billion due to increased imports and reduced exports, whose percentage changes were 11.1 per cent and -4.0 per cent, respectively.

3. Share of trade in GDP

International trade is playing an important role in the country's economy and its high degree of openness

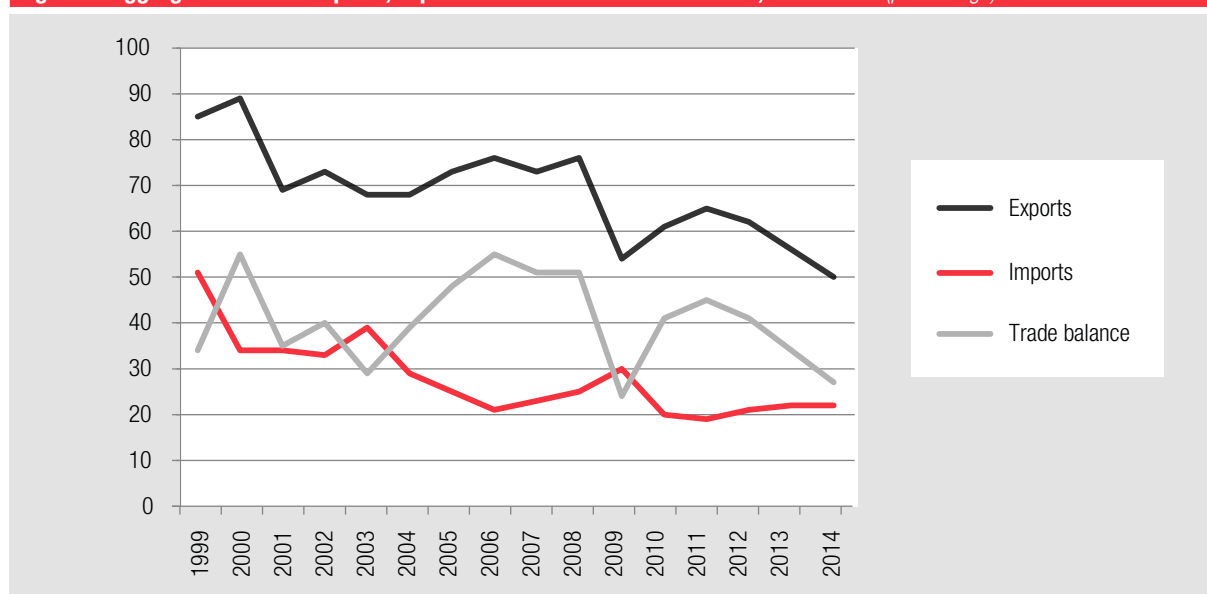
to trade. Figure 3 shows the share of imports, exports and trade balance in GDP for goods for the period 1999–2014. The share of exports surpassed that of imports and trade balance respectively while that of exports was higher than imports. The share of exports, imports and the trade balance in GDP declined drastically over the years (figure 3) due to the impact of drops in global oil prices heightened by the past economic crisis.

Figure 2. Trade in goods performance, 1999–2014 (millions of dollars)



Source: UNCTAD, Globstat database.

Figure 3. Aggregate share of imports, exports and trade balance in GDP of, 1999–2014 (percentage)



Source: UNCTADstat.

4. Exports of manufactured goods

Angola's share of world exports of manufactured goods is marginal, and there is a glaring imbalance in exports of primary commodities. The share of exports of manufactured goods is only 0.1 per cent, compared with 99 per cent for primary commodities in 2014 (figure 4). While the share of exports of manufactured goods has remained flat for many years, the share of primary commodities has been rising, suggesting that the strategy to diversify exports and add value is still far from realization.

4.1. Composition of exports in goods by sector

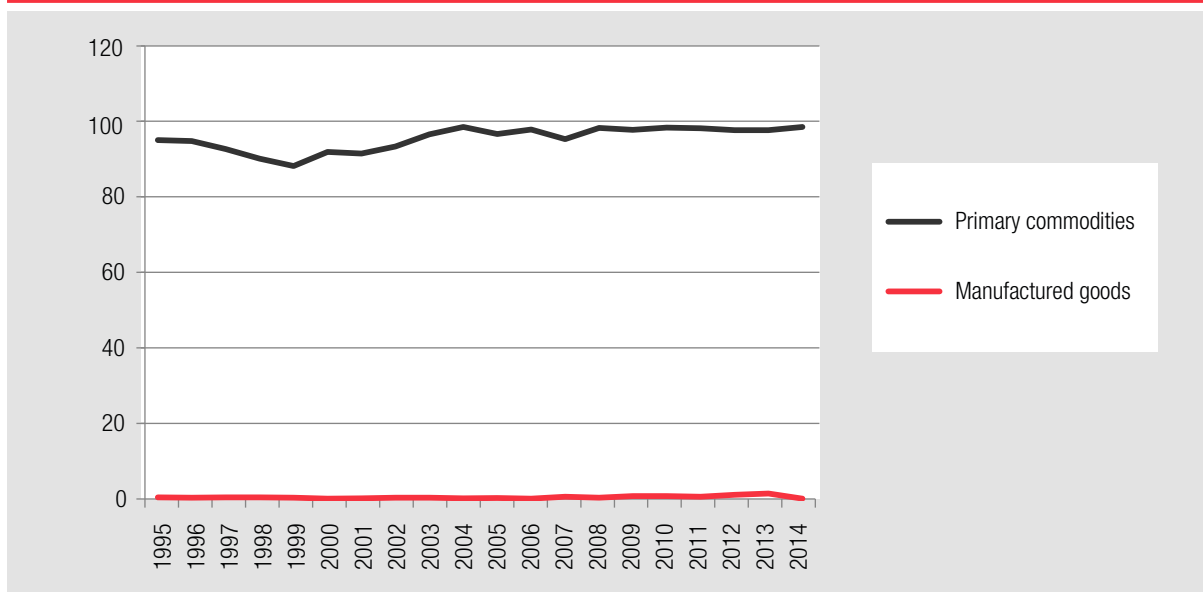
Angola's sectoral export performance varies significantly. The role of crude oil in trade has not changed significantly over the years. In 1995, it

accounted for almost 94 per cent of total exports, increasing to almost 99 per cent in 2014. In total, petroleum oils accounted for 98 per cent of total exports in 2014. Food items account for only 0.04 per cent, agriculture raw materials for only 0.01 per cent, and ores and metals for only 0.20 per cent (table 3).

In terms of GDP, crude oil accounted for 103 per cent in 2005 (2009: 99 per cent), while diamonds accounted for only 3 per cent in 2005 (2009: 2 per cent), and other products for 4 per cent in 2005 (2009: 3 per cent).

Structural weaknesses in supply and productive capacities that seriously inhibit production and value addition may be the main factors contributing to the underperformance of non-traditional products. Furthermore, non-tariff barriers (NTBs) in export markets may also have limited exports, although this has to be substantiated, as exports such as raw coffee from Angola enjoy trade preferences at zero duty in the United States and the European Union.

Figure 4. Manufactured goods as a share of total goods exports, 1995–2014 (percentage)



Source: UNCTADstat.

Table 3. Exports in goods by sector, 1995–2013 (percentage)

	1995	2013
All food items	0.98	0.04
Agricultural raw materials	0.05	0.01
Ores and metals	0.15	0.20
Fuels/petroleum	93.87	98.72
Manufactured goods	0.46	0.11

Source: UNCTADstat.

4.2. Exports in goods by destination

The country has diversified its export markets and no longer depends mainly on developed countries. Seven countries make up Angola's major export markets, and account for 86 per cent of the world market (table 4). This market diversification has not been followed by corresponding diversification in exports, as the country continues to rely on exports of petroleum products.

Angola's main export markets are the United States, China, Taiwan Province of China, India, France and Canada. In 2003, these six markets accounted for 77 per cent of total global exports of nearly \$10 billion, of which the United States, the largest market, represented 38 per cent, followed by China with 22 per cent, Taiwan Province of China with 8 per cent, and France and India with 6 per cent and 3 per cent respectively.

In 2013, there was a remarkable change regarding China, which accounted for 48 per cent of Angola's

Table 4. Exports in goods by destination, 2013 (percentage)

	2013
China	45
Taiwan	5
India	9
South Africa	5
United States	13
Portugal	5
Spain	4

Source: UNCTADstat.

\$68 billion total exports, followed by India with 10 per cent, the United States with 7 per cent and Canada and Taiwan with 5 per cent each.

5. Imports

Of Angola's total world imports of \$28 billion in 2014, 41 per cent were from the European Union, 34 per cent from Asia, 9 per cent from the United States and 4 per cent from Africa (table 5).

6. Regional trade

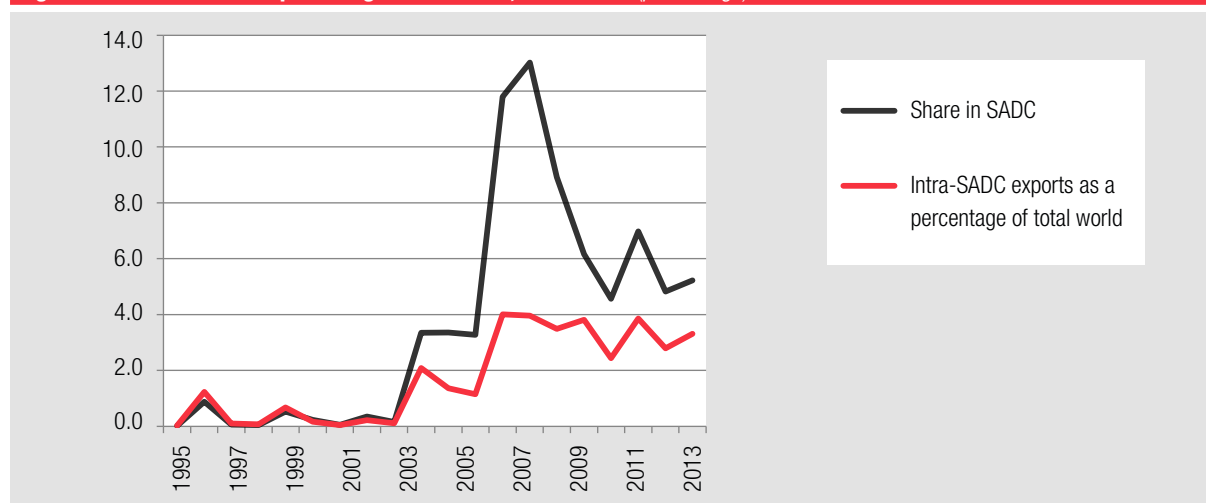
Angola's main regional trading activities take place within SADC, which comprises 15 member States.⁴ Like most other African countries, it exports more to non-partners than it does within the SADC region. In 2014, its exports within SADC accounted for only 3.0 per cent of its global exports, showing that the country is very far from integrating at the regional level. This point is also supported by the fact that its share of total intra-SADC exports declined steeply from about 13 per cent in 2009 to about 5.0 per cent in 2014 (figure 5).

Table 5. Share of imports by source, 2014 (percentage)

	2014
United States	9
Africa	4
Asia	34
European Union (28)	41
Others	12

Source: UNCTADstat.

Figure 5. Share of intra-exports in goods in SADC, 1995–2014 (percentage)



Source: UNCTADstat.



TRADE POLICY ENVIRONMENT AND INSTRUMENTS



A. INSTITUTIONAL FRAMEWORK

Angola is a founding member of the World Trade Organization (WTO). It is currently engaged in the Doha Round trade negotiations, and, as an LDC, has been exempted from making reduction commitments in the substantive negotiating areas of agriculture, manufacturing and services. It expects to reap the benefits of trade liberalization mainly in increased global market access opportunities for both goods and services. The details of its negotiating positions and what it expects to benefit from the round are elaborated in chapter IV of this trade policy framework.

Like most LDCs, Angola lacks the human and institutional capacity to implement the many WTO obligations and requires technical assistance from international institutions and its trading partners. Regionally, it is a member of the African Union, SADC, Economic Community of Central African States (ECCAS) and African, Caribbean and Pacific States (ACP). The SADC Trade Protocol of 2000, of which Angola is a member, has the objectives of establishing a free trade area in the region and making about 85 per cent of intra-SADC trade in goods duty free. The objective of realizing the free trade area by 2008 failed because of members' lack of commitment, including Angola's own desire to continue to use tariffs as a legitimate trade policy instrument to develop its domestic sectors. Another important objective of the Protocol was the establishment of a customs union in 2010 and a fully fledged common market by 2015. This objective has also not been achieved, and it increasingly looks like the common market will not be realized in 2015.

Within the framework of SADC, Angola has been negotiating an economic partnership agreement with the European Union. Like other SADC countries, Angola has refused to commit to signing the interim agreement because of outstanding contentious issues, including "substantially all trade", the "most-favoured-nation clause", "development cooperation", "bilateral safeguards" and "rules of origin". The Development Cooperation package was a major selling point from the European Union to convince African countries such as Angola to negotiate the economic partnership agreements.

On the definition of "substantially all trade", Angola may wish to negotiate for special and differential treatment that allows the country to maintain its policy space by not having to liberalize to a high level, such as in excess of 70 per cent of its tariff lines, nor the level agreed to be liberalized by the European Union.

Angola enjoys preferential market access, mainly for its oil exports, from the European Union Everything but Arms (EBA) initiative, the United States African Growth and Opportunity Act (AGOA) and more recently from the Chinese and Indian duty-free and quota-free (DFQF) market access schemes introduced in 2008. Angola's main export markets are China and the United States. Despite not having signed the economic partnership agreement, Angola, as an LDC, continues to receive preferences from EBA, although its exports to the European Union are not as high as to the United States and China.

Chapter I of this trade policy framework identifies the United States as Angola's second largest market for its exports of petroleum oil and this is largely through the AGOA preferential scheme. Nigeria is the largest exporter of all AGOA beneficiaries, and this is the case both in terms of total imports and preferential (i.e. "received") imports. Angola signed a trade and investment framework agreement with the United States in May 2009. Further agreements have been concluded to increase cooperation with South Africa, including in the energy sector. On 1 January 2007, Angola became the twelfth member of the Organization of Petroleum Exporting Countries and is also a member of the United Nation International Maritime Organization.

Angola, Gabon, Congo and Chad are the next largest exporters. The five countries account for 94 per cent of total AGOA preferential exports. The major AGOA beneficiaries all enjoy high levels of coverage and utilization rates. The high coverage for Nigeria, Angola, Gabon, Congo and Chad can be explained by the high export concentration of petroleum, which is covered by AGOA preference, and that these countries actually use the preferences.⁵

The United States bill H.R. 4101, the New Partnership for Trade Development Act of 2009, introduced in the United States Congress on 18 November 2009, was proposed in the context of the United States policy debate on the extension of the United States

Generalized System of Preferences (GSP) scheme beyond the then-expected expiration on 31 December 2009. More broadly, it had the objective of substantially reforming the design of preference schemes so as to harmonize various trade preference programmes by extending DFQF benefits for all products from United Nations-defined LDCs, including countries such as Bangladesh. Upon the request of the Angolan permanent mission in Geneva in 2010, a preliminary assessment was made by UNCTAD of the possible impact of this Bill on Angola's exports to the United States.

The main conclusion was that for Angola, all export products including oil, its main export, enter the United States duty free. It is unlikely that Yemen, the only Asian oil-exporting LDC, which also enjoys duty-free oil exports to the United States under the preferential scheme for LDCs, will pose any major competition. On the other hand, the proposed redesign of the preferential system could have implications for Angola's efforts at diversifying its export and production base if more competitively priced products from LDCs with more advanced supply and productive capacities are allowed under the same market access conditions. Thus, it is imperative that Angola have policies in place to boost its level of competitiveness and manufacture products, including niche products, that are marketable and in high demand.

The responsibility for economic and trade policy formulation and implementation falls under the portfolio of the Deputy Prime Minister. The Ministry of Commerce is responsible for overall trade and economic policy. Other ministries dealing with trade matters such as the Ministries of Agriculture and Rural Development, Industry, Transport, Geology and Mines, Fisheries, Culture, Transport, Public Works, Petroleum, Urbanism and Environment, Science and Technology and Tourism are an integral part of economic and trade policy formulation and implementation.

B. EXISTING TRADE POLICIES AND TRADE INSTRUMENTS

The Government of Angola is determined to overcome its dependence on a single commodity as its main source of economic growth. It has thus embarked on

several initiatives and programmes, some jointly with its trading partners, to rehabilitate and transform its agriculture sector, develop its SMEs and encourage value addition in the agriculture, agro-based, fisheries and manufacturing sectors. It has also embarked on deregulation and liberalization of its services sector. An example of this initiative is the Programme for Business Promotion, which aims to increase the competitiveness of the Angolan economy in relation to its partners in sub-Saharan Africa. This programme is expected to impact on sectors such as agriculture, livestock, fishing, manufacturing industry, geology and mining, as well as construction materials and services to support the manufacturing sector.⁶

In tandem with this objective, the Government has formulated strategies for the period 2010–2025, which include fast-tracking economic growth, promoting sustainable development and reducing poverty and regional inequalities. The strategy also states that the public sector shall assume an active, regulatory role, and defines strategic programmes and policies and macroeconomic policies, while emphasizing that the private sector is what mainly drives economic growth. The strategy document states that the Government's main objectives in formulating this strategy are macroeconomic stability, rebuilding and upgrading infrastructure, rebuilding the trade network, supporting the private sector, creating employment and income, and reactivating the rural economy.⁷

C. TRADE POLICIES BY SECTOR

1. Agriculture

Despite contributing only 10.6 per cent of GDP in 2009, agriculture is the fastest growing sector (it grew by 11.5 per cent in 2010 and 25.9 per cent in 2009),⁸ although it has yet to recover from the losses of the civil war.

With the help of international donors and a credit line from the China Development Bank, the Government has been investing heavily in agriculture as part of a \$1.2 billion 2009–2012 investment plan.⁹ With less than 30 per cent of arable land under cultivation, the potential for extensive agriculture is huge. Intensive farming is also needed to raise productivity. In 2010, a \$350 million credit line was set up for medium and

small-scale producers and peasant associations, to enable them to finance the purchase of seeds, fertilizer and small-scale farming instruments, and to finance investments aimed at expanding farming areas and increasing production. Substantial tax incentives are on offer for companies investing in the rural regions of Angola.

To address the present constraints on agricultural development, the Government, in partnership with the private sector, is using a combination of import substitution and export development¹⁰ measures to implement the following key objectives.¹¹

- Creation of incentives for private sector participation and reducing State intervention;
- Increasing State investment;
- Strengthening the productive capacities of national producers and supplying basic services;
- Strengthening institutional and human capacities to support the rural sector;
- Socioeconomic development to support communities of small scale farmers;
- Reconstruction of rural infrastructure;
- Distribution of seeds and tools;
- Assistance to farmers in gaining access to land and acquisition of appropriate technology for production.

All these objectives are linked to the following general economic policy measures: macroeconomic management and agricultural policy, food security, institutional modernization and strengthening, sustainable management of natural resources, supporting rural persons in export activities, promotion of private enterprise from a regional perspective, and promotion and regeneration of regional trade.

2. Industry and manufacturing

The Government has put in place a reindustrialization strategy with four key components.¹² These are:

- Building primary sector and labour-intensive industries aimed at meeting the basic needs of Angolans, creating a significant number of jobs, achieving better income distribution, increasing purchasing power and generating higher levels of savings;

- Redeveloping import-substituting industrial sectors in which the country previously had significant production capacity, such as drinks, textiles and clothing, dairy products, processed fish products, milling, vegetable oils and derivatives, rice-hulling, tyre and inner tube manufacture, construction materials, wood products and furniture, fertilizers and plastics;
- Promoting industries producing exportable goods that may have present or potential comparative advantage, focusing on oil derivatives, non-metallic minerals, wood and its products, textiles, sugar and its products, paper pulp, tobacco and processed tobacco, decorative and semi-precious stones, non-ferrous metals and vegetable oils;
- Developing large-scale technology-intensive industrial projects using FDI and a cluster strategy, including in petrochemicals, refined petroleum, aluminium processing, liquid natural gas, methanol and ammonia.

Under the National Development Plan (NDP) 2013–2017, and the Industrialization Programme of Angola, the food and beverages sector, which includes agro-based industries within the broader category of manufacturing industry, is of special importance, given the diversity and complexity of the economic activities included in its many chains and subchains.

The food and beverage sector is expected to contribute significantly to the diversification and sustainability of the Angolan economy by meeting the basic needs of the population and reducing imports. It has thus been earmarked as a priority sector for development.

This sector should promote the use and exploitation of Angola's natural resources, contributing to the development of the upstream activities of agribusiness chains. This sector can be divided into five groups, namely:

- Animal slaughter; meat preparation and conservation; fish, fruit and vegetable processing and preservation; and oil and fat production;
- Dairy industry;
- Cereal and leguminous processing, manufacturing of starch and related products, manufacturing of compound feeding stuffs;
- Manufacturing of other food stuffs;
- Beverage industry.

The Ministry of Industry is also engaged in the materialization of the Rural Industry Development Programme, which aims to create processing industries for farming products. Under the programme, two types of projects are defined:

- Microscale rural industry projects: Investments are aimed at easing tasks currently performed manually (e.g. mills, candy manufacture and honey centrifuges) and at setting up small industrial facilities to support rural life (e.g. sawmills, workshops, carpentry, bakeries and brick factories);
- Small and medium-sized rural industry projects: These are more structured industrial units, with a policy for market penetration and integration into modern distribution circuits.¹³

3. Trade policy tools

3.1. Tariff regime

The Government uses tariffs as its main trade policy tool. Most favored nation (MFN) simple applied average applied are for Raw materials 11.05 per cent, Intermediate goods 5.31 per cent, consumer goods 11.41 per cent, Capital goods 2.74 per cent, Agricultural products 10.02 per cent, Industrial goods 10.02 per cent and Petroleum 19.40 per cent (Table 6). The MFN simple average bound rates for the same items are Raw materials 56.65 per cent, Intermediate goods 59.39 per cent, Consumer goods 59.24 per cent, Capital goods 59.99 per cent, Agricultural products 52.79 per cent, Industrial products 60.16 per cent and Petroleum 64.00 per cent. not produced

in Angola were also raised. Examples include tyres, building materials and equipment (to 20 per cent), and stone and cement (to 30 per cent).

The Government has eliminated the use of quotas such as tariff quotas and tariff preferences. Angola's trade regime is relatively open to international trade.¹⁵

3.2. Use of export tax

Angola applies an export tax of 20 per cent on exports of hides and skins and 10 per cent on unworked ivory.

3.3. Non-tariff barriers

Although product standards are more stringent in developed country markets, it is also a growing problem in SADC, and efforts to address it have not been successful. According to the World Bank, the main costs associated with NTBs in SADC are due to import bans, quotas and levies, rules of origin, export taxes, sanitary and phytosanitary measures (SPS), technical barriers to trade (TBT) and customs-related requirements. They mainly affect wheat, beer, fruit, vegetables, fishmeal, milk, sugar, eggs, livestock, tea, rice, hides, skins, meat and coffee, some of which Angola currently exports and others of which it has the potential to do so.

The main NTBs are inefficiencies in transport, customs and logistics, which raise trade costs; cumbersome fiscal arrangements at border posts; and restrictive rules of origin and technical regulations and standards.¹⁶ While SADC has recognized the importance of addressing NTBs, including standards, the regional grouping has not been able to eliminate them. A recent

Table 6. MFN applied and MFN bound average tariffs, 2009 (percentage)

Product group (HS)	MFN simple average (bound)	MFN weighted average (bound)	MFN simple average (applied tariff)	MFN weighted average (applied tariff)	Binding coverage
Raw materials	56.65	45.59	11.05	10.12	100
Intermediate goods	59.39	58.74	5.31	8.06	100
Consumer goods	59.24	57.65	11.41	12.99	100
Capital goods	59.99	60	2.74	3.57	100
Agricultural products	52.79	49.75	10.02	12.72	100
Industrial products	60.16	60.04	6.89	6.58	100
Petroleum	64	60.03	19.4	18.65	100

Source: UNCTAD TRAINS database.

audit (2007) of the implementation of the Trade Protocol by SADC found that NTBs remained a serious barrier to trade and that Angola is not implementing the Protocol by not addressing its own internal NTBs, including bureaucratic red tape and time-consuming customs clearance procedures of goods at the border on imports from other SADC member countries. This has led to the conclusion that Angola is not effectively participating in regional trade integration and addressing this key trade policy issue.¹⁷

Addressing NTBs, including standards, at the regional level would be an appropriate policy option in Angola's efforts to diversify the country's exports and penetrate regional and international markets. The shorter geographical distance and greater familiarity with the region makes regional markets an obvious first step in the country's efforts to diversify its exports.

3.4. Market access conditions for top imports from Angola

Angola receives preferential market access from the European Union Everything but Arms (EBA) initiative, the United States African Growth and Opportunity Act (AGOA) and China duty-free and quota-free (DFQF) scheme and these, as indicated in Chapter I, constitute the country's main export markets. Because oil, its dominant export product, enjoys preferential duty-free entry into the United States market, Angola has few

tariff barriers. Table 7 shows that in 2009, for its \$9 billion of petroleum oil exports to the United States, the preferential tariff rate was 0 per cent. But products like parts and accessories, and other, including combined ball/roller bearings, enter the United States market with duty charges ranging from 1 to 6 per cent. Other products not in the table due to low values are also charged duty. For instance, cotton is charged 14 per cent duty and roller bearings almost 6 per cent.

In the European Union market, under the EBA preferential scheme, Angola also enjoys market preferences for almost all products. For petroleum oil, table 8 shows that the MFN simple average tariff is zero. It is interesting to note that other export products, namely propane, copper waste and scrap and other prepared or preserved fish, attract MFN simple average import tariffs ranging from 2–24 per cent. Other products not listed in the table, such as tools for drilling, cylinders, parts for boring machinery, propylene and crates, each attract MFN tariffs ranging from 3 to 16 per cent.

Table 9 shows MFN tariffs applied in China for imports from Angola. As in the case of the European Union, several products are granted duty-free entry but some, like propane, butanes and quartzite, still attract import tariffs. Other products not in the table, such as static converters, optical fibres, sets of articles, generating sets, wool, hats, leather, vegetable materials and mats, attract import tariffs ranging from 4–20 per cent.

Table 7. United States market access: MFN and preferential tariff rates of imports from Angola, 2009

Product code (HS)	Product	Duty type	Simple average	Import value (thousands of dollars)
270900	Petroleum oils and oils obtained from bituminous	PRF	0	9 366 377
271019	(2002-) Other	MFN	6.4	286 974
271019	(2002-) Other	PRF	0	286 974
710231	Unworked or simply sawn	MFN	0	47 683
710239	Other	MFN	0	803
903290	Parts and accessories	MFN	1.5	62
903290	Parts and accessories	PRF	0	62
848280	Other, including combined ball/roller bearings	MFN	5.8	50
848280	Other, including combined ball/roller bearings	PRF	0	50

Source: UNCTAD TRAINS database.

Abbreviations: MFN, most favoured nation; PRF, preferences.

Table 8. European Union market access: MFN and preferential rates of imports from Angola, 2009

Product code (HS)	Product	Duty type	Simple average	Import value (thousands of dollars)
270900	Petroleum oils and oils obtained from bituminous	MFN	0	527 924
271112	Propane	MFN	2	18 680
271113	Butanes	MFN	0	6 671
820590	Sets of articles of two or more of the foregoing	MFN	4	138
740400	Copper waste and scrap	MFN	8	212
160420	Other prepared or preserved fish	MFN	24	59

Source: UNCTAD TRAINS database.

Abbreviations: MFN, most favoured nation.

Table 9. China market access: MFN and preferential rates of imports from Angola, 2010

Product code (HS)	Product	Duty type	Simple average	Import value (thousands of dollars)
270900	Petroleum oils and oils obtained from bituminous	MFN	0	22 744 039
271112	Propane	MFN	5	39 747
710231	Unworked or simply sawn	MFN	3	8 669
251611	Crude	MFN	0	7 137
271113	Butanes	MFN	8	7 012
250620	(2007-) Quartzite	MFN	1	1 435
740400	Copper waste and scrap	MFN	0	890
440399	Other	MFN	0	485
440349	(1996-) Other	MFN	0	295
720449	Other	MFN	0	202
251612	Merely cut	MFN	0	129

Source: UNCTAD TRAINS database.

Abbreviations: MFN, most favoured nation.

4. Services sector

A vast body of analytical and empirical research undertaken by UNCTAD clearly demonstrates that a thriving services sector is vital for all countries.¹⁸ High rates of investment and economic growth associated with services can contribute to poverty alleviation and human development when the right policies are in place to overcome supply constraints and ensure economy-wide development gains from services and services trade. New domestic services supply and services export opportunities for developing countries therefore need to be supported and facilitated by national policies and multilateral agreements relating

to trade in services, with an emphasis on creating an enabling environment for SMEs, which account for the bulk of developing country firms in the services sectors.

The recent expansion of global trade in services has provided broad economic gains to a relatively small set of developing countries that have developed modern, high value added services-oriented economies over the past decade. By virtue of an early mover advantage, these countries are now well positioned to benefit from growth in the key services sectors they have developed, as distant service providers in global outsourcing markets and as emerging services hubs in regional markets. Examples are the outward-

oriented service economies of India, Hong Kong (China), Singapore and the United Arab Emirates. Other countries that have or are in the process of developing outward-oriented services economies include Costa Rica, Jordan, Mauritius and Tunisia. Among the key growth sectors are tourism, information technology enabled services (ITES), business process outsourcing (BPO), transport and logistics services, financial services and multimedia services.

In the case of Angola, the share of the services sector as a value added percentage of GDP decreased from 41.2 per cent in 1990 to 22.2 per cent in 2002.¹⁹ It rose to 30.8 per cent of GDP in 2009 but declined to 27.5 per cent in 2012. This decrease and subsequent increase in the contribution of the services sector to GDP could be a result of the end of the civil war in 2002. Further elements that could account for this decrease in the services sectors contribution to GDP could be Angola's growing dependence on the energy and commodity sectors which may hinder the growth of the services sector contribution to GDP, in addition to possible data and classification anomalies.

4.1. Comparing trade in goods and services

When analysing Angola's participation in international trade in services, it is important to consider the contribution of trade in services to the country's total trade in goods and services. Trade in services currently plays an insignificant role in Angola's total trade in goods and services. Out of the total exports of goods and services of \$8 billion in 2000, services accounted for only 3 per cent; this share dropped to about 1 per cent in 2009 when the values were about five times (\$41 billion) those of 2000. In 2013, exports of services accounted for only 1 per cent and exports of goods for 99 per cent, clearly showing that the country is not diversifying into trade in services. Imports of services as a percentage of total services and goods stood at 47 per cent in 2013, while imports of goods accounted for 53 per cent thereof. Between the two sectors, Angola continues to rely heavily on exports of goods and imports of services.

Due to their small numbers in value compared to goods, the contribution of exports of services to GDP is currently very small and insignificant for the overall economy. However, future indications are that this is likely to change, not just because of a need to diversify

but also because of the current drive and evolution of the economy as well as the need for human development.

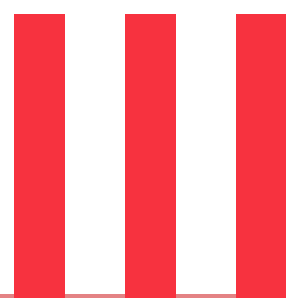
4.2. Exports and imports of services

In dollar values, Angola's services exports grew from \$109 million in 1990 to \$329 million in 2008 and to \$864 million in 2013. Compared with services exports in SADC, which stood at \$22,902 million, and Africa as a whole, which stood at \$89,860 million in 2008, Angola's services exports are marginal, forming a small part (less than 2 per cent) of Angola's total combined exports of goods and services, a level much lower than the developing country average of about 15 per cent and the LDC average of 8.61 per cent.²⁰

Angola's services imports, on the other hand, have grown at a much larger rate from \$1,807 million in 1990 to \$22,139 million in 2008 and \$23,378 million in 2013. Comparative figures for total SADC services imports and Africa services imports stood at \$51,789 million and \$143,705 million in 2008 respectively. Angola is a net importer of services with services accounting for up to 37 per cent of all imports for Angola, as compared to the LDC average of 25.13 per cent.²¹

In 2006, services exports accounted for 3.3 per cent of GDP and services imports for 15.2 per cent of GDP. For the same year, Angola's imports of services outstripped exports by a factor of 34 to 1, largely as a result of escalated Government spending on construction, transport, professional and technical services, much of which has been focused on increasing capacity in the oil sector.²²

Angola is currently seeking to enhance national experience in developing national services strategies through multi-stakeholder consultations and in subsequently owning and driving these strategies through necessary Government actions. The exercise at hand thus aims to: survey some of the achievements Angola has already made in the services sector; examine what remains to be done to further enhance its development, including through regulatory, institutional and trade policy reform; and to identify what other services sectors may be the best candidates for future development.



STRATEGIES FOR ADVANCING DEVELOPMENT OF THE SERVICES SECTORS



A. OVERVIEW

It is increasingly recognized by policymakers that a modern and diversified services economy is required for increased production and exports of minerals, agricultural goods and manufacturing. In recognition of this, reforms therefore aim to stimulate growth not only in the industrial and agricultural sectors, but also in key services sectors such as energy, tourism, communications, finance, construction and transportation. The Angolan economy grew in 2010 and 2011 after stagnating in 2009, and the services sector is a key contributor to this growth. In the next two years, the most dynamic sectors of the Angolan economy will be commerce, tourism, the transformation industry, transport and agro-industry.²³

Two key features specific to Angola impact on the development of its services economy. First, it is heavily dependent on the oil and primary commodities sector, as a result of which the services trade balance is currently closely linked to the oil sector. Second, Angola's recent history of civil war has destroyed large parts of the economy, necessitating a focus on building up infrastructure and producer services.²⁴ The services sector therefore has a key intermediate and producer role to play in the Angolan economy, in terms of current and future exports of goods and other services as well as in term of development. Given the country is among the fastest-growing economies in the world, is the highest exporter of oil on the African continent and has vast natural resources (diamonds, hydroelectric potential and rich agricultural land), the harnessing of the services sector's potential is realizable.

B. ANGOLA AND THE UNITED NATIONS MILLENNIUM DEVELOPMENT GOALS

The Government of Angola has repeatedly affirmed its commitment to improving the national MDG framework in order to ultimately achieve the MDGs. However, keeping in mind that it has been less than a decade since Angola emerged from civil war, it can be said that progress towards the United Nations MDGs has been achieved, as reflected by the results of a household survey (2008–2009) published by the Government in 2010. Progress was identified in universal primary education, reduction of infant

mortality and improvements in maternal health due to significant investments in health and education infrastructure, as well as delivery of services and capacity development. With regard to gender, there is increasing participation of women in Parliament (44 per cent) and Government (33 per cent), and gender parity has almost been achieved in schools. Despite this, there was no approval of a national policy for gender mainstreaming, and women are hardest hit by the effects of budget cuts and higher inflation rates, reducing their income and family budgets.²⁵

With 68 per cent of the population living below the poverty line and 26 per cent in extreme poverty, poverty eradication is a priority for the Government of Angola. The Government has formally approved the Strategy to Combat Poverty (*Estrategia de Combate a Pobreza*), a national poverty eradication strategy guided by the MDGs. The Strategy to Combat Poverty focuses on increasing access to education, health, and other basic services, as well as the decentralization of governance structures, and is worked into Government development plans.

C. POLICY REFORM

As part of this effort to promote economic diversification, employment and broad-based economic growth and development, the Government of Angola has introduced trade and investment reforms to stimulate economic activity outside of the oil sector. Reforms aim to stimulate growth not only in the industrial and agricultural sectors, but also in key service sectors such as transport, energy, tourism and telecommunications. Since the end of the civil war in 2002, Angola has focused on revising its trade-related policies at the national and international level.

At the national level, the Strategy to Combat Poverty, formally approved in 2004 and revised in September 2005, is the main strategy document that guides the Government's developmental priorities. The current focus of the Strategy is on the reconstruction of infrastructure, increasing access to education, health and other basic services, as well as the decentralization of governance structures.

In addition, the Government of Angola is implementing a home-grown economic programme, which involves large-scale investment in infrastructure rehabilitation

and increased spending on priority social sectors. Credit lines for infrastructure-building have been opened with several countries and donors, including the Brazil, China and the European Union. In the services context, the employment-generating potential of the services sector and the development impact of health, education and infrastructure services are key elements in Angola's poverty reduction and development mix. Angola faces the particular situation of an LDC that has to develop its services sector from a very low level.

The 2010/11 National Plan (*Plano Nacional 2010/11*) focuses on infrastructure development, including access to water and sanitation, transportation, energy and telecommunications, and outlines policies to improve these sectors. Funding for the National Plan priorities was included in the 2011 budget with close to \$6.1 billion – 13.4 per cent of the total budget, down from 16.4 per cent in 2010 – allocated to the most important economic sectors, transport, energy, agriculture and fishing. The Plan continues to highlight the need for greater coordination of public policies, in particular in infrastructure. According to a recent report by the Catholic University of Angola, owing to public investment and an economic diversification drive promoted by the Government, the services sector will be one of the big growth contributors to the Angolan economy. The report further indicates that in the next two years its most dynamic sectors will be commerce, tourism, the transformation industry, transport and agro-industry.²⁶

D. INVESTMENT

The National Private Investment Agency (ANIP) helps facilitate new investment under the 2003 Basic Law for Private Investment (Law 11/03). The Law, part of an overall effort by the Government to create a more investor-friendly environment, lays out the general parameters, benefits and obligations for foreign investors, provides for equal treatment, offers fiscal and custom incentives, simplifies the investment application process and sets capital requirements. However, investments in the energy, diamond, telecommunication and financial sectors continue to be governed by legislation specific to each sector. Decrees and regulations issued by other Government ministries can take precedence over the Law. ANIP must approve foreign investments of \$100,000 to \$5 million. The Council

of Ministers must approve investments over \$5 million as well as any investment that requires a concession (such as oil or mining) or involves the participation of a parastatal. Foreign investments under \$100,000 do not require ANIP approval. Investment in the energy, diamond, telecommunications and financial sectors continue to be governed by legislation specific to each sector and are not governed by the Law.

Other legislative measures include the Company Law and the Voluntary Arbitration Law. The Company Law consolidates the rules that apply to the incorporation of commercial companies in Angola, and the Voluntary Arbitration Law provides a legal framework for non-judicial resolution of disputes. After obtaining contract approval from ANIP or the Council of Ministers, the investor must register the company, publish the company's statutes in the official gazette (*Diário da República*), obtain a business licence and register with the fiscal authorities. In 2008, President Dos Santos created a commission consisting of senior economic advisers tasked with overhauling ANIP.

Foreign investors can establish fully owned subsidiaries in many sectors, but frequently are strongly encouraged, though not formally required, to take on local partners. Under the Promotion of Angolan Private Entrepreneurs Law, the Government gives Angolan companies preferential treatment in the procurement of goods, services and public works. The Government is continuing to work on a new general law on public acquisition and respective regulations, which was announced in 2006 and will require public notice of Government tenders and, when enacted, is expected to increase the transparency of the Government procurement process.

While Investment Law 11/03 guarantees the repatriation of profits for officially approved foreign investments, and investors can remit funds through local commercial banks, under Central Bank Order 4/2003, the Central Bank of Angola must authorize the repatriation of profits and dividends exceeding \$300,000.

Some emerging countries are key investors of capital, financing specific investment projects. Angola is a recipient of several lines of credit from Brazil, China, Germany, India, Portugal, Spain and the United States. Among the emerging countries, the most important partners are China and Brazil, representing 20 per cent and 13 per cent of all credit lines, respectively. Most

of these credit lines extend at least 10 years and are intended to finance investment in public works. They are guaranteed against oil production and interest rates not exceeding 3 per cent over Libor.²⁷ Angola was awarded its first sovereign credit rating in May 2010 with Standard and Poor's (S&P's), Fitch ratings and Moody's investors, placing the country in the B+/B1 category on a par with Ghana and Nigeria.

E. SERVICES SECTOR

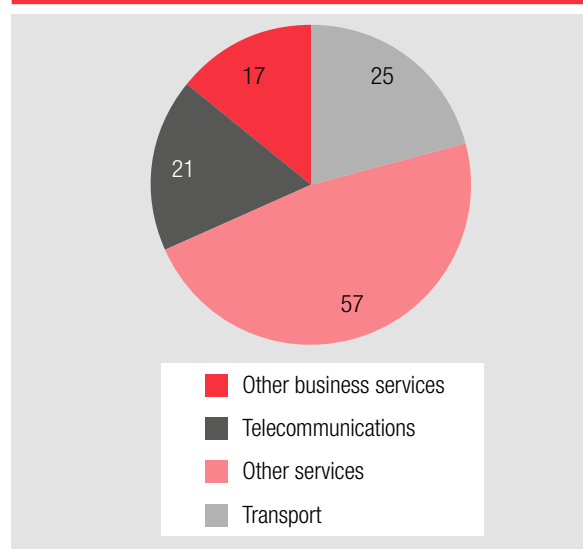
Deficits on the services and income balances are further explained as arising out of a high demand for services by oil companies and repatriation of profits. Increased oil production in the coming years will enhance the demand for services and result in larger (repatriated) profits, causing the deficits to widen.²⁸ Opportunities for increased services exports remain largely untapped; however, it is expected that with increased services supply capacities, Angolan services firms will be able to capture a greater share of the domestic services market and thus reduce currently high requirements for imports.

In terms of the sectoral break up of services exports, a clear picture is more difficult to ascertain because of classification considerations and a lack of reporting at times. The Government is working on remedying this issue with the adoption of a national accounting scheme.²⁹ As figure 6 indicates, other services, followed by transport and then telecommunications, were the largest contributing sector to total services exports in 2013.

Angola faces the particular situation of an LDC that has to develop its services sector from a very low level, commensurate to its LDC status and also affected by its recent history of civil war. Economic reforms are relatively recent, and the challenges faced by Angola are those of many other LDCs, namely (a) a lack of access to key financial, human, and technological resources; (b) the recent and sometimes still pending separation of the productive, regulatory and legislative functions of the Government in certain sectors and the need to further strengthen institutional and regulatory capacities; and (c) the simultaneous objectives of improving access to quality services at affordable prices and developing domestic supply capacity (and the sometimes conflicting policies used to pursue these objectives).

The current emphasis on export diversification reform therefore needs to be translated into concrete initiatives to identify and implement services export initiatives. However, many service sectors, which have a crucial bearing on Angola's economy, have been greatly affected by internal as well as external barriers. Angola's export potential in services trade is adversely affected by domestic constraints such as inadequate infrastructure, low quality and standards, the lack of a clearly delineated services export strategy and policy-related disincentives. According to the World Economic Forum in 2011, Angola ranked 138 globally in terms of the quality of its overall infrastructure, 129 in terms of availability of financial services and 132 as far as affordability of financial services is concerned.³⁰ The lack of access to finance and underdeveloped infrastructure act as severe constraints on business competitiveness in Angola. For instance, in the context of services related to transport of goods, the time and cost of exporting and importing is of particular importance. Angola has higher export costs than both the low income average and the sub-Saharan average.³¹ Furthermore, the time delay in exporting a container from Angola is six times the average of the Organization for Economic Cooperation and Development (OECD). The lack or under development of intermediate services such as finance or transport services could hamper the growth of the existing energy sector as well as future potential in the manufacturing, services and agriculture sectors.

Figure 6. Breakdown of services exports by category of services, 2013 (percentage)



Source: UNCTAD.

Owing to the 27-year civil war, Angola's services sectors remain underdeveloped. As a result, the country runs a large services trade deficit. During the civil war much progress that would otherwise have been made in advancing sectoral regulation and institutions did not take place. At the same time, there was significant degradation to services infrastructure, particularly in the transport, telecommunications and energy sectors, resulting from both destruction and neglect during the civil war.

However, high fiscal spending and investment to build physical and other services-related infrastructure have necessitated higher spending on the services sector. Demand for modern producer services to support the oil and gas industry is also an important parallel requirement to support growth in other sectors of the economy. Enhanced domestic services supply capacity could reduce the country's currently high service import requirements. It could also enable Angolan services firms to increase services exports, particularly to Southern Africa, where barriers to services trade are poised to fall with the anticipated adoption of a SADC Protocol on Services Trade, and potentially to Europe under a considered approach to the European Union–ACP economic partnership agreement, if Angola negotiates services as part of the SADC–economic partnership agreement group.³²

While the Government has taken many steps over the past six years to build a comprehensive regulatory and institutional framework and has made an ongoing series of major investments in the services sector to redress these deficiencies, considerable efforts are still needed to develop coherent national services reform

strategies and plans. A primary area to be addressed is the need to define a clear services strategy.

1. Enhancing growth and performance in the services sector

Given the enabling and driving role that Government plays in the development of service economies, it is important for Angola's policymakers to devise national services development strategies. To ensure buy-in and support, as well as to generate desirable spill-in and spillover effects among related economic sectors, strategy development should take place through participative consultations at the national level with all key actors, including parastatal institutions, potential foreign and domestic investors, the private sector, labour groups and academia. In this context, Angola can create a national services strategy or master plan that outlines national strategies and defines a process and series of practical steps through which objectives can be pursued.

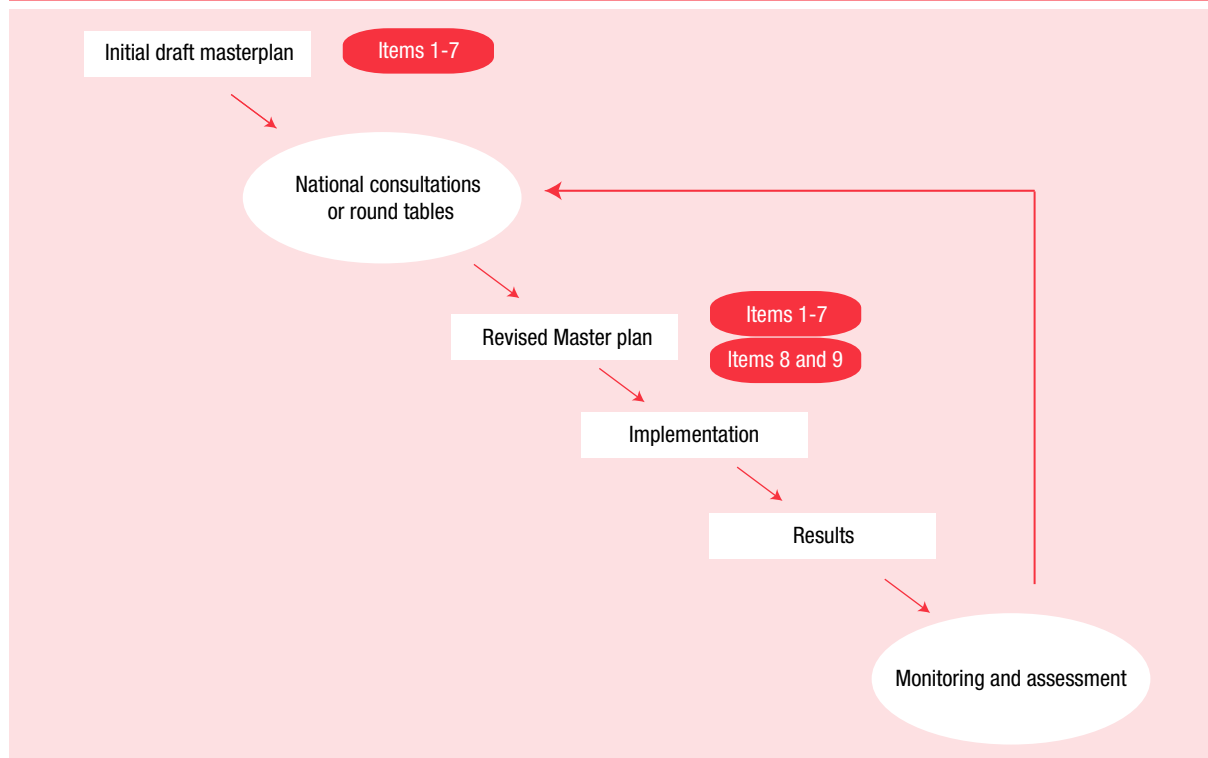
2. Building a master plan for Angola

A master plan to promote trade and investment in the services sectors can be developed through multi-stakeholder consultations at the national level. Far from being a static instrument, this is a dynamic tool, whose purpose is to guide the long-range development of services sectors in the national economy. Specifically, such a plan created by Angola could serve the functions outlined in table 10 (see also figure 7).

Table 10. Main functions served by the master plan

Item	Functions
1	Defines a national vision for the long-range development of services sectors and expectations for objectives that can be achieved
2	Consolidates available economic data on national services sectors to identify trends, opportunities and constraints related to their future development
3	Highlights the expected positive and negative economic and social impacts of privatization and trade liberalization of national services sectors
4	Presents options for trade liberalization of services sectors – bilateral, regional, interregional and multilateral – and examines their respective economic and social implications
5	Examines potential synergies and threats that arise, inter alia, as services sectors develop
6	Projects how trade liberalization of services may stimulate and support trade in goods
7	Identifies areas where improved policies are needed to advance sectoral objectives, including in the areas of providing support to SMEs, streamlining national regulatory frameworks, and enhancing trade and investment
8	Defines policy reforms to be introduced and a timetable for their introduction
9	Provides clear and practical steps that various stakeholder groups should take to advance agreed objectives for the future development of key services sectors

Source: UNCTAD.

Figure 7. Process for master plan development

Source: UNCTAD.

3. Strengthening established service sectors

For a national services development strategy to be effective, it must not only find ways to support the development and/or expansion of new service sectors, but also examine those sectors which are already successful and identify ways to maintain and enhance their performance.

4. Energy sector

Angola has enormous hydropower potential, significant reserves of oil and vast reserves of natural gas. Using them in a balanced way can contribute significantly to meeting domestic energy needs and making the country a major exporter of natural gas and electricity in the short term.

Currently, mini-hydros are being used for rural electrification, and renewable energy sources are being evaluated, especially the use of solar energy with the implementation of Solar Village, a nationwide

project. Wind power potential in the country is also being assessed.

4.1. Electricity

Approximately two thirds of the electricity generated in Angola comes from hydroelectric dams. The other third comes from conventional thermal sources of electricity generation.

Energy sector infrastructure and power transmission systems were seriously affected during the country's civil war. The power supply was confined to a small number of urban centres, and the policies applicable to the sector in the past two decades have led to a culture of production and distribution of energy that is not oriented to generating profits.

Currently, electricity, as well as all its infrastructure costs, including operation and maintenance costs, is a State-subsidized good. The State also provides limited support in the area of training and development to companies operating in the sector and local energy supply stations.

Owing to the strong growth of the Angolan economy in recent years, demand for electricity has been increasing rapidly, although its production is still insufficient. The Government is paying particular attention to the development of the sector, as reflected in the \$29.16 million allocated to it for the 2013–2017 period.

Market overview

In 2012, Angola had an installed capacity of 1,500 MW, producing 7,710 GWh of electricity. In 2013, it had an installed capacity of 2,020 MW and produced 8,142 GWh. Of this total production, 58 per cent was ensured by sources of hydroelectric power from five major systems, namely Northern, Central, Southern and two isolated independent systems. Remaining production was derived from thermal sources in Luanda and several diesel generation plants located in major cities where the production of electricity is provided by the National Electricity Company (*Empresa Nacional de Energia Eléctrica*), which have an installed capacity of 1,906,76 MW and 1,445 MW of available capacity, with 300,000 customers in low, medium and high voltage.

Northern system

Kapanda hydroelectric dam, located in the Kwanza River, was Angola's first major dam with an installed potential of 520 MW. It currently transmits and distributes electricity to the region of Luanda and parts of northern Kwanza Norte province and Bengo with a capacity exceeding 600 MW.

Cambambe hydroelectric power station, which has been renovated and modernized, offers an installed power of 180 MW. With dam heightening, work which is still under way, the installed capacity will be 260 MW. The construction of a second power station (Cambambe 2), which will have an installed capacity of 700 MW, is also under way. Upon completion, the project will have an installed capacity of 960 MW.

The hydroelectric project in Lauca is being built and, after its completion, will have a capacity of 2060 MW.

Central system

The Central system consists of the following installations:

- Lomaum hydroelectric power station, which has been renovated and has 50 MW of installed capacity;
- Kileva thermal plant with 60 MW;
- Cavaco thermal power station has an installed capacity of 20 MW;
- Biópio hydroelectric power station with 14.4 MW of installed capacity;
- Gove hydroelectric power station, with an installed capacity of 60 MW. It has recently been renovated and is providing for the regions of Huambo and Bie.

Southern system

The Southern system is comprised of the following plants:

- Matala hydroelectric power station, which is being renovated and is associated with some thermal capacity in Chitoto-Namibe. It has an installed capacity of 40 MW;
- Lubango Power Plant, with an installed capacity of 30 MW (on a rental basis);
- Namibe Power Plant, with an installed capacity of 20 MW;
- Tombwa Power Plant, on a rental basis, with a capacity of 8 MW;
- Menongue Power Plant, a CT, is being set up with 10 MW power.

The construction of the interconnection between the Northern and Central system through the Gabela (Kwanza Sul)-Kileva (Benguela) interconnection is under way.

The Northern system has a significant over-capacity, while dams in the Southern and Central systems often face supply constraints. The main objective of the Government is to link the three systems to exploit the overcapacity of the Northern system. There are also small dams and the municipal authorities of large cities have their own power sources and supply services.

Isolated systems serving the country's electricity needs are the following:

- Cabinda-Malembo thermal power plant with 70 MW of installed capacity;

- East-(Lunda and Moxico)-Luachimo hydroelectric power station serving the Dundo area and Chicapa hydroelectric power station serving Dundo.

Other isolated systems include the following:

- Cunene, Kuando Kubango, Zaire;
- The Ondjiva (10 MW) and Menongue (10 MW) expansion has been completed.

Currently, the task of carrying out activities related to production, transmission and distribution is ensured by the following companies and organizations:

- The *Empresa Nacional de Energia Eléctrica* (ENE) established in 1998 as a public company, through a vertically integrated organization.
- The *Empresa de Distribuição de Energia Eléctrica* (EDEL), established in 1999 as a public company specializing solely in distribution.

The Ministry of Finance determines electricity tariffs, which are uniform across the country, yet estimated at below production cost. Although there are plans to raise tariffs to cover long-term costs and ensure that there is sufficient income to expand, the low rates may be a serious problem.

Electricity consumption in 2013 was estimated at 6,797,2 GWh, concentrated mainly in the region of Luanda, representing nearly 67.3 per cent of total national consumption. However, access to electricity remains a concern, as it is estimated that only 30 per cent of the Angolan population has access to electricity. Outside Luanda, most Angolans rely on diesel generators and fuel wood (biomass) to generate energy.

Of the 163 existing municipalities, 42 are served by ENE, including Luanda and some areas that are still isolated from these systems. As a result, investors face additional costs to support their business, such as the payment of backups and alternate generators for electricity supply.

The breakdown of electricity consumption by sector shows that in terms of value indicators, residential consumption accounts for 57 per cent of the total consumption, industrial consumption for 23 per cent, the service sector for 18 per cent and the farming sector for 2 per cent.

The number of consumers legally registered with EDEL and ENE in 2012 was 753,258 and 985,375 in 2013. While there has been an increase of 76.4 per cent, there are still unregistered consumers who benefit from energy through illegal connections beyond the control of the utility companies. The growth of cities and the lack of investment in the distribution network have been the main reasons for the increase in the number of illegal consumers and networks.

The power supply sources have the largest and most clear potential for investment. To date, investments in the energy sector were made by the State. Through the State's general budget, it has been possible to ensure the construction of new hydroelectric dams, as the Lauca, the construction of the second station in Cambambe, the combined cycle station of Soyo, the renovation of Cambambe and Matala hydroelectric plants where 5,000 MW will be gathered and the installation of 500 MW of thermal capacity in several provinces throughout the country by 2016.

There are also investment plans for the construction of the Caculo Gourd hydroelectric power station (2,100 MW capacity), the rehabilitation of Luachimo hydroelectric power station (32 MW capacity) in Lunda Norte, the construction of the Chiumbe Dala hydroelectric power station (12 MW capacity) in Lunda Sul, the connection to Luena and the construction of high-voltage transmission systems associated with a combined cycle plant in Soyo. With the implementation of these investments by the end of this decade, the sector will register a significant rise in per capita consumption of electricity in the country.

The Government has set a target of raising electricity production to 6,200 MW by 2017, with an increase in the electrification rate from 30 per cent to 60 per cent, which will allow a per capita consumption of 4,000 kWh. The collection and processing of statistical data related to electricity are still weak and unreliable. The general data on energy consumption are calculated by subtracting the losses incurred in the production network and indicate, not very precisely, the exact amount of power supplied. Since the production costs in the sector are associated with reduced losses, it is of great economic importance to improve data quality. In addition, there is a shortage of technical staff that can plan, build, maintain and supervise the sector.

4.1.2. Strengths, weaknesses, opportunities and threats for the electrical energy sector in Angola

<p>Strengths</p> <ul style="list-style-type: none"> • Strong economic growth • Strong energy sector • Building of new infrastructure planned by the Government • Good hydroelectric capacity • Potential to become exporter of electricity • Strong potential in generation and distribution services • Potential for use of oil industry profits to strengthen and increase production of electricity • Participation • Regulatory reform 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Poor infrastructure due to war and poor maintenance • Frequent power cuts • Illegal connections and loss of power • Insufficient statistical data • Lack of qualified staff • National rate does not allow full recovery of costs, and socioeconomic conditions make it difficult to attract private investment to sector • Insufficient investment to renovate and expand electricity infrastructure • Limited economic development in remote areas of the country, which limits potential for development of specialized electricity supply companies at local level
<p>Threats</p> <ul style="list-style-type: none"> • High energy demand by consumers • Population growth and growing energy necessities • Need to strengthen local distribution and encourage local operators 	<p>Opportunities</p> <ul style="list-style-type: none"> • Companies in sector are inefficient and lack qualified personnel • Need to ensure that environmental conditions met in construction of hydroelectric dams • Need to develop corresponding institutional structures; reform of sector under way – PRODEL (electricity production company), RNT (national transmission grid), ENDE (national company for distribution of electricity) • Inadequate distribution networks

4.2. Oil and natural gas

4.2.1. Market overview

Angola possesses vast oil reserves, estimated at 13 billion barrels. Production rose from 172,000 barrels a day in 1975 to 1.9m in 2010, making Angola sub-Saharan Africa's biggest producer after Nigeria and accounting for more than half of the country's GDP, 80 per cent of the Government's revenues and 90 per cent of export earnings. However, excessive oil dependence also makes the country susceptible to fluctuations in global markets. The 2009 slump in oil prices from an average of nearly \$100 a barrel in 2008 to just over \$50 pushed Angola's balance of payments and budget into deficit for the first time since the war.³³

Angola's upstream potential is likely to continue, given its favourable geology and reserve base, exploration successes, anticipated advances in deep-water production technology and heightened competition for scarce hydrocarbon resources.³⁴ The downstream oil sector in Angola covers refining, trade, distribution and sale of petroleum products.

Most domestic oil product prices in Angola are subsidized, and the Government of Angola has over a period of time been gradually raising prices,

as below-cost prices offer little incentive for private sector engagement and could result in cross-border smuggling of oil products. Sonangol, the State-owned oil company, has increasing interests in foreign oil exploration and production, and in December 2010 it embarked on a joint venture with the Bolivarian Republic of Venezuela and Cuban State oil companies to develop oilfields in the Bolivarian Republic of Venezuela. Sonangol has taken steps to increase transparency as it broadens its reach into new markets by hiring Ernst & Young to audit its accounts.

The Sonangol-owned facility in Lobito will have an initial capacity to process 115,000 barrels a day, 50 per cent of which will be exported. Although it is an oil-producing country, Angola imports energy, and it is expected that Sonaref will enable the country to reduce its \$1.6 million bill on imported refined crude (2009 figures). Currently, the sole refinery in the country processes just 37,500 barrels a day, covering only 30 per cent of domestic needs.

In order to capitalize on its oil reserves, the Government has initiated several related projects with partners including the United States, the United Kingdom, China, Brazil and India. The Government has embarked on a project to build a liquefied natural gas plant (LNG). Situated in Zaire province,

Angola LNG represents the country's largest single investment ever and should process 5 million tons of liquefied petroleum gas (LPG) per year, mostly bound for the United States market. With the execution rate of construction running at 69 per cent in the second quarter of 2010, the first exports should have been bound for Mississippi in the first quarter of 2012.

In terms of oil-related manufacturing, in 2010 Angoflex (a joint venture between Sonangol and French-owned Technip) became the first Angolan company to supply an oil industry project abroad, in Ghana. Angola is expecting to meet growing demand for pipes for gas and oil transportation in the West African market. Angoflex increased production from 80 to 200 pipes per day in the first quarter of 2010 and expects to grow further to 500 pipes daily.

The Government is due to announce new offshore oil concessions in pre-salt deposits that are geologically similar to those across the Atlantic in Brazil. They could turn Angola into one of the world's leading oil-producing nations.

The natural gas industry still needs significant investment to capture its full economic potential. Estimates suggest Angola has natural gas reserves in the region of 11 trillion cubic feet. Much of the gas is currently flared or vented due to the lack of viable alternative options. Nevertheless, the Government is now seeking to make more productive use of the resource. Converting some of it into LNG for export and using some for domestic electricity production are just two possible options.

LNG will provide additional economic benefits as well as offering more environmentally friendly management of the natural gas. Angola is capable of supplying approximately 5 million tons of LNG over 20 years. The primary companies involved in its natural gas exploration and production as part of the Angola LNG project are Chevron (with a 36.4 per cent stake in the market), Sonangol (22.8 per cent), BP (13.6 per cent), Total (13.6 per cent) and ENI (13.6 per cent).

4.2.2. Regulatory and institutional framework

As per the Petroleum Law of 1978, the Government of Angola is the sole owner of the country's petroleum deposits. The State-owned oil company, Sonangol, is the exclusive concessionaire for oil exploration and production. In order to access technical and financial resources for oil exploration, development and production, Sonangol may enter into joint ventures or production-sharing agreements with foreign companies by way of agreements that stipulate investment and production. In downstream oil activities such as storage, transportation and distribution of petroleum, Sonangol maintains an effective monopoly and remains heavily subsidized. However, these activities were scheduled for liberalization by 2012. In 2004, a new petroleum law came into force that seeks to standardize future production-sharing agreements and further clarify the roles of the Ministry of Petroleum, Sonangol and the operating companies, in an effort to attract more private and foreign investment.

4.2.3. Strengths, weaknesses, opportunities and threats in the oil and natural gas sector

<p>Strengths</p> <ul style="list-style-type: none"> • Strong economic growth • Substantial natural reserves of oil and gas • Existing and future potential to be an exporter of oil- and natural gas-related services, including those relating to production, transmission and distribution • Strong exports and future potential on a South–South basis, including to large developing countries such as China, India and Brazil 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Need to ensure implementation of an energy market vision • Need to ensure equitable distribution • Lack of skilled Angolan nationals for the oil and natural gas industry • Need to realize profits at a national level and ensure percolation towards development efforts • Need for effective regulation and supervision in the sector • Reconsideration of subsidies
<p>Threats</p> <ul style="list-style-type: none"> • Government planning, including new national plans for infrastructure building • Growing demographic energy needs and therefore a domestic consumer market consisting of individuals and corporations • Ability to empower Angolan nationals and operators • Potential to channel profits from the oil industry to enhance and grow electricity • Strong potential to contribute and develop the regional SADC market 	<p>Opportunities</p> <ul style="list-style-type: none"> • Fluctuating world market prices of oil and natural gas • Global financial crisis and its impacts on exchange rate • Need to ensure environmental considerations are met
<p>Required spill-ins from other sectors: basic infrastructure services such as financial, telecommunications and environmental services, agricultural, manufacturing and construction services</p>	
<p>Anticipated spillovers into other sectors: financial, telecommunications, retail, recreational, cultural, tourism, industry , agriculture</p>	
<p>Key stakeholders: Ministry of Trade and Commerce, Ministry of Energy, Ministry of Environment and private sector</p>	

5. Water sector

Market overview

The region of Luanda has been experiencing significant population growth, which puts enormous pressure on the Luanda urban infrastructure, including the water supply system. Under the present conditions, the water supply deficit is estimated at 60 per cent.

The Luanda public water supply system consists of 3 collection stations, 5 water treatment plants, 12 distribution centres and 3,180 km of supply network. Two of the catchments are associated with water treatment plants, namely Candelabro and Kifangondo.

The condition of the main facilities is summarized as follows:

Casseke collection and pumping station

Pumping capacity of 5.28m³/sec. Only 6 of the 8 units installed run regularly (3.96m³/sec), which limits

the production and supply of water to the whole southwest system of Luanda.

Kifangondo water treatment plant

Pumping capacity of 1.62m³/sec (140,000m³/day). Its capacity is limited due to failure of the treated water pumps.

Chandelier water treatment plant

Pumping capacity of 0.7m³/sec (60,000m³/day). The facility is new and is in operating conditions.

Southernwest Luanda ETA

Pumping capacity of 2.5m³/sec (216,000m³/day). The installation is in operating conditions, although limited by influences of the Cassseke pumping station, and numerous unauthorized connections in the upper channel.

Southern Luanda ETA

Pumping capacity of 0.67m³/sec (57,600 m³/day). Renovated installation and in operating condition,

although limited by the influence of the pumping Casseke treatment plant and the numerous illegal unauthorized connections in the upper channel.

Kikuxi ETA

Pumping capacity of 0.2m³/sec (17,200m³/day). This facility needs significant renovation.

To meet current and future demand in the city of Luanda, the water company has several projects under way to renovate, expand and construct water supply systems and infrastructure relating to the operation of such systems. The following actions have been defined:

- Stabilize and increase levels of water produced;
- Increase coverage rate of water distribution to population;
- Improve and extend the distribution network;
- Increase number of commercial agencies;
- Install volume control of water produced, distributed and marketed;
- Complete immediate impact projects;
- Renovate systems II (Kifangaondo) and Kikuxi ETA;
- Construct new ETAs (Bitá and Quilonga).

The systems installed in the other provincial capitals (17) are in most cases too small to meet current needs, as is the case in Luanda, and there is an ongoing programme to renovate or extend these capabilities.

In the period between 2013 and 2017, the main water supply activities should focus on the following priority actions or measures:

- Continuation of the work to reinforce water supply systems in all provincial capitals and municipalities, with special emphasis on the extension of water distribution networks in order to provide universal and 100 per cent coverage to the urban population;
- Renovation and expansion of the wastewater sanitation systems in the major urban centres;
- Intensification of the construction and renovation of water supply systems in rural areas, including the construction and renovation of groundwater extraction in order to adequately serve the population of these areas with 80 per cent coverage;

- Preparation, public discussion and formal approval of rules and regulations regarding the quality of water for human consumption, making sure regulations establish the obligation of gradual adoption of control parameters, granting five years to the managing bodies to progressively and adequately equip their laboratories;
- Formal adoption, by the line ministry, of the water quality monitoring plan;
- Construction of laboratories for the monitoring of water quality: the five laboratories were expected to be active by the end of 2012, and the construction of at least two new laboratories every year, so that by the end of 2017, 16 provinces will be provided with their respective provincial laboratories for monitoring the quality of water for human consumption;
- Progressive increase of the systematic monitoring of water quality for human consumption, accelerating the implementation of the water quality monitoring plan so that the control levels are up to 70 per cent in urban areas and 45 per cent in rural areas by the end of 2017;
- Completion of the development of basic water quality data, to allow quick and concise data collection and processing concerning the quality of water for human consumption, both at the provincial and national levels.

Key stakeholders: Ministry of Commerce, Ministry of Energy, Ministry of Environment and the private sector.

6. Financial sector

As the Angolan economy has grown significantly since 2000, the financial services sector, the banking sector, in particular, has grown rapidly. The sector is open to the participation of non-resident entities and compares in size to its larger African neighbours.

6.1. Market overview

The financial services sector represents one third of the employment in the services sector and 20 per cent of trade in services. In 2010, there were 21 banks operating in Angola, with at least three branches in every provincial capital.³⁵ Until April 2014, total deposits expanded by \$5.4 billion, an increase of 11.2 per cent from December 2013.³⁶

In 1987, the Government of Angola introduced a package of measures, with a view to transitioning to a market economy. The package included measures to reform the financial services sector.

Pursuant to this, in 1991, based on the Financial Institutions Act, the National Bank of Angola (NBA) operated on two levels: as the central bank of Angola and the exchange authority agent of the country, and as a retail banker. The National Bank of Angola has since ceased its business functions (e.g. opening deposit accounts in both local and foreign currency) and has started using primary monetary policy instruments, including mandatory reserves and reference interest rates.

In July 1997, the National Assembly approved the Law of NBA (Law 6/97 of 11 July) and the Exchange Law (Law 5/97 of 11 July), reinforcing the responsibilities of NBA as the central bank and giving it greater autonomy and legal persona to more appropriately drive and implement Angola's monetary and exchange rate policy.

The national banking system thereafter comprised, in addition to NBA, two Angolan commercial banks operating in the form of public limited companies with public capital – the Banco de Poupança e Crédito (BPC), formerly BPA, and the Banco de Comércio e Indústria (BCI). Caixa de Crédito Agro-Pecuária e Pescas (CAP), an institution meant to support the expansion of the productive capacity of the agricultural and fisheries sectors and thereby provide the continuous increase of supply of essential products, was substantially extended in 1996 with the transfer, by NBA, of its extensive commercial network to that institution.

In the following years, some foreign banks established their branches in the country. Examples include the Banco Totta and Açores (BTA); the Banco de Fomento Exterior (BFE), currently known as BFA; and the Banco Português do Atlântico (BPA).

With the development of economic activity, the number of private banks has been growing, from 13 banks in 2005 to 23 in 2014, thus transforming a sector previously dominated by State-owned banks. Currently, the Angolan financial system consists of 29 authorized commercial banks, 23 of which are in operation; 1 leasing company; 70 exchange offices,

8 credit companies, 1 credit union, 3 companies providing payment services and 10 foreign bank representative offices. Each of the 23 banks has at least three branches operating in all provincial capitals.

The main and sole activity of banks is to receive deposits or other repayable funds in order to apply them on their own through the design of credit, according to article 4 of the Financial Institutions Law in Angola. Other noteworthy activities carried out by banks in Angola are to perform transactions on their own or others' account on money market instruments, and to purchase and sell bank notes, foreign currency or travellers' checks.

Credit eligibility in Angola extends to foreign investors with resident status; however, access to credit depends on the lending policy of each bank, domestic or foreign.

The financial system has made considerable advances, but there are still great regional disparities. By 2012, the system had 21 financial institutions, of the 23 registered, operating throughout the country, a total of 902 agencies with the following distribution: Luanda (490), Cabinda (32), Zaire (21), Uige (21), Bengo (17), Kwanza Norte (13), Malange (20), Lunda-Norte (15), Kwanza-Sul (31), Huambo (34), Benguela (65), Lunda Sul (11), Moxico (11), Bié (16), Huíla (53), Cunene (24), Kuando Kubango (10) and Namibe (18).

By 2012, the total number of ATMs spread across the country was 2,014, having increased by 181 per cent compared with 2008 (717).

Despite this progress, there are still constraints associated with lending, such as legal aspects about the use of collaterals (e.g. records, property titles) and the opportunity cost of capital, which has contributed significantly to the increase in the bad debt rate. Overall, banking services have been improving as a result of increased competition and growing experience.

The insurance sector that, for historical reasons, was dominated by a single State enterprise, Empresa Nacional de Seguros de Angola (ENSA), from 1978 to 2000, in 2013 comprised 14 new insurance companies: AAA Seguros (2001), Nossa Seguros (2005), GA Angola Seguros (2005), Global Seguros (2006), Mundial Seguros (2006), Garantia Seguros (2008), Universal Seguros (2010), Confiança Seguros

(2010), *Cooperação Angolana de Seguros* (2010), *Triunfal Seguros* (2011), *Mandume Seguros* (2012), *Protteja Seguros* (2012), *Super Seguros* (2012) and *Prudencial Seguros* (2013).

In December 2005, the Government announced plans for the creation and development of the capital market and appointed a committee to oversee its creation. The Stock Exchange (*Bolsa de Valores e Derivativos de Angola-BVDA*) was scheduled to start in 2011, but this opening was delayed several times because of the global financial crisis.

Most of the listed companies will be from the banking sector. However, several Angolan undertakings may qualify, including food production and beer, telecommunications and construction companies. The Government may privatize some State-owned companies and list them on the stock exchange. It is envisaged that Sonangol, a State-owned oil company, and ENDIAMA, a diamond company, also State-owned, will be listed on the stock exchange.

Fitch's and S&P's credit rating at BB (stable) and Moody's at Ba3 (positive) have not only given another dimension to the issuance of Government bonds, but are an indicator for assessing the solvency of the country and thus have a major impact on the country's financing costs.

Despite the positive developments, there are still a number of challenges in the financial sector. This includes the prevailing levels of financial illiteracy, and risks to the financial system arising from the exposure to foreign currency on the balance sheet of commercial banks.

To address these challenges, the NBA has focused on reducing the level of financial illiteracy through a financial education programme, making financial services programmes more widely accessible for the vast majority of the population. This has contributed to an increase in savings as a source of funding necessary to strengthen the lending capacity of banks. This programme is also associated with the increased use of ATMs. Currently, there are eight microcredit companies in Angola.

Furthermore, in its efforts to reduce risks in the financial system from overexposure to foreign currency, NBA introduced a "de-dollarization" policy in 2011. The

level of deposits in kwanzas, in terms of average share, increased to 65 per cent from 48 per cent in the same period.

In parallel with the Government's investment in the diversification of economic activity, banks are stepping up lending to individuals and small businesses, especially for agriculture purposes. For example, according to the Angolan Bank Association, in the last five years, more than 40,000 families received support to establish farming projects.

6.2. Regulatory and institutional framework

Since the establishment of the two-level banking system in 1991, the financial services sector has been subject to a series of reforms focused on liberalization of the financial system.

In this vein, under Law 16/10 of 15 July, NBA, as the central and issuing bank, ensures the preservation of the value of the national currency and is involved in shaping monetary, financial and exchange rate policies. NBA also implements, monitors and controls monetary, foreign exchange and credit policies, manages the payments system and administers the currency within the national economic policy.

Part of NBA's responsibilities are as follows:

- To act as the sole banker of the State;
- To advise the Government on monetary, financial and foreign exchange areas;
- To participate with the Government in defining, driving, implementing, monitoring and controlling the exchange policy and its market;
- To act as an intermediary in Angola's international monetary relations;
- To ensure the stability of the financial system, acting, for this purpose, as lender of last resort;
- To manage Angola's foreign assets entrusted to it, without prejudice to any special law;
- To participate in the preparation of the Government's annual financial programming to reconcile the management of foreign exchange reserves and credit granted by NBA with the needs of stabilization and economic development.

It is also responsibility of NBA to carry out the following tasks:

- To guarantee and ensure an information system, collection and treatment of monetary, financial and foreign exchange statistics and other documents in the fields of their activities in order to serve as an efficient coordination, management and control instrument;
- To develop and update the complete record of the country's foreign debt, as well as ensure its management;
- To draw up Angola's balance of external payments.

Key laws in the financial services sector include the Angolan National Bank Law, Law 16/10 (15 July 2010), which seeks to ensure that the value of the national currency is preserved; the Foreign Exchange Law, Law 5/97 (27 June 1997), which seeks to regulate

financial transactions and trade with an effective or potential impact on the balance of payments; and the Financial Institutions Law, Law 13/05 (30 September 2005). New laws and initiatives developed for the sector include the development and operation of the Angola Payment System (APS), approval of the law on money laundering and extension of the MULTICAIXA service network, which belongs to the Inter-bank Services Company.

There are several initiatives at the regional level, including the regional integration of the SADC Central Bank Payment System and the implementation of the Real-Time Gross Establishment System (RTGS) of SADC central banks (table 11). However, the existence of an appropriate regulatory framework for private participation, which is still limited, is a major challenge.

6.3. Strengths, weaknesses, opportunities and threats in the financial services sector

<p>Strengths</p> <ul style="list-style-type: none"> • Strong economic growth • Opening of a development bank • Improved functioning of investment banks • Greater momentum in banking in accordance with the universal bank functions • State Treasury transfer to commercial banks • Strengthened prudential regulation 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Lack of an information post for credit risk information for microfinance companies, financial credit companies and financial leasing companies • Regional disparities
<p>Threats</p> <ul style="list-style-type: none"> • Regulatory and institutional structures are in the process of being consolidated • New foreign exchange regime for the oil sector • New chart of accounts for financial and banking institutions and a new credit risk centre • Establishment of an inter-bank services company (EMIS) designed to expedite financial transactions, maximize available resources and generate positive impacts from monetary and financial policies • Development and implementation of Angola's payment system • Focus on local currency • Move towards greater national participation in the banking system 	<p>Opportunities</p> <ul style="list-style-type: none"> • Reduced number of human resources specialized in banking • Weak regulatory and institutional structures • Foreign currency exposure on balance sheets
<p>Need for internal influences from other sectors: ICT, business, professional and construction services</p>	
<p>Anticipated external influences on other sectors: economy-wide, including telecommunications, retail, recreational, cultural, tourism, industry and agriculture</p>	
<p>Key stakeholders: Ministry of Trade and Commerce, Ministry of Finance, Central Bank and private sector</p>	

Table 11. Indicative overview of banks operating in Angola

Name of bank	Principal shareholders	Service provided
Banco de Poupança e Crédito (BPC)	State	Macrocredit/microcredit loans Public administration
Banco de Crédito e Indústria (BCI)	State	
Banco de Desenvolvimento de Angola (BDA)	State	Oil companies Private companies/individuals Macrocredit/microcredit loans Private banking investments
Banco Kwanza Invest (BKI)	Private banks with national stocks	
Banco Angolano de Investimentos (BAI)	Sonangol Private investment	Oil companies Private companies/individuals
Banco de Fomento Angolano (BFA)	Banco Portugues de Investimentos (BPI)	Macrocredit loans for businesses and individuals
Banco Comercial Angolano (BCA)	National residents' equity Private bank	Individual loans Medium-sized companies
Banco Sol	Private investment	Microcredit loans Small private companies
Banco Regional do Keve	Private investment	Agro-industry
Banco Totta de Angola	Portuguese Group Bank Totta & Açores	Private investment
Banco Millennium Angola	Portuguese Group Millennium (BCP)	Corporate banking investments
Banco Espirito Santo Angola (BESA)	Portuguese Group Espirito Santo	Corporate banking investments
Banco de Credito Internacional (BIC)	Portuguese Group Amorim Private investment	Microcredit loans for businesses and individuals
Micro Financas (BAI)		Microcredit loans
Banco de Negocios Internacional (BNI)	Angolan private businesses	Corporate assets management Investment banking
Banco Privado Atlantico	Pactum Global (Angolan equity investment) AAA Insurance Company (Sonangol Group)	Private bank investments
Banco Angolano de Negócios e Comércio (BANC)	Angolan private businesses	
VTB Africa	Russian investment	Corporate banking services
Finibanco Angola	Portuguese investment	
Banco Standard Chartered Angola Standard Bank Banco Valor		

Source: Prepared by UNCTAD based on inputs from the Government of Angola, 2015.

7. Construction sector

The construction sector is important for economic growth, as it has upstream and downstream linkages and the ability to mobilize and diversify other economic sectors and generate direct employment. The sector is inherently connected to other productive sectors of the economy such as agriculture, industry, transportation and energy. The main drivers for growth in Angola's construction sector are related to infrastructure and economic growth.

7.1. Market overview

The pace of construction since the end of the civil war in Angola has been fast and varied with the building of roads, ports, railways, hotels, shopping centres, hospitals, universities and towns. This effort has been financed by public funds and external credit. Foreign construction firms, many of them Chinese and Brazilian, have been responsible for most of the country's infrastructure reconstruction.

Investments in the construction sector are mostly public, although there are a significant number of private initiatives. Investment in the sector accounted for \$311.2 million in 2006, with the private sector contributing \$238.6 million.³⁷ Private sector performance in the area of construction is demonstrated by the 752 companies licensed in 2006.³⁸ Activity picked up from May 2010, however, with the resumption of priority PIP projects in a now highly competitive sector. Angola has made impressive progress in rehabilitating its infrastructure.

Angola's real estate sector has only very recently begun to attract international investment interest. Nevertheless, with one of the highest rates of urbanization in Africa, the demand for real estate is enormous. The demand for low-cost housing in Luanda is high. Angola's booming economy and subsequent investment in infrastructure have opened Luanda and other Angolan cities to the international market. An improved standard of living among the population is creating a surge in the domestic demand for low-cost housing. Government estimates put the number of people without adequate housing in Luanda alone at three million to five million. In response, and in a marked departure from the focus on high-end development that led to the eviction of hundreds of people from Luanda's shanty towns, the Government renewed its 2008 commitment to build one million new social housing by 2013.³⁹ International firms, such as Escom, Imocom and the Brazilian companies Carmargo Correig and Odebrecht, are leading figures in construction and real estate projects. The

International Real Estate Company Century 21 also recently started business in Angola. Most international firms are focusing on Luanda – home to approximately one third of Angola's population – but many are moving further afield to other Angolan cities such as Huambo, Soyo, Lobito and Benguela.

Civil construction and public works is one of the most likely sectors to create jobs in the near future, despite the seasonal nature of employment. In 2006 it was estimated that a total of 206,521 workers were employed in construction.⁴⁰

An additional issue is that the construction materials industry has very low production levels that remain far below market needs. The current production of construction material is limited to cement and by-products, ceramic, timber and metallic carpentry, plastic plumbing materials, paints and varnish, and steel and iron works.

7.2. Regulatory and institutional framework

The Ministry of Public Works is responsible for monitoring the activities of economic agents in civil construction and public works. In 2006, it monitored the activities of 5 joint companies, 20 public sector companies, 20 foreign private companies and 1,600 national private companies that carry out activities in a wide range of civil construction and public works functions.⁴¹

7.3. Strengths, weaknesses, opportunities and threats in the construction services sector

<p>Strengths</p> <ul style="list-style-type: none"> • Strong economic growth • High demand for construction and public works • Strong real estate market • Growing demand 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Temporary employment • Difficulty with hiring qualified national labour force • Difficulty with hiring foreign labour force due to immigration restrictions
<p>Threats</p> <ul style="list-style-type: none"> • Great potential for employment generation • Contributes to an increase in the manufacturing of construction materials • Government infrastructure and housing drive • Renovation and construction of various public buildings • Great potential for employment generation • Contributes to an increase in the manufacturing of construction materials • Government infrastructure and housing drive • Renovation and construction of various public buildings 	<p>Opportunities</p> <ul style="list-style-type: none"> • Construction materials industry has low production level • Complex demining process and removal of explosive ordnances from construction sites • Susceptibility to global financial crisis
<p>Required spill-ins from other sectors: ICT, financial, Government services, business, professional and energy services</p>	
<p>Anticipated spillovers into other sectors: economy-wide including energy, real estate, housing, telecommunications, cultural, tourism, industry and agriculture</p>	
<p>Key stakeholders: Ministry of Trade and Commerce, Ministry of Public Works, Ministry of Environment and private sector</p>	

8. Tourism sector

Tourism and tourism-related activities are strong contributors to the Angolan economy. Angola boasts a diversity of monuments and sites of great cultural and natural value. If sustainably developed for tourism purposes, these sites may serve as an important source of funding for their own preservation.

8.1. Market overview

The five years following the 2002 peace agreement witnessed a 300 per cent rise in the number of visitors to Angola. In 2009, approximately 365,000 tourists visited Angola. The tourism sector has attracted private investment because of its perceived profitability and direct job creation. In 2006, investments reached \$743.2 million and created 2,277 jobs. In 2004, Angola issued licences to 48 hotels, ranging from 1 to 4 stars. Luanda accounted for more than 60 per cent of hotels and 4 tourist complexes. The increasing value of the hotels network and related infrastructure arising from renovation and construction may bring benefits to the economy and to domestic and foreign investors.

The private sector dominates the tourism sector (including tourist transportation, accommodation, meals and tourist attractions). Private sector participation is more domestically based than foreign, enabling the enhancement of the national entrepreneurial class. However, the national private sector requires funding for its businesses and management training in the face of growing competition. Public-private cooperation remains important for success in the tourist services sector.

The public sector is tasked with making informed interventions and developing clear goals related to the type of tourism it seeks to promote in terms of sustainability and international competitiveness. It thus guides, regulates and facilitates investments in priority areas of tourism in line with policies related to transportation and communications, coastline planning and areas of environmental protection and wildlife, rural and industrial development, cultural promotion, education and professional training.

8.2. Regulatory and institutional framework

The Ministry of Tourism is committed to further expansion and foreign competition subject to

conformity with the Private Investment Law and its regulations and incentives schemes for investment. The Steering Plan for Tourism guides Government intervention in tourism structuring and capturing attractive markets. It also provides guidelines for the private sector, to plan their investments in line with the Angola's local and regional development interests.

The key reforms and policies in the sector include the following:

- Completion of the Inventory on Tourist Resources – a fundamental instrument of knowledge about the features and the conditions of conservation of the property and existing resources;
- National Policy on Tourism, Decree 6/97 (15 August 1997) – envisages the harmonious and sustainable development of national tourism activities, and ensures that they provide benefits that contribute toward the socioeconomic development of local communities at all times;
- Sectoral Strategy for Hotels and Tourism, Resolution 9/97 (27 June 1997) – deals with the recovery, renovation and building of the hotel industry and serves every sector in the country because it provides accommodation, meals and entertainment;
- Licensing and Discipline in the Running of Travel and Tourism Agencies, Decree 54/97 (1 August 1997) – defines licensing and disciplinary norms for the running of travel and tourism agencies and related activities;
- Use of Tourist Resources, Decree 6/97 (15 August 1997) – establishes norms pertaining to the use of the country's tourist resources;
- Institute of Tourist Promotion of Angola, Decree 62/97 (29 August 1997) – identifies ways of integrating the capital of national and foreign companies that are consistent with national interests, in order to promote the development of integrated projects in tourist zones;
- Angola's regional integration into SADC expands opportunities under the framework of regional development, with a tangible impact on intraregional and international tourism, which the Regional Tourism Organization of Southern Africa (RETOSA) may support through shared and/or complementary regional policies. Also, under the framework of the Community of Portuguese Language Countries (CPLP), efforts are being made by the Lusophone Community, focusing on

the following:

- Human resources training and qualification;
- Increased entrepreneurial cooperation between agents in the tourism sector, under the framework of public–private partnerships;
- Exchange of experience in the area of tourism and hotels legislation;
- Establishment of a tourism and cultural image in Africa through bilateral and multilateral programmes.

8.3. Strengths, weaknesses, opportunities and threats in the tourism services sector

<p>Strengths</p> <ul style="list-style-type: none"> • Strong economic growth • Good natural and cultural advantages • Capacity to generate domestic entrepreneurial activity 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Need for better Government coordination, especially interministerial coordination, within the sector • Better transport infrastructure required, although improving • Hotel facilities inadequate in regional areas
<p>Threats</p> <ul style="list-style-type: none"> • Need to ensure sustainable tourism • Potential to narrow regional and social divides • Direct employment generation 	<p>Opportunities</p> <ul style="list-style-type: none"> • Existing minefields • Expensive real estate market in Luanda
<p>Required spill-ins from other sectors: ICT, financial, Government services, business, professional and energy services</p>	
<p>Anticipated spillovers into other sectors: economy-wide including energy, real estate, housing, telecommunications, cultural, tourism, industry and agriculture</p>	
<p>Key stakeholders: Ministry of Trade and Commerce, Ministry of Public Works, Ministry of Environment and private sector</p>	

9. Telecommunications sector

The intensive use of telecommunications services makes this sector one of the most important in the Angolan economy.

The Government of Angola has made major investments in telecommunications infrastructures, estimated at \$1.2 billion in the first phase, namely in the implementation of a fibre-optic backbone, SAT3, WACS, ADONES and the digitalization of Angola Telecom’s fixed-line network. The second phase of investments is currently under way and in line with the new White Paper, with a budget of around \$1,900 million. A liberalization process has also been initiated, helping to make a clear distinction between the key players in the sector: the Government, the regulator and the operators.

Other major feats were the restructuring of Angola Telecom and the enhancement of the Regulatory

Agency for Electronic Communications (*Instituto Nacional de Comunicações de Angola*), which opened up the sector to competition between private providers of telecommunications services, and the implementation and updating of the sector’s legislation through a White Paper, the Law of Electronic Communications and Information Society Services, the Law of Protection of Personal Data, the Electronic Communications General Regulation, the Technologies and Information Society Services Regulation, the Regulation on Infrastructure Sharing and the Access to Networks and Interconnections Regulation.

The Government continues to seek partnerships with other countries and companies willing to invest in human and technological resources so that the sector can be self-sufficient and sustainable in the long term. The aim is to create an industry for the development of ICTs, which is only possible by empowering citizens with knowledge and skills, while extending access to ICTs.

Progress in ICT is one of the foundations for providing access to knowledge to the largest number of citizens and to enable Angolan society to achieve technological development in a prosperous way. The development of ICTs is a pressing need, since the sector acts as a positive externality for other economic sectors, allowing the development of the country and its society.

9.1. Market overview

According to the International Telecommunication Union (ITU), the development of the Angolan market resembles that of other African countries, with increasing development, particularly in the areas of mobile telephony and mobile phones. In 2009, 1.6 per cent of the population had fixed telephone lines, 44 per cent had mobile phones, 2.8 per cent had broadband mobile phones, 3.3 per cent were regular users of the Internet and 0.1 per cent had access to fixed broadband Internet.⁴² In the first half of 2014, the fixed telephony density rate was 1.1 per cent, the mobile phone density rate was 68 per cent, i.e. about 14 million people owned a mobile phone, and digital density rate was 15.8 per cent, i.e. about 3 million people.

The sector offers all new services based on information and communications technologies, including telephone (fixed and mobile), data/Internet and broadband. Given the convergence of technology and services, and as a result of great developments in ICTs, new multimedia services emerged in Angola, for example, the combination of at least one type of static medium (text, photos, graphics) with at least one type of dynamic medium (video, audio, animation).

The telephony market is dominated by Unitel, representing about 70 per cent of users. With respect to fixed-line telephones, the incumbent, Angola Telecom, dominates with almost 100 per cent of the market. Other fixed-line market players are MSTelcom, World Startel and Wezacom.

Although the industry is still highly regulated, the Ministry is willing to welcome foreign assistance in order to rebuild the country's communication infrastructure and networks. Between 2002 and 2008, \$750 million was invested in Angola's telecommunications network.⁴³ Donor assistance from China, France, Italy, Japan, Norway, the Republic of Korea and, most recently,

Luxembourg, contributed to the development of the telecommunications industry.

9.2. Regulatory and institutional framework

The telecommunications sector in Angola is under the tutelage and supervision of the Ministry of Communications and Information Technologies. The ministry is tasked with designing, implementing, coordinating and monitoring policies and strategies in telecommunications, information technologies, postal services, meteorology and geophysics, and participates actively in the implementation and achievement of the macroeconomic development indicators of the National Development Plan for 2013–2017. It recognizes that investments must be made in the recovery and development of telecommunications infrastructures, since, as a result of the civil war that devastated the country for more than three decades, the national network was completely destroyed. To ensure its recovery, the Electronic Communications Administration developed policies, strategies and programmes based on strong investments in infrastructure, particularly in the core network where financial, technical, technological and human resource dimensions are required for reconstruction and expansion. The Government decided in favour of policies encouraging partnership with the private sector, with the State retaining the task of building basic telecommunications networks and the responsibility to ensure universal access to telecommunications services throughout the country. The definition of policies, guidelines and strategies for the information technology sector is the responsibility of the sectoral body, i.e. the Ministry of Communications and Information Technology, while the electronic communications market is regulated by the Angola Institute of Communication (INACOM).

The Government has approved ICT policies, as per Presidential Order No. 71/11, approving the White Paper on Information and Communications Technologies. The Government has undertaken enormous efforts to ensure that the sector is at the same level as other countries in the region and takes a leading position in the coming years. After the first phase of implementation of the basic network, there is already full mobile coverage in all major cities and some municipalities throughout the country, and the fixed network spans all provincial capitals and

town councils. The fixed network is now all digitized, and mobile operators have already adopted 3G in provincial capitals and 4G in some provincial capitals.

The Action Plan has been successfully implemented, and investment in ICT infrastructure is one of the Government's priorities, in order to combat digital and social exclusion in the Angolan population.

With vast natural resources but little human capacity, the country is committed to achieve technological sovereignty and fulfil the objectives of the World Summit on the Information Society.

Among the various ongoing projects in the sector, the following are noteworthy:

- Optical Fibre National Project, with more than 12,000 km installed in the public sector alone, and about 10 km in the private sector;
- Restructuring of Angola Telecom, as the incumbent operator;
- Angola–Brazil Submarine Cable Project;
- Construction of a technology park in the district of Camama;
- Construction of Angosat, the first Angolan communications satellite;
- Migration of analogue TV to digital terrestrial TV with DVBT2 standard;
- Building of a nationwide media libraries network.

The relevant legislation for the sector includes:

- The Law on Delimitation of Economic Activities and Sectors, Law 5/02 (16 April 2002), which provides, with a number of reserve levels, the development of incentives for the private telecommunications sector, unlike the previous law where public services were reserved for the Government. The new law keeps the core network as an absolute reserve of the State and opens all other services to competition, including basic services, such as the extension of the basic network at local level;
- Law No. 22/11 of 17 June, Personal Data Protection Act, which lays down legal rules applicable to the processing of personal data for the purpose of ensuring respect for civil liberties and the rights and guarantees of individuals;

- Law No. 23/11 of 20 June, the Electronic Communications Act and Information Society Services, which defines general and specific principles, as well as the foundations of the discipline and legal regulation of electronic communications and information society services. It also establishes the implementation and development of Information Technologies and Communication (ICTs,) and information society in Angola, in addition to specifying the legal framework on the processing of personal data and the protection of privacy in electronic communications;
- Presidential Order No. 71/11 of 12 September approving the White Paper on Information and Communication Technologies, which establishes the policy and strategy for the ICTs sector in Angola 2010–2015;
- Presidential Order No. 202/11 of 22 July approving the Technology and Information Society Services Regulation, which determines the legal framework on information technologies and services of the information society;
- Presidential Order No. 225/11 of 15 August approving the Electronic Communications General Regulation, which establishes the legal regime applicable to networks and electronic communications services, frequencies and numbering and the universal service;
- Basic Law for Private Investment, Law 11/03 (13 May 2003), which provides the general basis for private investment to be implemented in Angola and defines the principles relevant to the regime and procedures for access to incentives and opportunities provided by the State;
- Law on Private Investment Tax Incentives and Taxes, Law 17/03 (25 July 2003), which governs the procedures for the granting of tax incentives and imposing taxes;
- Regulation of the price of public services in telecommunications, Decree 3/04 (9 January 2004), which provides a price system to be used by public operators in telecommunications, its agents and other intermediaries in the provision of telecommunications services, as well as the price to be set for these operators over public telecommunications networks;
- General Regulation on Connections, Decree 13/04 (13 March 2004), which provides for a

system that governs connections to the public telecommunications networks in a competitive and open market environment to enable interoperation of telecommunications services for public use;

- National Regulation on Frequencies, Decree 10/03 (7 March 2003), which assigns frequency band licences for telecommunications operators.

In the regional context (Southern and Central Africa), Angola is seeking to continue to contribute to the realization of the New Partnership for Africa's Development (NEPAD) Project on ICT infrastructures in the SADC region, to ensure interconnectivity between the countries of the region, as well as their access to large global information channels, including the SAT3 and WACS submarine cable systems.

9.3. Strengths, weaknesses, opportunities and threats in the telecommunications services sector

<p>Strengths</p> <ul style="list-style-type: none"> • Strong and continued economic growth over the last 12 years • Vast natural resources yet to be exploited 	<p>Weaknesses</p> <ul style="list-style-type: none"> • The quality of services is still not the best, and the prices of the basic basket of telecommunications services still takes more than 17 per cent of the household income • Broadband penetration is still below 10 per cent, the average value in Africa • Weak structure and irregularity in the supply of electricity, which requires the use of alternative power sources, further burdening the services • Facilities and equipment need insurance • Low availability of qualified human resources with the capacity to ensure proper uses and management of complex systems that support ICT services
<p>Threats</p> <ul style="list-style-type: none"> • Strong linkages with other sectors • Expansion of mobile coverage up to the level of all municipalities • New regulation of the sector in line with the ITU and SADC, especially public-private partnerships, consortia and infrastructure-sharing regulation • Synergy exchange (e.g. public works, transport, energy) that can facilitate the realization of set objectives 	<p>Opportunities</p> <ul style="list-style-type: none"> • Delays in the improvement of the electricity supply network • Low level of digital literacy in most of the adult population • Low production of local content • Low supply of broadband and high prices

10. Transport sector

Most of the infrastructure in Angola was established during the colonial period and is largely confined to ports, the preferred entry and exit points for raw materials. Given the key infrastructural role of the transport sector, Angola has sought to modernize and build this sector.

An additional consideration is the early and crucial role that Angola can play in transport within Southern Africa through the provision of rail, bus, port and airport services to facilitate imports and exports in a wide subregion of landlocked countries and to integrate into other corridors (table 12).

10.1. Market overview

Angola maritime transport accounts for over 95 per cent of the country's international trade. The most used means of transport are ocean-going and coastal vessels. In 2012, Angola registered a significant increase in the number of containers handled, equivalent to 343,751 containers, 107,421 of which were 40-foot containers, 210,446 20-foot containers and 25,884 refrigerating containers.

Despite being the area that less directly suffered the effects of civil war, shipping in general deteriorated gradually due to lack of maintenance and equipment. The most relevant issues regarding the public

Table 12. Regional traffic network

Country	Airports	Railways (km)	Roads (km)	Waterways (km)	Ports	Pipelines (km)
Angola	29	2,522	51,429	1,300	7	0

Source: National study on Angola conducted by UNCTAD as part of a regional study of SADC.

management of the ports are updating bureaucratic procedures, recovering infrastructure and obtaining sophisticated port equipment.

Since 2009 this situation reversed, as precautionary measures were taken to reduce the length of stay of ships off the coast of Luanda and the length of stay of containerized cargoes, which were sent to the second-line terminals, and a major renovation, expansion and modernization programme of the main ports (Luanda, Lobito, Namibe and Soyo) was launched.

The port of Luanda became notorious because of long delays caused by shipowners themselves, some unfair competition between dealers and importers' lack of storage infrastructure, which made the Port of Luanda the warehouse for their loads. A study was prepared to establish the causes of the delays, the results of which were satisfactory, and the delays were reduced from three months to 15 days. The operation of Angola's main ports is licensed to several operators including Sogester, Unicargas, Multiparques, Maersk Group, NDS, Sonils and 5M.

The same procedure is being applied to the ports of Namibe, Lobito and Porto Amboim. Studies in this sector foresee the construction of three ports: the new port of Barra do Dande, the new deep-water port of Cabinda and Porto Amboim.

Sogester is investing in port infrastructures to significantly improve loading, unloading, custom clearance and cargo movement efficiencies.

Regional cooperation in this area aims, *inter alia*, to develop and implement harmonized international and regional policies for high seas inland waterways.

Studies were prepared on the signalling of the navigability of the Zaire River between the mouth and the city of Nóqui, in order to avoid losses of ships, human lives and goods, and to allow mariners to take short and safe routes. Studies were also prepared on maritime and river cabotage in the northern region of Angola (Zaire), comprising five terminals (Cabinda, Spell Stone, Nóqui, Soyo and Nzeto) with ferries, allowing a road-river-maritime and rail-river connection of containerized cargoes between Cabinda and elsewhere in the country without them leaving the truck or wagon in which they are carried.

The port of Lobito is part of the Lobito Corridor infrastructure, which was renovated to meet the

requirements of domestic and international markets in the inflow and outflow of goods, as well as the outflow of ore from landlocked countries (the Democratic Republic of Congo and Zambia).

The port of Lobito was renovated, expanded and modernized with the construction of a dry port, container and ore terminals, and equipped with high-technology loading and unloading port equipment, to increase its effectiveness and efficiency, financed by the Exim Bank of China.

The national road network was severely affected for several years during the civil war, which left it inaccessible and in a perishable state. It is currently undergoing a large renovation programme that aims not only to return it to its previous capacity but also to build new roads. Approximately 73,000 kilometres of roads cover Angola, 24,000 kilometres of which are the main network. Outside of the capital, Luanda, few roads escaped the destruction of the war. Between 2008 and 2009, 5,600 kilometres of roads were renovated. In 2007 the Government announced ambitious plans to improve the country's road network. Efforts to clear about 7 million mines delayed progress.

Road infrastructure is not part of the transport sector, rather it provides public and private operators with means of passenger transportation.

The role of road transport in the country's development process has proven to be extremely important since the three existing corridors, Luanda, Benguela and Namibe, helped connect regions of great economic potential to the seaports. Although Angola does not have a railway network as the railways are not interlinked, their passing through the Angolan hinterland and connection with the three major ports facilitated important trade activities.

There are 29 airports in Angola, 27 of which are operational after extensive renovation, expansion and modernization of the main airports in the country (airports of Luanda, Cabinda, Mbanza Congo, Soyo, Malanje, Benguela, Catumbela, Menongue, Cuito Cuanavale, Namibe, Uige, Lubango, Luena, N'Dalatambo, Saurimo, Dundo, Huambo and Luau).

The 4 de Fevereiro International Airport in the centre of Luanda is the airport with most traffic and serves international airlines including Air Namibia, Air France, British Airways, Emirates Arabic, Arik Air, Brussels Airlines, Ethiopia Airlines, Iberia, KLM, LAM-Airlines of

Mozambique, Lufthansa, Royal Air Maroc, SONAIR – Operation Houstons Express, South African Airways and TAP. Recently, Kenya Airways introduced flights to Angola, and Delta Airlines will launch for the first time direct flights between the United States and Luanda.

The Angolan State is procuring funding for the construction of a new international airport in Luanda. This will be the largest airport in Africa, capable of hosting civil aircrafts such as the Boeing 747 and the Airbus 380. It will have a maximum capacity of 15 million passengers a year, 10 million of which will be international passengers and 5 million, domestic passengers. Its projected cargo volume will be 50 thousand tons/year. The main terminal will consist of three corridors with three boarding areas: the northern area for domestic passengers, and the central and southern area for international passengers. It will have 31 gates (20 international, 11 domestic and 5 remote gates), and two traffic areas: the 3,800 metre-long north runway and the 4,000 metre-long south runway. It will have two parking lots: the main parking lot for passengers, with 43 parking spots, and the VIP parking lot, with 27 parking spots. The terminal will have an exclusive area equipped with an air navigation support system.

The 4 de Fevereiro International Airport has also benefited from renovation, extension and modernization, including of the domestic terminal in order to increase its capacity.

TAAG, the Angolan airline, is the national air carrier. TAAG has domestic and international flights. It flies to the 18 provinces of Angola, as well as to Europe, Asia, South America and other parts of Africa.

Air transport in Angola is undergoing significant developments in line with the general development process of the country as part of the Air Transport Development Plan, which is geared to meet the overall needs and expectations of the national economy and consumers. Until 1992, air transport functioned as the only means of transportation between cities and the landlocked regions. Since then there has been a rapid development in private aviation, but there is an urgent need to certify operators and their respective crew within International Civil Aviation Organization (ICAO) standards through the implementation of computerized systems for aeronautical personnel licensing and testing and a national registration system of aeronautical personnel.

10.2. Regulatory and institutional framework

The passenger and goods road transport sector and the goods transport services sector have been liberalized.

According to table 13, railway services are provided by public companies, namely Caminho-de-Ferro de Luanda (CFL), Caminho-de-Ferro de Benguela (CFB) and Caminho-de-Ferro de Moçâmedes (CFM), all of which are owned by the State. The railway sector is open to private, domestic and foreign investment through concessions.

Since 1992, a vast railway renovation programme was initiated in Angola, which had its peak in 2009, to facilitate the movement of goods and people across the country. Three existing railways were renovated (CFL: 82,795 km, CFB: 1,344 km and CFM: 854,450 km) with funding from the Exim Bank of China.

There are five logistics platforms ready for implementation: Lombe in Malange, Soyo in Zaire, Luau in Moxico, Kabalah in Huambo, Menongue in Cuando Cubango and Lubango in Huila.

Except for the logistics platforms of Huambo, Soyo and Lubango, all are located at the terminals of the main Angolan corridors.

Several actions are being developed in this field, such as:

- A study on the expansion and development of the national rail network (internal and international connections), which aims to connect the three existing lines (CFL, CFB and CFM) and to connect with neighbouring countries (Democratic Republic of Congo, Namibia and Zambia);
- A supplementary study is being prepared on the transport master plan, which includes a study of the CFB-Zambia connection, to be prepared by ADB;
- The construction of railway branches for large industries, mining complexes or power plants to be recovered or started along the existing or new railways;
- Preparation of an executive priority project on the connection of three railway lines with each other,

with the aim of creating a single national railway company (Angoferro).

In the regional context, there are two initiatives to connect Angola's network to the main regional corridors in Southern and Central Africa. The first consists of harmonizing transport policies, regulations and tariff mechanisms between SADC and the Economic Community of Central African States (ECCAS); the second, of connecting the national railway line with regional networks as part of a transport strategy.

Train service is regulated by the National Institute of Angolan Railways (INCFA).

According to legislation, the regular air transport of domestic passengers and operation of airport services

are relatively reserved for the Government. Therefore, these services can only be provided by private companies or entities through concession contracts.

The airport activity is regulated by the National Institute of Civil Aviation (INAVIC).

The administration of ports is absolutely reserved for the State; however, the following maritime services were liberalized: terminal management, maritime acquisition, forwarding, bulky load operation, ship operation, port navigation, towing, coastal navigation and long distance shipping.

The port activity is regulated by the Maritime and River Institute of Angola.

Table 13. Type and location of platforms and their territorial classification

	Type	Location of platforms	Territorial classification
To be created			
I	Intermodal Logistics Platform	First level	National
			Ports
			Regional
		Second level	Regional
		Third level	Regional
		Cabinda, Lucapa and Luau	Cross-border
II	Logistical activities zone (ZAL)	Luanda (two platforms), Benguela (one platform), Huambo (1 platform)	Urban
III	Intermodal industrial pole (IIP)	Soyo, Luanda (in the Metropolitan Area and in the axis defined by the 'Luanda–NPD–NPL' vortexes), Lobito and Huambo	National
IV			Ports
	Dry dock (PS)	Soyo (two dry docks), Luanda (three dry docks, one already associated to the NPL and the other the current dry dock of Viana), Lobito (two dry docks), Namibe (one dry dock)	Regional
		Huambo (one dry dock), Lubango (one dry dock)	Regional
V	Air cargo centre (CCA)	Luanda (two centres, one already associated with NPL), Catumbela (one centre), Huambo (one centre), Lubango (one centre)	Airports
Existing			
VI	Dry docks (PS)		
Under construction			
VII	Logistical platforms	Lomba, Luau, Menongue, Lubango	
VIII	Dry docks	Soyo	

Source: Government of Angola.

F. MATURING FUTURE SERVICES SECTORS

1. Agriculture services

In line with the Government's plans to reinvigorate the agricultural sector, agriculture-specific services that Angola may seek to consider include financial services such as farm or crop insurance; agricultural banks; loans; microcredit; technical testing services such as pest control; fertilizer spreading; transport-related agriculture services such as road, maritime and air transport of livestock and farm produce; ecological or farm-related tourism, including hotels and restaurants or tourist guide services; and professional services such as accounting, taxation or legal services.

2. Mining-related services

Angola is a key global diamond exploration area. While exploration is increasing, less than 50 per cent of Angola's diamond fields are being explored. The diamond industry in Angola is under the management of the State-owned company, Endiama, the fifth-largest diamond producer in the world. Foreign companies are encouraged to work in partnership with Endiama. Endiama is working in partnership with numerous diamond companies from around the world, including: Alrosa, Trans Hex, Namdeb, De Beers, Lazare Kaplin International and Odebrecht. The State-run diamond company Endiama is resuming its pre-crisis investments and is reactivating the suspended fields.

The move to diversify Angola's mining base away from diamonds is under way. Copper mining, Angola's second largest mining output after diamonds prior to 1963, will soon resume in the Mavoio region in the northern province of Uíge. Monthly production of 20,000 tons of pure copper is expected. In September 2010, State-owned Ferrangol committed to investing \$1 billion over four years to develop the Cassinga project in the southern Huila province, an area rich in iron ore, manganese and gold deposits.

All exploration and production contracts must be approved by the Council of Ministers and the Ministry of Geology and Mines. In 2004, the Government of Angola also established the Diamond Security Corporation to counteract illicit and informal diamond

trading in Angola. Illicit trade in diamonds continues through cross-border smuggling operations with the Democratic Republic of Congo.

Given that the mining sector in Angola holds so much potential, the exploration of services related to mining should be further deepened. This could include geological and geochemical exploration, geo-scientific data gathering and management related to the location, exploration and extraction of mineral deposits.

G. NATIONAL EFFORTS AND POLICIES TO SUPPORT ANGOLAN SMALL AND MEDIUM-SIZED ENTERPRISES IN THE SERVICES SECTORS

Despite their small individual size, taken together, SMEs in Angola's export-oriented services sectors could provide a major engine of employment and growth.

Empirical evidence indicates that SME clusters are fundamental to the success of SMEs in most economic sectors in countries throughout the world. A cluster is defined as a sectoral and geographical concentration of enterprises that benefit from common external economies such as shared suppliers of technological inputs, shared pools of workers with sector-specific skills, and similar demands for tourism, ITES and software services products designed to meet the needs of sectoral firms. Clusters not only allow for sharing of upstream inputs, but also of downstream buyers and agents who build and sell packages of goods and services to distant markets and who provide information on trends, clients and demand in foreign markets.

Although SME clusters are traditionally viewed as a mechanism that benefits industrial producers of goods, the potential of developing clusters to enhance competitiveness and facilitate the growth of SME service providers warrants further exploration. Angolan SMEs can capture a wide range of economic benefits by cooperating with other co-located SMEs active in the same and closely related sectors. Rather than viewing their peers as competitors, in clusters SMEs

are encouraged to collaborate with their peers as partners in many shared business functions to jointly reduce costs, improve efficiency, attract investment and access new markets.

There are many ways in which clusters can help member SMEs achieve these objectives, including by facilitating joint purchases of goods and technologies, by sharing administrative and marketing operations, and by forming consortia to attract both domestic and foreign investment. Clusters also allow SMEs to greatly enhance their export capacities by encouraging collaboration between firms in responding to large foreign orders that would otherwise exceed the capacity of any one member.

Inter-firm cooperation to facilitate technology transfer may be of particular interest to firms in Angola's tourism and software services sectors. It can be focused not only on reducing costs for capital equipment that can be shared collectively among firms, but also on increasing the potential to attract financing needed for firm growth and acquisition. The combined assets, cash flow and liability of two or more firms greatly reduce the risk of defaults on borrowed capital and correspondingly enhance attractiveness for loans. In addition, closely cooperating competitive firms that form an export consortium often attract the interest of large international enterprises seeking to invest in new service industries in developing country markets with high returns on investment, thus providing SMEs with the potential to attract foreign direct investment (FDI). It is difficult for an individual SME to attract FDI; however, clusters of competitive SMEs often succeed in attracting FDI.

Developing country SME clusters that have been successful in attracting foreign investment are those that benefit from a comprehensive programme of financial reforms, including privatization of dynamic sectors, floating currencies, tax-and duty-free industrial zones, sectoral trade liberalization and a substantial lowering of limitations to the free flow of cross-border capital. In Angola, transparent regulations and policies, and accessible information on national institutions, should attract the interest of prospective investors in the private sector. Taking into account limitations on foreign ownership set out in Angola's schedule of the (WTO) General Agreement on Trade in Services commitments (GATS), FDI can take place either through the direct entry of

foreign firms through multinational joint ventures with domestic firms or foreign equity participation in existing domestic firms. In either case, the investing firm or consortium retains significant control of, and earns dividends on, its investments. Recipients benefit from foreign investment in sectoral infrastructure and facilities, and from long-term technical cooperation.

Cooperation among Angolan SMEs in service sector clusters can provide many of the above economic benefits. Inter-firm cooperation could also allow Angolan firms to learn from each other through mutual exchanges of sector-specific information and trends relating to business techniques, financing and foreign markets, thus supporting collective learning curves that are significantly faster than those achievable by individual firms. However, although many of the benefits of clustering appear self-evident when viewed from outside, from the perspective of an SME considering its participation in a cluster there is often considerable reluctance to actively engage in cooperative approaches to its business. Negative perceptions include the potential loss of trade secrets, resourceful employees and captive clients to other cluster members. Perception barriers may need to be overcome through national sectoral dialogue.

National dialogue should also examine what scope exists for the Government of Angola to further advance an enabling environment for cluster development through supportive policies and incentives, streamlining of administrative regulations and by serving as a cluster facilitator. For example, the Government of Angola may seek to direct FDI to cluster SMEs in specific services sectors through a number of policy instruments, such as sector-specific investment guarantees, tax rebates, grants and subsidies.

National dialogue in Angola should aim to increase awareness of private sector decision-makers and Government policymakers of opportunities to enhance SME competitiveness by participating more fully in, and actively supporting, cluster development, respectively. Participation in sectoral SME clusters should also be of interest to academic managers seeking to enhance coordination between the private sector and technical schools and universities in order to enhance human capacity and technology transfer in national service industries. In their development of improved loan and credit instruments, financial institutions may also

identify difficulties faced by SMEs in meeting capital requirements for start-up and technology acquisition, in order to develop tailored financial instruments to respond to market needs.

H. NATIONAL TRADE POLICIES FOR THE EXPANSION OF KEY SERVICES SECTORS

1. WTO General Agreement on Services Trade

Since their entry into force in 1995, the Uruguay Round Agreements have facilitated an increase in trade and investment for service sectors in many countries that undertook specific GATS commitments. These commitments were part of the first round of GATS negotiations – an integral part of the Uruguay Round – which commenced in 1986. Upon joining WTO, Angola assumed a limited number of specific commitments under GATS, including commitments to open its banking and money lending, hotels and restaurants, and recreational and sporting services.

1.1. GATS trade liberalization of services and Angola's GATS commitments

Angola joined WTO in 1995. As such it made commitments on trade in services at the multilateral level for the first time during the Uruguay Round. Angola's commitments under GATS remain sparse. It ranks 126th (out of 148) on the GATS Commitments Index.⁴⁴

Angola made no commitments in the horizontal section (affecting all the services included in its schedule of specific commitments) of its services schedule. As for sector- and subsector-specific commitments, Angola made commitments in only three areas: banking and money lending, hotels and restaurants, and recreational and sporting services. Angola committed to maintain no restrictions in Mode 1 or 3 for banking and other financial services and no limitations on national treatment. Banks and foreign financial institutions in Angola may operate as long as they abide by relevant national regulations, although at least half of the

personnel of subsidiaries, branch offices and agencies of foreign financial institutions must be Angolan citizens. Under Modes 1 and 2, residents may request loans abroad following authorization by NBA. In the area of money transfer services, branches of foreign institutions accountable for monetary transfer orders may maintain a commercial presence in Angola.

Angola has also made a commitment to maintain no restrictions in Modes 1, 2 and 3 on hotel and restaurant services. Mode 4 remains unbound except for measures affecting directors (restaurants only), senior managers and specialists with knowledge essential for the provision of the services. In recreational and sporting services, Angola has made a commitment to maintain no limitations in Modes 1, 2 and 4. The only qualification is that foreign individuals or corporate bodies must obey the laws on the purchase of land. No horizontal limitations were made by Angola.

The commitments made by Angola fell below the LDC average of commitments undertaken during the Uruguay Round of negotiations.⁴⁵

Given that Angola was still battling with the civil war, the novelty of GATS and the resulting degree of unpreparedness, including lack of experience in services negotiations as well as the lack of data, the country undertook limited commitments in its services sector during the Uruguay Round. However a key outcome of Angola's limited GATS commitments is that post-civil war, Angola has sufficient policy space to undertake and implement an optimal services strategy, with ample room for increasing its commitment to unilateral, regional or multilateral services liberalization as it deems necessary. Over a decade later, while a clear link between GATS services commitments and Angola's prosperity cannot be clearly ascertained, the GATS commitments may have served the purpose of locking in key national policy reforms needed to ensure the competitiveness of the sectors.

1.2. Doha Round of negotiations

The current round of market access negotiations under article XIX of the GATS, launched in 2000, aims to achieve progressively higher levels of liberalization of trade in services through the reduction or elimination of the adverse effects of measures on trade in services. These negotiations provide developing countries with an opportunity to achieve commercially meaningful

market access commitments in sectors and modes of interest to them, and a progressive opening market access consistent with their development situation. This includes the flexibility to open fewer sectors and liberalize fewer types of transactions (i.e. Modes 1–4). Key objectives for developing countries, including Angola, should be to not only maximize flows of service exports, but also to ensure developmental gains from increased trade in services to contribute to building a competitive services sector and maximization of overall development at the national level.

Accordingly, of the sectors where liberalization is currently possible under GATS, those selected for early liberalization should contribute to the sector-specific or economy-wide objectives set out in table 14.

Each of the candidate sectors for liberalization by Angola should be screened against the above benchmarks by stakeholders. This process also needs to be accompanied by the identification of potential regulatory barriers in major trading partners which may prevent greater outsourcing or delocalization of services of export interest to developing countries. Moreover, policies providing financial incentives, including Government-sponsored mechanisms providing start-up financing on attractive and easily accessible terms to firms in targeted sectors, could be designed and put in place to facilitate SME entry and growth.

As an LDC, Angola can, however, avail itself of GATS provisions which take into account the special situation of developing countries and LDCs such as GATS articles IV and XIX, which call for increasing participation of developing countries in world trade, including through liberalization of market access and in sectors/modes of export interest to developing countries.

In addition, paragraph 15 of the Negotiating Guidelines⁴⁶ calls for an evaluation of the implementation of article IV, to be followed by suggestions for additional means to achieve its goals. As such, preserving the right to regulate for the public interest (e.g. policy flexibility for development) and meaningful commitments in sectors/modes of interest to developing and least developed countries are key development benchmarks.

Development benchmarks can also be found in the Modalities for the Special Treatment for Least-Developed Country Members in the Negotiations on Trade in Services.⁴⁷ The main objectives of the text are to ensure that special priority is provided to LDCs in the implementation of paragraphs 1 and 2 of GATS article IV and that particular account be taken of the serious difficulty of LDCs in undertaking negotiated liberalization commitments in view of their special economic situation and their development, trade and financial needs. In the current round, members were therefore to develop appropriate mechanisms with a view to achieving full implementation of article IV:3 of the GATS and facilitating effective access of LDCs' services and service suppliers to foreign markets. In particular, members were to take measures, in accordance with their individual capacities, aimed at increasing the participation of LDCs in trade in services, including by (a) strengthening programmes to promote investment in LDCs, with a view to building their domestic services capacity and enhancing their efficiency and export competitiveness; (b) reinforcing export/import promotion programmes; (c) promoting the development of LDCs' infrastructure and services exports through training, technology transfer, enterprise level actions and schemes, intergovernmental cooperation programmes, and where feasible, financial resources; and (d) improving the access of LDCs' services and service suppliers

Table 14. Sectors for liberalization

Sector-specific objectives	Economy-wide objectives
<ol style="list-style-type: none"> 1. Strengthening of the sector itself by introducing competition, efficiency and transfer of technology 2. Locking in the process of domestic reform 3. Attracting FDI where no or only limited service capacity presently exists 4. Developing sectors in which the country has achieved considerable capacity and competitiveness 	<ol style="list-style-type: none"> 1. Strengthening other goods and services sectors (producer services) 2. Infrastructure building 3. Expansion of exports of goods and services

Source: UNCTAD.

to distribution channels and information networks, especially in sectors and modes of supply of interest to LDCs. The inadequate implementation of the modalities has been highlighted by LDC WTO member States at several meetings of the Committee on Trade and Services Special Session.

The Hong Kong Ministerial Declaration recalls many of these criteria, clearly flagging development-oriented objectives (e.g. the economic growth of all trading partners; the development of developing and LDC countries; and due respect for the right to regulate). Among the key development achievements of the Hong Kong meeting is the clear acknowledgement that LDCs are not expected to enter into any commitments. However, favourable language on objectives and certain flexibilities do not yet – per se – ensure pro-development outcomes. Discussions on an LDC waiver from MFN obligations in respect of preferential treatment benefiting LDC members are currently under way, focusing on the specific principles and characteristics of such a waiver. Negotiations on disciplines for domestic regulation (under GATS article VI:4) are currently being negotiated to ensure that qualification requirements, technical standards and licensing requirements do not constitute unnecessary barriers to trade in services. The main challenge remains in striking a balance between the need for national regulatory autonomy and international disciplines to eliminate unjustifiable market access barriers particularly for Mode 4.

LDC countries have indicated that Mode 4 represents for them one of the most important means of supplying services internationally. They therefore requested that other WTO members, to the extent possible and consistent with GATS article XIX, consider undertaking commitments to provide access in Mode 4, taking into account all categories of natural persons identified by LDCs in their group requests related to this mode of supply.

The Doha Work Programme has been progressing slowly because of a number of deadlocks in various negotiating areas. It has therefore become unlikely that agreement would be reached by the end of 2011 on the main trade areas, including services. It is nonetheless important that the Government of Angola consider the other options available for pursuing trade liberalization, i.e. autonomous liberalization, and bilateral, regional and interregional negotiations. Of

particular relevance are the ongoing SADC–European Union economic partnership agreement negotiations and the ongoing services work programme in the context of SADC regional integration.

2. SADC regional negotiations

Angola is pursuing regional integration efforts in the area of services under SADC. SADC countries affirmed their intention to liberalize trade in services at the time of the signing of its Trade Protocol in 1996. While work has progressed in various service sectors, including in relation to sectoral protocols and regional institutions (as in the case of tourism), SADC countries have not yet adopted and ratified a stand-alone protocol for the liberalization of services in the region.

A draft protocol has been negotiated that should serve as a basis for negotiations. The region has also identified six key services sectors (i.e. construction, communication, transport, energy-related, tourism and financial services) in which liberalization would begin before the liberalization process is then extended to substantially cover all sectors and modes of supplying services. The identified target has been for substantial liberalization of intraregional trade in services to be achieved no later than 2015.

For Angola, any trade-related policies and negotiating positions, and more particularly in the case of SADC regional integration, have to take into account possible services dynamics with South Africa and specific implications of any services negotiations to its energy and minerals sectors, especially in terms of services export benefits. The SADC negotiations could focus on producer services and infrastructure services, thus building on regional strengths. Other challenges facing SADC include making the Framework Agreement operational and preparing for the next phase of negotiations, both of which require substantial financial and human resources.

3. COMESA–EAC–SADC Tripartite Free Trade Agreements

Angola, as part of SADC, is also engaged in regional efforts to achieve a larger Common Market of Eastern and Southern Africa (COMESA), African Economic

Community (AEC) and SADC-wide tripartite FTA. The impetus for the creation of this tripartite FTA stems from the broader efforts at the level of the Organization of African Unity (OAU) to promote economic integration across the continent and the creation of the AEC. An important strategy in achieving this continental vision is the establishment of regional economic communities on a tariff-free, quota-free and exemption-free basis by combining the existing FTAs of COMESA, the East African Community (EAC) and SADC. Liberalization of certain priority service sectors are among the areas where intraregional trade is envisaged based on existing programmes in the three subregions.⁴⁸

Some analysts suggest that free trade in services would benefit the tripartite region as the different countries of the region have varying strengths and competitive edges in different service sectors. All three regions have recognized the importance of trade in services although they have not advanced at a similar pace in the actual liberalization of their service sectors. In SADC, the importance of services and the need to liberalize trade in services within SADC are recognized in article 23 of the SADC Trade Protocol. Discussions are under way at the Trade Negotiating Forum (TNF) for liberalizing trade in services under the framework of the SADC Protocol on Trade in Services, which is still to be signed and then ratified by member States.

In a meeting of the three trade blocs organized on 12 June 2011, a three-year time frame was announced for developing the Grand Free Trade Area. Liberalization would first focus on trade in goods and then turn to trade in services and intellectual property. Services liberalization is to be undertaken at a later stage, subject to completion of the regional processes.

The services chapter of the Draft Tripartite Agreements, as it currently stands, contains only five provisions. One provision is devoted to the establishment of a Tripartite Committee on Trade in Services. Draft negotiating guidelines (Annex 12 to the draft agreement) were also prepared. As in the three regional services negotiations, the annex provides that tripartite services liberalization would be undertaken on a progressive basis, with commitments initially undertaken in seven priority sectors, namely business, communication, transport, finance, tourism, energy and construction services. It has been suggested that it is still too early to determine the developments relating to trade in services at the tripartite level as these will depend on

progress in the regional negotiations. Moreover, the question remains as to how much further countries will commit themselves to liberalize once they complete the regional processes and the economic partnership agreement and GATS negotiations.⁴⁹

While developments within the tripartite context are not an immediate concern for Angola, they are likely to be an area of consideration in the future, necessitating the need to establish a firm national service strategy.

4. Sequencing and coordination of commitments under various trade agreements

The Government of Angola is faced with the difficult challenge of having to decide what pacing and sequencing of trade policy reforms it should adopt, what best practices in the area of services sector development and services trade it needs to espouse and what level of policy space and complementary policies would be optimal for generating sustained economic growth, poverty reduction and development in the country. The Government will need to identify how coherence can be advanced between trade and trade liberalization policies and other Government policies, including social safety nets and pro-poor policies; and financial, monetary, technological and labour market policies in pursuing sustainable development. It will also need to determine the optimal and balanced approach to trade liberalization, including at the regional, interregional and multilateral levels in order to increase the country's involvement in international services trade and ensure coherent and beneficial development outcomes.

In seeking to do so, it is important to begin with a review of the national economic, regulatory, institutional and trade policy environment affecting Angola's services sector and its competitiveness. The experiences of neighbouring and other African countries as well as LDCs in other regions are a useful learning ground.

It is also crucial that the Government of Angola put in place the necessary processes and procedures for services-related policymaking and trade negotiations. In this context the existing negotiating infrastructure within the Angolan Ministry of Trade and Commerce

will need to be revisited to consider how policymaking is undertaken, to ensure multi-stakeholder and interministerial consultation and cooperation, and to understand how services data in the Angolan economy is captured. The Government must continue to engage the private sector in these processes, as it is important for the private sector to be involved in further developing the services economy and engaging in services trade. A major challenge in this regard will be to increase awareness and understanding of trade in services and opportunities (both domestic and for export) among local firms.

In terms of approaches to trade negotiations, intra-SADC services liberalization should ideally run ahead of or in parallel with liberalization with the European Union, building on the basis of unilateral reforms already conducted or in the pipeline. This is critical, otherwise the regional agenda runs the risk of being overtaken by events and becoming irrelevant. Timely intraregional services liberalization would enable SADC countries to have coordinated positions vis-à-vis third parties and gain clout at the multilateral level.

5. Way forward

Recognizing the interest from the Government of Angola and other national stakeholders in increasing the role for the private sector, and in some cases liberalizing, key services sectors, all must now agree on the best way forward to advance the liberalization process through the SADC, SADC–European Union and GATS negotiations. Whether, how and with whom Angola should pursue services liberalization remain crucial decisions that need to be taken carefully and on the basis of national economic, social and developmental objectives and circumstances.

Trade liberalization options are varied yet clear, encompassing multilateral, interregional, regional, bilateral and autonomous options. National stakeholders must examine which options, or combinations thereof, have the greatest potential to meet agreed objectives. Each option has its advantages and disadvantages, some of which are briefly outlined below:

- Opening services sectors to a global market through multilateral liberalization under the GATS may provide the greatest opportunities for investment and employment, but will limit opportunities for ownership and control, and potentially introduce significant competitive shocks, which, if they occur too abruptly and/or in the absence of adequate flanking policies, may negatively impact national SMEs and consumers. Moreover, GATS liberalization will expose Angolan firms to considerable foreign competition, particularly from developed country firms, and it is legally binding and very difficult to reverse. Pursuit of multilateral liberalization should thus include carefully designed restrictions on market access and national treatment that include performance requirements and economic needs tests where necessary to ensure development gains;
- Interregional and bilateral options may be difficult to manage administratively and may not provide sufficient levels of competition among foreign entrants;
- In the absence of a complementary multilateral agreement, bilateral, regional and interregional agreements may reduce the number and diversity of potential market entrants;
- Regional liberalization has the advantage of being among more similar economies; however, opportunities for foreign investment from regional markets would be more limited than under multilateral liberalization. At the same time, options for Angola within SADC exist in the absence of a fully finalized and ratified services trade agreement, and advancing with the process towards ratification may take a significant amount of time;
- Hybrid solutions should be considered. Regional liberalization could complement liberalization at the multilateral level and provide a number of export opportunities. Liberalization at the regional level could also serve as a stepping stone towards liberalization at the multilateral level, whereby, after generating regional supply capacity and trade in certain services sectors, particularly sensitive sectors, service suppliers from Angola would possess a strengthened ability to venture into global markets;
- Autonomous liberalization could be realized quickly through national reforms and laws, but national stakeholders may resist such moves, and autonomous (reversible) reforms would not send a strong signal to foreign investors that Angola's

liberalization commitments are firm, and for all practical purposes, irreversible and permanent. Without sufficient confidence, foreign investors may be less willing to make investments in liberalized sectors.

Which liberalization option(s) is (are) best for Angola? Does the best way forward depend on the sector in question? What practical considerations must be assessed: timing, sequencing and administrative burden? Any assessment of how to best liberalize a services sector must be considered in relation to the aims of the liberalization process. For each sector wherein liberalization is being considered, several important questions need to be answered:

- Is Angola seeking to enhance export opportunities or improve prospects for inward investment?
- Is Angola seeking to attract investment from regional players from other developing countries, international players from developed countries, or both?
- Is Angola seeking to encourage players from selected countries (i.e. from South Africa or of the European Union) to enter its market as investors, or rather a much larger and varied mixture of players that would enter the market under more competitive conditions?
- What opportunities for regional cooperation are provided by SADC?
- How important is it for Angola to demonstrate that it will not backtrack on its market opening commitments? What experiences have been learned in this regard from autonomous liberalization?
- What sequencing of market opening is desirable based on future expectations for a given sector, both in Angola and in the SADC region more generally?

These questions should be considered in relation to the set of shared aims defining the country's stance in developing each of the candidate sectors (tourism, financial services and professional services):

- To encourage growth in the sector by providing incentives for new services providers to enter targeted sectors of the market alongside public sector players in public–private partnerships;

- To attract investment from top international players from both developing and developed countries;
- To encourage the most competitive players from a large varied mixture of players to enter the market;
- To demonstrate that market opening commitments are firm and permanent to encourage investment;
- While opening national markets first to encourage inflows of investment, to subsequently expand services activities, including through outward investments in regional markets, as a regional services hub;
- A need to move quickly for the following reasons: (a) to ensure these sectors open fast enough to generate national employment opportunities lost in declining sectors (e.g. agriculture); and (b) to secure an early mover advantage in these sectors (relative to other countries in the region) in order to establish Angola as a regional hub for each of these emerging sectors.

I. RECOMMENDATIONS FOR NATIONAL CONSULTATIONS

National dialogue and consultations on how to proceed in developing the service sectors need to be undertaken in Angola. Additional dialogue and consultations are also needed to meet negotiating objectives and strategies for the current round of GATS, economic partnership agreement and SADC negotiations. All relevant stakeholders from the Government, parastatals, the private sector, labour groups, civil society and academia should work together to elaborate a national master plan for the development of the service sectors. In national stakeholder consultations to develop a master plan, stakeholders should seek to cooperatively address the following questions (an illustrative list only):

- Is there too much, or not enough, GATS opening in the tourism, financial and professional services sectors, and in other autonomously liberalized sectors? Will Angola's (new/current) GATS offer reflect these perspectives?
- When the tourism, financial and professional medical services markets were opened up through the GATS, were their regulatory frameworks sufficiently robust?

- Are regulatory frameworks sufficient in autonomously liberalized services sectors?
 - To what extent was additional regulation needed, and how quickly was it developed and implemented?
 - Should binding openings be made in other sectors such as the tourism, financial and professional medical services sectors?
 - What are the development advantages and disadvantages of further liberalizing the tourism, financial and professional medical services sectors?
 - What are the outstanding development concerns associated with liberalizing the tourism, financial and professional medical services sectors?
 - What positive linkages with trade in goods are anticipated?
 - What limitations on market access and national treatment, horizontally and by sector and subsector, can be devised to maximize development gains from the service sectors?
 - Are current regulatory frameworks for the tourism, financial and professional medical services sectors sufficiently developed and robust for these sectors to now be opened up through GATS and other frameworks (economic partnership agreement, SADC and SACU negotiations)?
 - What positive and negative interactions exist between liberalized services sectors?
 - What concessions do stakeholders desire from Angola's trading partners?
 - What sectoral liberalization requests should Angola make, and to which countries?
- In responding to these questions, stakeholders should be better placed to decide the best approaches – whether autonomous, bilateral, regional, interregional or multilateral – to liberalize the tourism, financial and professional medical services sectors.
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IV

TRADE POLICY FRAMEWORK



A. OVERVIEW

Trade policies can only meet their desired objectives when they are implemented within a broader framework of sustainable macroeconomic and development policies and an enabling environment that engenders economic growth, and trade growth and expansion. It is in this context, that a strengths, weaknesses, opportunities and threats (SWOT) analysis has been used to understand the main challenges confronting Angola's economic and trade sector and the Government's stated objective of expanding the productive base of the economy, and harnessing gains through trade growth and expansion to meet the MDGs. This chapter contains policy recommendations that ensue from this analysis.

B. STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS

Strengths

- Angola has abundant natural resources, including large reserves of oil, huge potential as a producer of LNG and fertile land;
- It has considerable agricultural, fisheries and manufacturing potential;
- The Government's vision is to expand the productive base of the economy into agriculture, fisheries, and manufacturing;
- A number of new and revised laws redefine its trade and investment framework, such as the new Customs Code, and legislation that adopts the provisions of the WTO Agreement on Customs Valuation. Some new sectoral policies and strategies have also been formulated, albeit in a fragmented and not comprehensive manner.

Weaknesses

- An unfriendly business environment, including long delays in processing approvals, high cost of doing business and relatively high corruption levels;
- Angola has structural weaknesses in the economy, especially in fundamentals such as infrastructure,

skilled and trained human resources, low agricultural productivity and diversification, that could derail efforts to spur economic growth and trade expansion. The lack of access to finance and underdeveloped infrastructure are severe constraints to business in the country. Angola has higher costs to export than both the low income average and the sub-Saharan average.⁵⁰

- Overdependence on oil exports and lack of access to key international production and distribution chains and networks;
- The lack of economic opportunities in the rural sectors limits its fuller integration into the economy.

Opportunities

- Fertile soils and a favourable climate present an attractive opportunity for investment in agriculture;
- The Government's firm commitment to address corruption in the form of zero tolerance is a positive signal to make the country a more attractive investment destination for both domestic and foreign investments;
- The ongoing renovation and upgrading of infrastructure destroyed in the long civil war should boost long-term economic and trade growth. Likewise, enabling greater access to electricity supply would spur economic and trade growth and expansion;
- The availability of a wide range of fiscal and tax incentives for both domestic and foreign investors that are not only limited to the oil and diamond sectors to encourage diversification of the economy and trade;
- Preferential treatment in the markets of many industrialized countries under GSP, including the European Union EBA Initiative, and the United States AGOA. Angola also participates in a number of trade agreements and is a member of SADC and COMESA;
- South-South cooperation presents new financial, technical and technological opportunities that could be converted into expanded investment and technological support for the development of supply and productive base, export value addition and diversification.

Threats

- Large areas of agricultural land need to be demarcated to make it available for agricultural and economic development;
- Dutch disease: Having to restart its non-oil economy after the long civil war in an environment of real exchange rate appreciation presents challenges to policymakers in their efforts to expand the productive base of the economy into a broader range of goods and services. This threat is also applicable to new start-up businesses;
- The constant threats arising from global oil price volatility impact negatively on export revenues from its dominant product;
- Global environmental threats, including climate change, that could affect agricultural production and prices and food security;
- Increasing threat of NTMs, especially technical standards and SPS being used as NTBs against the country's exports, including those standards set by the private sector;
- Disease, hunger and other social problems are having a negative impact on the economy.

The analysis in chapters I, II and III and the scanning of Angola's internal and external environments through SWOT, reveals that structural weaknesses in its supply and productive capacities constitute the main challenge confronting Angola in effectively participating in international trade in goods and services, especially entry into the global manufacturing value chain and networks where it would be able to diversify and add value to its exports and move away from primary commodity dependence. Chapter I confirms Angola's export dependence on oil and marginal performance and neglect of the non-oil sector where structural change, economic transformation and real productivity in terms of value addition and diversification should be made, and jobs created and poverty reduced.

Hence, in order for the Angolan economy to benefit more fully from trade and investment opportunities, the Government should intensify its efforts at creating an enabling environment for all stakeholders. This would include ensuring macroeconomic stability, strengthening institutional and regulatory frameworks, intensifying the development of human resources, enhancing technology, renovating dilapidated

infrastructure and investing in new efficient infrastructure, such as highways, roads, ports, airports and increasing access to electricity. A quantum leap into the twenty-first century in transforming the economy and in catching up with its neighbours, for example, South Africa, is necessary. This effort can be bolstered through investment in ICT, particularly in broadband technology. This would also be a natural development of the efforts already instituted in opening up the telecommunications sector to competition from private investors.

The enabling environment would be capable of supporting and facilitating the diversification of the production base and export mix, export competitiveness, and expanded and quality exports through greater investments, both domestic and foreign. It can also cushion the economy from future economic shocks that often beset Angola as an almost single commodity producer. The economic crisis in 2008 resulted in declining exports and lower export earnings of \$30 billion between 2008 and 2009, compared with \$70 billion, and this perniciously affected the overall balance of payments and GDP. A resilient Angolan economy rooted in strong fundamentals and supported by equally strong trade policy and institutional and regulatory frameworks is likely to withstand future threats and promote inclusive development.

To elaborate and implement a sound trade policy, Angola would need to ensure that this is done within the context of a broader national development strategy, including internationally agreed development goals such as MDGs with an emphasis on human and institutional development and poverty reduction. Trade policy must embrace inclusiveness and national consensus involving all relevant stakeholders, including the private sector, women, the vulnerable and poor, rural and urban traders, non-State actors and the public. This will ensure national ownership.

In this context, it is recommended that the new trade policy and attendant policies, including investment opportunities, be packaged and branded as part of what could be termed "Angola's Economic Transformation Agenda". It is further recommended that this new trade policy be implemented as part of a vision aimed at helping the country graduate from its LDC status as defined by the United Nations within a specific time period.

The current buoyant performance of the oil sector in trade and its positive impact on the economy may not be sustainable in the longer term due to various external threats, including climate change. The ongoing debate in international circles on the possible

negative environmental effects of hydrocarbon fuels, coupled with increasing efforts by importing countries to shift their energy mix to cleaner fuels, underscores the need for Angola to broaden its production and export mix.

Angola and its graduation to developing country status

The analysis indicates that, in the short term (two to three years), the country does not stand to lose too much, given that it will still have access to the EBA initiative of the European Union during the three-year transition period allowed for graduating LDCs, just like all other special and differential treatment (S&D) and developmental provisions. Beyond this, while the United States AGOA will still be available in terms of market access, Angola will lose one key developmental provision – the ability to use subsidies contingent upon export performance for industrial development – a useful policy measure as Angola actively embarks on its programme to diversify its productive economy, including through value addition, which is available to all LDCs and to developing countries (which are below the threshold of gross national product (GNP) per capita \$1,000 per annum). Further, the flexibilities available to all LDCs in the implementation of the TRIPS Agreement will not be available to the country, which could have both negative and positive effects on the economy: negative in the sense of a possible immediate increase in the price of pharmaceuticals and other educational materials that will be subject to the enforcement of copyright laws, and positive in the sense of providing a greater degree of certainty to all investors that the country has an IPR regime in place, a boost in attracting FDI and domestic direct investments. All other S&D and developmental provisions in the GATT and WTO agreements that are available to developing countries will be equally accessible to Angola. On balance, in the longer term, the country could still become more competitive – with a diversified economy, with the right mix of trade policy measures and other complementary measures – many of which are referenced in this trade policy framework.

Source: UNCTAD.

C. TRADE POLICY VISION AND OBJECTIVES

Vision

To establish a market-driven, development-led, sustainable trade policy capable of catalysing expanded economic growth, reducing poverty and attaining improved living standards for all Angolans.

Policy objective

To transform the economy, build sustainable, inclusive development and economic resilience, attain competitiveness and reduce poverty particularly in rural areas by enhancing the contribution of all sectors of the economy, in particular that of the non-oil sectors through export-led activities, greater investments, domestic value added activities and services exports. This transformation shall be led by the private sector.

1. Selected sectors and subsectors with potential for further development

Subject to further investigations and studies, including formulating sectoral plans (such as a national agricultural policy/industrial master plan), the following sectors and subsectors, all of which can be supported by GATT and WTO consistent trade measures and instruments, such as incentives and other developmental provisions, are recommended for further development.⁵¹

Petrochemicals, polymers and other related industries

Angola possesses vast oil reserves, estimated at 13 billion barrels. Production rose from 172,000 barrels a day in 1975 to 1.9 million barrels a day in 2010,

making Angola sub-Saharan Africa's biggest producer after Nigeria.

The country should leverage this tremendous advantage and move up the value chain into petrochemicals, polymers and other related industries, which are spillover industries from the oil and gas sector. In doing so, Angola could use the lower domestic prices of oil and gas as its comparative advantage to develop these industries. It could also implement an efficient duty drawback system that would enable the remission or drawback of import charges on energy, oils and fuels that are consumed in the production process of exported goods; the use of export taxes/duties to ensure greater supplies of domestically produced raw materials are available for downstream processing; and the use of incentives that are contingent upon export performance which – as an LDC – are allowed for in the WTO Agreement on Subsidies and Countervailing Measures.

Small and medium-sized enterprises

Small and medium-sized enterprises (SMEs) form the backbone of the manufacturing sector in many countries. In some countries, they contribute almost 90 per cent of the industrial output.

SMEs could be a vehicle to achieve the Government of Angola's reindustrialization strategy, which inter alia, includes building the primary sector and labour-intensive industries, and redeveloping import-substituting industrial sectors in which the country previously had significant production capacity. Examples are: the drinks industry, textiles and clothing, dairy products, processed fish products, milling, vegetable oils and derivatives, rice-hulling, tyre and inner tube manufacture, construction materials, wood products and furniture, fertilizers and plastics. The reindustrialization strategy also calls for the promotion of industries producing exportable goods that may have present or potential comparative advantage such as oil derivatives, non-metallic minerals, wood and its products, textiles, sugar and its products, paper pulp, tobacco and processed tobacco, decorative and semi-precious stones, non-ferrous metals and vegetable oils.

Trade policy measures that are available to the Government to realize this strategy include: (i) raising the level of import tariffs on selected goods to their WTO

bound levels, without making any specific reference to any import substitution strategies; and (ii) using export taxes where appropriate to ensure greater supplies of domestically produced raw materials are available for downstream processing, and other measures elaborated in this trade policy framework.

2. Agriculture

Angola was a major agricultural producer and exporter prior to 1975. The war and the destruction of railways connecting the interior with coastal ports rapidly ended this privileged position.

Angola has almost 60 million hectares of arable land, just under half the entire land mass.⁵² The fertile tropical highlands and lowlands are capable of holding a variety of crops with high yield potential. With relatively low population density, huge swathes of potentially highly productive land lie dormant. Investing in the agriculture sector would serve the triple aim of tackling food insecurity which currently threatens 10–15 per cent of the population, reducing costly food imports and boosting employment.

While large areas of agricultural land need to be de-mined to make it available for agricultural and economic development, the legacy of the large numbers of displaced Angolans will need to be addressed and supported, to enable them to grow subsistence crops for their own use,⁵³ even while they, along with corporate entities, are encouraged to produce for export.

It is recommended that appropriate land reforms also be undertaken to encourage commercial farming, which can be attained through mini-estates and commercially viable holdings.

Angola's food import bill increased from \$735.7 million in 2001–2003 to \$2.5 billion in 2008–2010, an increase of 241 per cent increase in seven years.⁵⁴ As a net importer of food crops, it is vital for Angola to redevelop its agricultural sector and take steps towards self-sufficiency. According to the Maplecroft Food Security Risk Index 2010, Angola is still ranked seventh least secure in food supplies in the world. Furthermore, the majority of Angolans depend upon subsistence agriculture for their livelihoods and so investment could offer a great opportunity to lift the rural population/rural communities out of poverty.

The diversification of the Angolan agricultural sector could be undertaken in two stages. First, agricultural production should return to baseline levels taking into account pre-conflict production levels, the relative contribution of agriculture to the economy and the current rural population, with the aim of reducing dependence on imported food and food aid. Second, export possibilities would have to be assessed according to achievable comparative advantages that could be developed for the SADC and COMESA regional markets and other markets.

Coffee, tea, fruits, fruit juice and vegetables

It is easy and practical for Angola to improve the production and exports of *Robusta Amboim* coffee with its distinctive blending qualities, as well as to start growing tea and expanding exports of fruits, fruit juice and vegetables. Reconstruction and resilience of the export sectors can be achieved, inter alia, through productivity increases by using advanced planting materials and state-of-the-art processing technologies.

The Government's increased support to boost these sectors in which many poor people are involved can help especially poor rural people to be self-sufficient and earn income from exports and reduce poverty. Agricultural production and exports are a Government priority. Nevertheless, the Government would have to provide adequate support to improve human skills, infrastructure and supply capacities in order to comply with international standards in regional, South–South and international trade.

In the European Union, through EBA, tariffs on Angola's exports of coffee have been eliminated, but NTMs, especially technical standards and SPS, have the potential to be used as NTBs against the country's exports. As consumers' demands for safe food increases, so does the demand for better product quality. For example, European Union importers subject coffee imports to strict SPS and TBT. UNCTAD finds that for SPS, ochratoxin for food safety reasons is 5.0 g/kg for roasted coffee beans and ground roasted coffee, and 10.0 g/kg for soluble coffee.⁵⁵ In terms of TBT measures, coffee exporters to the European Union must comply with product characteristics requirements such as labelling and packaging meant to protect human health.

At SADC level, where Angola could take advantage of the less stringent consumer demands, there are still TBT and SPS, although the main entry barriers are road levies, pre-shipment inspection charges and customs procedures and transport costs, all of which are being addressed but with little progress in implementation.

Angola's trade with South–South partners, especially China, India and South Africa, in these products could also face tariff and NTB challenges. For instance, the trade preferences granted to African LDCs by China and India like the Harmonized System (HS 0901), whose applied tariffs are 9.2 per cent in China and 100 per cent in India, exclude some coffee. In addition, tea, vegetables, fruits and fruit juice are subjected to high tariffs ranging between 9 per cent and 100 per cent. India, for example, applies 100 per cent duty on imports of tea, 31 per cent on vegetables, 34 per cent on fruits and 31 per cent on fruit juice, while China applies 18 per cent on fruits and 19 per cent on fruit juices.⁵⁶ So, if Angola were to export to these South–South trading partners, its products would face such market barriers. Currently, Angola does not export these products to these countries.

Therefore, at bilateral, regional and multilateral levels, these two important trade policy instruments (tariffs and NTBs) need to be vigorously negotiated by Angola to help it improve its trade policy. At the multilateral level, the Doha Round offers opportunities in the agricultural and non-agricultural market access negotiations. Similarly, SADC regional negotiations are another forum in which Angola should actively participate. Negotiations for market access should include improved rules of origin.

The production and exports of these products offer an opportunity for forward and backward linkages that would enable both upstream and downstream industries such as the seed industry, packing materials, labelling, processing and testing for standards in Angola to further develop and expand, thus creating employment opportunities.

China, in exchange for petroleum, could effectively commit itself to providing necessary machinery inputs, as well as skills for large-scale sustainable production and processing of coffee. The European Union, through its development funding in EPAs, could collaborate with China and Angola's private sector in

the same venture. China could also be persuaded to reduce the import tariff on Angolan coffee exports.

Maize

Most African countries in general, and in particular those in the SADC region, face food shortages. The SADC region has several chronic food deficit countries, all of which prefer maize as a staple source of calories and largely depend on maize as a staple food.⁵⁷ With its vast and fertile agricultural land, Angola could be an important producer and exporter of this commodity in the regional market, while also meeting its own domestic requirements, thus helping the country reduce its food imports. The Ministry of Agriculture has embarked on a programme to increase maize production in order to reverse the importation of seeds. This augurs well for this subsector, and ongoing efforts should be boosted to raise productivity and farm income.

The Abuja 2006 Food Security Summit called for Africa to promote and protect, among others crops, maize as a strategic commodity. Currently, South Africa is the main exporter of maize in SADC.

From a trade policy perspective, maize trade in the SADC region is saddled with many NTBs, which are largely in the form of trade facilitation constraints, such as unnecessary customs documentation and clearance, the use of discretionary customs valuation methodologies, burdensome technical and certification arrangements, unnecessary import and export licensing, transport delays and poor road networks.⁵⁸ All of these will have to be appropriately addressed, along with other infrastructural issues, including transport links with the SADC region.

Other products proposed by the Government include bananas, cassava, sugar cane and alcoholic beverages. All of these proposals would need to be further studied. However, some relevant statistics and information about world production and trade in these products are provided as follows:

Cassava

Over 800 million people worldwide depend on cassava as a regular source of energy. Per capital consumption in West Africa is more than 120kg per annum while that of the Central African Republic is more than 300kg

per annum. Nigeria alone produces over 10 million metric tons of cassava per annum. The main export markets in Europe, including France, Germany, the Netherlands and the United Kingdom, demand huge quantities of processed cassava products annually. Apart from livestock feeds, processed cassava serves as industrial raw material for the production of bakery product adhesives, dextrin, dextrose glucose, lactose and sucrose.⁵⁹

Bananas

World total exports of bananas accounted for 16.8 million tons and \$5.8 billion in 2006 in value terms. African bananas account for 11 per cent of bananas consumed in the European Union. According to FAO projections, exports will reach 15 million tons in 2010, rising by 28 per cent compared with 1998–2000. Countries with the highest growth are Ecuador and the Philippines, with annual rates greater than 3 per cent.⁶⁰ African bananas account for 11 per cent of bananas consumed in the European Union. Cameroon and Côte d'Ivoire are the main African exporters, with growth rates of 0.9 and 0.4 per cent respectively for 2010. The European Union is the main potential market for Angola given duty free market access.

Sugarcane

World sugar production for 2010 is estimated at 161,900 metric tons raw value. Brazil is, by far, the world's largest producer of sugarcane, accounting for 25 per cent of world production. Asian production, which includes India, China and Thailand, accounts for 38 per cent of world production. India is the world's second largest producer of sugarcane and China is the fourth largest. Africa exports sugar mainly to the European Union. Sudan, Ethiopia, the United Republic of Tanzania, Mozambique, Zambia, Malawi and Uganda account for 75 per cent of total sugar production for all LDCs. Sudan is the largest sugar-producing LDC, with the most rapid production growth year on year noted for Mozambique, at almost 30 per cent, and Ethiopia, Myanmar and the United Republic of Tanzania, at around 10 per cent for each country.⁶¹

Cotton

Angola produces and exports cotton but on a very small scale. Production and exports could be revamped by

upgrading machinery. More importantly, processing of cotton into value added products and niche products could facilitate increased export income from markets in developed countries, especially the United States, which offers trade preferences through the AGOA scheme.

Important trade policy actions by Angola concerning exports of cotton includes ensuring active participation in the Doha multilateral trade negotiations in agriculture to secure more opening through tariff reductions in both developed country and emerging economy markets tied with making rules of origin simpler and less cumbersome. Rules of origin in the United States make trade preferences difficult to utilize. Angola should also participate in the negotiations on cotton to eliminate agricultural export subsidies presently provided in several countries, such as the United States, the European Union and China. China excludes some cotton in its trade preferences for African LDCs. This issue could be raised with the Chinese authorities in the appropriate forum. Angola could also tap into the growing market for organic cotton and organically produced cotton products. However, this should be the subject of further investigations, including soil suitability.

Floriculture

The significant increase in the demand for flowers in the world market ensuing from changes in consumption patterns and the growing affluence of consumers – evidenced through the expansion of the middle and higher income categories of consumers – creates an expanding market for cut flowers, particularly for exotic varieties. The widespread use of air-freight transport, together with increases in the use of logistical practices such as cold-chain management, has allowed a shift in production to countries that enjoy competitive advantages in land, labour and climate. Angola, with its vast fertile land, could take advantage of this huge opportunity, provided that it fulfils the stringent phytosanitary and quality requirements of the increasingly discerning consumer and export markets.

Furthermore, Angola could benefit from aggressively pursuing floriculture diversification into specialized areas such as dried flowers, fragrance extraction, potted foliage or flowering plants, palms and ferns, as well as specialized plant types.

Market penetration through vigorous export promotion and participation in international trade fairs has to be an integral part of trade policy. Of equal importance is the need to ensure a sustainable supply chain that adheres to the concept of social compliance.⁶² Although much of the demand in major consuming countries is met through domestic production, commercial production has become a highly globalized trade.

Aggressive marketing efforts will also need to be mounted to capture lucrative markets with a special focus on markets in the Western hemisphere. Efficient market information dissemination systems and market research with a special emphasis on product specification and new market outlets are needed. Adequate cargo space and marketing facilities (cold rooms and fumigation services) will need to be provided.

Trade policy measures available to the Government include the use of subsidized air freight transport (commercially referred to as “specific commodity rates”), the use of agricultural export subsidies to reduce the costs of marketing exports of agricultural products for resource poor farmers as allowed for developing countries in article 9.4 of the WTO Agreement on Agriculture, and the use of input subsidies and other permissible agricultural measures.

Sawdust briquettes

The expanding market for sawdust briquettes (replacement of wood for fire) in regional and international markets allows Angolan rural households to tap into and benefit from this opportunity. Studies indicate that wood residues exceed 39 million dry tons per year in the United States. Since the summer of 2008, clean sawdust has been a high priced market, averaging \$50 or more and ranging from \$600 to \$1,200 per truckload of material.

There is also increasing demand for sawdust from the bio-energy sector as more consumers are incorporating pellet stoves and pellet-fuelled hot water boilers into their homes.⁶³ Sawdust, a waste product from processed wood, is often left to waste in many African countries. Therefore, processing briquettes for heat and power consumption locally and for export to regional markets could be a viable option for Angola, subject to feasibility studies on the economic viability of this proposal.

The growth and establishment of sawdust industries could have forward and backward linkages. It can be sourced from wood industries, and sold to livestock producers and household energy consumers.

According to UNCTAD data, in the United States and European Union, the import duty on wood and wooden products for LDCs is zero but there could be stringent protection related to quality of products. Therefore, Angola should actively participate in the multilateral and regional trade negotiations to ensure that NTBs on such products and others it may have an interest in exporting are removed.

The main cost of production for sawdust is the importation of machinery. Governmental assistance in the form of reducing import duties on machinery and negotiating at both regional and international levels to liberalize tariffs and address NTBs would be necessary.

Wood for the sawdust could be procured from sustainably managed plantation forests.

Livestock

Research suggests that African farms with both crops and livestock could be more resilient to climate change than farms that only grow crops.⁶⁴ Using its vast fertile agricultural land, including the savannah regions of the southwest of the country which provide rich grazing grounds for livestock, it is recommended that integrated farming, including using the feedlot system for cattle rearing, be introduced. Where appropriate, sheep, goats and other livestock can be introduced in oil palm and rubber plantations. Apart from being environmentally friendly, integrated farming will enhance the productivity of the farms and boost farmers' incomes. Agricultural extension services would equip farmers with good animal husbandry practices.

3. Accelerated development of agro-based industries

The growth and development of agro-based industries is vital in view of their potential to create off-farm jobs, broaden the industrial production base and expand the outlet for raw materials, adding value to such produce and the provision of overall stimulus to growth through further intersectoral integration. As the ability

to go further downstream is very much dependent upon access to technology, entrepreneurial and capital resources and markets, it is recommended that the development of this subsector be undertaken, including through joint ventures and technological link-ups with foreign partners, including those from the SADC region.

The food and beverage sector has been earmarked by the Government as a strategic sector for further development under the National Development Plan (2013–2017) and the Industrialization Programme of Angola.

New/additional higher value added employment and investment opportunities created through such integration will absorb displaced agricultural labour resulting from increased mechanization. Agro-based and downstream development, including related activities, will thus be an important source of rural household income, as well as reducing the exposure of income and agricultural export earnings to unstable world prices for primary commodities.

The further growth and expansion of downstream activities in manufacturing could be undertaken utilizing either wholly indigenous raw materials or in combination with imported raw materials and other inputs, producing higher value added products.

Trade policy measures available to the Government include the reduction of import tariffs/providing for import duty exemption for raw materials, inputs and machinery to be used further downstream and in higher value added activities/agro-based industries; the use of an efficient duty drawback system that would enable the remission or drawback of import charges on energy, oils and fuels which are consumed in the production process of exported goods; and the use of export taxes/duties to ensure greater supplies of domestically produced raw materials are available for downstream processing.

Additionally, it is also recommended that the import tariff regime be rationalized to provide lower import tariffs on inputs and raw materials and higher tariffs on intermediate and finished products.

4. Fisheries

Angola has considerable fisheries potential. As such, the fisheries industry, particularly deep sea fishing, could be further developed and expanded to support the growth of the agriculture sector and related industries. The industry could be highly commercialized through the exploitation of available resources on a sustainable basis. It could be adequately supported with modern fisheries infrastructure and a comprehensive human resources programme. Areas for further development are deep sea fishing and aquaculture. As the quality of fisheries products is of utmost importance and commands a premium in markets, particular attention will need to be given to the United States Food and Drug Administration Hazard Analysis and Critical Control Points (HACCP)⁶⁵ and European Commission standards for handling, processing, storing and transporting fish.

The potential for the development of backward and forward linkages could be exploited to establish an integrated fishing industry. Furthermore, downstream activities utilizing modern processing technologies in fish canning and production of processed fish could be further promoted to include tuna and aquaculture fisheries.

To sustain the level of fisheries output, fisheries management and conservation measures should be the main thrust of the industry's development. Traditional fishing boat operations in coastal fishing/inshore fishing, which is an important subsector in terms of socioeconomic livelihood, should be gradually phased out and replaced by a modern fishing fleet with efficient fishing gears.

The European Union, being the biggest market for fish imports as well as offering the most comprehensive trade preferences, offers a better opportunity for Angola to export its fish. Its dependence on the consumption of fish and fish products is rising. In 2009, it imported €15.5 billion worth of fish and fishery products.⁶⁶ The biggest challenge in the European Union market will be to address NTBs on fish. The Doha Round affords Angola the opportunity for greater market access in terms of tariff reduction/elimination, the removal of trade distortive fisheries subsidies in WTO Member countries, and the removal of NTBs in other WTO member countries as well as in South–South markets. Addressing NTBs at the multilateral level is important

for Angola because, even as tariffs are reduced or eliminated bilaterally or multilaterally, NTBs are more likely to remain the main trade policy tool for many countries. Agricultural and fishery products attract high incidences of NTBs: in developed countries (48.24 per cent); South Asia (15 per cent); Middle East and North Africa (58 per cent); Latin America and Caribbean (34 per cent); Europe and Central Asia (33 per cent); East Asia and the Pacific (24 per cent); sub-Saharan Africa (19 per cent); and QUAD⁶⁷ (44 per cent).⁶⁸

Trade policy measures available to the Government include those WTO-consistent measures that are allowed for the industrial sector, i.e. the provision of incentives that are contingent upon export performance, the introduction of an efficient duty drawback system, some of the measures enumerated for SMEs and agro-based industrial development.

5. Palm oil industry

Climatic conditions in Angola, particularly in the northern region, may be conducive to oil palm cultivation and support a viable oil palm industry in Angola. Subject to further feasibility studies on the establishment of this industry in terms of both upstream and downstream activities, oil palm cultivation would also benefit from the abundance of labour, while not forgoing the use of mechanized operations in some activities. The industry would also provide strong forward and backward linkages with the Angolan economy. If established, supply-side strategies will dominate policymaking and promotional efforts, which will include the production of palm oil from sustainable managed oil palm plantations, and reduction of costs and improvements in productivity and efficiency through the establishment of efficiently managed estates adopting modern production and management technology.

Ninety per cent of global production of palm oil comes from Indonesia, Malaysia and Thailand. Nigeria is the third-largest producer in the world. The Nigerian experience of palm oil development provides a clear example of how palm oil, as a result of its high yield and low product costs, is a highly effective means of alleviating poverty.⁶⁹

Palm oil accounts for 34 per cent of the world's annual production of vegetable oil and 63 per cent of global exports of vegetable oils. Palm oil is processed to produce edible fats (margarine), soaps and candles,

and is used in pharmacy and cosmetics and as an important raw material in oleo-chemistry. It is also an efficient source of biodiesel.

The expanding market for sustainable palm oil for use in the food industries and other industries, including biodiesel, provides an opportunity for Angola to penetrate and develop this market. In this respect, it is recommended that Angola exploit the market in Africa for palm oil for wider industrial use, and not merely limit itself to use in food industries.

Initially at least, the regional markets in SADC and COMESA and other African countries could serve as Angola's markets, while negotiations are undertaken with the European Union and China for the supply of biodiesel.

Trade policy measures available to the Government include the use of export taxes/duties –when appropriate – to ensure an adequate supply of crude palm oil in the country as the raw material for the refining industry and further downstream processing into industrial products.

6. Natural rubber industry

The climatic conditions in Angola may be conducive to support the cultivation of natural rubber and a nascent rubber industry in the country. However, this should be the subject of feasibility studies to determine the viability of this industry in Angola.

Efforts to expand the productive base of the economy and diversify exports could commence at the regional level. This should not, however, be at the expense of efforts at the multilateral level. In this respect, Angola's stated aim to address NTBs, including standards at the regional level, would be an appropriate policy option in its efforts to diversify its exports and penetrate both regional and international markets. Angola will also need to reduce its import tariffs on products of particular interest to other SADC members. The shorter geographical distance, provided that infrastructural constraints such as better transport links to the SADC region and other parts of Africa are overcome, in addition to greater familiarity with the region, make regional markets an obvious first step in the country's efforts to diversify its exports.

D. IMPLEMENTATION OF THE TRADE POLICY FRAMEWORK

Recognizing that trade and development are inextricably interlinked, trade and trade policies need to be streamlined and augmented with complementary policies for building competitive and diversified agricultural, industrial and services products. Implementation of the trade policy framework and its main objective will centre on a mix of three policy measures applicable to both regional trade and multilateral trade. These are:

- Improving and strengthening trade-related fundamentals, including macroeconomic framework, infrastructure, investment, human capital and social compliance;
- Expanded use of trade-related measures, including addressing NTBs, use of trade measures, and drawing benefits from the Doha multilateral trade negotiations;
- Improving institutional and human capacities, including private sector involvement in trade policy formulation and implementation, ensuring national consensus, participation in trade negotiations, and acquisition of trade data skills and accessibility to trade information.

E. IMPROVING AND STRENGTHENING TRADE-RELATED FUNDAMENTALS

The following are the major components of the necessary fundamentals:

1. Macroeconomic improvement

Macroeconomic measures should include budgetary policies that boost public expenditure on infrastructure as a basis for expanding productive capacities. In its letter of intent to IMF dated 10 January 2011, the Government commits itself to "raising public capital spending to address deep-rooted infrastructure requirements". UNCTAD continues to argue that macroeconomic policies should support development

of supply and productive capacities for trade development.

Some policy measures that could contribute to macroeconomic stability are listed below:

- Raising domestic revenue. A development-oriented policy towards tax revenue is to postpone tariff reductions until the revenue base is expanded. For Angola as an LDC, this opportunity has been offered in the WTO Doha trade negotiations in which LDCs are exempted from making reduction commitments. Therefore, the Government should take advantage to improve its revenue by improving tax administration and policy;
- Reforming the entire tax system to expand the tax base, including personal income tax and to increase tax revenues;
- Ensuring that the Government's partnership with donors directs a large part of ODA to public expenditure on trade-related productive infrastructure-building to help Angola modernize its domestic infrastructure for trade development. In addition, it is essential to ensure better use of concessional funds by identifying trade-related projects, especially in rural areas, that can have an impact on the livelihood of people and ensure effective administration;
- Creating a special fund from oil revenues specifically to contribute towards building supply and productive capacity for trade development and mainstream them into the National Plan. In 2006, UNCTAD published a report entitled "Boosting Africa's Growth through Re-injecting Surplus Oil Revenue", which is relevant for countries such as Angola and can provide an important measure to implement this trade policy framework;
- Improving access to banks and other finance for the private sector, especially SMEs which normally have huge barriers to acquisition of external financing;
- Ensuring that the focus continues to be on reducing the cost of doing business by addressing corruption, reducing licensing fees, removing regulatory obstacles, simplifying rules and procedures, promoting transparency and accountability in the Government's delivery system and establishing a civil service that would underpin these efforts.⁷⁰ Enforcing the provisions of the

WTO Agreement on Customs Valuation would also lend weight to these efforts.

2. Infrastructure development

Developed and quality infrastructure is intrinsically linked to productivity. Angola's infrastructure was weakened by the long war, leading to higher costs of doing business. Therefore, it is important to urgently address infrastructural constraints, particularly transportation bottlenecks within the country, at exit and entry points, and at regional levels. Access to electricity supply must also be improved. All this should be mainstreamed into the National Strategy Plan. Infrastructure must relate to trade development in order for it to stimulate expanded trade and movement into international global production chains and networks where export value addition and diversification is possible. Often infrastructure development is mentioned in the plan but is not specific or related to trade development.

Targeting both hard and soft infrastructure will be crucial. The following actions could be considered:

- Building reliable hard infrastructure services that can be used to support a robust supply and productive sector; expanding production networks by attracting investment, including foreign direct investment (FDI) in targeted export sectors of value added products with a focus on manufacturing and services exports; connecting rural and urban traders; reducing the cost of transport and logistics, especially giving priority to renovating existing links (national and regional rural feeder roads, ports and air); facilitating transborder trade, diversification and structural change; improving manufacturing, rural power supply and distribution, water supply and sanitation; investing in ICT networks, particularly in broadband technology,⁷¹ telecommunications and irrigation; improving access to water and sanitation, reliable energy, data and analysis, and agricultural productivity;
- Complementing investment in trade infrastructure at the national level with that at the regional level, including modernizing transport links between Angola and its neighbours. Regional integration could assume a far greater role with the diversification of the economy and export mix,

and the subsequent development of the regional market. Quality infrastructure-driven regional integration should drive trade liberalization;

- Building a strong soft trade infrastructure, including improved institutional and regulatory frameworks, coherent policies that promote transparency and predictability of the trade and business environment, and customs procedures to facilitate trade development and expansion. Soft infrastructure also requires creating a symbiotic relationship between the public and private sector/traders and other economic operators, and trust, transparency, integrity, information dissemination and regular consultations with the business sector;
- Angola has a very weak ICT infrastructure, which is a disincentive for investors and a serious constraint on expanded production, trade diversification and exports, including services trade. As part of the national budget, there should be more investment in the development of ICT infrastructure and broadband technology, including increasing the telephone density (the number of fixed and mobile phone lines per 100 people) and infrastructure maintenance through private–public partnerships. A strong ICT infrastructure is essential to improve trade competitiveness in the regional and international economy;
- The creation of free zones/export-processing zones/re-examination of the current investment priority zones. Presently, there are three priority zones that may benefit from selected tax concessions.⁷² However, it is unclear as to the rationale for the differing types of incentives available, the benefits of locating in all three zones and whether they are indeed comprehensive. A further examination of these elements is necessary to determine whether any change is to be recommended.

3. Investment

In addition to those already identified by the Government, the following could constitute important investment policy measures to enhance the development of productive capacities and move into international production value chains for exports through both domestic and foreign direct investments:

- Reviewing and redefining the minimum levels of private investment to qualify for investment incentives. The current threshold for private

domestic and foreign investments to qualify for tax and customs incentives is \$1 million, as established in the new Private Investment Law, approved by the Parliament in April 2011. This new threshold effectively acts as a disincentive for investors below this threshold, which translates into investors in SMEs. Given the crucial role of SMEs in industrial development, including in providing backward and forward linkages to the economy, it is pertinent that the threshold of \$1 million be reviewed downwards to accommodate SMEs;

- Establishing a single window/one-stop agency that could be accessed by all investors to obtain investment approval, investment licences and related regulatory approvals, visas and work permits. This agency could also be Angola's investment promotion authority;
- Fine-tuning investment incentives so they are more targeted to promoted activities. Agricultural activities and agribusiness should be given incentives taking into account the more specific nature of agriculture and agribusiness;
- Efficient information networks should be established to provide accurate and up-to-date information on investment opportunities, available incentives, criteria for approvals of investment applications, technological and market potential, national laws and regulations, availability of labour and potential partners. Lack of such information acts as a deterrent to FDI as well as in forging joint ventures with domestic investors;
- Technology policy should aim at the indigenous development and adaptation of technology and transfers of technology among African countries themselves, while seeking to improve the terms of transfer from TNCs. Appropriate infrastructural facilities are necessary to facilitate promotion of investments and technology transfer;
- To encourage greater domestic direct investment (DDI) and to ensure that such investments are not crowded out by FDI, it is proposed that a soft target be established in the country's development plans. While FDI will continue to be encouraged and welcomed, greater DDI will cushion the negative effects of declining FDI, especially in times of global economic crisis. Greater DDI will also have positive spillover effects on the economy. Initially, this target can be set at a higher level for FDIs, and

subsequently lowered when domestic investors have greater capacity;

- Using targeted investment, especially FDI for specific export sectors. Lessons from countries like Viet Nam, which in the past 20 years has transformed its economy largely through this strategy, could be important for Angola. In this regard, it is further recommended that as part of Angola's economic transformation agenda, viable investment opportunities are identified, along with the potential capital that would be injected into the economy and new employment opportunities to be created. This should become a key marketing and selling point for investment opportunities in the country, and should be regularly updated, including for Angolan trade and investment missions.

4. Use of science and technology

Use of science and technology could include:

- Enhancing scientific and technological innovation for economic structural change and transformation. In 2008, UNCTAD in partnership with Angola, published the *Science, Technology and Innovation Policy Review of Angola*, which provides a package of policy steps, including sector-specific and cross-cutting measures to create an environment conducive to innovation and growth. It emphasizes strengthening human capital, technological learning, adaptation and diffusion, including of environmentally sound technologies, and recognition of the contribution of cultural and creative industries. Implementation of these policy measures should be an integral part of trade policy so that science and technology benefit Angolans;
- Establishing an Angola technological development corporation to assist new high technology firms with nascent technologies to secure financing, as these firms may not fulfil the lending requirements of conventional banks. Venture capitalism and other forms of financing could feature more importantly for the economic development of the country;
- Enforcing the provisions of the WTO Agreement on Trade Related Intellectual Property Rights (TRIPS), which would provide legal assurance to all stakeholders in the investment and trading community, both domestic and foreign, that

Angola is a place where they could invest under legal guarantees. This would provide the impetus for local research and development (R&D) and innovation. The greater use of intellectual property rights (IPRs), such as trademarks; geographical indications; copyrights; and patents, including petty patents or utility patents, should be encouraged, and the full disclosure principle (for patent registration) embodied in the appropriate IPR legislations. The use of petty patents would enable the owners of small inventions, such as those resulting from adaptations, to benefit from their inventions and innovations.

5. Promotion of sustainable agriculture and agro-based development

The following policy measures could complement those already being outlined by the Government:

- Aside from those potential growth areas already identified by the Government, it is recommended that a feasibility study to identify new growth areas, along with detailed sectoral and commodity-specific strategies, be prepared for the agricultural sector with adequate budgets;
- Structural transformation of the agricultural sector using increased public and externally sourced investment (including ODA and FDI), improved sustainable agricultural infrastructure (such as farm roads and collection centres for small producers), expanded farm productivity and human and institutional capacity-building, all of which are needed to address long-term food security, including improving the supply and productive capacities for trade in value added products;
- Lowering import tariffs/providing for import duty exemption for raw materials and inputs to be used for downstream and higher value added activities/agro-based industries.

6. Upgrading traditional agriculture/commodity sectors

- By raising productivity and competitiveness, through reduction in production and transaction costs, improvements in quality and compliance with standards, producers would be able to live

with lower prices, and/or to obtain higher prices through quality premiums and specialty market shares. The provision of efficient agricultural extension and advisory services, including access to agricultural credit, inputs and other agricultural general services, market information, market intelligence and infrastructural services, would be essential for this purpose. As provided for in the WTO Agreement on Agriculture, resource-poor farmers should also have access to the use of agricultural export subsidies to reduce the costs of marketing exports of agricultural products;⁷³

- Re-establishing Angola's role as a major food producer in the region is important. Angola has a potential comparative advantage in producing surplus food, particularly maize, which is the preferred food of most countries in the region.⁷⁴ It also has a potential comparative advantage in coffee, rice, potatoes and in agro-processing.

7. Diversifying into non-traditional commodities

- Diversifying horizontally into non-traditional commodities or into non-commodity activities and local livelihood products can help to reduce or eliminate economic vulnerability due to dependence on a few primary commodity exports. Introducing the Japanese approach of the One Village One Product Regional Development Programme would assist in these efforts. Under this approach, communities selectively produce goods with high added value. One village produces one competitive and staple product as a business to gain sales revenue to improve the standard of living for the residents of that village;
- Integrating sustainable agriculture into trade policy is paramount. Given that products of organic agriculture command a niche market and premium prices, which is indicative of future trends in world commodity markets, a study should be conducted on the current state of organic agriculture and its potential in Angola. Adoption of sustainable agriculture will also encourage greater reliance on less carbon-intensive farming methods, as well as reducing soil and water degradation and greenhouse gas emissions. Realizing potential benefits to sustainable agriculture will entail designing and implementing programmes for exporters and investments in R&D;⁷⁵

- Providing access to agricultural credit and financing for infrastructure development, R&D and value added agricultural and fisheries activities, such as agro-processing and fish processing, is highly recommended. In this regard, if appropriate, the functions of the Angola Development Bank could be expanded to include these portfolios, or an Agricultural Bank be established for this purpose;
- The Government could promote intensified agricultural R&D through public sector funding, as well as through collaborative public-private initiatives, including the establishment of national and regional agricultural research institutes for technology adaptation and development. To encourage more private sector involvement in such activities, appropriate fiscal and tax incentives could be provided;
- Encouraging the processing of agricultural commodities into agro-based products for greater domestic value addition can contribute to structural change. Vertical diversification would allow addition of more value before export and thus retain more income in the local economy. Building forward and backward linkages with the agricultural and industrial sectors would boost both sectors, generate employment and have a multiplier effect on the economy. Joint ventures between Angola and other countries for value adding activities, especially within SADC, should also be encouraged. In this regard, the use of export taxes and export duties to promote value addition activities should be explored;
- Other trade measures that could be used to promote and develop the agricultural and agro-based sectors include lowering tariffs/providing for import duty exemption for imports of machinery (e.g. farm machinery) and inputs (seeds, fertilizers). The feasibility of establishing an efficient duty drawback system should be studied, as this would enable the remission or drawback of import charges on energy, oils and fuels that are consumed in the production process of exported goods.

8. Promoting and expanding the industrial and manufacturing base

Promoting and expanding the industrial and manufacturing base of Angola is crucial in efforts to diversify the economy and develop the non-oil sector.

The following recommendations could be considered:

- A feasibility study could be undertaken to identify potential growth subsectors in the industrial and manufacturing sectors, along with detailed sectoral strategies for their growth. One such growth area would be industries related to the oil and gas sector, such as petrochemicals and polymers, for which Angola has a comparative advantage;
- Fine-tuning investment incentives that would be targeted to the promoted activities. In this context, the use of subsidies contingent upon export performance in the manufacturing sector, which is allowed for by WTO provisions for all LDCs and developing countries with a per capita GNP of less than \$1,000 per annum, is an option;
- The feasibility of establishing an efficient duty drawback system should also be studied for the industrial and manufacturing sectors, as this would enable the remission or drawback of import charges on energy, oils and fuels which are consumed in the production process of exported goods;
- Contract manufacturing entails linking up SMEs with manufacturers that are located both domestically and internationally to produce parts and accessories to be supplied to them according to pre-established product specifications. Participation in such schemes would enable SMEs to eventually become suppliers of such parts and accessories to other manufacturers, including those located overseas;
- At the regional level, participation in regional projects through infrastructure development, science and technology, production learning, human resource development and partnerships with more advanced neighbours such as Mauritius and South Africa would be a boost for regional integration and for upgrading the industrial export base. Regional projects can be in the form of industrial collaboration agreements with more advanced neighbours, licensing agreements, engineering and technical services, training personnel and the provision of R&D services.

9. Upgrading human capital

Employment opportunities in the oil and gas sectors, including in downstream activities, can only benefit Angolan nationals if they acquire appropriate skills and technology. The acute lack of skilled human resources has brought into sharper focus and greater urgency the need for human resource development. To upgrade human capital, the following recommendations could be considered:

- Production-sharing agreements for the exploration of oil and gas should include provisions for technology-based skills training, professional training and educational scholarships, and for the employment of these trained nationals in the sector;
- Similarly, intensive human resources training and capacity-building programmes should be implemented for other promoted activities through public-private sector initiatives, for instance, through institutions established by the Government in collaboration with the International Chamber of Commerce/with major foreign investors. Creating conditions for transformation from primary commodity to value added exports of manufactured goods and services will require human capital development;
- In addition, promoting learning through incentives at the enterprise level is essential. Human skills development, especially the development of technical skills among women and girls, leads to higher labour productivity, which is necessary for sustainable development.

10. Establishing an effective competition and consumer policy

A functioning domestic competition law would augment the Government's liberalization by ensuring that public sector monopolies are not replaced by private sector monopolies and other anticompetitive practices. As a recommendation, Angola should consider establishing national competition law legislation and a national competition authority and fostering implementation of both. This should include putting in place training and advocacy programmes to commence the operations of the competition authority.

11. Adherence to social compliance

Adherence to social compliance⁷⁶ will be essential in the near future and will become one of the key requirements for local producers in order to boost their competitiveness and overcome global competition. Local producers should therefore be required to comply with globally accepted rules and face the requirements on all stakeholders in the global market to fulfil various regulations, such as those relating to best practices and social compliance. Such businesses could go on to gain more benefits such as extending their market.

12. Expanded use of trade-related measures

The proposed comprehensive trade policy should be augmented with complementary policies. This includes the expanded use of trade-related measures to expand the productive base and address supply side constraints. Some of them are the following:

Addressing non-tariff barriers

With the gradual lowering of tariffs in the multilateral trading system, Angola will have to be mindful that NTMs, especially technical standards and SPS, could be used as NTBs against the country's exports. This could include standards set by the private sector. Addressing these measures is essential and should include:

- Improving product and process standards to meet international standards. This could be achieved by investing more funds in building trade infrastructure, especially through regional infrastructure partnerships, including accreditation laboratories and human technical skills upgrading. The Aid for Trade fund at WTO could be accessed for this purpose;
- Participating actively in the meetings of international standard-setting bodies such as the Codex Alimentarius and the International Plant Protection Convention, and the WTO Committees on SPS and TBT, where, inter alia, the issue of standards set by the private sector is being addressed;
- Overcoming internal constraints that have contributed to limiting the extent to which the commodity sector and other sectors can serve

as an engine of growth. This includes addressing supply-side constraints, in particular inadequate trade-related infrastructure, human capital and lack of technological innovation, which have reduced opportunities for vertical diversification and value addition. Active participation in regional integration initiatives to address NTBs, such as unfriendly customs procedures, delays in export and import clearance registration of property, port and traffic jam congestion, is equally important.⁷⁷

Use of trade measures

The following trade instruments could be used:

- Exempting/lowering tariffs for selected capital goods and inputs used in producing value added goods for export markets;
- Using import tariffs as a tool to develop fledgling industries and sectors that have potential comparative and competitive advantages. Raising import tariffs on selected goods to their WTO-bound levels⁷⁸ would be an appropriate trade policy measure in these efforts, without making any specific reference to any import substitution strategies;
- Using export tax, which is not prohibited by WTO rules, still remains an important trade policy instrument for diversification and should be continued by the country as an option in agriculture and commodity development. A separate feasibility study should, however, be conducted to examine the economy-wide impact of such a measure;
- Reviewing the policy environment directly affecting trade, which includes measures such as import-licensing procedures, existing tariff structure, other duties and charges, and costs for services rendered by customs and other border and regulatory authorities.

Drawing benefits from trade negotiations

The following are the main recommendations regarding trade negotiations:

- Trade negotiations in the context of the WTO Doha Round, in particular on duty-free and quota-free market access in goods, market access in services, movement of natural persons, and ensuring a trade facilitation agreement that benefits the

country in terms of, inter alia, improved transport infrastructure as well as customs facilities and procedures, are important for Angola. The country should ensure that it acquires the capacity to implement and benefit from the agreements;

- Ensuring that the multilateral trading system, especially WTO negotiations, address market access obstacles in agriculture, including export subsidies and domestic support in developed countries;
- They should also provide enough policy space for Angola to address supply and production capacity-building. Angola should support a final agricultural agreement that ensures policy space to address threats of import surge. Addressing NTBs in WTO is important for Angola, especially in agriculture, because of the country's limited supply and productive capacity to address technical standards and private standards, and because incidents of NTBs in agriculture are higher than in manufacturing products;
- For long-term sustainable development, Angola also needs to focus on regional trade negotiations with the objective of developing its regional market to increase demand for its exports, in particular non-traditional and value added manufactured goods and services.

F. ECONOMIC PARTNERSHIP AGREEMENT NEGOTIATIONS BETWEEN SADC AND THE EUROPEAN UNION

The negotiations on the economic partnership agreement between the SADC–economic partnership agreement and the European Union took place under the Cotonou Agreement, signed in June 2000 in Cotonou, Benin.

The Cotonou Agreement replaced the Yaoundé (1964–1975) and Lomé I–IV (1975–2000) Conventions based on non-reciprocal preferences for ACP countries and began a new phase of trade cooperation between the ACP and the European Union.

The negotiations on EPAs between the European Union and the ACP began in Brussels on September

27, 2002, and through a reciprocal framework were intended to contribute to a trade scheme that promotes sustainable development, economic growth and the integration of the ACP countries in the global economy in order to eradicate poverty.

The first phase of these negotiations took place at every level of the ACP–EC Group.

The negotiations have entered their second phase with each region of the ACP Group, the so-called regional settings.

In general, the negotiation process on the economic partnership agreement between the SADC–economic partnership agreement and the European Union, despite being in the notification phase of the Interim Economic Partnership Agreement (IEPA) with WTO, did not show the progress that the parties expected upon its release in July 2004.

Angola is of the view that during the negotiations, the EC reoriented the economic partnership agreement for purposes contrary to those initially defined. If, as regards the economic partnership agreement Trade Agenda, the ACP countries should open their markets on a reciprocal basis, in accordance with article XXIV of the GATT, with all its consequences for the development agenda, the ACP countries found that what was offered to them was well short of their expectations.

Angola did not initial or sign any economic partnership agreement, even the interim one, so it will not be compromised in the event of its notification to WTO.

In its trade relations with the European Union, Angola as an LDC benefits from special and differential treatment, free of tariffs and quotas DFQF, with non-reciprocal preferential access under the European Union GSP, EBA. In the meantime, Angola's World Food Programme will continue to benefit from such non-reciprocal trade preferences, contrary to risks and uncertainties that could result from signing an economic partnership agreement.

With the signing of the IEPA by Botswana, Lesotho, Swaziland and Mozambique in June 2009, which was aimed at protecting their trade preferences, taking into account the WTO waiver for the trade provisions of the Cotonou Agreement, which expired in December

2007, this troubled process went into its second phase with the negotiation of services and investment.

Angola, like other SADC–economic partnership agreement countries that have not signed the IEPA, had been following this second phase of the negotiations.

Importantly, this second phase continued to be characterized, from the point of view of Angola and the region, by two important moments that appear to be decisive for its capacity to bring benefits to the region.

The first has to do with the European Union meeting the concerns of Angola, Namibia and South Africa, known as the ANSA group, in relation to the interim economic partnership agreement regarding rules of origin, MFN clauses, bilateral safeguards and the free movement of goods.

The ANSA group expected to see these concerns addressed with the completion of the first phase of the negotiations. However, this did not happen, and this process, in parallel with the negotiation of services and investment, continued during the second phase.

Importantly, the concerns of the ANSA group evolved into what are designated “outstanding negotiation issues”, as a result of the adherence by other SADC–economic partnership agreement member States and other consensus reached on the subject of negotiations; thus these issues are considered as concerns of the whole SADC–economic partnership agreement universe.

The second moment of importance for the country has to do with the fact that Angola, in addition to the above concerns, as an LDC and post-conflict country, is defending a development component in return for the heavy losses in customs revenues that would result from a possible liberalization of its market to products from the European Union. Therefore, Angola expressed its interest in continuing to negotiate within the SADC–economic partnership agreement Group with a view to signing the final economic partnership agreement, since the signing of the interim agreement would be to the detriment of their interests and not comply with national development policies and strategies.

The negotiations between the SADC–economic partnership agreement group countries and the European Union concluded with the signing of an agreement on 14 July 2014 by all parties involved in the negotiations, except Angola (in order to better defend its national interests). However, the signed agreement, in particular its article 111 on accession, contemplates that the parties agree that, if Angola requests the Joint Council to accede to the current agreement, negotiations shall be conducted on the terms of accession based on this agreement, taking into account the specific situation of Angola.

In fact, in the current stage of development of the Angolan economy, the signing of the economic partnership agreement would not bring any significant benefits to Angola and would imply assuming large costly obligations without any useful rewards.

The Government of Angola is implementing programmes aimed at the diversification of the national economy, with an emphasis on industrialization of the primary products it produces, thereby creating capacities for, in the long term, starting to export manufactured products (made in Angola) to the regional and global markets.

In so doing, the country could reduce the level of vulnerability of its economy, currently dependent on one product (oil) and little else.

The Angolan Government and the European Union in 2012 initialled a cooperation agreement titled “Joint Path”, which stabilized the framework for relations between the parties and raised the confidence of those investors who have the technology and know-how needed for Angola’s development.

1. Enhancing productive capacities under AGOA

As an LDC, the United States grants Angola duty-free access on most products. However, as can be observed in chapter I of this trade policy framework, exports to the United States largely comprise petroleum oils. There is a need for the United States to address NTBs, especially rules of origin for potential exports of Angolan value added products.

The country’s immediate focus in its bilateral cooperation with the United States could be to maximize ben-

efits from the proposed United States Bill H.R. 4101, which provides a stronger focus on trade capacity-building efforts in LDCs and African countries. This bill proposes to establish an office of trade and competitiveness for least developed and African countries.

This could potentially provide an important linkage with the trade preference programme and broader Aid for Trade initiatives, so as to build productive capacities in Angola. The proposed sectoral products in this trade policy framework could be used to develop specific projects for funding from the United States. Collaboration between the private sector, especially SMEs from the United States and Angola, could be strengthened with specific objectives and time frames. Otherwise, with limited products to export, the AGOA market opportunity will continue to be underutilized.

2. Ensuring national consensus

Trade policy formulation and implementation should involve all relevant stakeholders, including the private sector, organizations working with vulnerable groups, women's groups, non-State actors, banks and academia in order to establish strong national ownership.

3. Private sector participation in trade negotiations

The private sector, in the form of the Angolan Chambers of Commerce and Industry, should be invited to participate in trade negotiations engaged in by the Government. Besides ensuring transparency, this will ensure that the outcome of the negotiations is acceptable to them and provides them with trading opportunities.

4. Building and strengthening capacity in trade negotiations

- Strengthening coordination between trade negotiators in Geneva, Brussels and at the regional levels and Luanda is pertinent to ensure coherence in negotiating positions;

- Ensuring that former Geneva and Brussels trade negotiators continue to be involved in negotiations, even after their tour of duty abroad, is also important. Often, African countries discontinue involving their former ambassadors and experts who acquired negotiating competences over the normally four- to five-year period as they are reassigned to their Ministry of Foreign Affairs, which is not the responsible agency for trade and trade negotiations;
- Making use of the Aid for Trade fund at WTO to build and improve negotiating skills for its negotiators at multilateral, bilateral and regional levels is also important.

5. Acquisition of trade data skills and access to trade information

Understanding and effectively using trade data should be an integral part of trade policy. Therefore, the following actions are recommended:

- Trade data skills acquisition is needed to understand trade data on flows of imports and exports, growth rates, relationship with GDP and population, and to report data to international data banks such as UNCTAD, which Angola currently does not do on COMTRADE data for information on exports to its key markets like the European Union, the United States and China;
- Providing access to trade information by exporters, importers and other stakeholders, establishing networks and providing information on national, regional and international markets, practical training, access to ICT, Internet and mobile phones is equally important;
- Establishing a trade-related business centre that incorporates the functions of skills acquisition and accessibility to trade information would be useful;
- Establishing a directory of local skills in trade and industry for use by the private sector. Initially, this directory can be prepared by the Government. Subsequently, the private sector should be encouraged to undertake this task.

6. Public–private sector dialogue and developing entrepreneurial spirit

Public–private dialogue, which may already be in place in Angola, is essential to enable the private sector to effectively contribute to trade development. The following recommendations could complement existing activities:

- An annual dialogue between Government agencies and the private sector with the objective of supporting the private sector in the implementation of this trade policy framework. This dialogue will assist in resolving issues and concerns faced by the private sector in implementing trade policy;
- Developing private sector entrepreneurship culture and competences and developing institutions and programmes to build competitive private sector capacities;
- Supporting the private sector and other relevant actors to develop a national export strategy as an integral part of trade policy in which all relevant elements, including potential export subsectors in agriculture, manufacturing and services, are to be included.

7. Trade promotion

- Angola should also promote trade through the establishment of the Angola External Trade Development Corporation, which would be tasked with developing the nation's exports of goods and services and export markets. This body should be self-financing within a given period of time, and will complement the efforts of the Angola Development Bank, which was established by the Government as one of the major instruments of public development policy. The corporation can also be tasked with matchmaking SMEs with overseas manufacturers which will enable the SMEs, as contract manufacturers, to produce parts and accessories for them.

8. Mainstreaming gender in trade policy

- Trade policy and gender ought to be intrinsically linked because, often, trade liberalization impacts negatively on women, and trade is a major

preoccupation of many women. If adequately included in decision-making and given similar opportunities to men, they can take full advantage of trade opportunities and equally contribute to development.=

G. GENERAL SERVICES RECOMMENDATIONS

- Develop a national strategy plan for the services sector to broadly look at how infrastructural services can be built through the channelling of public funding; public–private partnerships; regional cooperation; producer services, in particular financial services; and export-oriented services, including transmission, distribution and generation in the energy sector. Angola faces the particular situation of an LDC that has to develop its services sector from a very low level. Angola's services strategy therefore requires a focus on: (a) building key financial, human, and technological resources; (b) the recent and still pending separation of the productive, regulatory and legislative functions of the Government and the need to further strengthen institutional and regulatory capacities; and (c) objectives of improving access to quality services at affordable prices and developing domestic supply capacity;
- The focus has to change to building services' supply capacity and service exports for domestic and external consumption. Increased oil production in the coming years will enhance the demand for services and result in larger (repatriated) profits, causing the services deficit to widen.⁷⁹ Opportunities for increased services exports remain largely untapped; however, it is expected that with increased services supply capacities, Angolan services firms will be able to capture a greater share of the domestic services market and thus reduce currently high requirements for imports;
- Linked to Angola's energy and mineral exports is the need for further in-depth assessment of how the services sector can add value to the development of already established economic activities, such as agriculture, mining and energy;
- Improve statistical data collection and processing related to the service sectors. There is a need to improve the classification of services data,

especially in the energy sector. This in turn will enable more focused and accurate policymaking;

- The need to develop a clear, subsector specific strategy for the gradual drawing in of the international and domestic private sectors;
- The Government of Angola can create an enabling environment by building on the hardware necessary to enhance the role of the services sector, for instance, the building of transport infrastructure necessary for tourism and goods transport, or providing incentives or capital in order to encourage the entry of the private sector. Setting up independent regulatory authorities and institutions where necessary to encourage competition should also be considered;
- Enhance the role of SMEs in Angolan value chains, specifically in the energy, tourism and financial sectors. In this context the use of the SME cluster approach could have beneficial carry-over effects;
- Take practical measures to work towards the inclusion of the informal sector in the mainstream services economy, including through provision of appropriate training and equipment, creating specific employment schemes, awareness-raising of opportunities, gradual formalization of available jobs, improvement of basic facilities, amenities and infrastructure, and enhancing access to credit and property;
- Undertake national consultations in the services sector;
- The need to develop an educated and skilled labour force is a key gap which the Government of Angola is aware needs to be filled. The setting up of specific training institutions to cater to specific sectoral needs of the energy sector (engineers, architects and civil contractors), financial sector (brokers, insurers, actuaries, accountants), health (doctors and nurses) and land development (surveyors) will be key in this effort;
- Use the Angolan Chamber of Commerce and Industry to market and raise awareness of trade in services-related opportunities in Angola;
- Undertake services trade negotiations based on a national services strategy.

Angola has undertaken limited GATS commitments, leaving the country with sufficient policy space

to increase its commitment to unilateral, regional or multilateral services liberalization. Areas for consideration include:

- In the WTO context, understanding the implications of negotiations on domestic regulations for Angola's proposed national services strategy and the LDC waiver, and ensuring that they do not have a negative impact on this strategy.
- In the regional context, (a) potential (especially export) gains in the energy and financial sectors; (b) rationalization of Angola's commitments at WTO with prospective commitments in the SADC and SADC-economic partnership agreement Tripartite context; (c) potential gains that could accrue to Angola in the area of services economic partnership agreements, given that the European Union is a key trading partner for Angola; and (d) potential benefits from South-South services trade, particularly in developing export potential.

1. Energy services recommendations

1.1. General⁸⁰

- Energy data collection and reporting should be carried out on a comprehensive and consistent basis;
- Further opportunities exist in the oil and gas sector in the area of human resource development. The movement of persons with particular skills can be utilized as a mechanism for ensuring technology and knowledge transfer, as well as the employment of Angolan nationals in managerial positions. Investments in human capital will also help the country to address substantial skills shortages;
- Downstream services sectors, in particular construction services, tourism services and financial services, are immediate areas that can generate employment and direct benefits into the rest of the economy;
- Transfer of technology and expertise to ensure regular and effective maintenance of equipment and facilities can be achieved to a large extent within Angola;
- Enhancing the production of alternate energy supplies, specifically solar energy. The need to review and monitor environmental regulations and

carry out environment impact assessment will also become increasingly important. The use of solar energy in rural areas in particular is an attractive option to consider;

- An effective regulator to enable restructuring of the energy sector. As Angola seeks greater private sector involvement, the need for the Government to create a competitive landscape in specific energy subsectors, including through the establishment of independent regulators and transparent regulation, is important. The independent regulator should ideally have a cross-sector overview to work towards Angola's long-term energy strategy and security, and to ensure that privatization is successfully implemented;
- Transfer tariff-setting powers from the Government to an independent regulator in order to ensure adequate investment funds in the sector and reassure potential investors;
- Ensuring uninterrupted power supply, in particular in Angola's areas of commercial activity, as well as reducing the use of illegal connections, which create a network overload and subsequent breakdowns in equipment, is key to ensuring the efficiency of the Angolan power sector;
- Universal access to energy services. Currently the rural population in Angola depends on biomass and diesel generators for energy; diversification to greater use of solar energy may be a good longer-term solution;
- Implement tariff and oil price reform so that tariffs/prices allow suppliers to recover costs and improve performance. Both ENE and EDEL are incurring losses due to tariffs that do not recover costs coupled with inadequate metering, billing and collections. Both companies rely on subsidies from the Ministry of Finance, which is also responsible for setting tariffs;
- Reinvest energy sector funds and gains to further develop the sector, especially in terms of infrastructure (e.g. transmission grids, gas pipelines and roadways), hardware and human resources training, and invest in alternate energy options;
- Make subsidies transparent and available to all suppliers. If some element of subsidy or cross-subsidy is considered desirable in particular areas, it should be transparent and made available to all suppliers including private sector ones;
- While Angola has in place a basic General Environmental Law, this may need to be enhanced and fleshed out to meet the specific environmental needs of Angola's energy sector;
- Potential to enhance Angola's role in terms of energy services exports on a regional basis.

1.2. Power and hydroelectric sector

- There is a need to assess current hydroelectric production facilities to determine their sufficiency to meet Angola's growing power needs. Based on this assessment, rebuilding, enhancing and creating new power infrastructure may be required;
- Greater participation of the private sector for investment specifically in the distribution of hydroelectric power. There is a need to ensure universal access specifically in rural and less advantaged areas;
- Explore regional possibilities for building power infrastructure, including electric grids, which can then be leveraged by Angola to become a regional supplier of electricity. Unbundle production, transmission and distribution of power from the concentration of public enterprises such as ENE and EDEL to include more private sector participation in each segment;
- There is a need to strengthen the sector's operating entities, in particular small operators. Solutions for their integration into power distribution activities have already been reviewed by establishing measures designed to regulate trade relations between the power network company and new agents, thus safeguarding consumer protection in relation to fees charged for electricity;
- Entities identified under the General Law of Electricity, namely the Instituto Regulador do Sistema Eléctrico (IRSE), the Instituto Nacional de Electricidade (INEL) and the Fundo Nacional de Energia Eléctrica (FUNEL), should be established;
- Clarify licensing and regulatory procedures for small systems. In order to promote electrification, procedures for setting up independent small-scale electricity generation and distribution projects should be clarified and simplified;
- Angola can benefit from regional cooperation in the power sector through the establishment of

connections with neighbouring countries, and as a result of increased economies of scale. However benefits will only be realized after Angola's own internal transmission networks are renovated and expanded. Power exchange with Namibia can be achieved by developing a set of hydro-resources on the Cunene River and interlinking Angola's three main power systems. Significant developments are scheduled in the area of cooperation with the Democratic Republic of the Congo, with a view to establishing a link to Cabinda and to other border localities in Northern Angola. The development of a western power transportation corridor is also planned.

1.3. Oil and natural gas

- Develop qualified technical personnel capable of planning, building, maintaining, managing and supervising the sector. This would service the dual purpose of skills transfer and employment generation;
- Strengthen financial oversight of the sector's operating entities and formalize and make transparent the process of issuing concessions to operators;
- Enhance the role of local enterprises and SMEs in the energy sector through training, technical assistance, access to key procurement opportunities and partnerships that enable Angolan enterprises to participate more actively in oil and gas supply chains;
- Strengthen human resources in the Ministry of Petroleum and other relevant agencies so that can ably carry out their duties. An effective regulatory framework provides sufficient stability for existing contracts and continued attraction of foreign investment;
- Greater Government attention to improving transport infrastructure (both road and rail) is required for efficient and equitable distribution and storage of petroleum products;
- Channel funds into further research and exploration of Angola's oil reserves to enable future projections and planning.

2. Financial services recommendations

- Enhance the use of banking by the national population;
- Improve regulatory and institutional support for, and implementation of, the national Law on Financial Institutions;
- Build a hub for credit risk information for microcredit companies, financial lending companies and financial leasing companies;
- Increase the quantity and quality of human resources specialized in banking;
- Develop a law on money laundering.

3. Construction services recommendations

- Improve the movement of persons and goods where appropriate to meet planning and expansion requirements for the construction sector;
- Build the skills base of the national labour force specifically in skilled roles such as engineers, architects and civil contractors;
- Promote housing;
- Renovate, modernize and integrate infrastructure;
- Renovate and construct various public buildings;
- Implement a road infrastructure preservation programme;
- Complete the approval of the Law of Bases on Public-Private Partnerships;
- Review the National Roads Statute Decree 77/91 (13 December 1991);
- Review and update the Regulation on the Activity of Public Works Contractors, Civil Construction Industrial Agents and Work Project Providers, Decree 9/91 (23 March 1991);
- Review and update the Regulation of the National Commission of Registration and Classification of Public Works Contractors, Civil Construction Industrial Agents and Work Project Providers, approved by Executive Decree 2/94 (4 March 1994);

- Approve the Regulation on the Activity of Public Works Developers.

4. Tourism services recommendations

- Develop Angolan tourism services through quality products that incorporate regional, cultural and natural diversity;
- Stimulate and facilitate the consumption of Angolan tourism products in the national, intraregional and international markets;
- Attract investment;
- Increase hotel accommodation capacities;
- Implement effective planning for the tourism sector, so as to avoid anarchic development, non-integration and the violation of the principles of sustainability;
- Promote information policy and trade designed to create an image of Angola as a tourist destination and meet specific demand-driven requirements for tourism products;
- Enhance consultations with international organizations, particularly the World Tourism Organization;
- Promote and support the establishment of micro, small and medium-sized enterprises in the tourism sector;
- Provide training for tourism sector employees;
- Expand the domestic tourism market;
- Launch, consolidate and increase the competitive integration of Angolan tourism services into international markets.

5. Telecommunications services recommendations

- Raise funds to create a broadband infrastructure in order to connect all urban and rural geographic regions of the country and establish connections with regional infrastructures supporting the development of telecommunications;

- Strengthen the human resources skills needed to develop the telecommunications market;
- Consolidate the telecommunications market;
- Provide support and visibility to the results of the action programmes now under way;
- Review required legislation (policies on rights and obligations, competition, shared resources, privacy, fees, equipment, standards and protocols) to enable the national telecommunications market to streamline technologies, applications and services;
- Promote the development of an information society;
- Continue the various structural infrastructure projects, such as the first technological camps in Camama and the data centres, to ensure the security and cyber sovereignty of the Government of Angola;
- Continue the structured fibre-optic network projects across the country, with the interconnection of all State infrastructures;
- Consolidate the information society in a viable and sustainable way, creating a fair, stable and reliable business environment;
- Continue the construction of media libraries so there is total coverage of the country;
- Proceed with the implementation of the rural telecommunications project in order to ensure communications for the entire population, thus drastically reducing the digital divide and exclusion in access to ICTs;
- Invest strongly in a national broadband plan that reaches the largest number of citizens, especially young people, women and the poor;
- Ensure broadband access in all public schools of all levels, including high schools;
- Expand the telecommunications network;
- Computerize the consumer service and administration processes of the postal and meteorological services;
- Implement the Intelnet project;
- Digitize customer service processes and management of postal services desks;

6. Transport services recommendations

- Improve quality of transportation;
- Increase supply of road cargo transportation;
- Increase the capacity of urban and interprovincial passenger transportation;
- Modernize and strengthen port operational capability;
- Develop air navigation infrastructure;
- Modernize air transportation;
- Develop human capacity for the implementation and coordination of transportation policies;
- Integrate different means of transportation (renovating and building an integrated network at the national level);
- Involve the private sector in the management and running of transportation as a strategic partner;
- Establish a new framework for public institutions in the transportation sector with central attention

given to reducing red tape, simplifying procedures, technical training and reducing the State burden on the economy by restructuring State companies;

- Redefine capacity planning by incorporating all means of transportation into it.

I. TRADE POLICY FRAMEWORK IMPLEMENTATION PLAN

- Arising from this trade policy framework, an implementation plan which should be an integral part of the trade policy is proposed, and its key elements could include those outlined in this trade policy framework;
- Implementation of the actual Trade Policy (White Paper), which is largely a Government responsibility, will require using results-based management, including setting specific objectives and targets, selecting indicators, monitoring performance, and reviewing and reporting performance of each stakeholder at each level.

ENDNOTES

- ¹ As the services aspects of this trade policy framework are covered in chapter III, this section only covers trade in goods using available UNCTAD data up to 2010.
 - ² Angola Diagnostic Trade Integration Study Concept Note, 2005.
 - ³ United Nations, World Economic Situation and Prospects, 2011.
 - ⁴ Angola, Botswana, the Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, the United Republic of Tanzania, Zambia and Zimbabwe.
 - ⁵ Relatively low utilization rates for Angola (40 per cent) and Chad (68 per cent) are due to the parallel availability for them of GSP-LDC preferences for petroleum. As preferences are available for the products under both GSP-LDCs and AGOA, their exports can enter either scheme. If imports under both schemes are taken into account, their utilization rate rises to 97 per cent and 94 per cent respectively.
 - ⁶ Angola, Investment, Altering Perceptions, The Banker, London, June 2011.
 - ⁷ Angola presents strategies at international mining conference in Africa, BBC Monitoring Africa, London, 10 February 2011.
 - ⁸ African Economic Outlook, 2011.
 - ⁹ Angola Today, Agriculture, 2010.
 - ¹⁰ WTO Angola Trade Policy Review, 2006.
 - ¹¹ Government of Angola.
 - ¹² Ibid.
 - ¹³ Ministry of Agriculture, Government of Angola, 2015.
 - ¹⁴ World Bank, Angola Trade Brief, 2008.
 - ¹⁵ The Heritage Foundation gave it a score of 70.2 out of 100 (2009 index of trade freedom).
 - ¹⁶ World Bank, Africa Trade Policy, 2010.
 - ¹⁷ TRALAC, Wither the SADC Customs Union, 2008.
 - ¹⁸ UNCTAD, Trade in services and development implications, 20 January 2005 (TD/B/COM.1/71).
 - ¹⁹ World Bank, World Development Indicators.
 - ²⁰ Development Network Africa, SADC Study on Trade in Services First Report: Draft, 13 June 2008.
 - ²¹ Ibid.
 - ²² Ibid.
 - ²³ Report of the Catholic University of Angola, 2010.
 - ²⁴ Infrastructure and producer services serve larger development objectives and act as inputs into the economy. They include financial, transport, energy, water and communication services.
 - ²⁵ UNDP Human Development Report, 2010. According to the United Nations human development index for Angola, life expectancy is 46 years, infant mortality is 180 per thousand live births, compared with less than 10 in America and Europe) and one third of adults are illiterate.
 - ²⁶ Catholic University of Angola, Centre for Scientific Studies and Research, Seventh Edition, Annual Report on the Angolan Economy, 2010.
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- ²⁷ African Economic Outlook, 2011.
- ²⁸ Rabobank.
- ²⁹ Report of the Catholic University of Angola, 2010, available at http://www.fanrpan.org/documents/d00867/CEIC_final_report_EN.pdf.
- ³⁰ World Economic Forum, Global Competitiveness Report 2011.
- ³¹ World Bank, Doing Business Report 2008.
- ³² Currently, Angola and South Africa are observers to services negotiations taking place within the SADC-economic partnership agreement group.
- ³³ Ibid.
- ³⁴ International Energy Agency, Angola: Towards and Energy Strategy, 2006.
- ³⁵ United Kingdom Trade and Investment, Sector Briefing, Professional and Financial Services Opportunities in Angola.
- ³⁶ National Bank Government of Angola, 2015, <http://www.state.gov/e/eeb/rls/othr/ics/2010/138777.htm>.
- ³⁷ UNCTAD, 2010, Towards SADC Liberalization, Balancing Multiple Objectives.
- ³⁸ Ibid.
- ³⁹ Rising Angola, Oil, Glorious Oil, 28 January 2010.
- ⁴⁰ Angola National Study undertaken for UNCTAD under the SADC regional study.
- ⁴¹ Ibid.
- ⁴² ITU Data Bank.
- ⁴³ Angola Today, Telecommunications, 2010.
- ⁴⁴ World Bank Index.
- ⁴⁵ On average, LDCs made commitments in 20 service sectors.
- ⁴⁶ Guidelines and Procedures for the Negotiations on Trade in Services, Adopted by the Special Session of the Council for Trade in Services on 28 March 2001, document S/L/93, 29 March 2001.
- ⁴⁷ Adopted by the Special Session of the Council for Trade in Services on 3 September 2003, document TN/S/13, 5 September 2003.
- ⁴⁸ Shayanowako, P, Towards a COMESA, EAC and SADC Tripartite Free Trade Area, Trade and Development Studies Issue No. 40, Trades Centre, Harare, January 2011.
- ⁴⁹ Kruger, P, Services Negotiations under the Tripartite Agreement: Issues to Consider, TRALAC Working Paper No. SIWP10/2011, 2011.
- ⁵⁰ World Economic Forum, 2011, Global Competitiveness Report 2011.
- ⁵¹ These have been selected based on available literature on Angola and UNCTAD's own analysis, including that of the country's trade through statistics on South-South trade, AGOA and EBA.
- ⁵² Angola Today, Agriculture, 2010.
- ⁵³ Angola Awakens, African Business, London, March 2011.
- ⁵⁴ Compare with an average rate of population growth of 2.9% over the period.
- ⁵⁵ UNCTAD, Rwanda Development-driven Trade Policy Framework, 2009.
- ⁵⁶ Ibid.
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- ⁵⁷ Imani Development, Survey of Non-tariff barriers to Trade, 2007.
- ⁵⁸ Ibid.
- ⁵⁹ Ismail Abdul Azeez, The Thy Consulting, Top Secrets on Cassava Exports, 2010.
- ⁶⁰ D Loeillet, E Imbert and C Sanchez, Bananas: Africa Forced to Innovate, 2010.
- ⁶¹ Jennifer Nyberg, Sugar-based Ethanol, International Market Profile, 2006.
- ⁶² Social compliance is a concept in which firms adhere to socially responsible business practices throughout their entire production, supply and distribution chains. These practices include health and safety, security and the basic rights of employees.
- ⁶³ Dan Burden, Iowa State University, 2010.
- ⁶⁴ Science for Environment Policy, DG Environment News Alert Service, European Union Commission, 18 March 2010.
- ⁶⁵ HACCP is a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.
- ⁶⁶ European Commission, Trade Section.
- ⁶⁷ Canada, Japan, the European Union and the United States.
- ⁶⁸ Andrew Mold, African Trade Policy Centre, Non-Tariff Barriers, Their Prevalence for African Countries, 2005.
- ⁶⁹ Ayodele Thompson, African Case Study: Palm Oil and Economic Development in Nigeria and Ghana; Recommendations for the World Bank's 2010 Palm Oil Strategy, IPPA, 2010.
- ⁷⁰ In the World Bank cost of doing business index, Angola is placed in the 163rd position out of 183 countries. This index measures the ease or difficulty of doing business.
- ⁷¹ According to World Bank estimates, a 10 per cent increase in broadband penetration could result in a 1 per cent increase in GDP.
- ⁷² Angola, Trade Policy Review, Report by the WTO Secretariat, WTO, 2006, p. 28.
- ⁷³ As provided for within the meaning of article 9.1 (d) and (e) of the Agreement on Agriculture.
- ⁷⁴ Angola, Trade Integration Study, 2005.
- ⁷⁵ Organic Agriculture and Food Security in Africa, UNCTAD, UNEP, 2008.
- ⁷⁶ Social compliance is a concept in which firms adhere to socially responsible business practices throughout their entire production, supply and distribution chains. These practices include health and safety, security and basic employee rights.
- ⁷⁷ Catholic University of Angola, 7th Annual Report on Angola Economy.
- ⁷⁸ Understandably, this has been done on several occasions. Angola Trade Policy Review, WTO 2006, Report by the WTO Secretariat.
- ⁷⁹ Rabobank.
- ⁸⁰ See also International Energy Agency, Angola: Towards an Energy Strategy, 2006.
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