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Vulnerability Profile of Angola

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Prepared by UNCTAD
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of the United Nations list of Least Developed Countries

This profile was prepared

Contents

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1. Introduction

In its 2012 review of the UN list of Least Developed Countries (LDCs), the Committee for Development Policy (CDP) found Angola eligible for graduation for the first time, as it met the "income only" criterion[1]. Under the graduation rule, eligibility "for the first time" implies that the country will in principle qualify for graduation from LDC status in the next review of the list

2. Institutional context

Angola was one of the two countries added to the 46 States that were making up the UN list of LDCs in 1994[3]. The question of graduation from LDC status was raised and conceptualized in 1991, when the first major revision of the criteria for identifying LDCs took place, and the basic elements of the graduation rule were adopted. Four countries subsequently graduated from LDC status: Botswana in 1994, Cabo Verde in 2007, Maldives in 2011, and Samoa in 2014.

In 1990, the Second United Nations Conference on the Least Developed Countries in Paris had noted the importance of envisaging graduation from LDC status for countries that would have demonstrated enough economic progress to be able to remain on the same development path in an externally less dependent manner. In 2001, the Third United Nations Conference on the Least Developed Countries in Brussels contemplated graduation as a criterion on the basis of which the success of the Programme of Action for the Least Developed Countries for the Decade 2001-2010 would be "judged"[4]. A bold move forward was made by UN member States ten years later, at the Fourth United Nations Conference on the Least Developed Countries (Istanbul, May 2011), with an unprecedented pronouncement on the matter, namely, “the aim of enabling half the number of Least Developed Countries to meet the criteria for graduation by 2020”[5].

The rationale for graduation

A broad consensus exists on the rationale for graduation from LDC status. A graduating country will be regarded as having, through its improved economic performance, demonstrated enough structural progress to be able to pursue its development efforts with less external support. In particular, a graduating country ought to have developed a domestic saving capacity that enables it to be content with lesser grant inflows. Structural progress also means that exporters should have become more competitive, and therefore able to penetrate export

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[3] Addition of Angola to the list was made official on 19 December 1994, the day on which the United Nations General Assembly adopted resolution 49/133. The other country which was granted LDC status in that year (by virtue of the same resolution) was Eritrea.
[4] UN General Assembly, Third United Nations Conference on the Least Developed Countries, Brussels, Belgium, 14-20 May 2001, Programme of Action for the Least Developed Countries for the Decade 2001-2010, para. 21(e)
[5] United Nations, Programme of Action for the Least Developed Countries for the Decade 2011-2020, May 2011, para. 28.

markets under less preferential terms. Finally, if the notion of graduation is well founded, a graduating country, with enhanced institutional capacities, is expected to remain undisturbed as international organizations may deny it privileged access to technical assistance programmes. Whether the graduation rule allows structural progress to be appropriately assessed or measured and recognized remains a critical question in the international debate on the treatment of developing countries.

The ensuing question for Angola is as follows: is the pre-eligibility for graduation (since 2012) a sign of structural transformation? Should the answer be yes, the economic and social progress would not only be measurable in per capita income terms, it also ought to be palpable under the graduation criteria that are structural in nature, namely, the human assets and economic vulnerability criteria. Expecting to observe elements of structural progress in Angola is therefore a normal part of the reading of this profile.

Two other elements of the graduation rule also imply durable structural progress in the graduating country:

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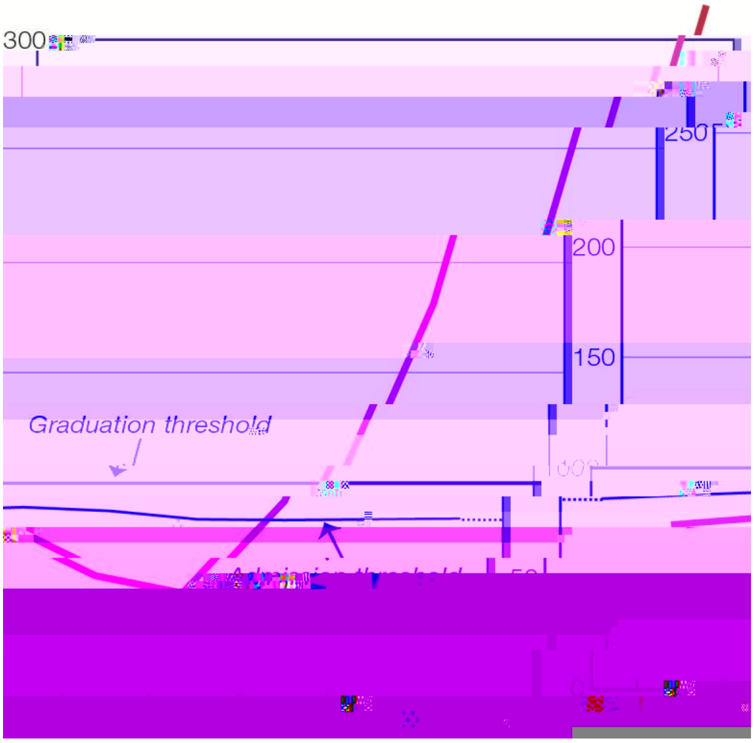
customarily take place in December of year y + 3, thereby taking the end of the grace period (the date of graduation) to December of year y + 6 (hypothetically, December 2018 for

The three-year grace period, during which the graduating country remains on the list of LDCs, was instituted in 2004 country was standing at 315% of the graduation threshold at the time of the 2012 review of the list. This preeligibility level prefigures a highly probable full eligibility in 2015 for graduation. The slowing down of real GDP growth after 2008 (from +13.8% in 2008 to +2.4% in 2009) did not bend the surge above the graduation line. Oil exports, the primary engine of the economy, were at a historical peak in 2012 (at $71 billion), a year in which total merchandise exports were equivalent to 62% of GDP. It should be noted that overall service exports from Angola were not significantly affected by the world economic crisis, largely as a result of business related tourism, which never stopped rising between 2007 and 2013, and accounted for 76% of total service exports in 2013. Total service exports were 2.6 times greater in 2010 than in 2008 (at current prices), and 1.5 time greater in 2013 than in 2010.

Graph 1

ANGOLA: distance from the graduation threshold under the per capita income criterion (based on GNI per capita)



In short, Angola's economy largely rests on oil and associated minerals (gas). Hydrocarbon production accounts for about 85% of GDP, with diamonds contributing another 5%. This level of income makes Angola the fourth largest African economy (with a GDP of $124 billion, after Nigeria, Egypt and Algeria). Its rapid and steady growth over the past decade (despite the global economic crisis) has put Angola on a path to lasting prosperity.

performance of Angola. However, important efforts are made by the Government of Angola to improve the income distribution status of the country

Table 3
Distribution of income in 10 States
am[redacted]onstrating the highest levels of inequality

Countries	[redacted]	Share of income in 2009 (%)	
	score 2009	20% Richest	

of the country. Under two of the four indicators entering the HAI, Angola demonstrates less progress than most other continental African LDCs: its child mortality rate is higher by 20%, and the proportion of undernourished people in Angola is greater by 33%. On the other hand, there is progress in the sphere of education: the secondary school enrolment ratio now equals the average of other continental African LDCs (it was below their score three years earlier), and the adult literacy ratio, estimated at 70%, is higher than the comparative regional group by 28%.

capital development. Several indicators show that Angola still needs to make progress to fight malnutrition, ensure infants' survival, and improve children's education, especially at secondary level. These three areas of human capital are of direct relevance to the variables entering the Human Assets Index used by the Committee for Development Policy

Undernourishment

According to various sources, the undernourishment ratio of relevance to Angolans was estimated at 35.1%[9] in 2004-2006, and 27.4% in 2010-2012 (Table 5). Though still high, this ratio is one of the most rapidly decreasing undernourishment ratios in the world (with a 57% decrease over the past 20 years). This has placed Angola on the way to exceeding the MDG goal of halving the proportion of undernourished people from early 1990s levels (63.9% in 1990-1992).

Table 5

Undernourishment in Angola and relevant country groups

Angola and country groups	Number of people undernourished		Proportion of undernourished people in the total population			Change
	2004-2006 (in million)	2010-2012 (in million)	1990-1992 %	2004-2006 %	2010-2012 %	1990-92 2010-12 %

Child mortality

(2002), the performance of the country under this variable has more than quadrupled, putting Angola at par with other LDCs considered on average (36% in 2011)[15], albeit below the middle-income countries average. Yet more progress is needed for Angola to attain the secondary school enrolment levels of other sub-Saharan African countries (40.3% in 2011) or the world average in the same year (71.2%).

There has also been, in the recent past in Angola, an unequal distribution of opportunities to enrol in secondary school. According to a World Bank study[16], factors like family income, gender, living in rural or urban areas, have had a strong influence on chances of enrolment in secondary school, and have explained high dropout rates. Students from well-off families and generally those living in cities enjoy enrolment ratios at least double the national average.

Also notable is the fact that, while the total secondary school enrolment ratio was 33.7% in 2010, female enrolment was 9 percentage points below average (24.8%), while male enrolment was 5 points above average (38.8%). The gender differential, which is now of 14 points, has more than doubled between 2007 and 2010.

One major factor of the low ratio of secondary school enrolment in Angola has always been the high dropout rate at primary school level, which was estimated at 68.1% in 2011, the third highest dropout rate in the world (after Chad and Uganda)[17]. One reason for this is that immediately after the end of the civil war, there were high proportions of new teachers who were not trained to teach. The dropout phenomenon at primary school level has in turn caused increases in dropout numbers at secondary school level.

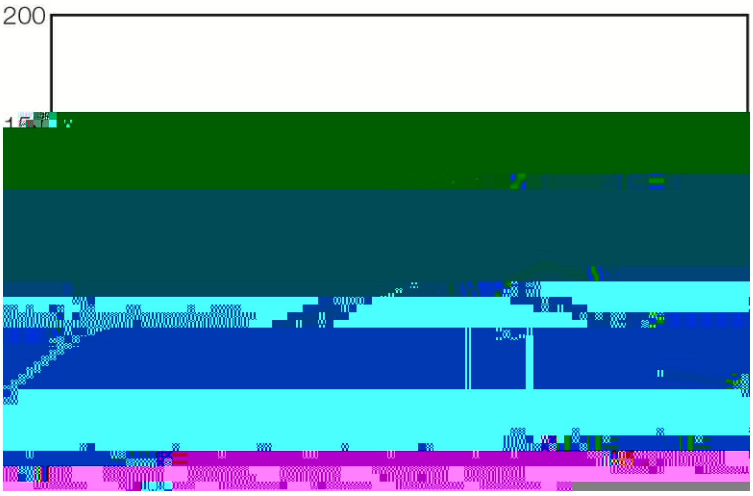
Another factor has impacted negat

These facts illustrate the need for more educational investment in Angola, an area of public action in which poor women of rural areas should not be forgotten

5. Angola and the economic vulnerability criterion

Graph 3

ANGOLA: distance from the graduation threshold
under the economic vulnerability criterion
(based on the ***Economic Vulnerability Index***)



The growing divergence between the performance under the income criterion and the score under the vulnerability criterion (at 62% of the graduation threshold in 2012) is almost entirely explained by hydrocarbon exports, and must be interpreted with caution. Only two of the eight indicators entering the Economic Vulnerability Index portray Angola as a relatively vulnerable economy: merchandise export concentration is much higher in Angola than in other continental African LDCs (by 113%), and goods and services export instability has been greater by 47%. Both observations, namely, the extreme economic concentration and high instability (actually, growing increases) in export values are explained by a single economic factor: hydrocarbon extraction. Whether this context can be considered a reflection of higher economic vulnerability is debatable, given the windfall income effect dominating the national economic landscape, and the ensuing opportunity to accelerate the pace of economic and social progress and build resilience.

Like all economies, including oil-rich States, Angola is vulnerable to natural and economic shocks, notably because it is structurally exposed to relevant risks. These issues have been palpable in recent months, particularly in the context of falling oil prices.

Exposure to shocks: primary activities as a percentage of GDP

Over the past decade, agriculture, fisheries and other primary activities, while occupying many Angolans, accounted for a modest share of the country's GDP. As Table 10 shows, the share fluctuated around 10%. Given the circumstances and pace of Angola's growth for reasons explained earlier, the stability of primary activities in proportion to the economy as a whole has been a remarkable performance.

Table 10

ANGOLA: Share of agriculture in GDP

2002	2007	2011	2012
9.5	6.6	9.9	10.8

Source: World Bank, World Development Indicators, 2014

Before the oil era, agriculture played a major role in the Angolan economy, making the country a major food exporter. Before gaining its independence (1975), Angola was once the third largest exporter of coffee in the world. It was also a major exporter of maize until the 1970s, with exports once amounting to 400,000 million tonnes, almost all of which was produced by smallholders[21]

The contribution of the primary sector is expected to at least remain stable, or possibly to increase in the future, given the high priority the Government attaches to agriculture and related primary activities, in conjunction with the major infrastructural development efforts being pursued (6>4<i(d)-9-3(72.024 307.85 Tm [(be)4(ing)tura)5(l7.72c)-3(e)4()-5(g)waimaF5 1s

country's export revenue. Diamonds represent almost all the rest. Liquefied natural gas was expected to

Table 12

ANGOLA: Natural disasters and hazards, 1993-2012

Disasters and consequences	1993-2002	2003-2012
Number of events	9	22
Number of epidemics	7	9
Total number of deaths	169	372
Total damage in US $ million	10	0

Source: World Bank, World Development Indicators. CDP 2012.

According to the Angolan Minister of Environment (quoted from a conference on the environment in Poland in 2013), the Government of Angola has a preventive policy on drought and desertification, and a national mitigation strategy. It has also been implementing initiatives to prevent and/or mitigate the consequences of disasters.

Among the population groups at risk are those living in low-lying areas, a facet of exposure reflected in the Economic Vulnerability Index. Unauthorized settlements on marginal land in coastal cities have exacerbated the problem. Table 10 shows the proportion of Angolans living in areas that do not exceed 5 meters above sea level.

Table 13

ANGOLA: Percentage of population living in areas below 5 meters above sea level

Year	Proportion
1990	2.06 %
2000	2.06 %
2012	5.28 %

Source: World Bank, World Development Indicators. CDP 2012

Shocks beyond domestic control: instability of agricultural production

Agricultural production grew rapidly over the past 10 years. As Table 14 shows, average annual growth between 2002 and 2012 was close to 10% and the overall value added of the sector multiplied almost tenfold in current US dollars, from $1.5 billion to $13.2 billion.

production swings were never frequent or significant. Unlike prices, production is generally little dependent on external influences.

Table 15 shows the historically high instability in crude petroleum prices, through a price instability index covering three decades, a period over which upward changes in oil price were more frequent, substantial and lasting than downward changes. These data are reminders of the importance of not interpreting the positive, price-related changes as negative economic factors insofar as such "positive shocks" entail increased instability of exports (because of substantial deviations from a long-run trend), therefore a worsened performance under the Economic Vulnerability Index. The recent falls in oil prices, on the other hand, are a genuine form of

Box 1: Oil in Angola, a source of strength and vulnerability at the same time

Oil production and its associated activities account for about 85% of Angola's GDP, and 96% exports. Daily oil production, in September 2013, was 1.74 million barrels, making Angol second largest oil pr

6. Concluding remarks

In March 2012, Angola was found pre-eligible for graduation from LDC status by virtue of the exceptional ("income only") graduation criterion. Unlike the normal graduation rule, whereby graduation will be considered for any country that meets at least two of the three graduation thresholds, the "income only" rule postulates that the country will qualify for graduation if it has enjoyed, in two consecutive reviews of the list of LDCs and in a sustainable manner, a per capita GNI at least double the graduation threshold, irrespective of its performance under the other two criteria (human assets, economic vulnerability).

The rationale for recognizing a graduation case under the "income only" exit rule is that rapid (typically, oil-propelled) prosperity should allow prompt action toward socio-economic transformation at national level, without concessionary external support. A rapidly growing ability to autonomously fuel structural progress therefore justifies the idea of bringing an end to a country's LDC status. Angola nevertheless is an economically vulnerable country as the wealth which should enable Angolans to build economic resilience is unstable. This reinforces a plea not unknown in recent LDC history: oil-rich LDCs with a graduation agenda, like all other graduating countries, will need a sound "smooth transition" strategy.