SUMMARY

1. During the period under review (2015-23), Angola, a least developed country (LDC), pursued ambitious and broad economic reforms with the goal of shifting from a state-led and oil-centred economy to a diversified one led by the private-sector. Angola's reform programme, implemented against particularly challenging economic conditions compounded by the COVID-19 pandemic, has delved deep into economic governance, policies, and regulatory frameworks, including on investment, competition policy, state-owned enterprises (SOEs), incentives, and government procurement. Trade policies have seen some positive changes too, including with respect to trade processes, following Angola's ratification of the Agreement on Trade Facilitation (TFA) in 2019, and the establishment of an inter-ministerial National Commission for Trade Negotiations.

2. Nonetheless, the potential contribution of trade and trade policy to reduce trade costs and support Angola's broader competitiveness and diversification agenda remains largely untapped. This partly reflects the emphasis on substituting domestically produced goods for imports in some sectors, one of the tools used by Angola to nurture its nascent private sector and create much-needed jobs for its young and rapidly growing population. As the authorities consider ways to expand the contribution of trade policy to sustain inclusive economic growth, it would be important to assess the costs of higher trade protection, which may come in the form of higher prices and less choice for consumers, especially those with the lowest incomes, and fewer opportunities for Angolan firms, especially small- and medium-sized ones, to join regional and global value chains.

3. The period under review saw five consecutive years of negative real GDP growth (2016-20), persistently high unemployment of around 30%, and declining per capita income, before economic growth resumed in 2021 and picked up pace in 2022 as oil prices and oil production recovered. Though services have surpassed the oil sector as the largest contributor to the economy, the oil sector remains central to the Angolan economy. In 2022, oil and gas contributed to almost 93% of Angola's merchandise exports, 58% of fiscal revenue, and close to 30% of GDP. As recognized in Angola's 2050 Strategy, reliance on a state-led economic development model centred around highly capital-intensive offshore oil production has reduced incentives for high-quality investment in non-oil sectors and has failed to generate sufficient jobs for a large part of its population. The pervasiveness of informal jobs, in turn, has been linked to Angola's high poverty rates. Climate change, which has already hit the southern part of the country hard, poses a serious challenge to raising productivity growth, especially in agriculture, as do continuing gaps in basic infrastructure and human capital.

4. As part of reforms enacted under a 2018 IMF programme, Angola adopted legislation to reduce the public debt-to-GDP ratio and the non-oil primary fiscal deficit. In addition, Angola introduced a value added tax (VAT) to broaden the tax base and mobilize additional non-oil revenue, combined with steps to reduce costly fuel subsidies while accelerating the implementation of a cash transfer programme for vulnerable households. Public debt as a share of GDP, after more than doubling during the 2015-20 crisis period, has fallen sharply, mainly helped by increases in fiscal revenue due to higher oil prices. In 2022, the public debt-to-GDP ratio stood at slightly less than 70% of GDP, roughly half of its level two years earlier.

5. Macroeconomic policy reforms have also included a constitutional amendment to increase the independence of the national central bank (BNA), along with a decision in 2018 to replace the peg between the national currency, the kwanza, and the US dollar with a flexible exchange rate regime. This led to a sharp depreciation of the kwanza in nominal terms. The transition to a more flexible exchange rate regime, which will reduce the risk of kwanza overvaluation, support external competitiveness, and facilitate Angola's trade and economic diversification efforts, has been accompanied by measures to foster greater transparency and efficiency in foreign exchange transactions. During the period under review, inflation receded from an end-of-year high of around 41% in 2016 to slightly less than 14% in 2022, against the backdrop of overall tight monetary conditions during most of that period.

6. Trade of goods and services represented almost 70% of GDP in 2022, reflecting the importance of international trade for the Angolan economy. Yet, the backward or forward participation of Angolan firms in global value chains is limited. The share of crude oil in total merchandise exports, though still large, declined during the period under review, from almost 93% in 2015 to slightly less than 80% in 2022. At the same time, exports of liquified natural gas (LNG), which were non-existent in 2015, represented close to 13% of total merchandise exports in 2022, reflecting increased demand in some trading partners for alternative energy products following the

outbreak of the war in Ukraine. After crude oil and LNG, diamonds are Angola's third most important export products, representing slightly less than 4% of total merchandise exports in 2022.

7. China continues to be the largest destination for Angola's merchandise exports, followed by the European Union and India. Apart from being the fourth-largest destination for Angola's exports of crude oil, India is also the second-largest destination for Angolan LNG after the European Union. The export share of the United Arab Emirates, the main destination by far for Angola's diamonds, has increased to slightly more than 3% of total merchandise exports, up from 2% in 2015.

8. The services trade balance recorded a deficit throughout the period under review. Travel service exports decreased sharply due to the COVID-19-induced economic crisis and have yet to recover to their pre-pandemic levels. Foreign direct investment (FDI) in Angola remains concentrated in the oil sector.

9. Several planning instruments, which resulted from broad consultations coordinated by the Ministry of the Economy and Planning, guide the overall direction of Angola's trade policy. Among them is the programme to support domestic production, export diversification, and import substitution (PRODESI). PRODESI targets a broad range of economic sectors for import substitution, starting with products from the "basic basket". The Ministry of Industry and Trade (MINDCOM), which, along with the Ministry of Finance and other government agencies, is responsible for developing and implementing trade and trade-related policies to advance PRODESI's goals, is of the view that a "balanced" application of higher import tariffs is needed for domestic firms to learn, invest, and innovate before facing foreign competition. In line with this, MINDCOM has also started work to develop a framework for the application of trade remedies.

10. Angola, which became an original WTO Member in 1996, is not a party to the plurilateral Agreements on Government Procurement and on Trade in Civil Aircraft. Angola ratified the WTO TFA in April 2019 and the authorities note that they have started the process towards ratification of the WTO Agreement on Fisheries Subsidies. Angola grants at least MFN treatment to all of its trading partners. Angola's WTO notification record is weak, even though its officials have participated in numerous WTO technical assistance activities.

11. Angola is a founding member of the African Union (AU) and a long-standing member of two of the AU's regional economic communities: the Economic Community of Central African States (ECCAS) and the Southern African Development Community (SADC). Nonetheless, Angola does not grant preferential duties under either agreement. Angola ratified the African Continental Free Trade Area (AfCFTA) in October 2020, but has not yet applied nor benefited from preferential tariffs. Angola is a beneficiary of the US African Growth and Opportunity Act (AGOA) and, as an LDC, of the GSP schemes of a number of countries.

12. During the period under review, Angola took steps to improve conditions for private investors with the goal of supporting productivity growth and economic and trade diversification. The Law on the Limitation of the Economic Activity, passed in 2021, limits the activities that are fully reserved to the State to just those carried out by the BNA. The Law also defines "relative reserve" activities (those open to private investment but subject to concession) as comprising the following: defence materials; water, sanitation, and electricity services; postal services; exploration of environment-protected areas; administration of cultural and historical sites; tourist sites; solid waste management; port and airport administration; railway transport services and domestic airways; and backbone telecommunications networks and services.

13. New investment legislation sets out a regime with guarantees for private investors, including with respect to expropriation, and seeks to make investment incentives more streamlined, transparent, and predictable. In general, investors must employ Angolan nationals, though skilled foreigners can be hired if investors provide vocational training and have a plan to substitute Angolans for foreigners. Some foreign investment restrictions in force at the time of Angola's previous Review, notably in air transport, port services, telecommunications, and insurance, have been abolished, but some others remain, including in fisheries, mining, oil, and subscription-TV services. All land belongs to the State, which may assign the right to use land under a concession or long-term lease. A new Agency for Private Investment and Export Promotion (AIPEX) is responsible for promoting private investment and assisting investors with all necessary procedures.

14. Angola has taken steps to simplify and modernize its trade processes, including by reducing the number of documents needed to register as a trader, adopting a customs automation system, introducing an authorized economic operator programme, and working towards the full implementation of a single window. Nonetheless, importers continue to face a fragmented process that requires multiple document submissions (and payment of fees) to different authorizing agencies for the same goods. In addition, seaborne freight is subject to a participation fee for the modernization of Angola's transport infrastructure. This, along with periodic registration fees and a customs service fee calculated based on import value rather than the cost of services rendered, add to trade costs, posing a disproportionate burden on micro-, small-, and medium-sized enterprises (MSMEs).

15. During the period under review, Angola eliminated tariffs for close to 43% of tariff lines. Nonetheless, its simple average applied MFN tariff increased slightly, from 10.9% at the time of the previous Review in 2015 to 11.5% in 2023. This reflects tariff increases for some sensitive goods, sometimes to high levels between 50% and 70%. The authorities consider such higher tariffs a key tool to promote domestic production and reduce imports. At the same time, the relatively high level of nominal and effective protection afforded to finished goods may weaken the incentives faced by domestic producers to improve competitiveness, impeding their participation in regional and global value chains.

16. Angola has bound all of its tariffs, but the large gap between bound and applied rates may partly undermine the positive role of tariff bindings in providing stability and predictability to Angola's trade regime. The authorities agree with the Secretariat that some applied tariffs exceed their bound rates and said that this would be corrected in the Customs Tariff for 2024.

17. Angola continues to maintain a wide range of customs duty concessions, including for private investors and the dominant oil sector, resulting in levels of effective protection for Angolan value-added activities that are many times higher than indicated by nominal tariff rates. In addition, widespread duty exemptions are costly to administer and may give rise to fraudulent activities.

18. All imports require a licence from MINDCOM, irrespective of the risk posed by the good in question or the existence of additional licensing requirements imposed by other agencies. For "widely consumed goods", a category that is yet to be defined by MINDCOM under a new Presidential Decree adopted in October 2023 but not yet in force, import licences would be issued exclusively to importers who meet domestic purchasing and other requirements. Similar provisions, along with import quotas for certain goods, were contained in another Presidential Decree adopted in 2019 but now abolished. Angola's trading partners had raised concerns about this measure in several WTO bodies.

19. Angola does not apply export taxes except on rough minerals and goods exports in the same state as they were imported. All exports are subject to licensing by MINDCOM. The State is not involved in export finance, insurance, or guarantee programmes. Nonetheless, during the period under review Angola introduced a free trade zone (FTZ) regime, whose tax benefits are partly contingent on export performance. An FTZ about 30 km north of the Luanda is under development with public and private investment.

20. During the period under review, Angola adopted overarching legislation on fiscal incentives. The new law defines the scope of tax incentives depending on the sector, location, and economic impact of the investment. In addition, the Code sets out incentives for MSMEs; agricultural, fisheries, and other cooperatives; renewable energy; and the financial sector. While this has helped to rationalize and improve the predictability and transparency of Angola's incentive regime, no official analyses exist to determine whether the contribution of these and other incentives offered by Angola justify their fiscal costs.

21. The authorities recognize the importance of a sound system of standardization, technical regulations, conformity assessment, metrology, and accreditation to underpin export competitiveness and diversification. In line with this, Angola has created a new agency, the National Institute of Quality Infrastructure (INIQ), which has taken steps to address the lack of coordination within the quality infrastructure system. Angola's accreditation system is incipient, which forces exporters to rely on accredited conformity assessment services abroad. Transparency remains a major challenge, as the catalogue of standards is not accessible nor is there a central registry of

technical regulations. The official gazette's website is often down and legislation, when available online, is often difficult to search electronically.

22. During the period under review, Angola updated parts of its legal regime on sanitary and phytosanitary (SPS) measures, including plant health. The authorities recognize that additional legislative and institutional reforms are needed to strengthen the SPS framework and bring it up to date, for example with respect to pesticides. Regulations on laboratory analysis adopted in 2018 set out a framework for testing of food and other products for human consumption based on CODEX and other international standards. In practice, all imported food is subject to laboratory testing in Angola irrespective of origin, prior testing, or level of risk.

23. The level of competition in the Angolan market is generally low, partly because of high entry barriers that result from the dominant position of SOEs in many sectors of the economy, including oil, electricity, telecommunications, and air transport. The authorities consider "healthy competition" a key ingredient of an enabling business environment, particularly for MSMEs. In line with this, Angola adopted a competition policy framework and introduced policy, legal, and institutional changes in several other areas with implications for competition.

24. SOEs have a significant presence in the Angolan economy. The combined assets of the 71 SOEs for which financial data are available represent more than half of Angolan GDP. The prevalence of low-performing SOEs in many key sectors of the economy, including electricity, telecommunications, and other infrastructure sectors, seems to affect negatively the competitiveness of the private sector and impede progress in trade and economic diversification. Against this backdrop, Angola has embarked on a far-reaching initiative to increase transparency and accountability of SOEs. In addition, Angola initiated a privatization process, which so far has resulted in the privatization of 98 SOES, with an additional 68 SOEs slated for privatization by end-2026.

25. Angola's government procurement policy seeks to ensure value for money, transparency, and probity, while supporting domestic businesses, including MSMEs, through preferential rules. During the period under review, Angola adopted a new law on government procurement and increased the use of technological solutions to improve the transparency of its public procurement system and the accountability of procuring entities. Yet, implementation challenges remain, including low compliance levels with legal requirements to publish procurement plans and tender notices, and a heavy reliance on relatively less competitive procurement methods. The participation of foreign individuals and companies in public contracts whose value is below certain thresholds is not permitted.

26. Angola's Industrial Development Plan 2025 recognizes intellectual property (IP) protection as a key enabler of investment and innovation, including in areas such as the digital economy and agriculture. Nonetheless, Angola's engagement in IP policy is limited, including at international and regional levels, in part because of resource constraints. In 2023, Angola ranked last out of 132 economies included in the WIPO Global Innovation Index.

27. Agricultural production has increased rapidly in recent years, reaching 9% of GDP in 2022, from slightly less than 6% in 2015. The authorities attribute the sector's positive performance to PRODESI, the Kwenda cash transfer programme, better access to credit for family farms, support for mechanization, and the expansion of farming areas. The potential to scale up agricultural production, including for export, is high, given Angola's abundance of land and water, and diverse climatic and soil conditions. Yet, the prevalence of small-scale subsistence farming, along with low agricultural labour productivity, poor agronomic practices, and limited access to key technologies, and poor infrastructure pose challenges. To support the agricultural sector and its key role in economic diversification, job creation, and food security, Angola maintains market price, subsidized credit, and general services support programmes. Support is also provided in the form of higher-than-average tariff protection and non-tariff barriers to trade for certain agricultural products.

28. The oil and gas sector is still the mainstay of the economy. Although Angola is one of the leading oil producers in sub-Saharan Africa, it relies mostly on imports to meet demand for refined petroleum products due to its limited refining capacity. The legal and institutional framework governing the sector has undergone significant reform since the previous Review. The National Agency for Petroleum, Gas, and Biofuels (ANPG), created in 2019, replaced the state oil company Sonangol as the State's sole "concessionaire", responsible for overseeing and regulating oil and gas

activities, including the allocation of concessions. Sonangol, for its part, was granted "preference rights" in the allocation of new oil concessions. Under a Presidential Decree adopted in 2020, procurement contracts for certain goods and services by oil companies must give preference to Angolan companies.

29. Angola is the world's fourth-largest producer of diamonds and has significant untapped mineral potential, including in minerals that are deemed critical for the clean energy transition. In principle, mining operations are open to foreign-owned companies without restrictions. The exceptions are mining right concessions related to minerals used for civil works and mineral-rich waters can only be granted to Angolan citizens or Angolan companies with at most one third foreign ownership.

30. Despite Angola's abundant energy sources, electricity supply remains a major hurdle for improving livelihoods, and for achieving economic diversification and development. Slightly less than half the population has access to electricity. Around 60% of the power supply comes from hydro, 36% from fossil fuels, and 4% from solar. The potential to expand the contribution of renewables to electricity generation, and eventually clean energy products, is large, given that Angola is estimated to be using just one fifth of its potential hydropower capacity. Since its previous Review, Angola has made significant progress towards integrating some of its regional electricity systems, which will help reduce the inefficiencies that characterize its electricity market. Moreover, Angola adopted a new legislative framework providing for competition in electricity production, distribution, and commercialization. Nonetheless, market concentration in each of these segments, which are dominated by SOEs, remains high, which poses barriers to greater participation by private actors and dampens competition.

31. Angola's telecommunications market is growing. Nonetheless, access to telephone and Internet services is below world and LDC averages. Most types of telecommunications services are open to competition and there are no statutory limits on the participation of foreign investors in telecommunications companies, except for a 30% limit on operators supplying subscription-TV services. A fourth "unified global title", which allows the holder to offer any electronic communication service, was concessioned in 2021 to a company with 100% foreign capital. During the period under review, Angola adopted a White Paper that sets out initiatives to strengthen competition, expand infrastructures and promote international connectivity, foster digital inclusiveness, and develop digital skills.

32. Banking services is one of the three sectors, along with tourism and recreational, cultural, and sporting services, in which Angola has undertaken GATS commitments. Of the 23 banks in operation, 6 are foreign-owned, and 3 owned wholly or partly by the State. Securing access to credit is critically important to achieve Angola's economic diversification goals. During the period under review, BNA issued a series of Notices instructing banks to extend credit at preferential rates for producers of certain goods, with some success. Foreign banks and other financial institutions may open subsidiaries or establish representative offices in Angola, subject to BNA authorization. Angola's insurance market is a very small part of the financial sector and remains underdeveloped. Insurance and reinsurance activities can be carried out, subject to authorization, by public limited companies (*sociedades anónimas*) with domestic or foreign capital, or by branches of foreign insurance or reinsurance companies.

33. Angola relies on foreign-flagged vessels to carry the bulk of its imports and exports, suggesting that a long-standing cargo-sharing scheme designed to promote the Angolan flag has not had the desired effect. The scheme's designated beneficiary, Secil Maritima, which is majority-owned by the State, reinitiated domestic cargo and passenger maritime services in 2022 after a long hiatus. Following legislative reform, some port operation activities are no longer reserved exclusively for Angolan nationals.

34. In 2018, TAAG Angola Airlines was transformed into a public limited company, but it continues to be wholly owned by the State. During the period under review, Angola eliminated the requirement that a private company be at least 51% owned by Angolan citizens to qualify for a concession to operate scheduled domestic air services. No such concessions have been granted, however, and TAAG remains the sole company licensed to operate scheduled domestic flights. The air transport agreements signed by Angola are relatively restrictive. The State is the owner and manager of all airports. The new Luanda airport started operations for cargo flights at the end of 2023, with passenger flights to follow in 2024. Self-handling and mutual assistance are not allowed, but there are third-party providers that are independent of the airport authorities and TAAG.

35. Angola has identified the hotel and tourism sector as a priority for the diversification of its economy. Its nascent tourism sector was hard hit by the COVID-19 pandemic. Approximately half of tourists in Angola are from Europe. A new Presidential Decree issued in 2023 exempts tourists from 98 nationalities from visa requirements for stays of up to 30 consecutive days and a maximum stay of 90 days in Angola each year. For the remaining countries, tourist visas are only granted by Angolan diplomatic and consular missions abroad.