



# ANGOLA

## SELECTED ISSUES PAPER

September 2014

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# ANGOLA

## SELECTED ISSUES

August 14, 2014

Approved By  
**The African Department**

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## EXTERNAL BALANCE ASSESSMENT<sup>1</sup>

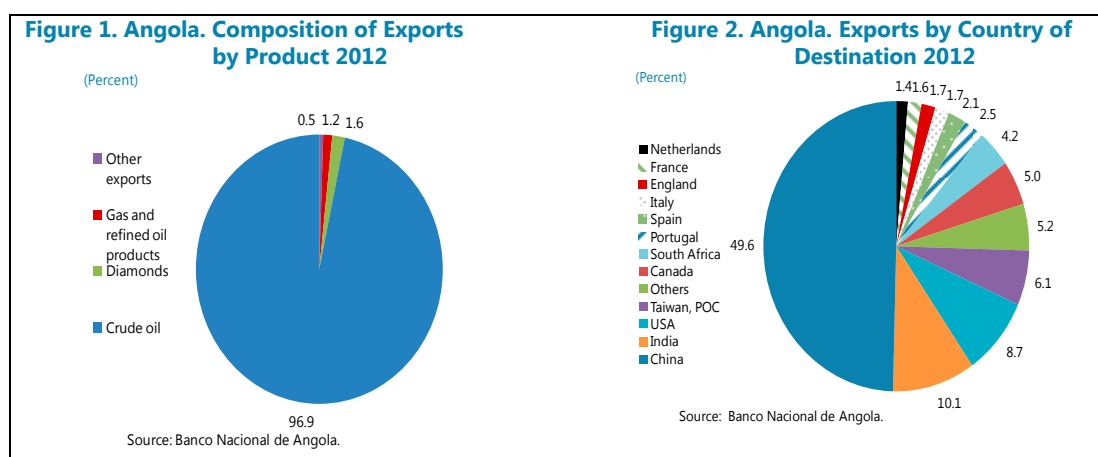
Angola's external balance appears sustainable under current assumptions regarding the evolution of oil prices and output/exports, but the economy's lack of diversification implies that it remains highly vulnerable to declines in the oil price and disruptions in oil production. Moreover, to the extent that the commercial viability of future oil production from the pre-salt deposits is still uncertain, risks to oil output are on the downside.

Angola's real exchange rate is overvalued, with the CGER-type approaches suggesting an overvaluation in the range of 10-25 percent, although confidence intervals are large and in one method undervaluation cannot be ruled out. Non-price competitiveness indicators, including the World Bank's Ease of Doing Business and the World Economic Forum's Global Competitiveness Index, confirm a lack of competitiveness of the Angolan economy. Given the high pass-through of the nominal exchange rate to prices, improving competitiveness should focus on measures to improve the country's business climate and infrastructure.

The assessment of reserve adequacy shows that international reserves are currently adequate for precautionary purposes, but the high (although declining) level of dollarization in the financial system implies that a higher benchmark is appropriate; staff sees limited scope for drawing down reserves.

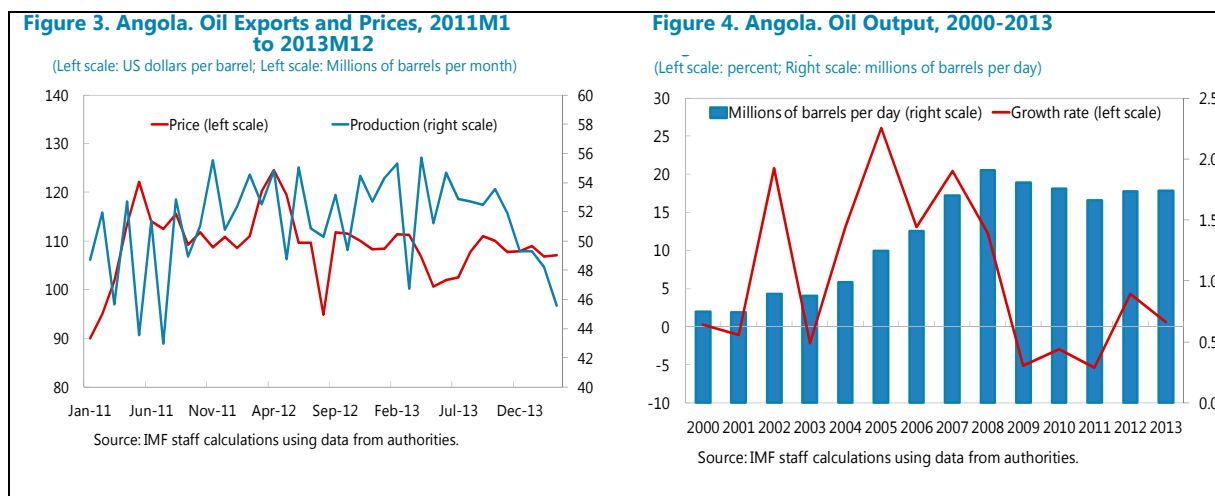
### A. Current Account Balance

**1. Angola's exports remain heavily concentrated in a single commodity**, crude oil, which in 2012 accounted for close to 97 percent of total exports (see Figure 1). Moreover, this high concentration of exports has remained roughly constant over the past five years. Oil exports are also highly concentrated in terms of trading partners, with China accounting for nearly half of Angola's oil exports (Figure 2). This concentration of exports to China has increased over time, from 23.3 percent in 2009 to 49.6 percent in 2012

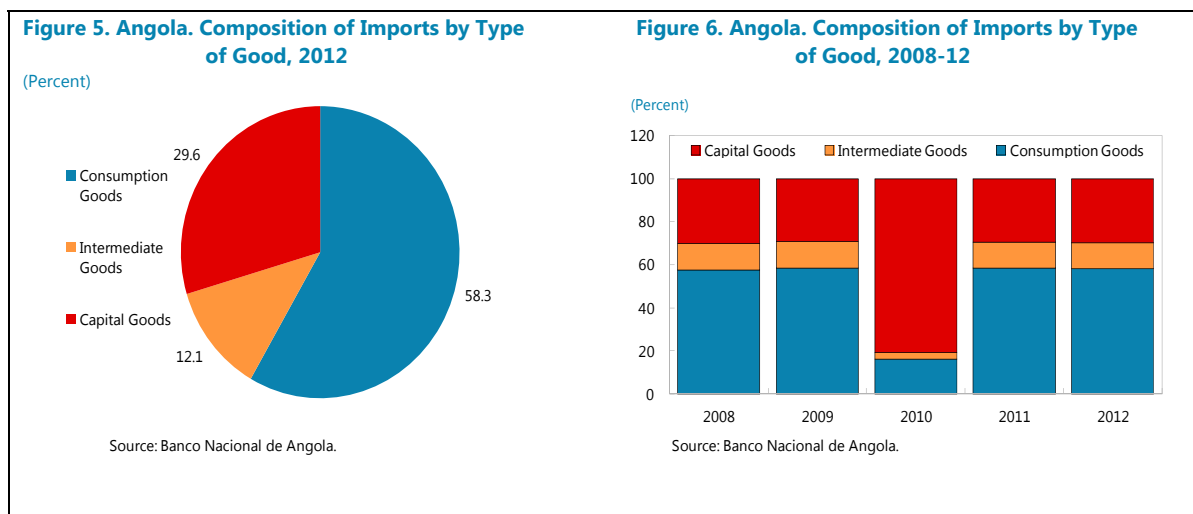


<sup>1</sup> This Chapter was prepared by Rodrigo García-Verdú (AFR).

**2. Over the past year, a relatively high oil price has helped maintain export revenue despite weak growth in oil production** (Figures 3 and 4). While oil prices have declined from their peak in 2012, they remain high relative to their long run average. By contrast, oil production growth has remained subdued, particularly when compared to the high growth rates registered in the previous decade (Figure 4). Notwithstanding the relatively high oil prices, Angola's export revenues remains highly vulnerable to a decline in the price of oil, to disruptions in domestic oil production, and to a slowdown of growth in China.



**3. The composition of imports by type of good shows that they continue to be dominated by consumption goods**, accounting in 2012 for about 58 percent of total imports, with intermediate goods accounting for 12 percent and capital goods for the remaining 30 percent (see Figure 5). Except for the year 2009, when imports fell abruptly and consumption goods decreased their share to only 16 percent of the total while capital goods increased their share to 80 percent, the shares have remained relatively constant over the past five years (Figures 5 and 6).



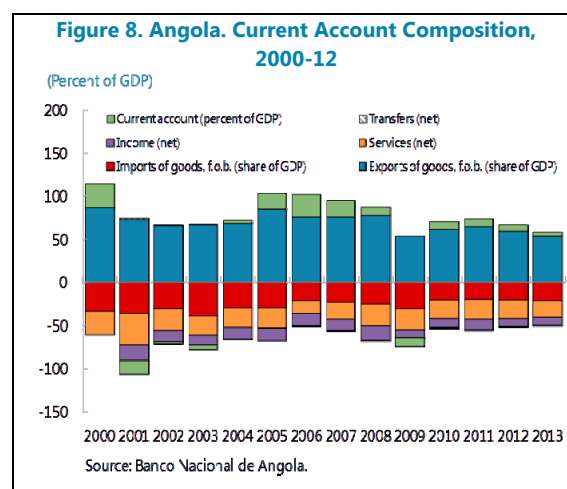
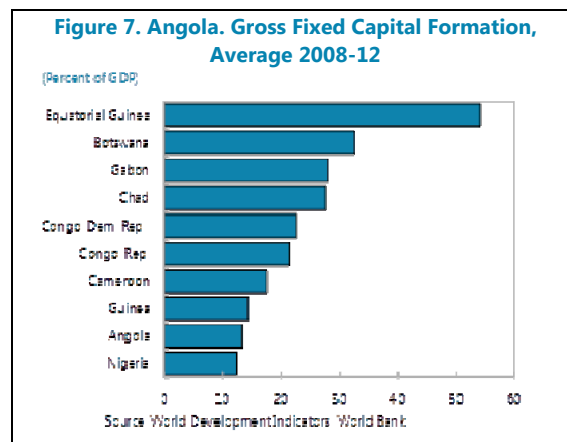
4. **The high share of consumption goods in total imports suggests that the real effective exchange rate may be overvalued.** It also belies the idea that an overvalued exchange rate, by allowing the importing of capital goods at a low price relative to domestic goods, can help narrow the infrastructure gap that exists in Angola. If this were the case, one would expect to observe a high share of capital goods in total imports, and a high investment rate relative to other oil-exporting and resource-rich economies.

5. **Among the group of countries in sub-Saharan Africa which are classified as resource rich based on both the share of resource exports in total exports and resource revenue as a share of total revenue, Angola has the second lowest investment rate after Nigeria,** and invests a significantly lower share of GDP than other resource-rich comparator countries (Figure 7).

6. **In terms of the trade balance, the surplus in the goods trade balance is more than sufficient to offset the structural deficit in the services balance and the negative net income,** with the result that the current account has remained in surplus since 2003, except for the deficit registered in 2009 as a result of the sharp decline in both oil prices and output (Figure 8).

## B. Capital and Financial Account Balance

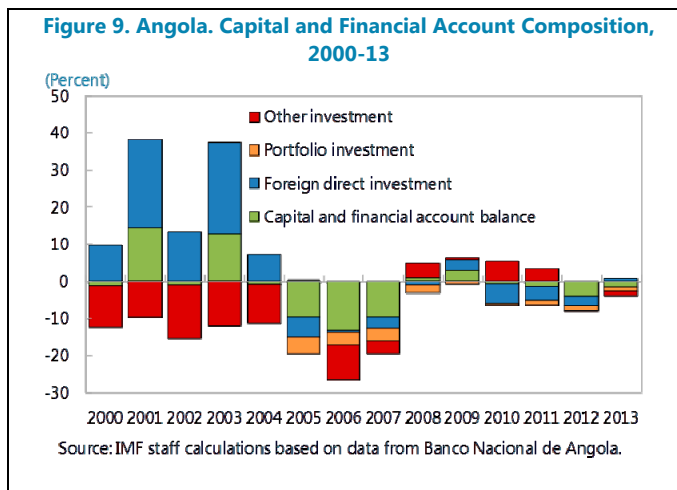
7. **Relative to the composition of the current account, the capital and financial account in Angola shows more volatility,** with some components contributing positively in some years and negatively in others. Even as the overall capital and financial balance might show relatively



small changes from year to year, its components register much larger changes. Despite these changes in the components, they tend to offset each other, with the result of a relatively small capital and financial account surplus or deficit as a share of GDP (Figure 9).

8. Thus, for example, whereas positive Foreign Direct Investment (FDI) flows as a share of GDP were very large over the period 2000-05, and in fact contributed to financing the current account deficits

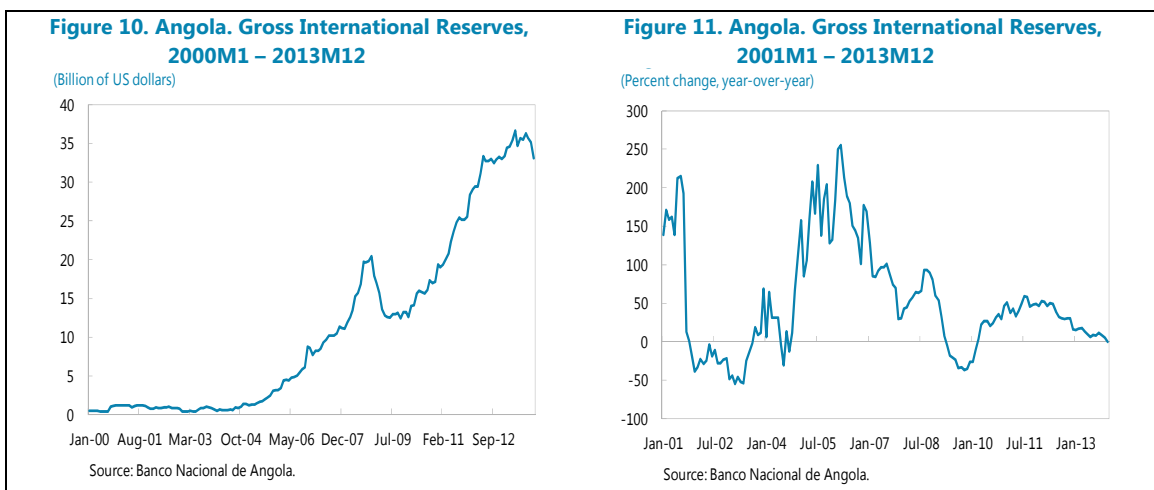
registered in the period 2003-05, these FDI flows have become negative since 2006 except for the years 2008-09. Similarly, whereas loans, which together with trade credits constitute the bulk of the Other Income category, were negative and very large as a share of GDP over the period 2000-06, they have since reversed signs and become much smaller in magnitude.



### C. Change in International Reserves

9. **As a result of the current account surplus more than offsetting the capital and financial accounts deficit, international reserves, which until recently represented the majority of the foreign assets held by Angolan residents, have grown significantly over the period 2000-13.** From less than US\$ 2 billion at end 2000, they have grown to around US\$ 33.2 billion at end 2013 (Figure 10), the equivalent of 7.6 months of next year's projected imports.

10. **Notwithstanding this important buildup of international reserves, the growth rate of international reserves accumulation has slowed down significantly since mid 2011** (Figure 11), and in fact became negative (on a month-on-month basis) during the last quarter of 2013 due to the transfer of US\$ 3.5 billion from the Oil for Infrastructure Fund to Angola's Sovereign Wealth Fund.



**11. Going forward, oil output over the next five years is expected to increase only marginally**, as production from new oil fields is expected to help replace the decline in production of mature fields, many of which have reached their peak production or are expected to do so over the next three or four years. Continued high growth of the non-oil economy is expected to increase demand for imports, while exports are expected to increase marginally in line with oil output. As a result, the current account surplus as a share of GDP is expected to decline over the period 2014-19.

**12. Notwithstanding the BNA's achievement in lowering inflation to single digit levels in 2013 and 2014, the relatively constant nominal exchange rate and the positive inflation differential between the kwanza and the US dollar has resulted in a further appreciation of the real effective exchange rate over the past two years (2011-13).** While this inflation differential is expected to narrow, it will remain positive for the period 2014-19.

**13. The combination of a smaller current account surplus and the appreciation of the real effective exchange rate, however marginal, will combine to put pressure on the external balance.** The combination of the narrowing of the current account surplus and the moderate appreciation of the real exchange rate will result in lower rate of international reserves accumulation.

## D. Assessing Reserve Adequacy

**14. This section presents the results of applying to Angola's level of international reserves at end-2013 a new methodology proposed by the IMF,<sup>2</sup> which contains simple new metrics to assess reserve adequacy in the cases of emerging market economies (EMs) and low income countries (LICs). This IMF paper focuses on precautionary motive for holding reserves, as opposed to**

<sup>2</sup> International Monetary Fund (2011), "Assessing Reserve Adequacy," IMF Board Paper Prepared by Monetary and Capital Markets, Research, and Strategy, Policy, and Review Departments in consultation with other IMF departments, February 14, 2011.

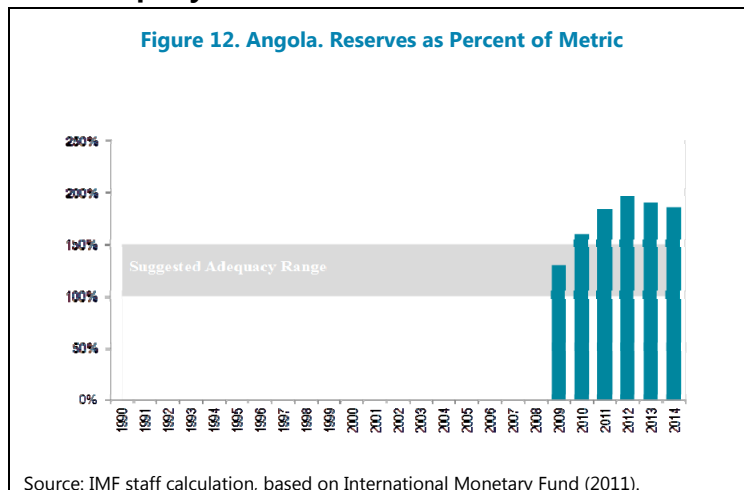


other reasons such as their uses in supporting a fixed or managed exchange rate regime or in intergenerational savings; this last reason is particularly important in countries which, like Angola, derive a significant share of output from exhaustible natural resources.

**15. The results of this assessment of the adequacy of international reserves show that the level in Angola at end 2013 was adequate for precautionary purposes,** although there is limited scope for drawing them down. (Figure 12).

**16. The ARA framework takes into account the fact that Angola has a de facto fixed exchange rate regime, but does not consider the fact that the level of dollarization of the financial system is still high, which provides an additional**

**function for reserves in case of the need to provide liquidity to the financial system during episodes of stress.** Experience shows that those countries in which there the balance sheets of banks have currency mismatches and have experienced balance of payments crises have had much larger output and employment effects (see Calvo et al. 2013).<sup>3</sup> Thus, it is important for countries with high dollarization to hold a higher level of reserves than that suggested by the ARA metric, both to reduce the probability of experiencing a balance of payments crisis and to mitigate its effects if it were to occur.



## E. Equilibrium Real Effective Exchange Rate Assessment

**17. This section presents the result of the exchange rate assessment for Angola, using the CEGR-type methodology embedded in the toolkit developed by Vitek (2014).**<sup>4</sup> It has the advantage of having up to date data from the most recent WEO and the most up to date data from the IFS. Relative to the pilot EBA methodology currently being developed, the CEGR-type methodology has the drawback of not including a new variable added to the model which is relevant in the case of Angola, which is the rate of depletion of non renewable resources, measured by the ratio of output to proven reserves. The new model finds that countries with high ratios of output to proven reserves tend to have lower current account to GDP deficits or higher surpluses

<sup>3</sup> Calvo, Guillermo, Alejandro Izquierdo, and Rudy Loo-Kung (2013), "Optimal Holdings of International Reserves: Self-insurance against Sudden Stops," *Monetaria*, Centro de Estudios Monetarios Latinoamericanos, Vol. 0 (1), pp. 1-35, January 2013.

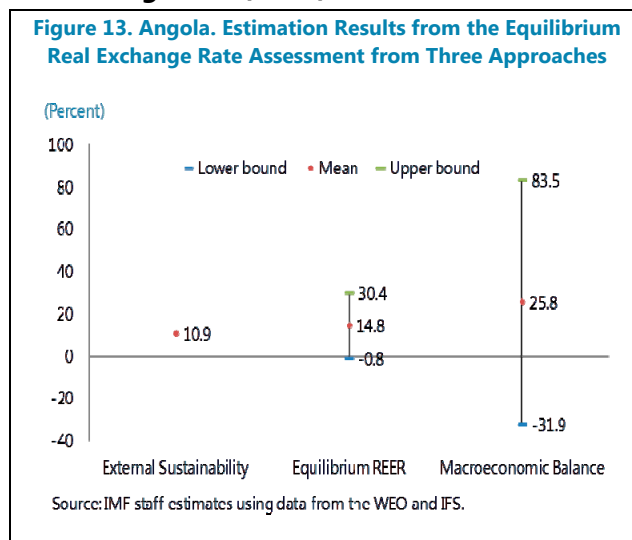
<sup>4</sup> Vitek, Francis (2014), "Exchange Rate Assessment Tools for Advanced, Emerging, and Developing Economies," mimeo dated April 23, 2014, (Washington, D.C.: International Monetary Fund).

associated, which is consistent with the prediction of the permanent income hypothesis that those countries need a higher savings rate since their non renewable resources will be depleted sooner. If this result holds as the EBA model is extended to oil producers and developing countries, then Angola would presumably need to be saving more, since at current production rate oil is expected to be depleted in around 13 years. With this caveat in mind, the results of the three CEGR-type approaches are next discussed.

**18. The external sustainability (ES) approach, which estimates the ratio of the current account balance (CAB) to GDP needed to stabilize Angola’s net foreign asset (NFA) position at its end 2013 level, suggests that the real effective exchange rate (REER) is overvalued**

(Figure 13), and would need to depreciate by around 11 percent by 2019 to close the gap with the norm at the end of the WEO projection period (2019).

**19. The equilibrium REER approach, which is based on the estimation of the medium-term relationship between the REER and its fundamentals, suggests that Angola’s REER is overvalued,** and would need to depreciate by almost 15 percent in order for the gap between the norm and the gap between the norm and the projected CAB to close by 2019. Although the 90 percent confidence interval includes zero, most of the interval lies above zero.



**20. The macroeconomic balance (MB) approach estimates a current account norm using some of the fundamental determinants of the ratio of the CAB to GDP.** According to the model’s estimate, the norm should be equivalent to a current account surplus of around 5.5 percent of GDP, whereas under current policies a deficit of around 1 percent of GDP is projected in 2019. The adjustment of the REER necessary to close the gap between the norm and the projected CAB at the end of the WEO projection period suggests that the REER needs to depreciate by around 26 percent. However, the 90 percent confidence interval is very wide and includes zero as well as a positive range of values

**21.** Despite the fact that the equilibrium REER and MB approaches tend to be imprecise, as shown by the wide confidence intervals associated with the respective REER estimates, **the fact that all three approaches point in the same direction of overvaluation provides more confidence to the assessment for Angola.** The next section complements this REER assessment with an analysis of two widely used non-price competitiveness indicators.

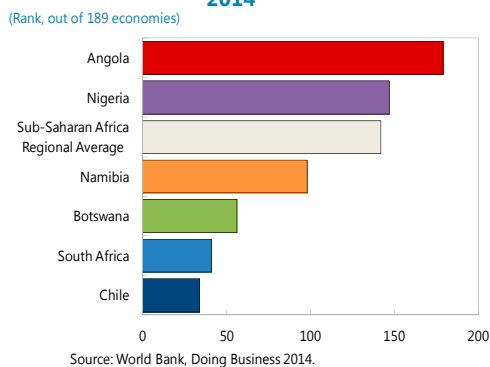
## F. Non-Price Competitiveness Indicators

22. In addition to the result of the real exchange rate assessment, according to which all three methodologies seem to suggest an overvalued real effective exchange rate, **the non-price competitiveness indicators confirm the Angolan economy lack of competitiveness due to an unfavorable business climate.** According to the World Bank's Doing Business indicators, Angola rank in 2014 was 179 out of 189 economies in the overall "Ease of Doing Business", falling one position relative to its 2013 ranking.

23. **According to this index, Angola ranks behind the average for the sub-Saharan Africa region,** behind Nigeria and South Africa – the two other largest economies in SSA – behind Botswana and Namibia –two other resource-rich countries in SSA–, as well as behind Chile, one of the few resource-rich countries which has been able to transition in less than a generation from lower-middle to high-income status according to the World Bank's country classification based on gross national income per capita (Figure 14). Chile is a relevant comparator economy for Angola because its economy remains heavily dependent on a single commodity–copper–in both exports and fiscal revenue.

24. **In terms of the components of the Ease of Doing Business index, Angola does particularly poorly in four indicators relative to the comparator countries** (Figure 15): (i) Resolving Controversies (ranked 188 out of 189); (ii) Enforcing Contracts (ranked 188 out of 189); (iii) Starting a Business (ranked 178 out of 189); (iv) Trading Across Borders (ranked 169 out of 189). Its position in the Dealing with Construction Permits component, in which Angola ranked highest in 2013 at 56, fell in 2014 by 9 places down to 65. In fact, Angola improved its ranking in only one component, namely, Paying Taxes, where it moved from 156 to 155.

**Figure 14. Angola. Overall Ease of Doing Business, 2014**

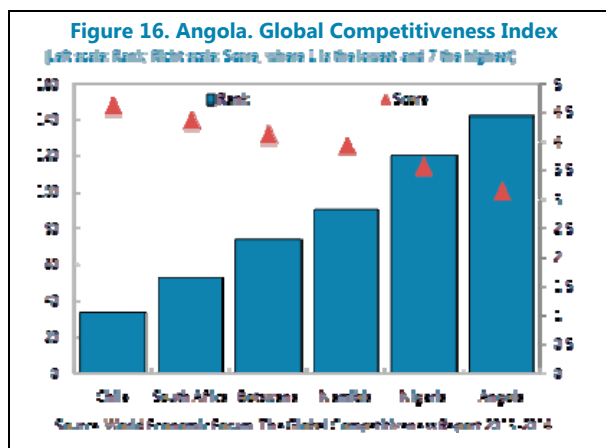


**Figure 15. Components of the Ease of Doing Business, 2014**



**25. Another indicator of competitiveness, the World Economic Forum's Global Competitiveness Index, show broadly the same result,**

**namely, that Angola ranks very low relative to comparator countries (Figure 16). Despite the improvement in its overall score in the World Development Forum's Global Competitiveness Index in 2013-14 relative to its score in 2011-12 (from 2.96 to 3.15, where 1 is the lowest and 7 is the highest), Angola still fell in the ranking from 139 to 142 (out of a total of 148 countries) as a result of countries entering the ranking at higher levels and other countries improving their competitiveness.**



## ASSET AND LIABILITY MANAGEMENT FRAMEWORK<sup>1</sup>

*Angola's asset-liability management framework needs to be modernized, by making savings and stabilization vehicles better aligned with fiscal outcomes. This would involve creating a fiscal stabilization fund with clear deposit and withdraw rules to protect the budget against oil revenue volatility, and by transferring additional resources to Angola's Sovereign Wealth Fund only in the event of fiscal surpluses. In addition, recent improvements to the management of international reserves and public debt should be complemented. The BNA could publish the annual international reserve management reports and enhance reserve adequacy calculations, and the Finance Ministry could further align its debt management practices with the government's local market development objective, by issuing benchmark bonds and increasingly more kwanza-denominated instruments.*

### A. Introduction

1. **A sovereign Asset and Liability Management Framework (ALMF) aims at defining the size and characteristics of sovereign assets and liabilities to meet broader macroeconomic objectives.** Asset managers typically maximize returns subject to risks, while debt managers typically minimize costs subject to risk. The purpose of the ALM framework is to coordinate the activities of both asset and debt managers in a way to optimize the balance sheet of the country as a whole.
2. **Angola needs more than ever an ALMF.** The combination of substantial revenues from natural (oil) resources and large and growing financing needs to close infrastructure gaps calls for a prudent approach to coordinate both debt and asset management. This appendix reviews the current ALMF in Angola and makes suggestions toward implementing an integrated ALMF.

### B. Asset Management

3. **The two main items on the asset side in Angola's balance sheet are the international reserves and the recently-created Sovereign Wealth Fund (FSDEA).** At end-June 2014, international reserves were US\$32.1 billion, corresponding to 7¾ months of imports, and FSDEA assets were US\$5 billion.
4. **The management of international reserves was revamped in 2011 and guidelines more aligned to international best practice were introduced.** The legal framework was framed by a Presidential Decree in September 2011 (PD 253/11), establishing broad principles for reserve composition and providing basic rules to be complied by the BNA, as the manager of reserves. In addition, the BNA Law defines the responsibility of this institution to manage international reserves.

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<sup>1</sup> This Chapter was prepared by Guilherme Pedras (MCM).

**5. The governance structure for managing international reserves has also been restructured toward best practice through several BNA regulations issued in 2011.** Guidelines issued by the BNA (Despacho 35/2011) define the broad investment strategy, thereby establishing parameters for the reserve managers. Also, the guidelines establish criteria for hiring and evaluating external asset managers and also separate investment management and risk control activities.

**6. The BNA produces annual reports describing the policies and performance results from the previous year.** These annual reports provide information regarding the investment policy, and the evolution and composition of the portfolio. *It will be important for BNA to publish these reports on a regular basis.*

**7. A large share of international reserves consists of government accounts deposited at the BNA.** A portion of the government's oil revenues are deposited in government accounts at the BNA and counted against international reserves. These government accounts account for a substantial portion of international reserves (approximately half) and have an important influence on the investment policy and coordination arrangements between BNA and the government.

**8. Assets under management are divided into three tranches.** The liquidity tranche is the largest and represents about sixty percent of total international reserves.<sup>2</sup> The investment tranche includes about twenty percent of reserves and is largely managed by external managers. This is appropriate, given the greater complexity involved in managing such investment assets. Finally, there is an intermediate tranche, invested in liquid assets to cover eventual excess needs of the liquidity tranche.

**9. The BNA needs to coordinate the use of international reserves with the government.** Despite representing a relatively comfortable share of imports, international reserves have many potential uses in Angola, as these resources also include government assets. *This raises policy coordination issues that should be addressed by a clearer ALMF.*

**10. The BNA manages government foreign currency deposits and is clarifying with the government the sharing of remuneration from its investments.** According to best practice, the BNA currently manages both local and foreign currency government deposits. These resources deposited at the BNA are owned by the government, but their remuneration has so far been appropriated by the BNA. A Memorandum of Understanding is currently under discussion between both parties to regulate the distribution of proceeds of these investments between the government and the BNA.

**11. Part of international reserves were recently transferred to FSDEA.** FSDEA received its initial endowment stipulated by law and it now holds assets amounting to US\$5 billion. These funds

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<sup>2</sup> Government deposits with the BNA are held in both US dollars and kwanzas. The dollar equivalent, at the market exchange rate, of all deposits represents 60 percent of total international reserves.

were transferred in two tranches, and future annual inflows (equivalent to 50,000 bbl per day) are set by regulation.

**12. The legal framework of FSDEA is comprised by three Presidential Decrees (PD):**

- **PD 89/13 establishes FSDEA as a redirection of resources from the oil fund account.** It also sets FSDEA's basic governance principles and organization structure.
- **PD 89/13 establishes three boards (administrative, advisory, and audit) to carry out FSDEA activities.** The administrative board is responsible for defining the strategy and policies of FSDEA. It should also approve the management report and forward it to the President of the Republic, after approval by the Ministry of Finance. The investment policy is also approved by this board. The members of the board are appointed by the President of the Republic. The consultation board is chaired by the Minister of Finance, and comprised also by the Ministers of Planning and Economy and by the Governor of the BNA. Finally, the audit committee supervises the activities of FSDEA. This decree also establishes the several units within FSDEA (including the investment and risk management unit) and sets the number of staff at 95.
- **PDs 107 and 108 define the investments policy and management rules for FSDEA, respectively.** PD 107 states three objectives, namely: capital preservation, maximization of long term returns, and infrastructure development. This makes FSDEA both a savings and a development fund. The investment decisions of FSDEA are based on these three objectives.

**13. While not unusual, it is not considered best practice for an SWF like FSDEA to have development objectives.** Investing external proceeds in the domestic economy triggers sterilization costs and thus raises the need for close coordination with the monetary authorities. Moreover, it requires a close relationship with the authorities on the investment projects to be chosen, which should not compete with or duplicate projects already financed by the budget.

**14. FSDEA still operates under transitional rules.** PD 107/13 establishes that for the first 18 months of activities (which expire in December 2014), FSDEA resources will be managed by a single manager. Quantum Global Investment Management was chosen for this initial period, based on a set of general criteria. For the selection of future managers,<sup>3</sup> clear selection rules should be defined and published. The broad composition of the portfolio is given by the following guidelines.

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<sup>3</sup> After this initial period, FSDEA's governance rules establish that no single manager can manage more than thirty percent of total assets.

Asset Classes	Percent of Portfolio
Fixed Income	30 -40%
Stocks, developed market	30 -40%
Stocks, emerging economies	10 -20%
Hedge funds, real estate investment trusts	10 -15%
Currency	10 -15%
Regions	Percent of Portfolio
North America	35 -50%
Europe	20 -35%
Asia	10 -20%
Emerging economies	15 -25%

**15. FSDEA is committed to adhere to the Santiago Principles.**<sup>4</sup> A self-assessment was made, which classified FSDEA as being close to comply with the 24 Principles.<sup>5</sup> However, it still lags behind on the criteria for risk management and rules for outsourcing and has yet to publish its first report.

**16. FSDEA should publish regularly its reports.** While FDSEA regulations state that quarterly reports should be sent to the Minister of Finance, there is currently no requirement for the publication of this or any other documents. *Periodic reports containing basic information of FSDEA activities and performance should be published regularly to help enhance the visibility and credibility of this new institution.*

**17. An independent auditor (Deloitte) was hired to audit FSDEA's activities.** According to FSDEA officials, the report, due by the end of the first semester, is still being prepared by the auditors. *It is important to ensure that these reports are issued and published on a timely basis.*

**18. In addition to international reserves at the BNA and FSDEA assets, a group of small autonomous funds are also included in the asset side of the government balance sheet.**<sup>6</sup> These funds receive revenues from the budget and were created to attend specific objectives. According to the most recent published data (end-2012), the total amounts of these funds correspond to approximately US\$600 million. In addition, the Social Security Fund had assets of around

<sup>4</sup> For details about the Santiago Principles, please visit <http://www.iwg-swf.org/pubs/gapplist.htm>.

<sup>5</sup> These 24 criteria are divided into 3 basic groups: legal framework; institutional framework and governance structure; and investment and risk management framework.

<sup>6</sup> Caixa de Proteção Social do Ministério do Interior, Fundo de Garantia de Crédito, Fundo Nacional de Desenvolvimento, and Caixa Social das Forças Armadas de Angola.



US\$3 billion at end-2012. There has been no explicit identification of any contingent liability derived from the social security.

## C. Debt Management

**19. Public debt is relatively low and predominantly in foreign currency.** Gross public debt at end-2013 was 33.5 percent of GDP, of which about two-thirds was denominated in foreign currency. According to the latest published debt bulletin (first quarter, 2013), debt issued in the domestic market represents about half of the total. *Given the still highly dollarized economy and foreign currency exposure of the government to oil revenue, the high share of foreign currency debt is not a concern. However, the debt profile should evolve as de-dollarization continues.*

**20. External public debt is mainly from multilateral and bilateral sources.** According to the latest available debt bulletin, multilateral and bilateral debt account for about 62 percent of external public debt, and commercial sources represent slightly less than 30 percent.

**21. The government's domestic public debt comprises treasury bills and bonds.** Domestic debt is mainly comprised of bonds. Treasury bonds issued with maturities of 2, 3, 4 and 5 years are offered to the financial market in both local and foreign currency. Treasury bills are issued in maturities of 91, 182, and 364 days.

**22. The shallowness of the domestic financial market constrains debt issuance with longer maturities.** The domestic market is shallow and comprised basically by commercial banks. While insurance companies and pension funds exist, they are small and will likely continue to be relatively minor market players over the medium term. The government generally seeks as much funding as possible in the domestic market, but the market's shallowness limits both the amounts and maturity of the instruments that can be placed. This is illustrated by the limited amounts sold so far in the domestic market. By end-June 2014, the government was able to issue only about 30 percent of the planned annual amount for treasury bonds. In contrast, it was able to issue about 65 percent of the annual amount announced for treasury bills.

**23. The authorities are considering the issuance of Eurobonds.** Funding through multilateral and bilateral sources is usually tied to infrastructure projects and is expected to continue. To increase funding flexibility, the government is considering issuing bonds in the international market. The Ministry of Finance is currently evaluating options and engaging in all the preparatory work for a possible Eurobond issuance in the first half of 2015. *Conditions in international financial markets currently seem conducive to a successful bond issuance. However, the environment may change and risks associated with international bond issuance need to be carefully considered.*

**24. The government intends to develop the domestic capital markets, headed by the Capital Markets Commission (CMC).** The intention is to implement this project in three phases starting first (and most importantly) with a public debt market, followed by a private debt market, and finally an equity market. *This important project should be implemented in close consultation and participation of key stakeholders in government, particularly the BNA and Ministry of Finance*

*(especially the debt unit), as well as from the private sector. It is particularly important that the government align its debt management practices with the market development project.*

**25. The government has recently made significant improvements in debt management.**

The Ministry of Finance now announces at the beginning of the fiscal year the amounts to be sold in the domestic market for each type of instrument. It has also prepared and delivered a presentation to investors in which the issuance plan is discussed and feedback obtained. This positive development allows the Ministry of Finance to have a better understanding of investors' incentives and concerns.

**26. In 2013, the government introduced fully-fledged kwanza instruments which should support the process of de-dollarization.** *Going forward, the government should continue to progressively increase the share of kwanza instruments. The pace of this shift should be consistent with the composition of commercial banks' balance sheet in order to avoid a buildup of significant currency mismatches.* Real interest rates on these instruments are currently negative. According to the government, there is no cap on interest rates at the auctions, despite assertions to the contrary by market participants.

**27. Opening domestic markets to foreign investors should be considered carefully and taking into account the recognition of underlying risks.** *While foreign investors have shown interest in the Angolan domestic debt market, this should be handled with care. Foreign investors can help to diversify the investor base and may facilitate a lengthening of debt maturities. However, they are also a less reliable source of funding and may increase volatility in times of crises. Notwithstanding this risk, policies that segment the market (such as allowing foreigners to sell their securities only to other foreign investors) should be discouraged.*

**28. It will be important to formulate a medium-term debt strategy that addresses the questions above properly.** A Debt Management Performance Assessment (DeMPPA) mission by the World Bank is scheduled for August 2014 to identify the main bottlenecks in debt management. Following this diagnosis and based on a cost benefit analysis, the authorities should formulate a medium-term debt strategy. *This strategy should be consistent with Angola's macroeconomic framework and define medium-term targets for currency and maturity composition of debt, a feature that is currently missing.* Such a debt strategy would also be important for de-dollarization.

## **D. Toward an Asset-Liability Management Framework for Angola**

**29. The government has recently begun to produce its balance sheet on an annual basis.**

The government publishes its assets and liabilities in the State's General Account (CGE). This is an important step toward a holistic asset-liability management framework (ALMF) for Angola, which should be gradually enhanced toward a framework that allows asset and debt managers to coordinate their decisions. However, the CGE is published with a considerable time lag, and it still

excludes key macroeconomic accounts, such as international reserves at the BNA and FSDEA assets.<sup>7</sup> *To facilitate policy decisions, the government should produce a consolidated balance sheet that reflects all of its economic risks, including from Sonangol's quasi-fiscal operations.*

**30. The regulations allocating the equivalent to 100,000 bbl of oil per day to the government and FSDEA should be clarified.**<sup>8</sup> The legislation refers to the equivalent of 100,000 bbl of oil per day to be transferred to FSDEA. However, according to the authorities, only half of this amount should actually be transferred to FSDEA. The remainder would go to a government account called Petroleum Reserve (RP) and, if not used by the end of the year, can be transferred FSDEA.

**31. In addition, the Oil Price Differential Fund (FDPP) receives transfers from the difference between actual and budgeted oil prices.** Funds from the RP and FDPP have been used to stabilize the foreign exchange rate market. However, when oil revenue fell sharply in 2009, the government decided to increase domestic debt issuance rather than rely on these resources. *Therefore, there seems to be ample scope to introduce a more systematic mechanism that can be used as a fiscal stabilization fund. A proper fiscal stabilization mechanism could be devised to minimize the impact of oil flow volatility on the need to raise resources in the market.* Angola, like any oil-exporting country, is exposed to changes in the oil prices, which can have a significant effect on the economy, including the government's capacity to meet its expenditures.

**32. The current framework poses two main drawbacks.** First, the rules for deposits and withdraws lack clarity. This hinders policy coordination and creates unnecessary friction among players. Second, the constant accumulation of assets is independent of fiscal outcomes, implying that accumulation may continue even though fiscal deficits are projected for the coming years. These rules will result in a strong increase of both assets and liabilities. As the rate of return on public assets is less than the cost of debt, maintaining this framework would imply incurring non-negligible carry costs. *This needs to be amended to accumulate resources for savings and development needs only in the presence of fiscal surpluses.*

**33. Chile and Trinidad & Tobago provide good examples for Angola.** Both economies are highly dependent on a single commodity, and have income levels more similar to Angola's than advanced economies. Chile and Trinidad & Tobago have savings and fiscal stabilization funds. In both cases, the amounts transferred to the funds are determined based on a fiscal rule embedded in law that allocates resources to the respective funds only in situations when fiscal conditions are better than a pre-defined parameter.<sup>9</sup>

<sup>7</sup> The 2012 CGE was released in July 2014. The 2013 CGE is currently being prepared.

<sup>8</sup> Petroleum Reserve or Account's purpose is infrastructure investment.

<sup>9</sup> For example, Chile has two Sovereign Wealth Funds (savings and stabilization). The savings fund receives amounts ranging 0.2 percent to 0.5 percent of GDP. Depending on the level of the surplus, the excess of 0.5 percent of GDP goes into the fiscal stabilization fund. Trinidad & Tobago has just one fund for both purposes. This fund receives 60 percent of the excess (that is, actual minus budgeted) energy revenues.

Table 1. Self-Assessment of Compliance with the Santiago Principles

	General Principle	Application within FSDEA	Source (Legislative Document)
1.	The legal framework for the SWF should be sound and support its effective operation and the achievement of its stated objective(s).	The Fund's Investment Policy, Rules and Statutes provide a sound legal framework for the FSDEA supporting the operation in order to achieve its objectives.	Investment Policy (Presidential Decree no. 107/13). Fund's rules (Presidential Decree no. 108/13), and Statutes (Presidential Decree no 89/13).
2.	The policy purpose of the SWF should be clearly defined and publicly disclosed.	The policy purposes are clearly defined in the Fund's Investment Policy.	Investment Policy, Article no. 1.
3.	Where the SWF's activities have significant direct domestic macroeconomic implications, those activities should be closely coordinated with the domestic fiscal and monetary authorities, so as to ensure consistency with the overall macroeconomic policies.	One of the objectives of the Fund is to contribute for an efficient fiscal policy, taking into account long term interest of Angolan people, as well as being a safeguard for any future adverse event that may occur to the Angolan Economy.  Those investments with high correlation to oil returns must not exceed 5% of the AUM of the FSDEA.  The Advisory Board consists of key Government Ministries to ensure economic coordination.	Investment Policy, Article no. 14 d) and e), Article no. 4, and Article no. 7.5.  Fund's rules, Article no. 4.4 and 4.5.  Statutes, Article 9.
4.	There should be clear and publicly disclosed policies, rules, procedures, or arrangements in relation to the SWF's general approach to funding, withdrawal, and spending operations.	The investment policy is very detailed on the target allocation of each asset class.  The Board of Directors should produce a Strategic Plan for Asset Allocation with further details.	Investment Policy, Article no. 2, 6, 7, 8 and 9.
5.	The relevant statistical data pertaining to the SWF should be reported on a timely basis to the owner, or as otherwise required, for inclusion where appropriate in macroeconomic data sets.	The board must collect all relevant data and send an activities' report every three months to the Ministry of Finance, to be approved by the President of the Republic.	Fund's rules, Chapter III, Article no. 6.
6.	The governance framework for the SWF should be sound and establish a clear and effective division of roles and responsibilities in order to facilitate accountability and operational independence in the management of the SWF to pursue its objectives.	The roles and responsibilities of each body are clearly defined, allowing for accountability and operational independence in the management of the Fund.	Statutes, Chapters II and III.
7.	The owner should set the objectives of the SWF, appoint the members of its governing body(ies) in accordance with clearly defined procedures, and exercise oversight over the SWF's operations.	The Objectives of the FSDEA are stated in Article 1 of the Investment Policy.  The members of the Board of Directors are appointed by the	Investment Policy, Article no. 1.  Statutes, Chapter III.

		<p>President of the Republic.</p> <p>The Supervisory Board is appointed by the Minister of Finance and will monitor management and compliance with required standards.</p>	
<b>8.</b>	The governing body(ies) should act in the best interests of the SWF, and have a clear mandate and adequate authority and competency to carry out its functions	<p>The Board of Directors has a clear mandate to define the objectives, strategy and management policy of the Fund.</p> <p>The decisions concerning the investments and their implementation are the responsibility of the Board of Directors.</p>	<p>Statutes, Chapter I, Article no. 4, Chapter III.</p> <p>Investment Policy, Article 4.</p>
<b>9.</b>	The operational management of the SWF should implement the SWF's strategies in an independent manner and in accordance with clearly defined responsibilities.	<p>The FSDEA is split between Executive and Technical departments, with each body having clearly defined responsibilities.</p> <p>The Investments Division has the role of implementing the Investments Policy and the annual investment strategy.</p>	<p>Statutes, Chapters III and IV.</p> <p>Statutes, Chapter III, article no. 16.</p>
<b>10.</b>	The accountability framework for the SWF's operations should be clearly defined in the relevant legislation, charter, other constitutive documents, or management agreement.	The Fund's Statutes include a chart which reproduces the hierarchy of the different bodies and divisions of the Fund and the accountability framework.	Statutes, Chapter IV, Article no. 19.
<b>11.</b>	An annual report and accompanying financial statements on the SWF's operations and performance should be prepared in a timely fashion and in accordance with recognized international or national accounting standards in a consistent manner.	<p>The Board of Directors must produce an activities' report every three months.</p> <p>This report must be made according to the reporting model of autonomous funds and must include general performance and returns indicators.</p>	<p>Statutes, Chapter III, Article no. 7</p> <p>Fund's Rules, Article no. 6.</p>
<b>12.</b>	The SWF's operations and financial statements should be audited annually in accordance with recognized international or national auditing standards in a consistent manner.	An independent auditor, properly registered and legally authorized shall be appointed by the President of the Republic and will be responsible to audit the Fund and prepare an opinion on the accounts.	Investment Policy, Article no. 11, par. 11.
<b>13.</b>	Professional and ethical standards should be clearly defined and made known to the members of the SWF'S governing body(ies) management, and staff.	The Board of Directors has the responsibility of preparing and approving a Code of Conduct, to be submitted to the President of	Fund's rules, Chapter III, Article no. 7, par. 1.

		the Republic.	
<b>14.</b>	Dealing with third parties for the purpose of the SWF's operational management should be based on economic and financial grounds, and follow clear rules and procedures.	The FSDEA may appoint investment managers or external advisers on grounds of competency, quality, credibility and proven experience on the expertise field, notably the capacity to source opportunities.  External managers shall also demonstrate capacity to train FSDEA staff and prepare bespoke reports.	Investment Policy, Article no. 11.
<b>15.</b>	SWF operations and activities in host countries should be conducted in compliance with all applicable regulatory and disclosure requirements of the countries in which they operate.	To protect the long-term interests of the Fund, the following guidelines shall be used for the companies in which the Fund has invested: Corporate ethics, compliance with the relevant legislation and regulations, effective management of relationships with civil servants and regulatory entities and overall approach to the risks, business challenges and opportunities of the company.	Fund's rules, Article 7.2d.
<b>16.</b>	The governance framework and objectives, as well as the manner in which the SWF's management is operationally independent from the owner, should be publicly disclosed	Governance framework and objectives is clearly communicated in the Investment Policy, Fund rules and Statutes.  The administration of the Fund shall be the responsibility of the Board of Directors in order to enforce and implement the Investment Policy.	Investment Policy, Statutes, Fund rules.  Fund's rules, Article 4.1.
<b>17.</b>	Relevant financial information regarding the SWF should be publicly disclosed to demonstrate its economic and financial orientation, so as to contribute to stability in international financial markets and enhance trust in recipient countries	The Board of Directors must produce an activities' report every three months.  This report must be made according to the reporting model of autonomous funds and must include general performance and returns indicators.	Statutes, Article no. 7  Fund's rules, Chapter III, Article no. 6.
<b>18.</b>	The SWF's investment policy should be clear and consistent with its defined objectives, risk tolerance, and investment strategy, as set by the owner or the governing body(ies), and be based on sound portfolio management principles.	The investment policy details clearly its objectives, risk management policy and target allocation of funds for each asset class.	Investment Policy, Articles no. 1 to 10.
<b>19.</b>	The SWF's investment decisions should aim to maximize risk-adjusted financial returns in a manner consistent with its investment policy, and based on economic and financial	FSDEA shall pursue the principles of capital protection and return maximization, allocating fund to	Investment Policy, articles no. 1, no. 2

	grounds.	long term asset class with higher return.	
<b>20.</b>	The SWF should not seek or take advantage of privileged information or inappropriate influence by the broader government in competing with private entities.	To protect the long-term interests of the Fund, the following guidelines shall be used for the companies in which the Fund has invested: Corporate ethics, compliance with the relevant legislation and regulations, effective management of relationships with civil servants and regulatory entities and overall approach to the risks, business challenges and opportunities of the company.	Fund's rules, Article 7.2d.
<b>21.</b>	SWF's view shareholder ownership rights as a fundamental element of their equity investments' value. If an SWF chooses to exercise its ownership rights, it should do so in a manner that is consistent with its investment policy and protects the financial value of its investments. The SWF should publicly disclose its general approach to voting securities of listed entities, including the key factors guiding its exercise of ownership rights.	The fund plans to exercise its voting right through its Managers. The Managers shall participate in the meetings of the companies in which the Fund owns securities in order to protect the rights and interests of the Fund.	Investment Policy, Article no. 7 par. 4. Fund's rules, Article 7.1.
<b>22.</b>	The SWF should have a framework that identifies, assesses, and manages the risks of its operations.	The FSDEA identified those risks that potentially the Fund will be subject to and outlines the strategy to mitigate them.	Investment Policy, Article no. 10
<b>23.</b>	The assets and investment performance (absolute and relative to benchmarks, if any) of the SWF should be measured and reported to the owner according to clearly defined principles or standards.	The Board of Directors must produce an activities report every three months.  This report must be made according to the reporting model of autonomous funds and must include general performance and returns indicators.  To manage the risks to which the Sovereign Fund of Angola is exposed, various methods shall be used, as noted in the relevant passages of the Investment Policy.	Statutes, Article no. 7. Fund's rules, Article no. 6. Investment Policy, Article no. 10.4.
<b>24.</b>	A process of regular review of the implementation of the GAPP should be engaged in by or on behalf of the SWF	The FSDEA undertakes to implement the Santiago Principles during the first three years of operations.	Fund's rules, Article no. 6.5.
Source: Angola's Sovereign Wealth Fund (FSDEA)			

## INCLUSIVE GROWTH<sup>1</sup>

Despite Angola's sizeable natural resource wealth and its success in capturing most of the rents from these resources and the high economic growth it has spawned, there is still a large gap between income per capita and other welfare indicators such as poverty rates, life expectancy and educational attainment. Poverty remains high and its reduction has been slow. To make growth more inclusive, the government needs to direct more public spending toward the poor by: (i) gradually phasing out regressive fuel subsidies and replacing them with conditional cash transfers (CCT) or other well targeted schemes; and (ii) improving the efficiency of public expenditure, which could release resources for transfer schemes and better access to social services.

### A. Introduction

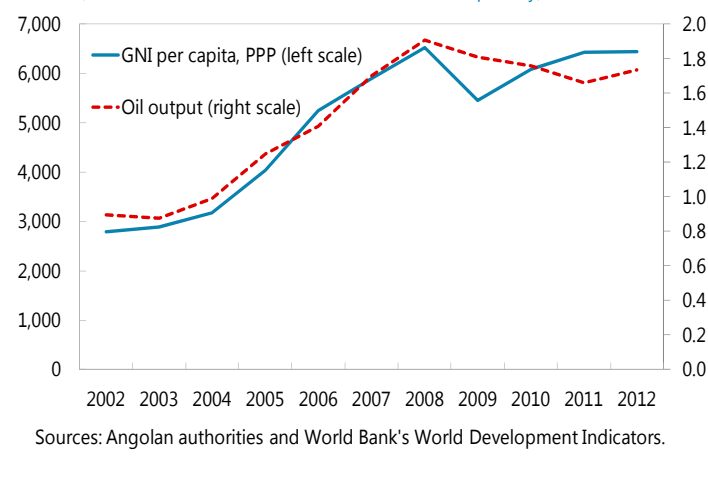
**1. Angola's track record of sustaining economic growth since the end of civil conflict has been strong** (Figure 1). Between 2002 and 2012, growth of real gross national income (GNI) per capita PPP adjusted more than doubled, increasing from US\$2,800 to almost US\$6,500 (in 2011 constant international \$). This was largely led by oil production, which increased from 0.89 million to 1.73 million barrels of oil per day.

**2. This strong growth has underpinned improvements in living standards for the majority of the population, but these improvements have been slow and less than**

**expected based on the experience of comparator countries.** As some of the comparator countries had also experienced conflict, Angola's own legacy of conflict does not account for all the difference in performance.

**3. Angola is not unique, however, in facing challenges to translate economic growth into improvements in well-being.** Resource-rich countries generally face three challenges in making growth inclusive: (i) the natural-resource extraction tends to be capital intensive and is therefore not typically associated with much employment; (ii) the extraction of natural resources may lead to Dutch disease, meaning an overvaluation of the real exchange rate which impedes the development of other sectors, especially manufacturing; and (iii) large natural resources rents are often

**Figure 1. Angola. Real GNI Per Capita PPP, and Oil Output, 2000-12**  
(constant 2011 international \$; millions of barrels per day)



<sup>1</sup> This Chapter was prepared by Rodrigo García-Verdú (AFR).



accompanied by rent-seeking activities, low accountability, and poor responsiveness from governments to corruption.

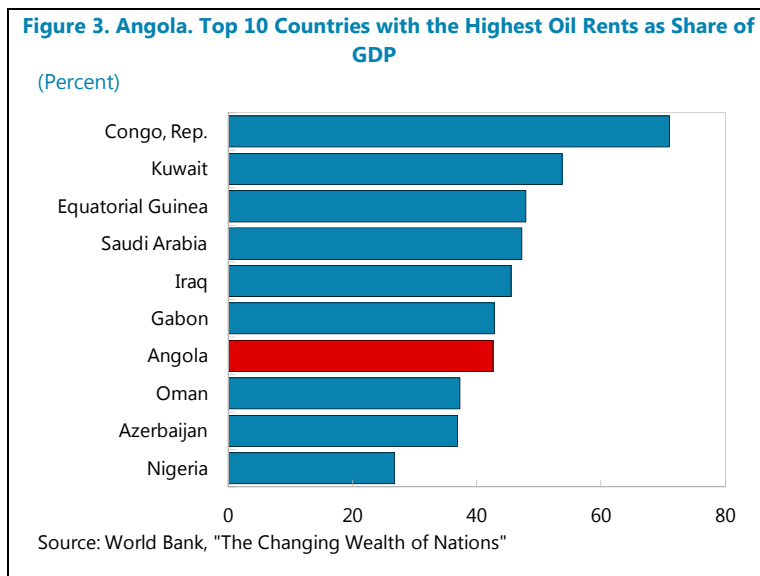
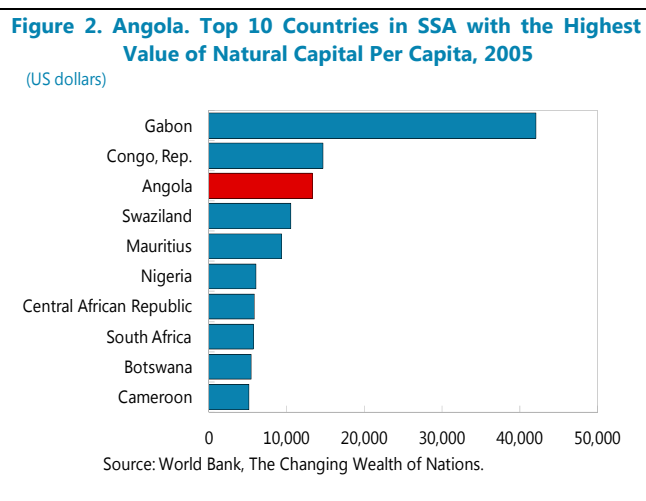
**4. To accelerate the reductions in poverty and inequality, Angola can benefit from the experience of other countries in sub-Saharan Africa and other regions which have implemented social safety nets and transfers targeted to the poor,** including conditional cash transfer (CCT) programs. The evidence shows that these programs are highly efficient (almost all of the expenditure reach the poor), affordable and sustainable (their cost as a share of GDP are modest), and are among the most progressive forms of public expenditure.

## B. Quantifying Angola's Natural Resource Endowment

**5. Angola's endowment of natural resources per capita is far below that of countries such as Kuwait or Saudi Arabia, but is among the highest in the sub-Saharan African region** (Figure 2). In the case of Angola, this is also the main form of wealth, accounting for close to 96 percent of total wealth.

**6. In countries that are not rich in natural resources, goods and services are mostly produced by combining labor and capital.** In the case of countries rich in natural

resources, such as Angola, a significant flow of output derives from the extraction of rents from these resources. For Angola, for much of the past two decades, international oil prices have been higher than the cost of extraction, implying sizable oil sector rents (Figure 3), much of them captured by the government through taxation.

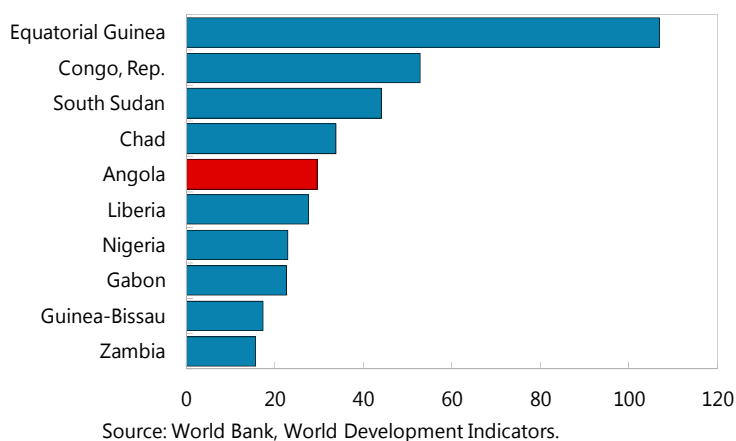


**7. One characteristic of resource-rich countries is that GDP per capita is often not representative of the living standards of the population,**

as large fractions of output gets reinvested in the extractive industry or get repatriated to the resident country for tax purposes of oil producers. As a result, there is a large gap between GDP per capita and GNI per capita, with the former being a closer measure to the actual income standard of the population (without taking into account how this income is distributed across households). As can be seen in Figure 4, Angola is one of the countries in

sub-Saharan Africa for which the gap between GDP per capita and GNI per capita is widest.

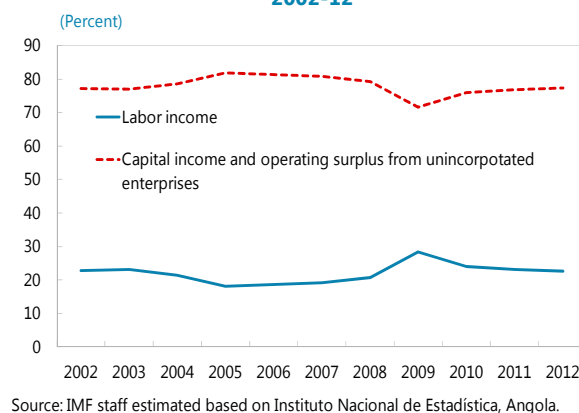
**Figure 4. Angola. Top 10 Countries with the Greatest Difference Between GDP Per Capita and GNI Per Capita, Average 2000-12**  
(Percent)



**8. For countries with high rates of natural resource extraction, a large fraction of GDP typically gets paid out as capital income to companies in the resource extraction sector.** This implies that growth has a correspondingly lower impact on labor income and thus on poverty reduction. For Angola, this is confirmed by the National Institute of Statistics' recently released estimates of the national accounts for 2002-12 including estimates of factor income. These estimates show a very high capital share of national income (Figure 5). Cross-country

estimates show that, compared to other regions, the elasticity of poverty with respect to growth is lower in sub-Saharan Africa, much of which tends to be resource rich.

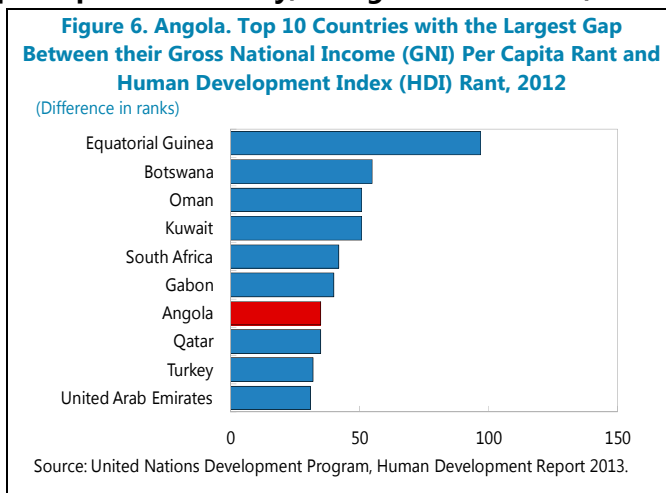
**Figure 5. Angola. Factorial Distribution of Income, Average 2002-12**  
(Percent)



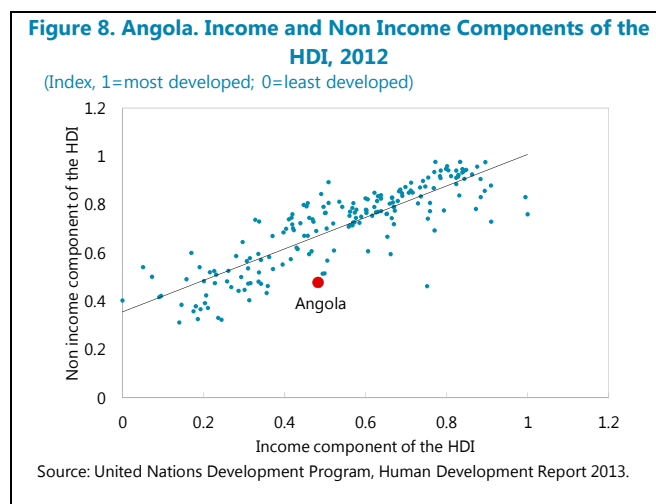
## C. Translating Growth in GNI Per Capita into Higher Well Being

### 9. Attaining a high growth rate of GNI per capita is necessary, though not sufficient, for poverty reduction and development.

Indeed, resource-rich countries often exhibit a large gap between GNI per capita, a measure of material well-being, and broader measures of development. This can be assessed by looking at the difference in ranks between GNI per capita and the United Nations Development Program's Human Development Index (HDI) as well as in the income and non-income components of the HDI (Figure 6). Angola is a country with one of the widest gaps. Although Angola's record of sustaining high growth since the end of civil conflict in 2002 has been strong, this has translated very slowly into higher living standards for the majority of the population.



**10. Based on the cross-country relation between the income and non-income components of the HDI, Angola would be expected to have a value for the non-income component of the HDI equal to 0.67, while its actual value is 0.48 – a gap of about 40 percent** (Figure 7). This is the sixth largest gap after Niger (43 percent), Mozambique (46 percent), Burkina Faso (54 percent), Chad (59 percent), and Equatorial Guinea (83 percent). Like Angola, some of these countries are also natural-resource rich (e.g. Chad and Equatorial Guinea are oil producers, while Niger has uranium).<sup>2</sup>



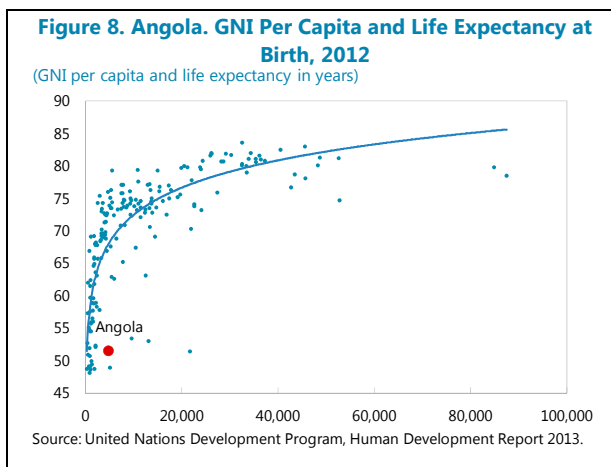
**11. Looking within the components of the HDI, Angola has lower levels of life expectancy and non-income components of the HDI than expected based on its level of GNI per capita.**

The relation between life expectancy at birth and real GNI per capita, known as the Preston curve, is

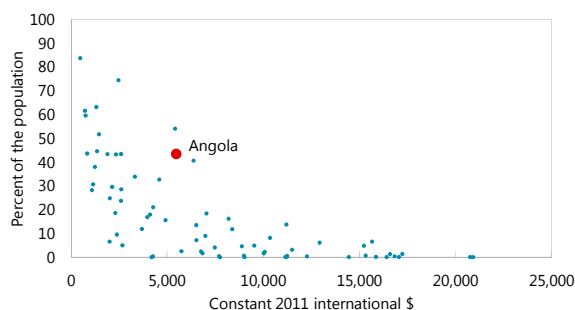
<sup>2</sup> In the case of Mozambique, which was not classified as resource-abundant during the period considered, the gap may be partly explained by the low initial levels of infrastructure and human capital following independence compounded by the effects of civil conflict. Nevertheless, as shown in the next section, conflict alone cannot explain all the gap, as there are other countries which also suffered from conflict that have been much more successful at translating growth into poverty reduction, such as Vietnam.

not linear (Figure 8). Based on this estimated relation, Angola in 2012 would have been expected to have a life expectancy at birth of 69 years given its level of GNI per capita, compared to an actual estimate of 52 years.

**12. A regression of the headcount poverty ratios using the World Bank’s \$1.25 and \$2 dollars a day poverty lines and real GNI per capita, both PPP adjusted, shows that Angola also has much higher poverty incidence than expected based on its level of GNI per capita (Figures 9 and 10). Not surprisingly, some of the few countries in the sample which also lie off the predicted relationship are also resource-rich countries.**

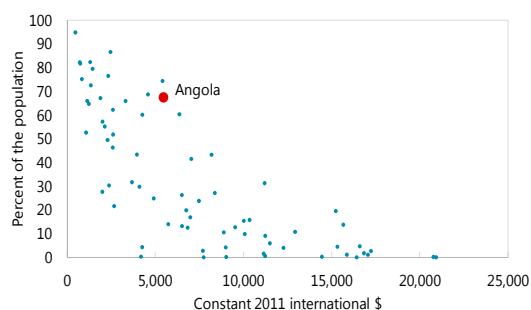


**Figure 9. Angola. Relation Between GNI Per Capita PPP-Adjusted and the Poverty Headcount Ratio Using the \$1.25 a day Poverty Line among a Selected Sample of 72 Countries, 2000s**



Source: IMF staff calculations based on World Bank, World Development Indicators.

**Figure 10, Angola. Relation Between GNI Per Capita PPP-Adjusted and the Poverty Headcount Ratio Using the \$2 a day Poverty Line among a Selected Sample of 72 Countries, 2000s**



Source: IMF staff calculations based on World Bank, World Development Indicators.

## D. Assessing Progress in Poverty Reduction Taking into Account Initial Conditions

**13. Angola’s excess level of poverty relative to its GNI per capita and the gap with other welfare indicators could be plausibly explained by unfavorable initial conditions,** themselves the result of the low levels of infrastructure and human capital at independence and the subsequent destruction from prolonged conflict. However, Angola compares poorly to Mozambique and Vietnam—two other countries which also transitioned from a centrally-planned to a market-based economy following protracted conflict. Angola has been less successful than these countries in translating per capita income growth into poverty reduction, as measured by the elasticity of the headcount poverty ratios with respect to GNI per capita growth (Table 1). Vietnam was clearly more

successful than Mozambique in reducing poverty and raising manufacturing employment, a difference attributed Vietnam's faster productivity growth in the agricultural sector.<sup>3</sup>

**Table 1. Elasticity of Poverty Headcount Ratios with Respect to Real GNI Per Capita Growth**

		Initial	Final	Absolute change	Average annual change, percent	Growth elasticity of poverty
<b>Angola, 2000-09</b>	Poverty headcount ratio at \$1.25 a day	54.3	43.4	-10.9	-2.49	-0.25
	Poverty headcount ratio at \$2 a day	70.2	67.4	-2.8	-0.45	-0.04
	GNI per capita, PPP	2,203.6	5,460.0	3,256.4	10.08	
<b>Mozambique, 2002-08</b>	Poverty headcount ratio at \$1.25 a day	74.7	59.6	-15.11	-4.52	-1.16
	Poverty headcount ratio at \$2 a day	90.0	81.8	-8.26	-1.92	-0.49
	GNI per capita, PPP	621.8	756.1	134.3	3.91	
<b>Vietnam, 1993-2002</b>	Poverty headcount ratio at \$1.25 a day	63.7	40.1	-23.69	-5.16	-0.89
	Poverty headcount ratio at \$2 a day	85.7	68.7	-16.99	-2.46	-0.42
	GNI per capita, PPP	1,706.6	2,877.9	1,171.3	5.81	

Source: IMF staff calculations based on data from the World Bank's World Development Indicators.

## E. Making Growth More Inclusive in Angola

**14. The causal relationship between agricultural productivity growth and poverty reduction remains unclear, but the elasticity of poverty with respect to sectoral growth is highest for agriculture, followed by the service sector.** Based on these results, Angola could make growth more inclusive by increasing agricultural growth and productivity through greater investment in rural roads and irrigation, greater access to credit, diffusion of improved seeds varieties, and provision of extension services.

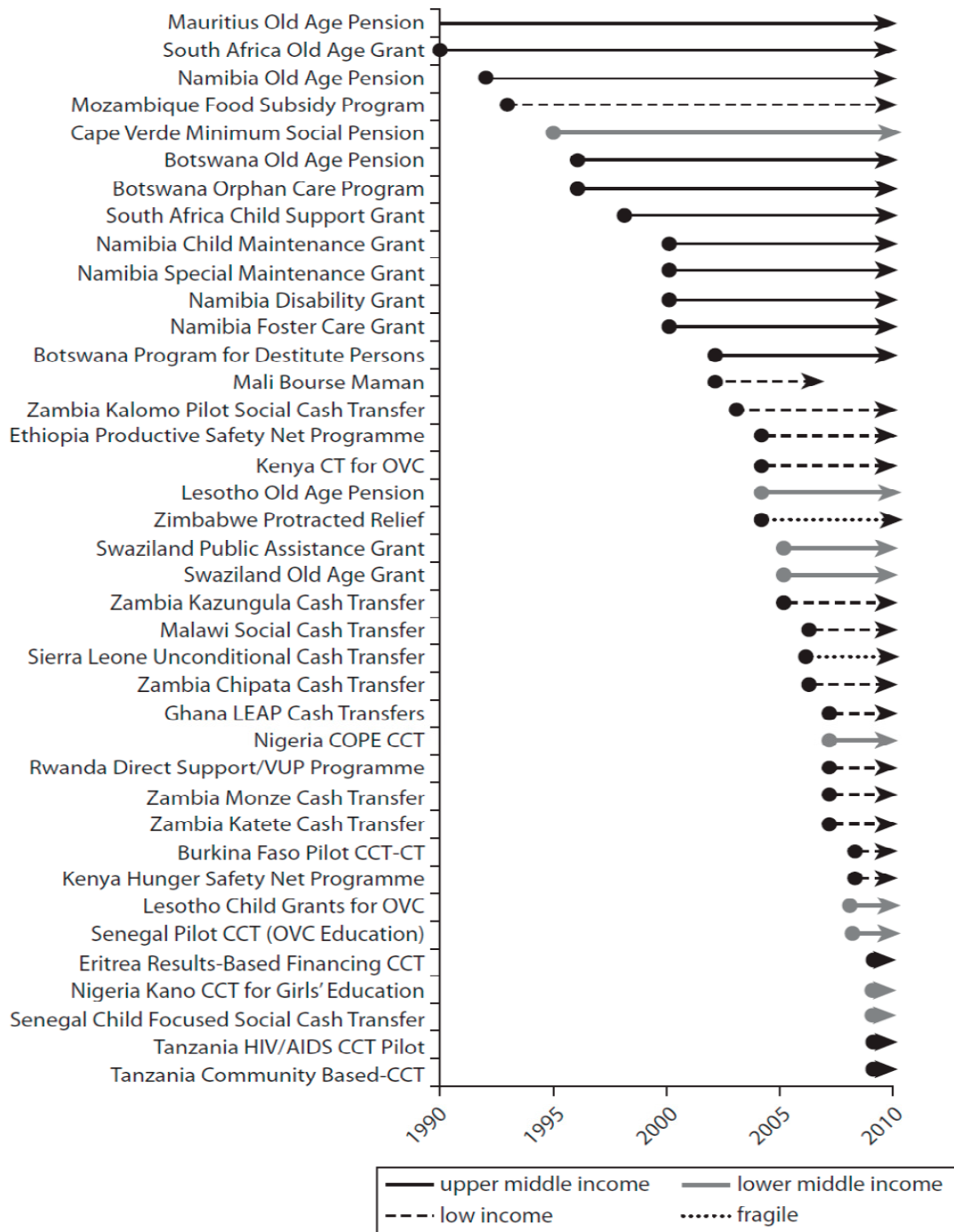
**15. Another route for Angola to make growth more inclusive is through CCT or other well targeted transfer schemes.** These CCT programs have proven to be a very cost-effective mechanism for reducing poverty and inequality. Several countries in sub-Saharan Africa have implemented either CCTs or similar well targeted transfer programs in the last few decades (Figure 11).

**16. The Commerce Ministry of Angola will soon start implementing a pilot CCT program called Kikuya Card, which is expected to have around 50,000 beneficiaries enrolled by end-2014.** Once this pilot is functioning well and any operational problems which could arise are resolved, the program could be scaled up at the national level. The cost of scaling up this program to the national level could be much lower than the fuel subsidies currently in place. For example, the

<sup>3</sup> Over the corresponding periods analyzed, Vietnam was able to create more than two million jobs in the industrial sector, whereas the corresponding increase in Mozambique was about one-hundred and sixty thousand jobs, of which only about forty thousand were salaried.

*Bolsa Família* program in Brazil and the *Oportunidades* program in Mexico, two of the most successful and well-known CCT programs in the world cover nearly 20 percent of households in each country and cost less than ½ percent of GDP. This compares with an average annual cost of 4 percent of GDP of fuel subsidies in Angola.

**Figure 11. Start Dates and Durations of Sub-Saharan African Cash Transfer Programs, 1990–2010**



Source: The Cash Dividend The Rise of Cash Transfer Programs in Sub-Saharan Africa, Marito Garcia and Charity M.T. Moore, Washington D.C.: The World Bank