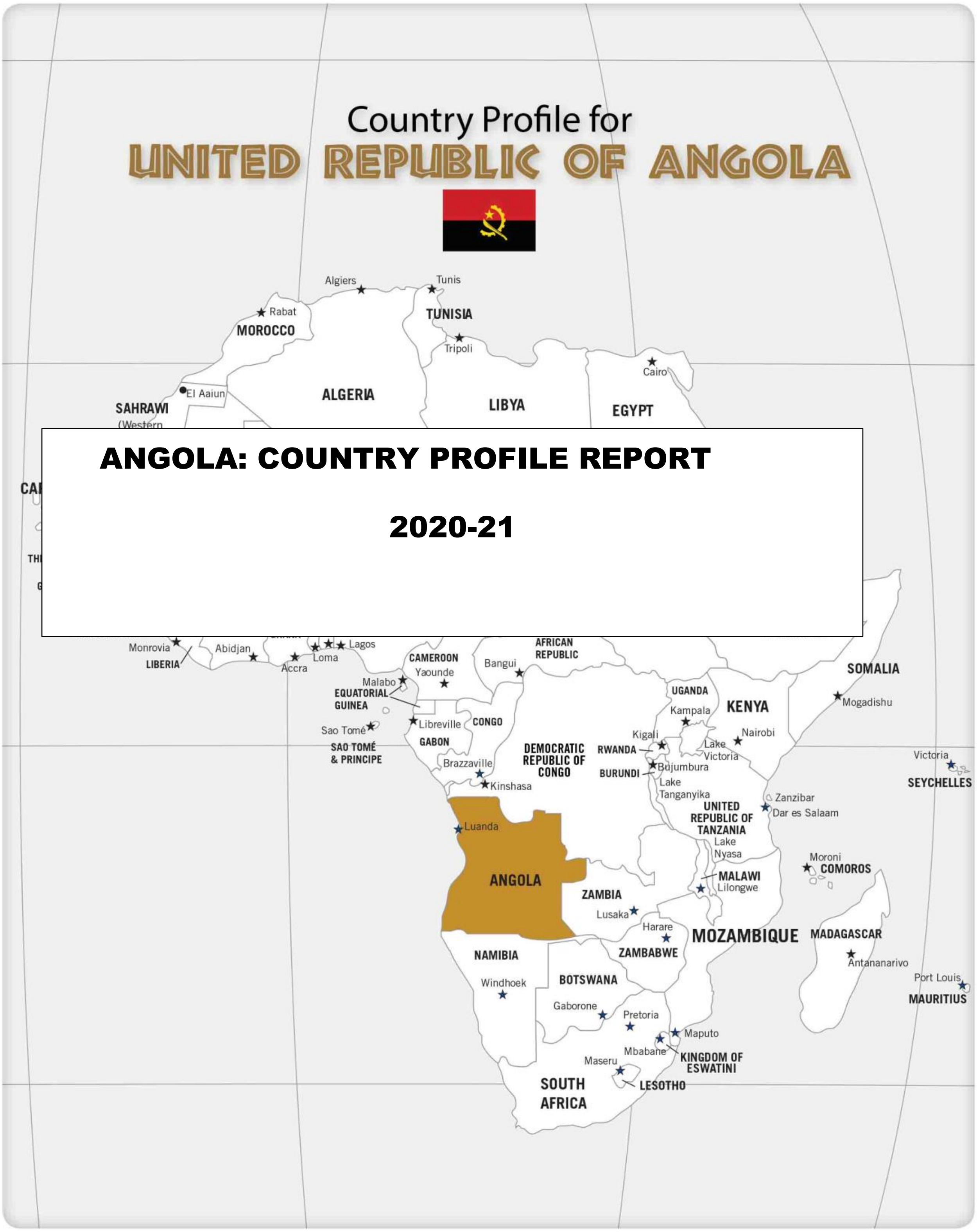


ANGOLA: COUNTRY PROFILE REPORT

2020-21

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

COUNTRY FACT SHEET

COUNTRY	ANGOLA
Capital City	Luanda
Language	<u>*Official language*</u>: Portuguese <u>*Other languages*</u>: Umbundu, Kikongo, Kimbundu, Chokwe, Kwanyama, Ngangela
Ethnic Groups	Ovimbundu, Kimbundu, Bakongo, mestico (mixed European and native African), European, other
Religion	Roman Catholic, Protestant, other
Location	Located in South-Western Africa. Angola is surrounded by the DRC to the north, Zambia to the east, and Namibia on the south. The Atlantic Ocean sits on its west coast
Surface Area	<u>*Total:*</u> 1,246,700 sqkm <u>*Land*</u>: 1,246,700 sqkm
Climate	Semi-arid in South and along the coast to Luanda; North has cool, dry season (May to October) and hot, rainy season (November to April)
Natural resources	Petroleum, Diamonds, Iron ore, Phosphates, Copper, Gold, Bauxite, Uranium
Currency	Kwanza
Population ***Population density***	32.5 million (July 2020 est.)
President	Joao Manuel Goncalves Lourenco
Regions	18 provinces
Gross domestic Product	USD 88,8 (2019 World Bank figures)
Real GDP growth rate	0,6% (2019 World Bank figures)
GDP per capita	USD2, 790 (2019 World Bank figures)
Gross National Income per Capita	USD 2,960 (2019 World Bank figures)
Main Exports	Petroleum, Diamonds, Petroleum gas, Refined petroleum, Coal Tar oil
Main export partners	China, India, United States of America, Arab Emirates, France, Spain
Main Imports	Refined petroleum, Special purpose ships, Poultry, Poultry meat, Gas turbines, Rice
Main Import partners	China, Portugal, Singapore, Togo, Belgium, Luxembourg
Ease of Doing Business	177 out of 190 countries (Word Bank Group, 2020)
Global competitiveness	136 out of 140 countries (Global Competitiveness report, 2019)
Road network	Total road network = 76 000 km Paved roads = 18 000 km Classified road network = 43,655 km
Speed Limit	Build-up areas: 60 km/h Outside build-up areas: 90 km/h Open roads: 100 km/h Highways: 120 km/h

LIST OF ACRONYMS

Abbreviation	Meaning
AfCFTA	African Continental Free Trade Area
BCE	Before the Common Era
BNA	Banco Nacional de Angola
BOT	Build-Operate-Transfer
C-BRTA	Cross-Border Road Transport Agency
CE	Common Era
CFB	Benguela Railway
CFL	Luanda Railways
DRC	Democratic Republic of China
ECCAS	Economic Community of Central African States
EGSA	Global Strategy for the Airport System
ENANA	National Company of Airport Development and Air Navigation
EPL	Empresa Portuaria de Luanda
EU	European Union
FDI	Foreign Direct Investment
FNLA	National Liberation Front of Angola
FTA	Free Trade Area
GDP	Gross Domestic Product
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
HS	Harmonised System
ICAO	International Civil Aviation Organisation
IGAPE	New Oversight Institute under the Ministry of Finance
IMF	International Monetary Fund
INAE	Angola National Roads Institute
INAVIC	National Institute of Civil Aviation
INFCA	Angola National Institute of Railroads
MPLA	The People’s Movement for the Liberation of Angola
MOP	Ministry of Public Works

NDP	National Development Plan
NGO	Non-governmental organisation(s)
NTB	Non-Tariff Barrier
OEC	Observatory of Economic Complexity
OPEC	Organisation of the Petroleum Exporting Countries
PPP	Public-Private Partnership
NTSMP	National Transport Strategy and Master Plan
REC	Regional Economic Community
SAA	South African Airways
SADC	Southern African Development Community
SGA	Airport Management Company
SOE	State-Owned Enterprise
S&P	Standard and Poor
TEU	Twenty-foot Equivalent Unit
UK	United Kingdom
UN	United Nationa
UNITA	The National Union for the Total Independence of Angola
US	United States
USA	United States of America
WB	World Bank
WBG	World Bank Group
WEF	World Economic Forum

EXECUTIVE SUMMARY

Angola is one of Africa's most resource-rich countries. It is Sub-Saharan Africa's second-largest oil producer, after Nigeria, and one of the world's top producers of diamonds. The country also possesses a wealth of other natural resources, including agriculture and minerals. Oil and gas are the most important industries. Oil production and its supporting activities contribute approximately 50% of the Gross Domestic Product (GDP), over 70% of government revenue and around 90% of the country's exports. Given the reliance on export earnings from the oil industry, most economic activity is located in this sector.

Government debt is high, comprising around 89% of the GDP, making the economy vulnerable to currency depreciations and variations in the international oil price. Further to fluctuations in international oil prices, political instability impacts negatively on the Angolan economy. The devastation of a prolonged civil war, high fertility rate, limited access to healthcare, lack of quality education for all and income inequality (partially due to government corruption) are listed as the primary causes of poverty in Angola.

Angola's main trading partners reside outside the African continent. During 2019, only 2% of Angola's world exports and 8% of world imports were to and from the rest of Africa. Although Angola is a member of 2 African RECs (SADC and ECCAS), ECCAS has no trade agreement in place, while Angola has not yet signed the SADC FTA. As a result, levies are imposed on most imports sourced from African countries, which increase the cost of doing business with African MS.

Angola's trade with regional and international countries are hindered by several regulatory constraints. The findings of the Doing Business 2020 report, ranks Angola 177th out of 190 participants in terms of the ease of doing business, making it one of the most difficult countries in which to do business in the SADC region. This rating is attributable to a poor contract enforcement environment, difficulty in obtaining credit and high costs associated with trading across borders.

Further to regulatory challenges, the country's transport infrastructure does not support economic growth and development. The after-effects of the war are still noted in the country's road network, which is the dominant mode of transport for the conveyance of goods and people. Only 24% of the total road network (18 000 kilometre) is paved. Furthermore, poor road conditions (e.g. potholes and missing road links, especially in the eastern parts of the country) materialise in long travel times between provinces and key centra and high transport costs.

Angola's international trade is entirely dependent on the country's sea ports, which account for more than 90% of the country's imports. The good positioning of the country's deep-water ports support government's ambitions plans to locate Angola as a regional transport hub. However, the existence of several operational and infrastructure constraints at all ports (Luanda in particular) result in long ship dwell time and turnaround times.

The rail system consists of three main railway lines – Luanda, Benguela and Moçâmedes that link seaports to the interior. Most rail lines were destroyed by the civil war. Poor rail connectivity and inadequate multi-modal inter-change infrastructure undermine efficiency in the railway sector.

The air transport market is monopolistic in nature and face limited competition. The national carrier, TAAG has a monopoly on most of the domestic network and faces only limited competition on regional routes. The status quo is about the change as plans have been approved for the partial privatisation of TAAG and the concessioning of port operations at the new Luanda international airport to private parties. Even through capacity does not appear to be a major problem, safety is a major challenge facing the aviation sector.

Infrastructure inefficiencies in all transport sub-sectors (road, rail, air and maritime) are a major cause for Angola's poor performance in the global arena. The Global Competitiveness Report of 2019 ranks Angola 126 out of 141 countries regarding the quality of its overall infrastructure, whereas the country's overall score (for all pillars) place Angola in the 136th position. Further to transport inefficiencies, weaknesses in other areas makes it costly to do business in Angola. The institutional framework hinders government's efforts to diversify the economy while a weak business environment impedes industrial growth.

Following a change of regime in 2017, the reigning president, João Manuel Gonçalves Lourenço, has made privatisation a mainstay of his policy agenda since taking office As such, government has committed to rehabilitate and expand the nations ports, highways and railways to transform Angola into a logistical hub of considerable importance in Southern African.

Several road and rail infrastructure programmes are under development, all which aim to create connections to SADC countries. Plans are underway to extend the Benguela, Luanda and Moçâmedes railway lines into the mineral-rich neighbouring countries (Zambia and the DRC). The extensions of the Luanda and Moçâmedes lines are seen as potential game-changers as they could enable the movement of minerals from the DRC and Zambia out to the world in a much cheaper and faster mode (rail transport).

Diversifying the economy is a crucial step to ensuring sustainable growth, with renewed focus placed on inclusive growth. The National Development Plan (NDP) for 2018-2022 seeks to bring about structural transformation through modernising and constructing infrastructure (transport networks, energy and tele-communications), promoting human development and undertaking public sector reforms.

Success in transforming the economy depends greatly on the country's ability to maintain political stability. Government and business are inextricably linked and although greater political stability has been achieved since the 2017 presidential elections, reported incidents of political interference in some areas of the business environment prevail. Bribery and corruption still prevalent throughout Angolan society, particularly within the civil service and police.

Further to a stable political environment, the ability to generate sufficient funds for reforms, attracting investors and raising competitiveness are among the greatest challenges faced by the government. Simultaneously, guaranteeing positive social spill overs should be another focus area of the policymakers.

If on-going government reforms succeed in creating a strong regulatory environment and a conducive milieu for private sector participation, interested corridor role-players can exploit business opportunities in the following industries:

- Agri-business;
- Manufacturing;
- Renewable energy; and
- Logistics.

Given the availability of land and considering the low skills levels of the greater part of the adult population, agribusiness is targeted at the centre of Angola's economic diversification drive. Furthermore, renewed public-sector focus on manufacturing growth (inter alia, through stimulating beneficiation processes) creates significant new growth opportunities in the agri-business and manufacturing sectors can be exploited by relevant interest groups (investors and the private sector).

Since secure power is a pre-requisite to industrialise the country, government's focus has shifted into renewable energies, i.e. solar, wind and hydropower. Angola's hydroelectric potential is one of the largest in Africa and currently most electricity comes from dams on the Cuanza, Cunene, Catumbela, and Dande rivers. Renewable energy in Angola remains a largely untapped area and offers numerous growth opportunities for the exploitation of new markets.

Given Angola's superb geographic location and close proximity to mineral-rich countries in the SADC, government has taken on an ambitious project that seeks to position Angola as a strategic logistics hub for the SADC. Emerging logistics hubs will be located near border posts to enable the fast exchange of goods with neighbouring countries and throughout the region. Efforts are underway to create sustainable conditions with progress witnessed in the preparation of tenders for terminals and concessions and the establishment of free zones to attract industries to invest in Angola. Plans to growth the logistics industry opportunities for business growth and private sector participation in the logistics industry.

Even through the new industrial plan offers substantial new growth opportunities, it is imperative that interest groups closely monitor new developments in Angola. The successful implementation of government reforms (regulatory, institutional, infrastructure, power) depend on the ability of the Angolan government to:

- Strengthen checks and balances;
- Limit the influence of big money in politics;
- Improve the business environment;
- Establish strong institutions;
- Create integrated transport infrastructure / services; and
- Continuously monitor project progress during and after implementation.

Although the energy, transportation and manufacturing sectors are expected to all benefit from a scaling-up of public investment programmes, it is important to recognise that success in diversifying Angola's highly oil-dependent economy will only be accomplished in the long-term.

1. INTRODUCTION AND BACKGROUND

1.1. Introduction

The Cross-Border Road Transport Agency (C-BRTA or Agency) compiles Country Profile reports with a view to provide consolidated information on the economic competitiveness of a given country, regulatory and institutional environments, condition of transport infrastructure and business opportunities that prevail in countries in the Southern African Development Community (SADC).

In doing so, the Agency fulfils its advisory role through disseminating accurate information to key stakeholders in the cross-border environment, particularly cross-border road transport operators, traders and regulatory authorities to advance regional trade, economic growth and development and regional integration.

This Country Profile report focuses on the Republic of Angola (commonly referred to as Angola), a country located on the Western Atlantic coast of Central Africa and commonly known as one of Africa's major oil producers. The information in this report can be used by interest groups to make informed decisions as it pertains to the road transport environment and business opportunities in the country under review.

This report was compiled based on a review of existing literature and data obtained from several sources to obtain an accurate picture of the regulatory environment that prevail in Angola, condition of transport infrastructure and Angola's trade with regional and foreign countries. This report focuses on a wide array of topics, including; analysing the regulatory environment, providing a high-level overview of the state of the economy and transport infrastructure and identifying suitable opportunities emanating from the Angolan government's plan to establish industrial growth through diversifying the economy.

Further to the above, the Country Profile report is aligned to the mandate of the Agency that focuses on improving the unimpeded movement of cross-border traffic (people and goods) between South Africa and neighbouring countries in the region (SADC) in support of improved regional trade and sustainable economic development.

It is envisaged that through disseminating the information articulated in this report with relevant role-players, the C-BRTA fulfils its strategic objective(s) of enhancing cross-border road transport system efficiency and expanding regional markets through identifying feasible business opportunities for cross-border road transport operators. All these actions support the Continental aspiration of establishing an African Continental Free Trade Area (AfCFTA) in future.

1.2. Objectives of the Report

The objectives of the report are to:

- Avail relevant information to interested parties (e.g. traders, existing and aspirant cross-border road transport operators and investors) with a view to equip them with knowledge to make informed decisions (e.g. whether to explore business opportunities in Angola, or not);
- Inform cross-border road transport operators of the condition of transport infrastructure / systems in Angola to assist them in selecting the most suitable routes (and border posts) to move cross-border traffic as efficiently as possible between origin- and destination points;

- Assess the cost of doing business in the focus area; and;
- Identify feasible / suitable business opportunities that can be explored by relevant parties (e.g. cross-border road transport operators, investors) who wish to expand their footprint to the focus area (Angola).

1.3. Focus of the Report

This Country Profile report focuses on *Angola,* a country in the SADC that shares borders with Namibia to the South, Zambia to the east, and the Democratic Republic of the Congo (DRC) to the north. This report provides a detailed synopsis of Angola's political and economic environment(s), on-going institutional reforms and condition of transport infrastructure, and will pave the way for the identification of business opportunities that can be explored by relevant cross-border role-players.

1.4. Methodology

This report was compiled through information obtained from *qualitative* and *quantitative* research methods. A literature review of available materials (obtained through desktop study) was complemented with quantitative trade and transport data, as well as engagements with selected industry experts and practitioners.

The C-BRTA constantly participates in several technical and strategic regional and national committees and structures composed of industry experts that continuously seek to find long-lasting solutions to on-going trade and transport challenges facing the region. These platforms provided invaluable information which was used in compiling this Report.

1.5. Structure of the Report

The report is structured as follows:

- Chapter 1: Introduction and background outlining the purpose, focus and scope of the report;
- Chapter 2: Overview of Angola, with specific focus on the country's historical and political context, geography and demographics;
- Chapter 3: Economic outlook of Angola, with reference to its economic structure, key economic sectors, selected economic indicators, extent of intra-African trade, Angola's trade with South Africa, current business environment and regional integration index;
- Chapter 4: Discussion of Angola's road transport sector, concentrating on the road transport network, transport corridors that traverse the country, regulatory environment and status of cross-border road transport;
- Chapter 5: High-level overview of rail transport with reference to railway length and gauge, rail transport developments and cross-border rail transport operations;
- Chapter 6: Synopsis of the air transport industry, focusing on airline operations, operating airdromes and developments unfolding in Angola's aviation industry;
- Chapter 7: Overview of the maritime industry, highlighting Angolan seaports, through-put handled at seaports, and on-going maritime developments; and

  Chapter 8: Discussion on key challenges that prevail in Angola and business opportunities that can be exploited by interest groups (e.g. private sector) who wish to conduct business in Angola.

2. OVERVIEW OF ANGOLA

2.1 Historical and Political Context

Angola is a vast country, with a long coastline and central plateau. Located in the west coast of Southern Africa, Angola is endowed with a variety of natural resources, including oil, gas, precious gems and metals. Currently, Angola ranks among the top three oil-producing countries in Africa, making it the largest and wealthiest of the Portuguese-speaking African states.

Angola has a long and rich history, and is home to some of the largest historical kingdoms in Africa, notably the Kingdom of Kongo. The area which is known as Angola today was first inhabited around 25 000 years before the common era (BCE). After 1 000 common era (CE) several larger centralised states began to form in different parts of present-day Angola.

The modern nation state of Angola came into existence after the Portuguese Empire colonised the various local people and created the colony of Angola. The colonial conquest of Angola by the Portuguese was a process which unfolded in various stages over almost 400 years. It began with the establishment of the colony of Luanda in 1575 and ended in September 1915 when the last king of the Kwanayamo, King Mandume, was defeated by the Portuguese, thus establishing Angola's contemporary borders. (https://www.sahistory.org.za/place/angola).

Despite its abundance of natural resources, Angola was ravaged by war and the related effects of land mines and malnutrition at the beginning of the 21st century. During this time, Angola was dependent on the international community for survival. The anti-colonial struggle against the Portuguese intensified with the Angolan national revolution that commenced in 1961. Several factions fought against the Portuguese and Angola gained its independence on 11 November 1975.

Independence was followed by the Angolan Civil War that started in the same year and which was characterised by foreign intervention. Between 1975 and 1991 the hopes and dreams of the Angolan people were thrown aside as foreign governments and Western business interests fought among themselves over a damaged and long-suffering country.

In 1991, prompted by the end of the Civil War, a ceasefire agreement was set in place by Cuba, the United States of America (USA) and Angola. But the agreement broke down the following year (1992) after Angola’s second largest political party, the National Union for the Total Independence of Angola (Unita) who lost a general election deemed free and fair by the United Nations (UN), returned to war with violence, claiming the poll had been rigged. Around 200,000 people died between May and October 1993 as Unita took war to the provincial cities, destroying most of the road, rail and communications network in the process.

A revamped 'Lusaka Accord' signed in 1994 was consistently violated by both the governing political party, titled “The People’s Movement for the Liberation of Angola” (MPLA) and Unita, as the discovery of new diamond areas and oil fields allowed both sides to re-arm. Ultimately, UN sanctions against Unita diamonds caused Unita's cash supply to shrink and its control of the countryside gradually dissolved. Increasing military defeats drove a desperate Unita deeper into the hinterland and its leader Jonas Savimbi, hunted and on the run, was killed in a government operation on 22 February 2002.

Although political instability prevailed after the end of the Civil war, the first decade after the war was marked by both strong economic growth and large-scale corruption. The signing of a peace agreement in 2002 heralded a new era for Angolans to build a nation. Even though UNITA made the transition from a guerrilla movement to a legitimate political party after the end of the civil war, various forms of violence remained, and land mines were still widespread.

By 2004 Angola was not only the fastest growing economy in Africa, but also the fastest growing in the world. Much of the growth came from significant increases in oil revenues and exploration. The MPLA regime was undisputed in its position of power, and this party also held a firm hand on the country's oil resources through the oil company Sonangol, which the presidency controlled.

Continuous economic growth was both a blessing and a curse as Angola's status upgrade to an emerging economy led to most of the Non-Governmental Organisations (NGO's) who had run much of the health and education sector in the past, withdrew from the country. Since the political elite affiliated with the MPLA exercised tight control over economic resources, strong economic growth did not benefit most of the population.

On September 5, 2008, Angola held its first elections since the elections of 1992. The ruling MPLA won an overwhelming victory with 81% of the vote, followed by UNITA with 10% of the vote. This was a drastic change from the elections in 1992 where MPLA recorded 54% of the vote against UNITA's 34% share. In 2010 a new Angolan constitution was written which abolished the practice of having direct elections of the president. The person who was head of the wining party in the parliamentary elections would from that point on automatically become president. Angola held national elections again in 2012 and 2016. The MPLA won both elections making President dos Santos, who became president in 1979, one of the longest reigning heads of state in Africa. (https://www.sahistory.org.za/place/angola). President dos Santos reign came to an end in September 2017, with the appointment of João Manuel Gonçalves Lourenço as the new President of Angola.

2.2 Geography

2.2.1 Land and Location

Angola is located on the western Atlantic Coast of Central Africa and is surrounded by Democratic Republic of Congo (DRC) to the north, Zambia to the east, and Namibia on the south. One of its provinces, Cabinda, borders both the Republic of Congo, and the DRC. Angola's capital and commercial centre is Luanda, a large port city on the northern coast that blends Portuguese-style colonial landmarks with traditional African housing styles and modern industrial complexes.

As a large country, Angola takes in a broad variety of landscapes, including the semi-desert Atlantic shoreline bordering Namibia's "Skeleton Coast", the thinly populated rainforest interior, the rocky highlands of the south, the Cabinda exclave in the north, and the densely settled towns and cities of the northern coast and north-central river valleys.

Angola is acknowledged as the 20th largest country in the world. With a land size of 1,246,620 square kilometre, it is almost five times the size of the United Kingdom (UK) and twice the size of the state of Texas in the United States (US). (https://africa.com/heres-what-you-need-to-know-about-angola/). Given the vast size of the country, Angola is divided into eighteen provinces, as depicted in figure 1 below.

Figure 1: Map of Angola Regions

Source: https://www.istockphoto.com/vector/angola-color-map-with-regions-and-names-gm690288404-127200847

2.2.2 Climate

Like the rest of tropical Africa, Angola experiences distinct, alternating rainy and dry seasons. The dry season lasts from May to October while the rainy season stretches from November to April. Heavy rainfall, which is often accompanied by violent storms, is recorded during April. Summers are hot and humid, while winters are mild and dry.

The coastal strip is tempered by the cool Benguela Current, resulting in a climate similar to coastal Peru. In the coastal areas, the average temperature is around 16 degree Celsius in winter and 21 degree Celsius in summer. (https://africa.com/heres-what-you-need-to-know-about-angola/). In contrast to the coastal strip, semi-arid conditions are experienced in the South and along the coast to Luanda.

2.3 Demographics

2.3.1 Language

As in most other African countries, Angola has several national languages. Six Bantu languages are acknowledged as national languages, and these are: Umbundu, Kimbundu, Kikongo, Chokwe, Kwanyama (also called Oshikwanyama) and Ngangela. Although Portuguese remains the only official language, most Angolans speak Portuguese as a second language.

During Portuguese rule, Angolans were required to be Roman Catholic and speak Portuguese, which lead to many families speaking only in Portuguese to offer a better education to their children. It became an instrument for independence and national identity and now that it is widely spoken, the government counts on it because it is also an international language. In addition to national languages, 42 local languages are also spoken in Angola.

2.3.2 Ethnic Groups

Angola is home to a large diversity of ethno-linguistic groups. Most are African, while a small minority are Portuguese, or mestico, a Portuguese term for a person of mixed African and Portuguese heritage. Three ethnic groups dominate Angolan life, and they are called:

- the Ovimbundu,
- the Kimbundu; and
- the Bakongo.

The *Ovimbundu* is the largest ethnic group, constituting around 37% of the total population. For centuries the Ovimbundu were traders, managing trade routes between other African groups, and eventually the Portuguese. Under colonial rule, Ovimbundu people gained several positions of authority from the Portuguese. They were also one of the major groups that pushed for independence. The guerrilla movement (UNITA) are largely represented by the Ovimbundu.

The *Kumbundu* is the second largest ethnic group in Angola, comprising approximately 25% of the nation. This group is also known as the Mbundu or Northern Mbundu. Many Kimbundu today are farmers, but they too had a major role in the independence movement and civil war. The MPLA is represented mostly by the Kimbundu. After independence, the MPLA seized power and embraced harsh policies targeted against the other ethnic groups of the nation, particularly the Ovimbundu.

The *Bakongo* is the smallest of the three groups, comprising around 13% of the total population. Most of the Bakongo *people reside* in the northern Angola province of Cabina. The mestiço make up about 2% of the population. Europeans, mostly of Portuguese extraction, constitute 1% of the population; other varied groups account for the remaining 22%. (https://en.wikipedia.org/wiki/Ethnic_groups_in_Angola).

2.3.2 Religion

Angola is a conservative country when it comes to religious groupings. As such there is a propensity to intolerance when it comes to other religious organisations and sects (e.g. extremist groups) that don’t fall in line with its own national identity. Angola's population is overwhelmingly Christian. About two-fifths of the population is Roman Catholic, about two-fifths is Protestant, and some one-tenth adheres to traditional beliefs or other religions. (https://www.britannica.com/place/Angola/People).

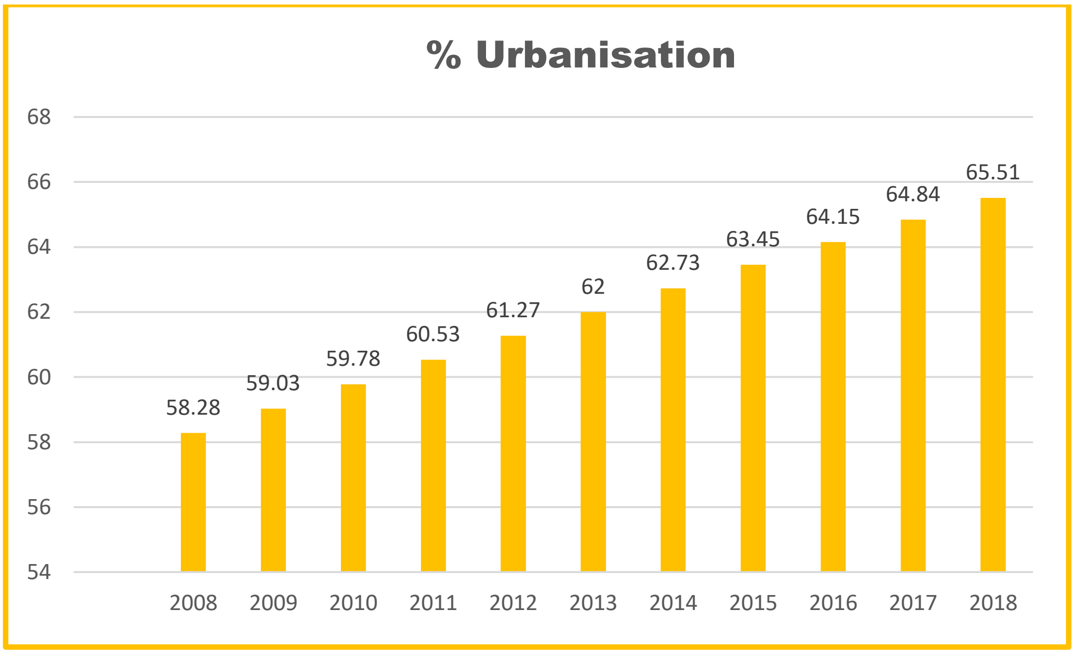
2.3.3 Urbanisation

Population growth is closely linked to growing urbanisation, and rapid urbanisation is one of the current megatrends. The provision of adequate housing constitutes one of the biggest challenges for developed and developing countries. The case in no different for Angola. On the contrary, the Angolan civil war resulted in the destruction of most of the country’s infrastructure and resulted in a major housing crisis, especially in the capital, Luanda.

To address this gap, the Angolan government has embarked on a programme, aimed at decentralising the population, inter alia, through the creation of new towns and settlements and the construction of new road networks. Prior to his re-election in 2008, President Eduardo dos Santos pledged to build 1 million homes. The original plan was to build 685,000 homes as self-built, 185,000 by the government, 120,000 by the private sector, and the remainder by housing cooperatives. A total of 100 000 hectares of land around Luanda, Benguela, Namibe, Lubango and Malange has been earmarked for the programme, which involves satellite towns called 'new centres', or new cities. (Bednarski, C.M. 2015: 2).

The housing programme stimulated urbanisation and has given rise to a 7% increase in urbanisation between 2008 – 2018. Currently Angola is said to be one of the fastest urbanising countries in Africa with around 65,51% of the country's total population living in urban areas and cities (2018 figures).

Figure 2: Angola Urbanisation between 2008 - 2018



Source: www.statista.com

2.3.4 Health

Angola's healthcare system comprises of both public and private service providers. According to Angolan law, public health services - from primary care to specialised services - are available at no cost. Quality patient health care is compromised by a shortage of doctors, medicines, nurses and primary health care workers, as well as inadequate training and the absence of computerised information management systems to efficiently track historical records of patients. These challenges are mostly caused by government budget challenges and foreign exchange delays. As a result, access to healthcare services and to pharmaceuticals for much of the population is limited.

The best quality health services are found in Luanda, as well as in other major cities (e.g. Benguela, Lobito, Lubango and Huambo). Many middle and upper middle-class Angolans use private healthcare services that generally offer higher quality and fee-based care. Four major private clinics are in Luanda, and these are: Girassol (affiliated with state oil company Sonangol), Sagrada Esperança (affiliated with the state diamond company Endiama), Multiperfil (affiliated with the Presidency), and the Luanda Medical Centre. Several small private clinics are also available.

Major health concerns in Angola include malaria, typhoid, tuberculosis, infectious and parasitic diseases, respiratory and diarrheal diseases, cholera, rabies and measles. Angola has a relatively low Human Immunodeficiency Virus (HIV) prevalence of around 2 percent.

In response to the challenges listed above, Angola's health indicators rank very low globally. Life expectancy at birth is 61.7 years. Child and maternal mortality rates are high, with the under-five mortality reaching 157 per 1,000 live births. The maternal mortality rate is at 477 per 100,000 live births. A high fertility rate of 6.3 births per woman places further pressure on the health system. (https://2016.export.gov/industry/health/healthcareresourceguide/eg_main_108559.asp).

2.3.5 Education

Angola's prolonged civil war destroyed the country's infrastructure, including school buildings and the education system. As a result, the country's Human Development Index (HDI) has lowered to 147th place out of 189 countries. The HDI is a UN metric used to measure the wellbeing of a country and its people through a combination of education, life expectancy and economic growth.

The government is committed to raising the quality of education and in recent years the country's education has improved slightly, as reflected in an increase in the HDI from 0.387 in 2000 to 0.581 in 2017. (https://www.worldbank.org/en/news/feature/2019/06/07/placing-education-at-the-center-of-a-sustained-development-growth-in-angola)

Primary education, which is the only compulsory phase, lasts for 4 years. Secondary schools are found in urban areas and larger rural settlements where traditional academic subjects are presented for 7 years. The state-sponsored education program in Angola end once learners have completed their secondary education.

Vocational training is receiving significant government support as elements of an industrialised nation emerge. A new concept of sustainable vocational training centres is being rolled out in conjunction with foreign governments. A mere 0.7% of the Angolan youth are enrolled at the University in Angola. The Universidade Agostinho Neto was established shortly after independence and gradually extended to over 40 facilities that is dispersed throughout the country. Several private and religious Universities, all linked to European institutions, are also found in Luanda. (https://www.scholaro.com/pro/countries/angola/education-system)

2.4 Conclusion

Angola is rich in natural resources and ranks as one of the top 5 largest economies in Sub-Saharan Africa. Several reforms have been initiated in recent years to restore the country's infrastructure, including health and educational facilities. Despite on-going efforts, Angola remains poor and continues to face massive development challenges.

The devastation of war, the high fertility rate, limited access to healthcare, lack of quality education for all and income inequality, partially due to government corruption, are the primary causes of poverty in Angola. The next chapter sheds more light on the country's economic outlook. Specific attention will be paid to the country's economic structure, key economic indicators, trade and business environment(s) and level of intra-regional trade.

3. ECONOMIC OUTLOOK

3.1 Introduction

Chapter 3 outlines the recent economic performance and developments in Angola in terms of Gross Domestic Product (GDP) growth, trade environment and analysis of imports and exports into and from Angola. The business environment will also be analysed through determining the cost of doing business in Angola The information presented in this chapter will pave the way for the identification of business opportunities (if any) that cross-border role players can explore if they wish to expand their regional footprint to Angola.

3.2 Economic Overview

The Angolan economy, the third largest in Sub-Saharan Africa. is dominated by the oil and gas industry. As an oil dependent country, Angola is characterised by a largely undiversified economy where the economy is dictated by developments in the oil market. Over the years, public and private investments have been mostly allocated to the oil industry, which limited prospects for increased productivity and growth in other industries.

The oil and gas industry accounts for around 50% of its GDP and is the primary source of revenue for the country. More than 70% of government revenue and 90% of Angola's exports come from oil activities. Despite its potential, the agricultural sector is underdeveloped and not very productive, contributing to around10% of GDP, while employing 50% of the population. Angola's agriculture consists mainly of subsistence farming. The key industrial crops are coffee and cotton. In recent year, the government heavily invested in coffee, sugarcane and ethanol productions in an attempt to diversify agricultural revenues and exports. (https://www.lloydsbanktrade.com/en/market-potential/angola/economical-context).

The economy of Angola remains heavily influenced by decades of conflict and civil war. Despite an abundance of natural resources, mineral resources (e.g. diamonds), fertile agricultural land, oil and gas, Angola remains poor, with a third of the population relying on subsistence agriculture. This is a far cry from the first decade of the 21st Century when Angola was one of the fastest-growing economies in the world, with annual GDP growth rates of around 11% between 2001 and 2010.

During the decade of economic boom, high international oil prices and rising oil production contributed to strong economic growth, although with high inequality, due to wide-spread corruption. The end of the oil boom (from 2015 onwards) has had a severe impact on the Angolan economy. The drop in oil prices and fall in world demand (notably from China) has pushed the economy into a recession from which it has not yet recovered.

Continued low oil prices, the depreciation of the national currency (kwanza) and slower than expected growth in non-oil GDP have impacted negatively on growth prospects and in 2019, the Angolan economy entered its fourth year of recession with the GDP contracting by -1.5%. (https://www.lloydsbanktrade.com/en/market-potential/angola/economical-context). Corruption, especially in the extractive sectors, is a major long-term challenge that poses an additional threat to the economy.

According to statistics released by Trading Economics, the GDP of Angola shrank 5.8 percent year-on-year in the third quarter of 2020, following a downwardly revised 8.3 percent contraction in the previous period. It was the fifth consecutive quarter of declines in domestic activity, amid the impact of the global Covid-19 pandemic and still subdued oil prices. (https://tradingeconomics.com/angola/gdp-growth-annual).

.3 Economic Structure and Indicators

3.3.1 Economic Structure / System

Angola has a controlled economic system in which the central government directs the economy regarding the production and distribution of goods. As already stated, the Angolan economy is dominated by the oil and gas industry, which accounts for around 50% of its GDP and 90% of its exports. As a member of the Petroleum Exporting Countries (OPEC), Angola is subjected to its direction regarding oil production levels.

Further to energy resources, Angola is the third largest producer of diamonds in the continent, surpassed only by Botswana and the DRC. Diamonds contribute around 5% to exports. Subsistence agriculture provides the main livelihood for most of the people, but half of the country's food is still imported. (https://www.indexmundi.com/angola/economy_overview.html).

3.3.2 Economic Indicators

Economic indicators are published to provide an overview of the overall health of a country's economy. Further to analysing current economic activities it also provides a basis for predicting future performance. Table 1 presents key economic indicators for Angola. Statistics were released by Lloyds Bank. The figures in tables 1 and 2 were obtained from their website during January 2021.

Table 1: Economic Indicators for Angola

Main Indicator	2018	2019	2020(e)	2021(e)	2022(e)
GDP (billions USD)	105.90e	89.42e	67.22e	68.07	72.36
GDP (Constant Prices, Annual % Change)	-1.2e	-0.9	-4.0	3.2	3.0
GDP per Capita (USD)	3 000e	2 000e	2 000	2 000	2 000
General Government Balance (in % of GDP)	3.0	1.1e	-1.4	-0.2	0.5
General Government Gross Debt (in % of GDP)	89.0e	109.2	120.3	107.5	93.8
Inflation Rate (%)	19.6	17.1	21.0	20.6	14.0
Current Account (billions USD)	7.40	5.13e	-0.82	0.08	0.63
Current Account (in % of GDP)	7.0	5.7e	-1.3	0.1	0.9

Note: (e) Estimated Data

Source: https://www.lloydsbanktrade.com/en/market-potential/angola/economical-context

From table 1, the following findings are derived:

- GDP is predicted to decline from USD105.90 billion in 2018 to USD 72.36 billion in 2022; This presents a decline of around 31,67% between 2017 – 2021;
- GDP per capita is expected to decline from USD3 in 2018 to USD 2 in 2022;
- Lower expected GDP growth is accompanied with predicted increases in gross government debt (expressed as % of GDP) of 5,4% from 89% in 2018 93.8% in 2022; and
- The inflation rate is expected to lower from 19.6% in 2018 to around 14% in 2022.

Inflation targets have been adjusted since the outbreak of the Covide019 pandemic. According to new estimates, inflation is expected to increase to 20.7% in 2020 and to 22.3% in 2021. (https://www.lloydsbanktrade.com/en/market-potential/angola/economical-context).

3.3.3 GDP Contribution per Economic Sector

Table 2 below summarises the GDP contribution per economic sector.

Table 2: Breakdown of Economic Activity by Sector

Economic Sector			
	Primary Sector (Agriculture)	**Secondary (Manufacturing)**	**Tertiary Sector (Services)**
Employment by Sector	50.2%	8,1%	41,7%
Value Added (% of GDP)	8,6%	47,9	43,2

Source: https://www.lloydsbanktrade.com/en/market-potential/angola/economical-context

Although Angola has an abundance of fertile land, the agricultural sector is underdeveloped and not very productive. Most of the land are used for subsistence forming. The figures in table 2 show that although approximately 50% of the work force are employed in the agriculture sector, the value add in terms of % contribution to GDP is only 8,6%. On-going public-sector reforms are underway to diversify agricultural revenues and exports, with government investing heavily in coffee, sugarcane and ethanol productions.

In addition to diamonds, Angola also produces gold, granite, gypsum, marble, and salt, and possesses numerous undeveloped minerals with potential for extraction including copper, iron-ore, lead, manganese, nickel, phosphate rock, quartz, silver, uranium, vanadium, and zinc.

The secondary (industrial) sector are informed by heavy and light manufacturing, construction, oil refining and energy production. Given the fact that oil and gas are top export commodities, it this sector contributes around 48% of the GDP, while employing 8.1% of the workforce. Government has recently launched a large reconstruction programme to stimulate the growth of the construction sector.

The tertiary sector (also known as the service sector) provides services to customers and include a wide range of businesses, including financial institutions, banks, restaurants and tourism. This sector has witnessed steady growth in recent years and contributes around 43% of GDP, while employing 41% of the population. Currently the sustainable growth of the tourism sector is undermined by a severe shortage of hotels and other types of accommodation.

3.4 Credit Rating

The impact of a recently implemented economic reform programme confined, Standard and Poor (S&P) to maintain Angola's credit rating at B- in February 2020. However, a considerable increase in government debt during 2018 and 2019, which was influenced by the depreciation of the Kwanza, coupled with a decline in oil production, led S&P to change Angola's outlook from stable to negative.

Angola's national debt has witnessed a considerable increase since the oil price crisis of 2014 rising from 30% then, to 88.6% in 2018 and 103% in 2019. Government debt is expected to stabilise in the short-term as the impact of government reforms on the business environment becomes evident. This in turn, should promote investment. S&P further expects that the government's macro-economic reform programme, which is supported by an International Monetary Fund programme, will improve and expand the country's economy, which should help to contain budget deficits and stabilise forex reserves in years to come.(https://www.africaoilandpower.com/2020/02/17/sp-keeps-angolas-credit-rating-unchanged/).

Table 3 outlines Angola's Credit Rating History for the years 2019 and 2020 by the top three global rating agencies, i.e. Moody's, Standard and Poor (S&P) and Fitch. Credit assessment is done regularly, with credit rating agencies assigning letter grades to indicate ratings. S&P, for instance uses a credit rating scale ranging from AAA (excellent) to C and D. A debt instrument with a rating below BB is considered to be a speculative grade or a junk bond, which means it is more likely to default on loans.

Table 3: Angola's Credit Ratings between 2018 - 2020

Rating Agency	Date	Previous Rating	Previous Outlook	New Rating	New Outlook
Moody's	Mar 31, 2020	B3	Stable	B3	Under review
S&P	Mar 26, 2020	B-	Negative	CCC+	Stable
Fitch	Mar 6, 2020	B	Negative	B-	Stable
Fitch	Jul 12, 2019	B	Stable	B	Negative
S&P	Feb 8, 2019	B-	Stable	B-	Negative
Fitch	Dec 28, 2018	B	Under Review	B	Stable
Fitch	Dec 21, 2018	B	Stable	B	Under review

Rating Agency	Date	Previous Rating	Previous Outlook	New Rating	New Outlook
Moody's	Apr 28, 2018	B2	B2	B3	Stable
Fitch	April 25, 2018	B	Negative	B	Stable
Fitch	Des 21, 2018	B	Stable	B	Under review
Moody's	Feb 7, 2018	B2	Stable	B2	Under review

Source: https://www.fxempire.com/macro/credit-ratings/angola

Angola's credit rating has reached its lowest point in two years on 26 March 2020 when S&P lowered the credit rating from B- to CCC+. The downgrade reflects the impact of lower oil production and lower oil prices and sharper than expected kwanza depreciation, which has not only increased public debt levels and external debt servicing costs, but also declined international reserve levels. Given the prominence of the oil sector (which accounts for around 90% of exports), the Angolan economy continues to suffer from the poor prospects of the international oil sector, which impacts negatively on public debt. (https://www.worldbank.org/en/country/angola/overview),

A decline in oil revenues prevents the improvement of the budgetary balance, which was expected to drop to -0.5% of the GDP in 2020 and -0.1% GDP in 2021. After peaking in 2019 (95 % GDP), mainly due to the depreciation of the kwanza, figures released by the IMF indicates that public debt is expected to total 89.9% of the GDP in 2020 and 84.2% of GDP in 2021. The risk of over-indebtedness remains significant, as the debt is vulnerable to currency depreciations and variations in the price of oil. (https://www.lloydsbanktrade.com/en/market-potential/angola/economical-context#).

A decline in oil revenues prevents the improvement of the budgetary balance, which is expected to drop to -0.5% GDP in 2020 and -0.1% GDP in 2021. Public debt peaked in 2019 when it reached a high of 95% of GDP. (https://www.lloydsbanktrade.com/en/market-potential/angola/economical-context).

3.5 Monetary Policy

The Angolan government has delivered on several key reforms since taking office in 2017. In this regard, two laws - the private investment law and the antitrust law – have been passed that encourages private sector-led growth and competitiveness. Furthermore, government has taken steps to reform public utilities, utility tariffs and subsidies, and to privatise or liquidate some state-owned companies by creating IGAPE, a state-owned enterprise (SOE) oversight agency.

In recent years, macro-economic stability has been restored and maintained through a more flexible exchange rate regime, restrictive monetary policy, and fiscal consolidation. These measures were effective in reducing domestic imbalances. The purpose of the restrictive monetary policy adopted by the Banco Nacional de Angola (BNA) was to anchor inflation and to offset the impact of the exchange rate devaluation.

The tight monetary position has been relaxed somewhat in 2019 with interest rate cuts in January and May to stimulate economic activity. Despite lowering interest rates, inflation remains high. Inflation is expected to continue to rise throughout 2021 due to the outbreak of the Covid-19 pandemic. (https://www.worldbank.org/en/country/angola/overview).

3.6 Trade Environment

Angola follows a liberal trade regime that provides low barriers to trade. Although the government has not yet established foreign trade zones, or free trade zones, it has availed its plans to create three free trade zones in Luanda, Catumbela and Cabinda.

All trade statistics have been extracted from the Observatory of Economic Complexity (OEC) website. This online data visualisation and distribution platform focuses on the geography and dynamics of economic activities. The reader is advised to visit the OEC website at https://oec.world/ for updated trade statistics for Angola.

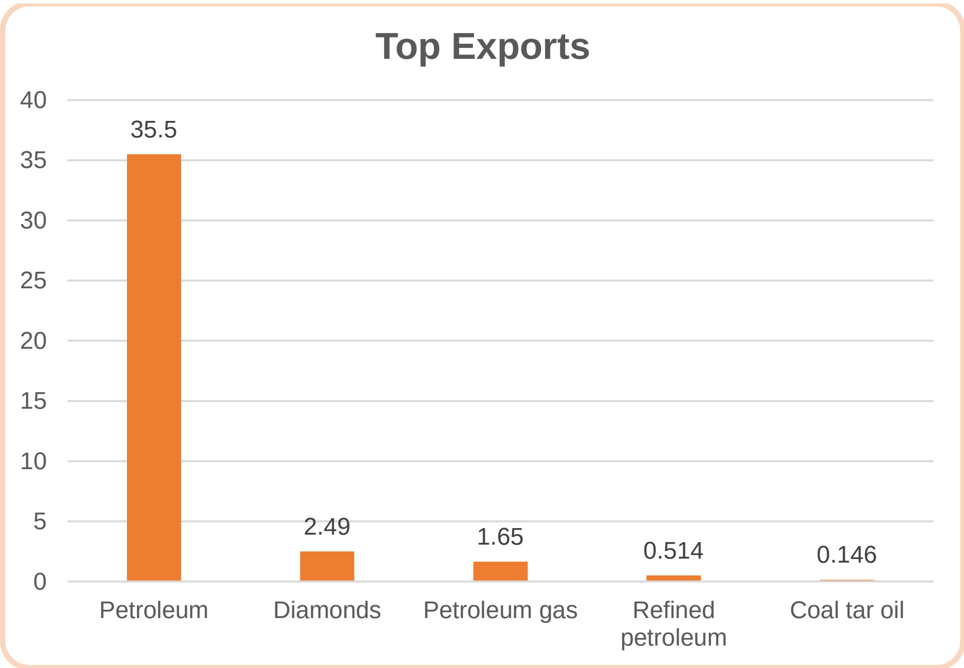
3.6.1 Main Export Destinations and Products

Angola's main global trading partners are China, India, United Arab Emirates and the United States. In 2018 Angola exported a total of $40.9 billion, making it the number 57 exporter in the world in the same year. (https://oec.world/en/profile/country/ago#trade-products).

3.6.1.1 Top Export and Import Products

Crude petroleum ranks as the top export product, with China as the number one global export market. Figure 3 highlights Angola's top export commodities for 2018.

Figure 3: Top Angolan Exports for 2018

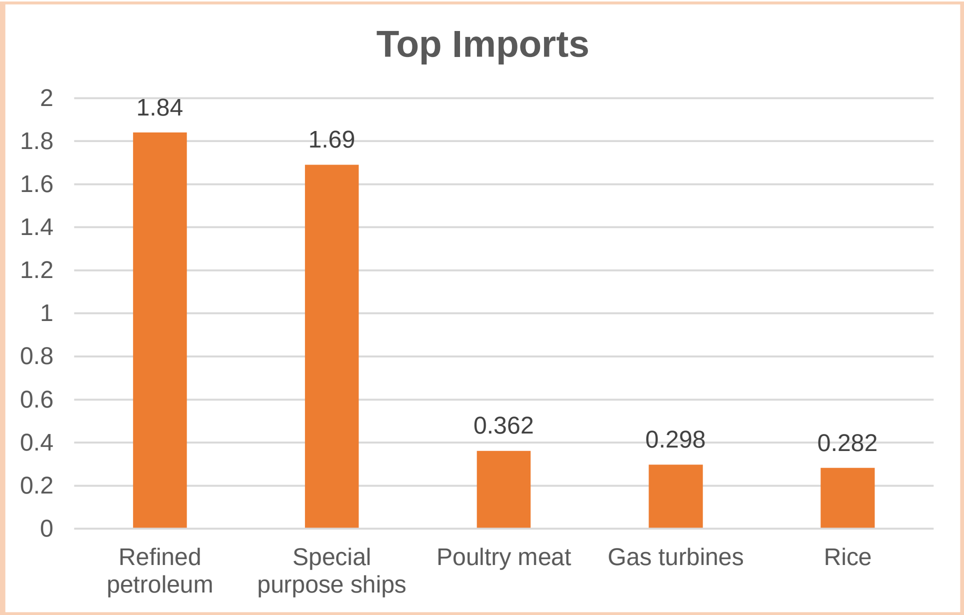


Source: https://oec.world/en/profile/country/ago

Figure 3 reveals that petroleum was the top export product ($35,5 billion) in 2018, followed by diamonds ($2.49 billion) and petroleum gas ($1.65 billion). Refined petroleum ($514 million), and coal tar oil ($146 million) came in at 4th and 5th place.

Figure 4 highlights top Angolan imports for the same year (2018)

Figure 4: Top Angolan Imports



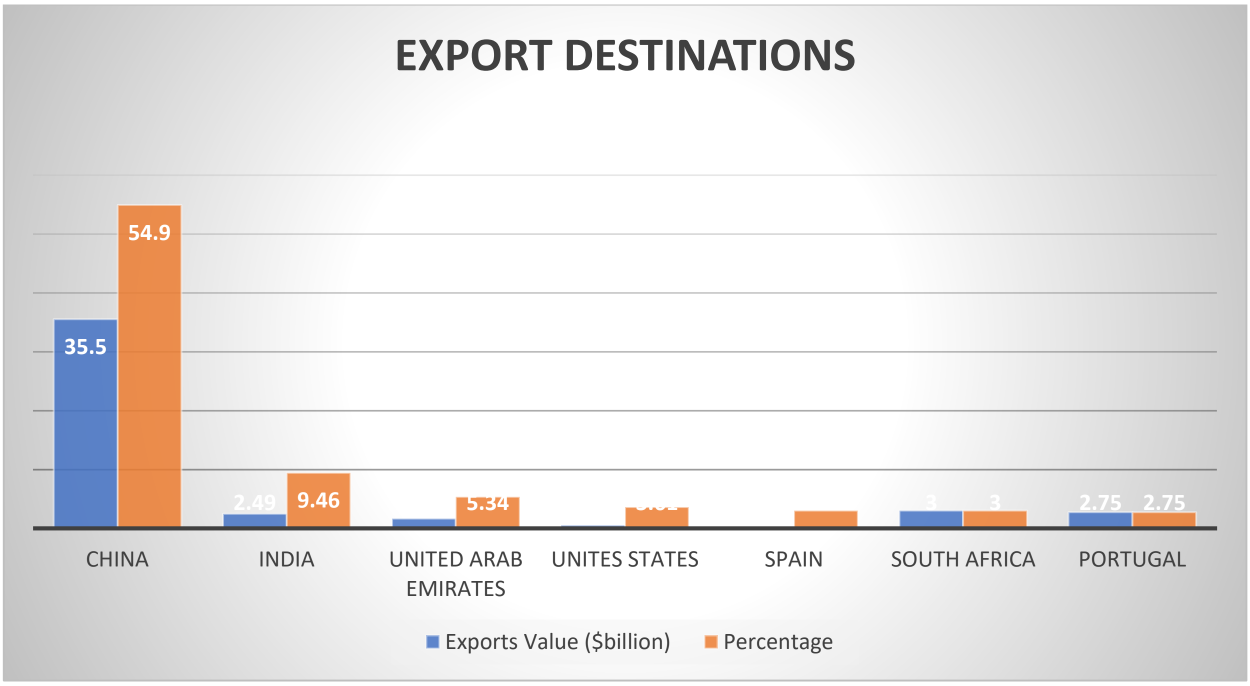
Source: https://oec.world/en/profile/country/ago

Refined petroleum was Angola's top import product in 2018 totalling $1.84 billion. Since Angola exports crude petroleum and imports refined petroleum, it becomes apparent that beneficiation takes place outside Angola. This trend poses an opportunity to the country to further develop its secondary (industrial) sector to enable beneficiation processes to occur within Angola. Special purpose ships came in second at $1.69 billion. Poultry meat imports totalled ($362 million), while gas turbines and rice imports amounted to $298 million and $282 million, respectively.

3.6.2.2 Export and Import Destinations

The top seven destinations for Angolan exports and imports are illustrated in figures 5 and 6 below. Statistics have been extracted from the OEC website during January 2021. The base year is 2018.

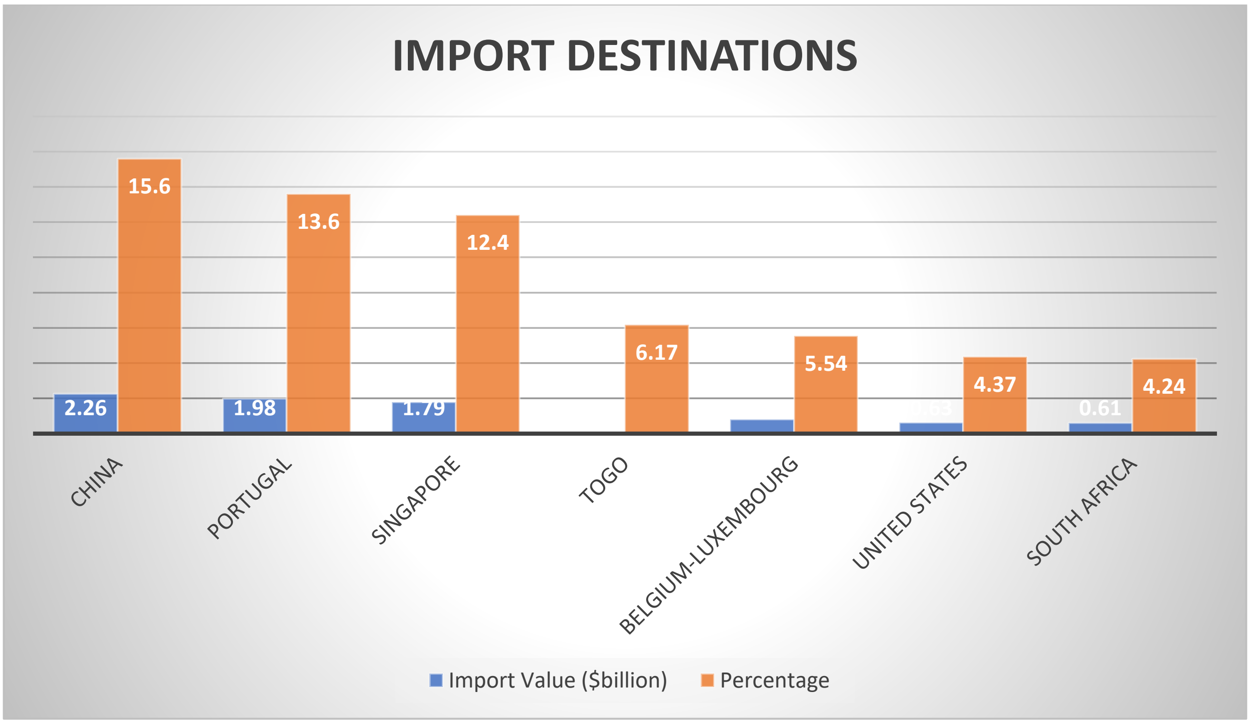
Figure 5: Top Export Destinations



Source: Data extracted from the OEC website. https://oec.world/en/profile/country/ago

China is the top export destination for Angolan exports. During 2018, exports to China amounted to $35.5billion, representing a 54.9 % share of total exports for the year. India and the United Arab Emirates came in second and third place, with exports to these destinations amounting to $2,49 billion and $1,65 billion respectively.

Figure 6: Top Import Destinations



Source: Data extracted from the OEC website. https://oec.world/en/profile/country/ago

During 2018, Angola imported goods to the value of $2,26 billion from China, establishing China the top import country for the year under review. Portugal came in second place ($1,98 billion), while Singapore took a third position ($1,79 billion). South Africa come in at seventh position, with total imports sourced from South Africa amounting to $614 million.

3.6.2 Angola: Intra-Regional Trade Profile

3.6.2.1 Angola: Intra-Africa Trade - 2018

Intra-regional trade summarises the average of intra-African imports and exports for a specific time. Angola is a member state of two Regional Economic Communities (RECs) – the Southern African Development Community (SADC) and the Economic Community of Central African States (ECCAS). Although its belongs to 2 RECs, Angola is not yet a member of any African trade agreement. ECCAS has no trade agreement in place, while Angola is not yet a member of the SADC Free Trade Area (FTA), although it recently submitted an offer to accede to the FTA.

Tables 4 and 5 illustrate Angola's top ten intra-African export and import products for 2018. During this year, Angola exported and imported goods to the value of USD2.2 billion and USD1.9 billion to and from the rest of Africa, respectively. Intra-Africa exports account for 5% of Angola's total exports and imports for 12% of total imports for 2018. Intra-Africa exports accounted for only 5% of Angola's total exports, while imports during the same year amounted to 12%. (https://www.tralac.org/resources/infographic/15009-angola-2019-intra-africa-trade-and-tariff-profile.html).

The data presented in tables 4 and 5 was extracted from a Tralac publication titled "Angola: Intra-Africa trade and tariff profile" No 18, 2019.

Table 4: Intra-Africa Export Products

Intra-Africa Export Products			
HS Codes	*Product Description*	*2018 (USD)*	*% total Intra-Africa Exports*
2709	Crude petroleum oils	1,121.41	51%
8905	Light vessels, fire-floats, dredgers and floating cranes	383.41	17%
8901	Cruise ships and similar vessels	194.41	9%
8906	Vessels, including warships and lifeboats	134.20	6%
4407	Wood sawn or chipped, lengthwise, sliced or peeled	93.02	4%
0302	Fish, fresh or chilled	32.37	1%
2710	Petroleum oils (excluding crude)	23.28	1%

Intra-Africa Export Products			
HS Codes	*Product Description*	*2018 (USD)*	*% total Intra-Africa Exports*
7304	Seamless tubes, pipes and hollow profiles of iron or steel	15.39	1%
2523	Cement	14.64	1%
8904	Tugs and pusher craft	12.01	1%

Source: Tralac. 2019

From the information presented in table 4 it is evident that 51% of Angola's exports to African countries were crude petroleum, while light-vessels, fire-floats, dredgers and floating cranes came in second, totalling 17% of Angolan exports to other African countries. Other export products include other vessels (including pleasure boats and lifeboats) sawn wood and fresh fish. The top 10 export products account for 92% of Angola's intra-African exports.

Table 5: Intra-Africa Import Products

Intra-Africa Import Products			
HS Codes	**Product Description**	**2018 (USDm)**	**% total intra-Africa exports**
2710	Petroleum oils (excluding crude)	967.09	51%
0303	Frozen fish	86.04	5%
9999	Commodities not elsewhere specified	39.85	2%
2207	Undenatured ethyl alcohol	37.59	2%
3302	Mixtures of odoriferous substances	35.62	2%
1102	General flours	29.37	2%
1604	Prepared or preserved fish	19.57	1%
8309	Stoppers, caps and lids	16.08	1%
0402	Milk and cream	15.91	1%
2701	Coal, briquettes	15.45	1%

Source: Tralac. 2019

Table 5 shows that around 51% of Angola's imports sourced from other African countries are petroleum oils (not crude). Other imports include frozen fish and unspecified commodities, with the latter being imported mainly from South Africa and Kenya. During 2018 the top ten import products accounted for 68% of Angola's intra-Africa imports.

3.6.2.1 Angola: Intra-Africa Trade - 2019

For 2019, only 2% of Angola's world exports and 8% of world imports were to and from the rest of Africa. Intra-African exports amounted to $598 million, reflecting a 73% decrease compared to 2018 exports. Intra-Africa imports amounted to $1,2 billion, which is 39% less than in 2018. (https://www.tralac.org/resources/infographic/15009-angola-2019-intra-africa-trade-and-tariff-profile.html).

In 2019, 81% of intra-African exports were destined for South Africa and the DRC. Apart from these 2 countries, most other main destination markets are in West Africa, including Togo, Ghana and Nigeria. Angola's intra-African exports are mainly petroleum oils.

Tables 6 and 7 show Angola's top five intra-Africa export and import products for 2019. The figures presented in both tables were sourced from Tralac (https://www.tralac.org/resources/infographic/15009-angola-2019-intra-africa-trade-and-tariff-profile.html).

Table 6: Angola: Intra-Africa Exports 2019

Product	Percentage Contribution	Percentage World Exports of the product sourced Intra-Africa
Crude petroleum oil	60%	1%
Non-crude petroleum oil	5%	12%
Wheat flour	4%	100%
Excursion boats	3%	100%
Beer	2%	98%

Source: Tralac. 2020

Table 7: Angola: Intra-Africa Imports 2019

Product	Percentage Contribution	Percentage World Imports of the product sourced Intra-Africa
Non crude petroleum oil	41,58	25%
Frozen fish	1,98	57%
Cereal flours	1,98	44%
Soaps	1,98	32%
Undenatured ethyl alcohol	1,98	39%

Source: Tralac. 2020

3.6.2.1 Intra-Africa Import Tariffs

The International Harmonised System (HS) is a global system of names and numbers used to classify traded products. The HS code is used by all countries globally to classify all imported and exported goods. Although Angola is a member of two REC (SADC and ECCAS), it is not yet a member of any free trade agreement. Consequently, most goods imported from other African countries are levied.

At HS8, Angola has around 5563 tariff lines. The categories of import duties and the percentage of 2019 imports that were levied are illustrated in Figure 7.

Figure 7: Categories of Import Duties

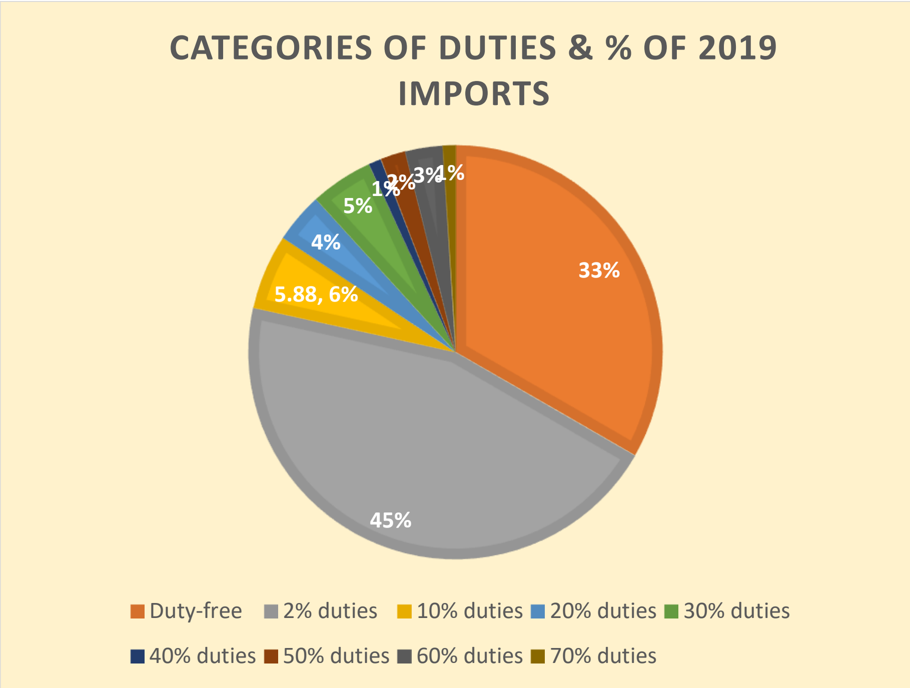


Figure 7 shows that 33% of all 2019 imports were exempted from imported duties. Two percent duties were levied on 45,1% of imports, including light and medium petroleum oils. 20% duties applied on imports of prepared sardines and 30% duties on imports of frozen jack and horse mackerel, stoppers, caps and lids. Onions and apples were imported from African countries at an import duty of 50% each, while 60% import duties were levied on undenatured ethyl alcohol and cigarettes. (https://www.tralac.org/resources/infographic/15009-angola-2019-intra-africa-trade-and-tariff-profile.html).

3.6.3 Angola's Trade with South Africa

Tables 8 and 9 provide information on the value of South African exports and imports (expressed in South African Rand) for trade between South Africa and Angola for 2018 and 2019. Information was extracted from the DTI website on 17 February 2021. The reader is advised to visit the DTI website (http://tradestats.thedti.gov.za) for a detailed description of the Classification codes.

Table 8: South African Export Value – 2018 and 2019

Classification Code	Unit	2018	2019
C01	Live animals, animal products	213,286,511	163,509,937
C02	Vegetable products	655,668,121	629,270,631
C03	Animal or vegetable fats & oils	10,761,268	11,885,146
C04	Prepared foodstuff, beverages, spirits, vinegar	952,404,923	1,157,011,617
C05	Mineral products	378,849,840	250,365,603
C06	Products of chemical or allied industries	935,694,578	879,798,489
C07	Plastics and articles thereof	396,803,923	340,659,486
C08	Raw hides and skins, leather, fur skins & articles thereof	9,125,566	6,974,569
C09	Wood & articles of wood, wood charcoal	18,684,748	9,380,352
C10	Pulp of wood or of other fibrous cellulosic material	208,649,059	153,125,677
C11	Textile and textile articles	90,239,691	125,541,476
C12	Footgear, headgear, umbrellas, head umbrellas, walking sticks	16,190,078	12,625,659
C13	Articles of stone, plaster, cement, asbestos, micra or similar materials	32,676,797	48,846,133
C14	Natural or cultured pearls, precious or semi-precious stones	1,113,851	1,447,057
C15	Base metals & articles of base metal	480,769,395	430,144,219
C16	Machinery & mechanical appliances, electrical equipment and parts thereof	1,353,058,992	1,686,563,545
C17	Vehicles, aircraft, vessels & associated transport equipment	428,621,920	526,314,901
C18	Optical, photographic, cinematographic, measuring, checking	100,829,052	131,565,953
C20	Miscellaneous manufactured articles	140,821,310	96,194,338
C21	Work of art, collectors pieces & antiques	1,438,074	141,704
C22	Other unclassified goods	19,907,961	6,979,056
C23	Special classification of original equipment, components / parts for motor vehicles	28,905	457,024
Total All Commodities		6,445,624,563	6,668,802,572

Source: DTI website. 2021 (http://tradestats.thedti.gov.za)

South African exports to Angola increased marginally (by around 3,4%) from R6,445,624,563 in 2018 to R6,668,802,572 in 2019. In 2019, the top 3 exports, listed in order of importance (rank), were:

1) Machinery & mechanical appliances, electrical equipment and parts thereof (R1,686,563,545);
2) Prepared foodstuff, beverages, spirits, vinegar (R1,157,011,617); and
3) Products of chemical or allied industries (R879,798,489)

Based on the top exports the beneficiation of raw materials takes place (mostly) outside the borders of the country. Final products are imported from fellow African countries (e.g. South Africa) back to Angola.

Table 9 outlines the Rand value of South African imports for 2018 and 2019

Table 9: South African Import Value – 2018 and 2019

Classification Code	Unit	2018	2019
C01	Live animals, animal products	2,406,340	1,167,629
C02	Vegetable products	1,001,823	4,645,008
C03	Animal or vegetable fats & oils	441,693	
C04	Prepared foodstuff, beverages, spirits, vinegar	241,840	7,502
C05	Mineral products	16,855,406,016	7,876,094,503
C06	Products of chemical or allied industries	63,181	62,402
C07	Plastics and articles thereof	986,221	975,414
C08	Raw hides and skins, leather, fur skins & articles thereof	763	2,310
C09	Wood & articles of wood, wood charcoal	388,600	243,564
C10	Pulp of wood or of other fibrous cellulosic material	33,631	11,862
C11	Textile and textile articles	31,316	27,400
C12	Footgear, headgear, umbrellas, head umbrellas, walking sticks	8,928	4,422
C13	Articles of stone, plaster, cement, asbestos, micra or similar materials	788,037	9,407
C14	Natural or cultured pearls, precious or semi-precious stones	91,028,642	207,747,867
C15	Base metals & articles of base metal	1,097,799	16,104,211
C16	Machinery & mechanical appliances, electrical equipment and parts thereof	46,574,516	13,121,035

Classification Code	Unit	2018	2019
C17	Vehicles, aircraft, vessels & associated transport equipment	1,870,504	27,193,791
C18	Optical, photographic, cinematographic, measuring, checking	1,807,769	1,552,962
C20	Miscellaneous manufactured articles	6,168	88,376
C21	Work of art, collectors pieces & antiques	10,932	
C22	Other unclassified goods	376,887	101,111
C23	Special classification of original equipment, components / parts for motor vehicles	-	-
Total All Commodities		17,004,571,606	8,149,160,776

Source: DTI website. 2021 (http://tradestats.thedti.gov.za)

South African imports from Angola decreased drastically (by around 52%) from R17,004,571,606 in 2018 to R8,149,160,776. Given Angola's abundance of natural resources it is not surprising that minerals came out on top. In 2019, the top 3 imports, listed in order of importance (rank), were:

1) Minerals (R7,876,094,503);
2) Natural or cultured pearls, precious or semi-precious stones (R207,747,867); and
3) Vehicles, aircraft, vessels & associated transport equipment (R27,193,791).

3.7 Business Environment

The business environment refers to internal and external factors that affect a business ability to conduct business and to build and maintain successful customer relationships. For the purposes of this discussion, emphasis is placed on the following focus areas that will provide an indication of the business environment that prevail in Angola:

- Economic Freedom Index;
- Ease of Doing Business;
- Global competitiveness index; and
- Corruption perceptions index

3.7.1 Economic Freedom Index

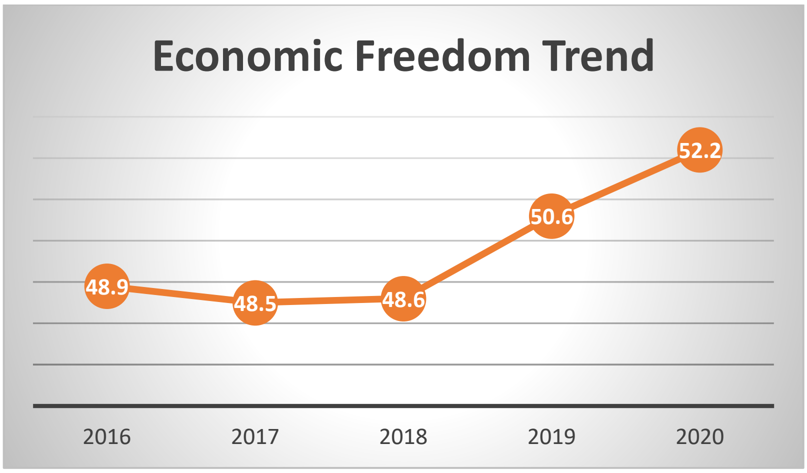
Economic freedom is the fundamental right of every human to control his or her own labour and property. In an economically free society, individuals are free to work, produce, consume, and invest in any way they please, with that freedom both protected by and unconstrained by the government. In economically free societies, governments allow labour, capital and goods to move freely, and refrain from coercion or constraint of liberty beyond the extent necessary to protect and maintain liberty itself.

Range and level of freedom is categorised as follows:

- 80 – 100: means a country is economically free;
- 70 – 79.9: means a country is mostly free;
- 60 – 69.9: means a country is moderately free;
- 50 – 59.9: means a country is mostly unfree; and
- 0 – 49.9: means a country is repressed.

Angola's economic freedom score is 52.2, making its economy the 154th freest in the 2020 Index. Its overall score has increased by 1,6 points, with a sharp increase in the score for fiscal health that outpace a sharp decline in judicial effectiveness. Angola is ranked 35th among 47 countries in the Sub-Saharan Africa region, and its overall score is slightly below the regional average and well below the world average. (https://www.heritage.org/index/country/angola). Figure 8 illustrates Angola's economic freedom index between 2016 – 2020.

Figure 8: Angola Economic Freedom Index



Source: https://www.heritage.org/index/pdf/2020/countries/angola.pdf

Between 2016 and 2020 Angola's economic freedom score improved by approximately 6,7% from 48,9% to 52,2%. Earlier discussions revealed that Angola's economy was repressed for many years. In 2019, the country managed to squeeze into the mostly unfree category. However, for Angola to start making real strides toward greater economic freedom, the government will have to address severe failings in the country's rule of law and improve in the areas of investment freedom and financial freedom. (https://www.heritage.org/index/pdf/2020/countries/angola.pdf)

3.7.2 Ease of Doing Business

The World Bank Group conducts a *Doing Business* study annually. This project provides objective measures of business regulations and their enforcement across several economies and selected cities at the subnational and regional level. Doing business captures several important dimensions of the regulatory environment as it applies to local firms. The rankings are determined by sorting the aggregate scores on 10 topics, each consisting of several indicators, giving equal weight to each topic.

The doing business indicators are presented in Table 10.

Table 10: Doing Business 2020 Indicators

Indicator		Description
1	Starting a Business	Procedures, time, cost and paid-in minimum capital to start a limited liability company.
2	Dealing with construction permits	Procedures, time and cost to complete all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system.
3	Getting electricity	Procedures, time and cost to get connected to the electrical grid, and the reliability of the electricity supply and the transparency of tariffs.
4	Registering a property	Procedures, time and cost to transfer a property and the quality of the land administration system.
5	Getting credit	Movable collateral laws and credit information systems.
6	Protecting minority investors	Minority shareholders' rights in related-party transactions and in corporate governance.
7	Paying taxes	Payments, time, total tax and contribution rate for a firm to comply with all tax regulations as well as post filing processes.
8	Trading across borders	Time and cost to export a product of comparative advantage and import auto parts.
9	Enforcing contracts	Time and cost to resolve a commercial dispute and the quality of judicial processes.
10	Resolving insolvency	Time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency.
11	Employing workers	Flexibility in employment regulation and redundancy cost.

Source: World Bank Group. 2020

Table 11 below highlights Angola's performance for 10 indicators, compared to its overall rank out of the 190 participants. Rank 1 indicates the best performance, while rank 190 indicates the worse performance. Data was extracted from the Economic Profile Angola - Doing Business 2020 report (World Bank Group. 2020.:4)

Table 11: Angola's Overall Performance

Indicator		Angola Score	Angola's Overall Rank
1	Starting a Business	79,4	146
2	Dealing with construction permits	65,3	120
3	Getting electricity	54,1	156
4	Registering a property	43,3	167
5	Getting credit	5,0	185
6	Protecting minority investors	32,0	147
7	Paying taxes	69,5	106
8	Trading across borders	36,2	174
9	Enforcing contracts	28,1	186
10	Resolving insolvency	0	168
11	Employing workers	-	-
	Overall Score / Rank	41,3	**177**

Source: World Bank Group. 2020

Note: No rankings are presented for indicator 11 (employing workers). This indicator has been excluded in the aggregate ease of doing business score and ranking on the ease of doing business

Angola performed worst in the areas of enforcing contracts (186 out of 190 participants), obtaining credit (185 out of 190 participants) and trading across borders (174 out of 190 participants). Angola's overall rank is 177 out of 190 participants. Angola's poor performance in all areas clearly shows that the existing regulatory environment in the country is not conducive and does not support/ favour the establishment of new businesses.

Tables 12 and 13 gives a breakdown for indicators 1 (Starting a Business) and 8 (Trading across borders).

Table 12: Indicator Break-down: Staring a Business

Indicator Breakdown		Sub-Saharan Africa	Best Regulatory Performance
Angola Score	*79,4 days*	*80,1*	
Overall Score	*146*		
❖ Procedures (number)	8	7,4	1 (2 economies)
❖ Time (men days)	36	21,5	0,5 (New Zealand)
❖ Cost (number)	11.1	36,3	0 (2 economies)
❖ Paid-in minimal capital (% of income per capita)	0	9,3	0 (120 economies)

Source: World Bank Group. 2020

Table 12 shows that it takes around 79,4 days to start a business in Angola. Eight processes and 36 (men) days are associated with establishing a business in Angola. Both scores are higher than the average score for Sub-Saharan Africa and compares badly against the best regulatory performance scores. In terms of time (men days) it takes only half a day (around 4 hours) to establish a business in New Zealand.

Table 13 gives a break-down for Indicator 8: Trading across Borders. This indicator measures the time and cost associated with the logistical process of exporting and importing goods. As such it measures the time and cost (excluding tariffs) associated with different procedures, including documentary compliance and border compliance within the overall process of exporting or importing a shipment of goods. The most recent round of data collection for the project was completed in May 2019.

Table 13: Trading across Borders

Indicator Breakdown		Sub-Saharan Africa	Best Regulatory Performance
Score of trading across borders (0 -100)	*36,2*	*53,6*	
Angola Overall Score	*174*		
Time to Export			
Documentary Compliance (hours)	96	71,9	1 (26 economies)
Border compliance (hours)	164	97,1	1 (19 economies)
Cost to Export			
Documentary Compliance (USD)	240	172,5	0 (20 economies)
Border compliance (USD)	825	603,1	0 (19 economies)
Time to Import			
Documentary Compliance (hours)	96	96,1	1 (30 economies)
Border compliance (hours)	72	126,2	1 (25 economies)
Cost to Import			
Documentary Compliance (USD)	460	287,2	0 (30 economies)
Border compliance (USDs)	1,030	690,6	0 (28 economies)

Source: World Bank Group. 2020

Angola compares poorly in all areas against the best regulatory performance candidates. In most cases, the time and cost associated with importing and exporting products to and from Angola are also higher than the regional (Sub-Saharan Africa) average. In Angola, *documentary compliance* to export and import goods totals 96 hours.

The time to finalise *border compliance processes* totals 164 hours for exports and 72 hours for imports. Angola compares poorly to best-performing candidates. In 19 economies (countries) only one hour is devoted to finalising border compliance processes for exports, while in 25 countries the same amount of time (60 minutes) is spent to conclude border compliance processes for imports.

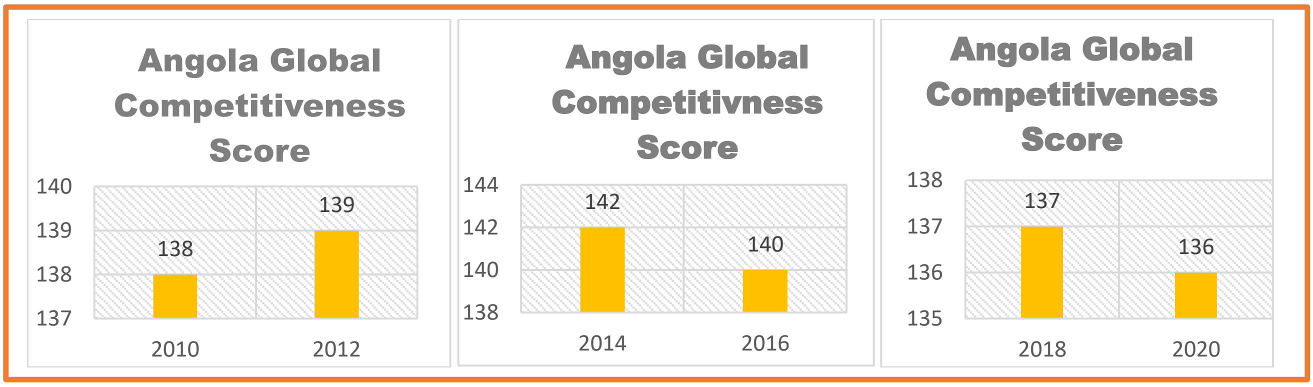
3.7.3 Global Competitiveness Index

The 2018 edition of the Global Competitiveness Report, published by the World Economic Forum (WEF), assesses 140 economies. This report is made up of 98 variables organised into twelve pillars, and these pillars are:

1) Institutions;
2) Infrastructure;
3) ICT adoption;
4) Macro-economic stability;
5) Health;
6) Skills;
7) Product market;
8) Labour market;
9) Financial system;
10) Market size;
11) Business dynamism; and
12) Innovation capability.

According to the finding of the Global Competitiveness report, Angola ranks as the 137th most competitive nation in the world out of 140 countries. The competitiveness rank in Angola reached an all-time high of 142 in 2014 and a record low of 136 in 2019. (https://tradingeconomics.com/angola/competitiveness-rank). Figure 9 illustrates Angola's Global Competitiveness Scores for 2012 to 2014, 2014 to 2016 and 2018 to 2020.

Figure 9: Angola Global Competitiveness Index



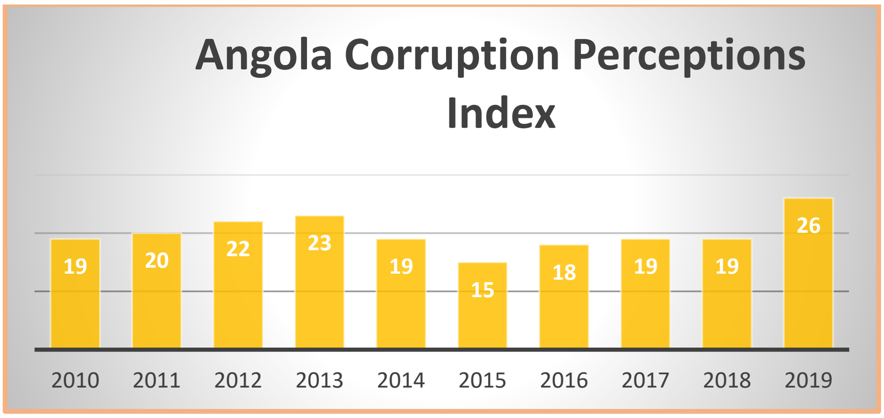
Source: https://tradingeconomics.com/angola/competitiveness-rank

Angola's global competitiveness score varied slightly between 2012 and 2020. Angola's high global ranking can greatly be attributed to its abundance of natural resources (petroleum and gas).

3.7.4 Corruption Perceptions Index

The Corruption Perceptions Index ranks countries and territories based on how corrupt their public sector is perceived to be by business people and country analysts. The index ranges between 100 (highly clean) and 0 (highly corrupt). The 2019 Corruption Perceptions Index scored 180 countries across the world by their perceived levels of public sector corruption. Angola scored 26 points out of 100. Figure 10 illustrates Angola's score between 2010 – 2018.

Figure 10: Corruption Perceptions Index



Source: https://tradingeconomics.com/angola/corruption-rank

From the data displayed in Figure 10, it is evident that Angola’s corruption perceptions index increased by around 37% from 19 in 2018 to 26 in 2019. Despite the improvement, Angola’s score is still well below the global average of 43 placing Angola squarely amongst countries deemed to have a serious corruption problem.

Following a change of regime in 2017, the Angolan government introduced a set of governance reforms to crack down on corruption. Isabel Dos Santos, the former president’s daughter, who is also known as “Africa’s richest woman”, was fired from her job as head of the state oil and gas firm, Sonangol, months after President Lourenço’ s election.

When looking at South Africa, the country’s corruption perceptions index was at level of 44 score in 2019, representing a marginal increase of 2,33% from the previous year, placing South Africa just above the global average score of 43. Several high-level corruption cases, including the Zondo Commission of Inquiry into state capture that came up with significant news regarding corrupt activities involving the private- and public sector, prevented South Africa’s score from improving further on previous performance.

3.8 Conclusion

Angola's economy is overwhelmingly driven by its oil sector. Oil production and its supporting activities contribute around 50% of GDP and 90% of the country's exports. As an oil exporting country and member of OPEC, Angola is subject to OPECs direction regarding oil production levels. Economic growth is therefore largely dictated by developments in the oil market. The end of the oil boom has had a severe impact on the Angolan economy. The drop in oil prices and fall in world demand (notably from China) has pushed the economy into a recession from which it has not yet fully recovered.

Further to fluctuations in international oil prices, political instability over the years has impacted negatively on Angola’s economy. Government debt remains high (comprising around 89% of GDP) making the economy vulnerable to currency depreciations and variations in the international oil price. Furthermore, corruption (especially within the civil service and police) remains a major long-term challenge that continues to threaten the economy.

Angola's main trading partners reside outside the African continent. During 2019, only 2% of Angola's world exports and 8% of world imports were sourced from and directed to African countries, Top export commodities (petroleum, diamonds) are directed to China, India and the United Arab Emirates, while most imports (refined petroleum and special purpose ships) are exported from China and Portugal. The beneficiation of oil takes place outside Angola as reflected in the exportation of crude petroleum and importation of refined petroleum.

Although Angola is a member of two African REC (SADC and ECCAS), the latter has no trade agreement in place while Angola has not yet signed the SADC FTA. As a result, levies are imposed on most imports sourced from fellow African countries. Angola's trade with fellow African countries are also hindered by several regulatory constraints. According to the findings of the Doing Business 2020 report, Angola's overall performance for eight dimensions of the regulatory environment position Angola amongst the top 67 worse performing economies out of 190 economies. Following a change of regime in 2017, the Angolan government introduced several regulatory reforms that aim to restructure the economy and improve the business environment to attract foreign direct investment (FDI) to Angola. The success of most public-sector reforms will only be visible over the long-term.

4. ROAD TRANSPORT

4.1 Introduction

This chapter provides a high-level overview of the status of the road transport sector in Angola. Most transport movements takes place along road networks that enable the displacement of goods and people between different locations (within the country and across national boundaries). Key discussion topics of chapter 4 are listed below:

- Comprehensive discussion of the Angolan road network, with particular attention paid to the classification of roads, distance and travel time matrix and road safety and security;
- Overview of regional road transport corridors that traverse Angola;
- Analysis of cross-border road transport movements between Angola and South Africa; and
- Review of the institutional and regulatory environment(s).

4.2 Angola Road network

Although road transport is the prominent mode of transport in Angola, the entire road network is in a poor condition. The long-lasting civil war, coupled with the impact of periodic torrential flooding are cited as the main causes for poor quality road infrastructure that undermine growth and development.

Angola has a large road network of around 76,000 km, with the greatest percentage of roads concentrated around Luanda and along the coast, connecting the port cities of Luanda, Lobito and Namibe. Major roads between Luanda and the provincial capitals have improved in recent years due to on-going road maintenance programmes. However, the greater part of the road network remains poor. This fact is supported by statistics that reveal that only 24% (around 18 000 km) of the entire road network is paved. (https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Angola Country Strategy Paper 2017-2021.pdf).

Other hazards include potholes, lack of traffic signals (and lack of attention to signals), erratic driving habits, excessive speed, pedestrians, and roaming animals. Furthermore, a good share of the secondary and tertiary road network(s) is impassable during the rainy season. As a result, four-wheel drive is generally necessary for travel outside of major towns. The main links in the western half of the country are in a reasonable condition, while roads on the eastern side are sparser and more dilapidated.

4.2.1 Classification of Roads and Road Conditions

Nearly half of the total road network in Angola is unclassified roads for which there is no data on road characteristics and condition. Most classified roads are 6 meters wide but there are also a few road sections which are 4,5 meters are wide. More info on the road network is presented in table 14.

Table 14: Angolan Road Network

Classification	Length	Paved roads (km)	Management Responsibility
Fundamental	26 000 km	13 600	INAE
Complementary	17 500 km	210 km	INAE
Municipal	32, 345 km	-	Provinces

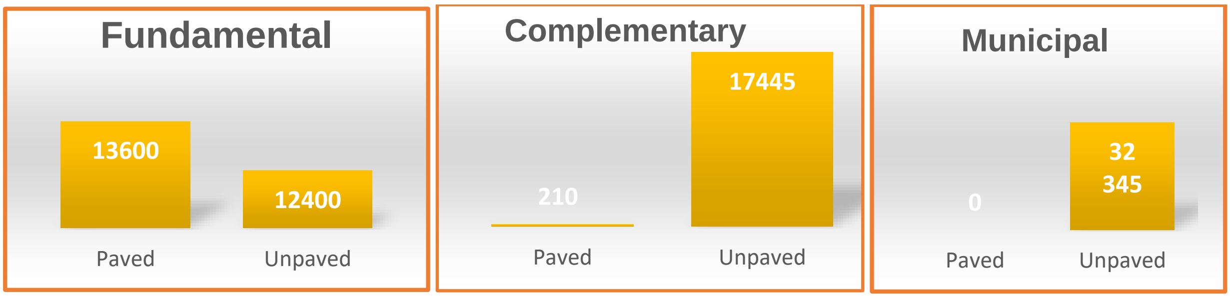
Note: INAE - Angola Road Institute

Source: Benmaamar, M. et.al. 2020

Table 14 illustrates that less than 50% of the fundamental road network, which connect the capital to main centra in all eighteen provinces, is paved, while only 1,2% (210) km of the complementary road network is paved. The rest of the road network consists of approximately 32,345 km of unclassified local roads which provide connectivity within the 164 municipalities areas. The responsibility for upkeeping fundamental and complementary roads vest with the Angola Road Institute (INAE) while the provinces are responsible for upkeeping municipal roads.

Figure 11 depicts Angola's road network graphically.

Figure 11: Angola Road Network



Source: Benmaamar, M et.al. 2020

From the above illustration is it clear that complementary and municipal roads are mostly unpaved that result in significant time delays for motorists and cross-border operators.

4.2.2 Moving Forward – Rehabilitating Roads

Despite the challenges listed above, Angola is one of very few African countries that do not face a significant infrastructure funding gap. Thanks to the country's oil reserves, financial resources exist to rebuild the country's shattered infrastructure, expand the economy and modernise and better connect its cities. The reigning president, João Manuel Gonçalves Lourenço, has committed to rehabilitating the country's transport infrastructure to transform Angola into a logistical hub of considerable importance in Southern African.

Another key factor in infrastructure funding is Chinese investment in Angola. Thanks to an ‘infrastructure for oil’ trade agreement, China has been making significant strides in changing the Angolan infrastructure landscape, via the construction of large railways, roads, and housing projects. In return, Angola became China’s main supplier of oil and even overtook Saudi Arabia in 2010.

2.2.2 Bridges

Information pertaining to the location and condition of bridges are not readily available. From literature sources at hand, it appears that the replacement / rehabilitation of old structures has been slow and have not met the needs of the transport industry. Bridges (and roads) are not protected by regular inspection and rehabilitation. This aggravates road accidents and road fatalities in Angola.

4.2.3 Distance matrix

Table 16 outlines the distances between provinces and major centre’s in Angola. Given the fact that Angola is a large country with an extended coastline and central plateau, the distance between major centres is long. The distance between Luau and Luanda is 1352 km, while the distance between Lubango and the capital is 1015 km.

Table 15: Distances by Road – Angola

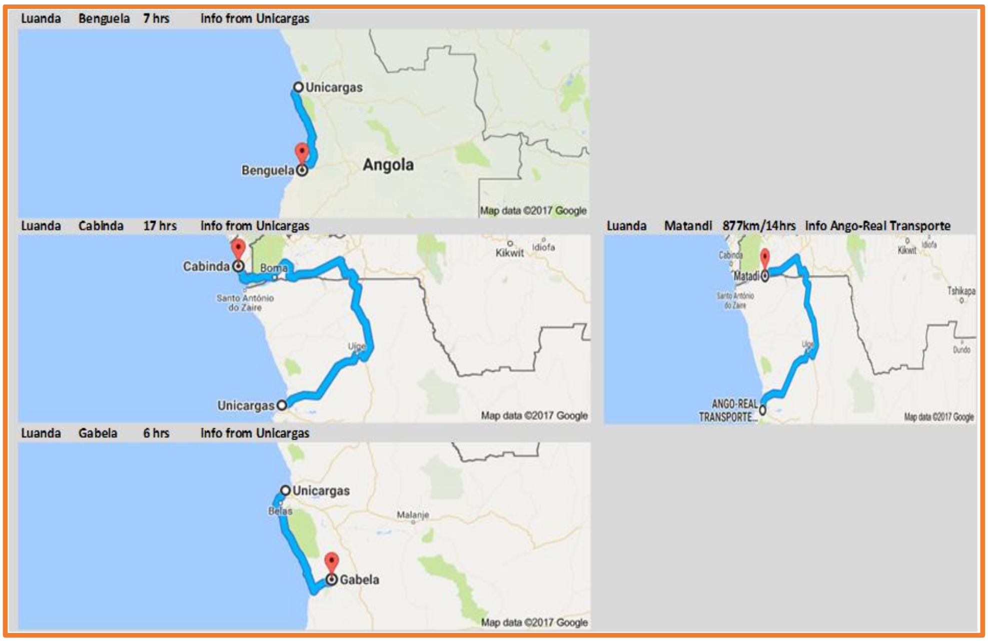
Provinces / major centre's	*Luanda*	*Benguela*	*Cabinda*	*Gabela*	*Huambo*	*Kuito*	*Lobito*	*Luau*	*Lubango*	*Luena*	*Mabanza Congo*	*Malange*	*Menongue*	*Ndlatando*	*Onduva*	*Namibe*	*Noqui*	*Saurimo*	*Sumbe*
Luanda	0																		
Benguela	548	0																	
Cabinda	480	1177	0																
Gabela	401	304	891	0															
Huambo	599	368	1032	350	0														
Kuito	709	533	1508	472	165	0													
Lobito	659	33	1172	271	319	443	0												
Luau	1352	1255	1958	1091	887	722	1165	0											
Lubango	1015	372	1504	689	416	587	405	1309											
Luena	1314	931	1660	872	563	398	841	324											
Mbanza C	481	1218	365	905	1096	1138	1184	1593	0										
Malange	423	760	1062	456	531	441	727	896	697	0									
Menongue	1051	816	1853	871	446	342	785	999	1488	795	0								
Ndalatando	248	585	955	281	475	640	552	1077	590	175	972	0							
Onduva	1424	787	1945	1187	863	658	820	1382	1959	1394	542	1346	0						
Namibe	1234	439	1731	754	647	812	472	1534	1745	1094	771	1122	668	0					
Noqui	524	1251	194	938	1129	1309	1217	1764	171	868	1659	761	1992	1690	0				
Saurimo	1089	1376	1642	1072	838	663	1148	313	1277	616	1013	761	1257	1487	1448	0			
Sumbe	492	208	982	91	446	569	175	1182	973	431	862	383	1039	663	1029	1011	0		
Uige	345	852	679	585	742	824	819	1279	314	368	1174	267	1579	1389	485	984	676		

Source: Styles, L. 2019, as adapted

4.2.4 Travel time matrix

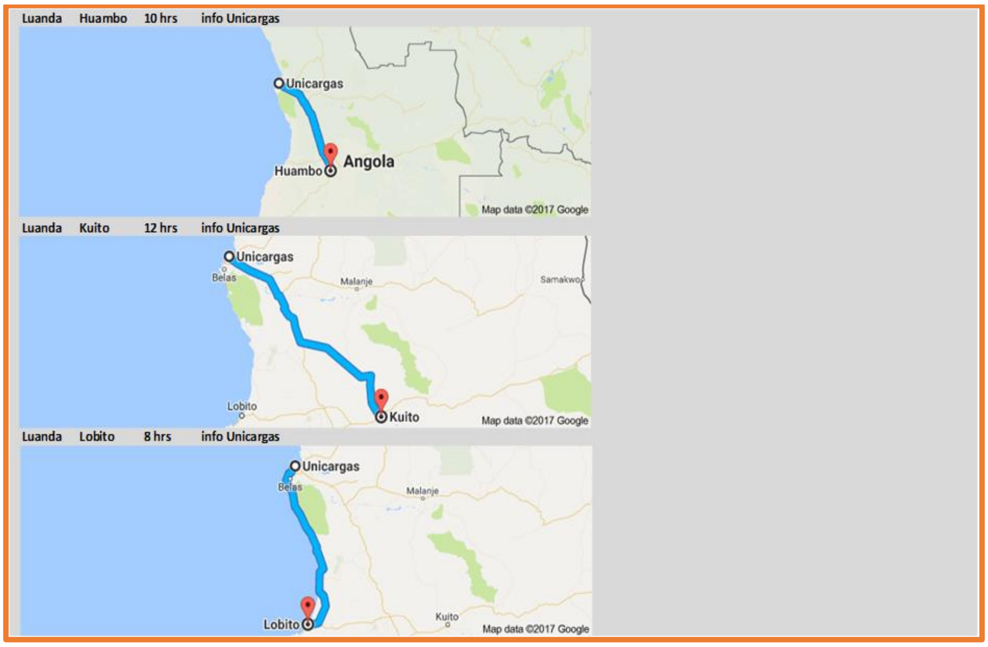
Figures 12 to 18 illustrate the travel time between Unicargas (in Luanda) and various locations (provinces and urban centres) in Angola. Further to long distances between key centra, lengthy travel time can also be attributed to poor quality road networks (e.g. potholes), lack of traffic signals missing road links, especially in the eastern parts of the country.

Figure 12: Travel Time Matrix: Luanda to Benguela, Cabina & Gabela



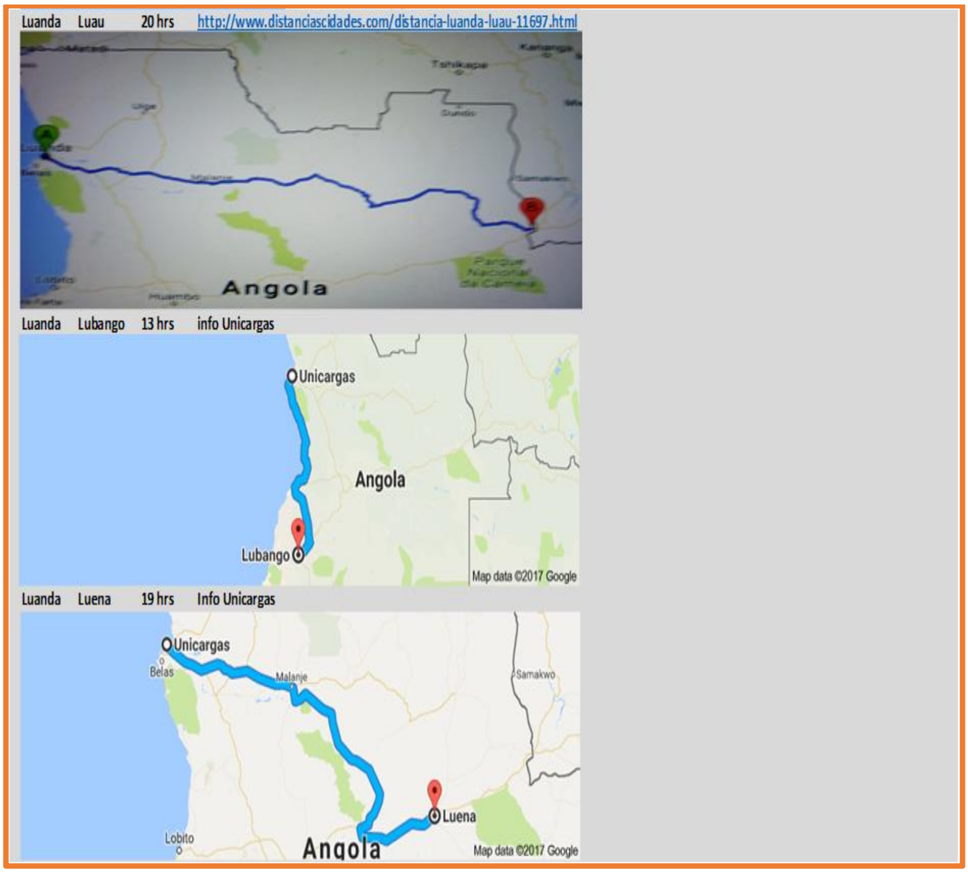
Source: Styles, L. 2019

Figure 13: Travel Time Matrix: Luanda to Huambo Kuito & Lobito



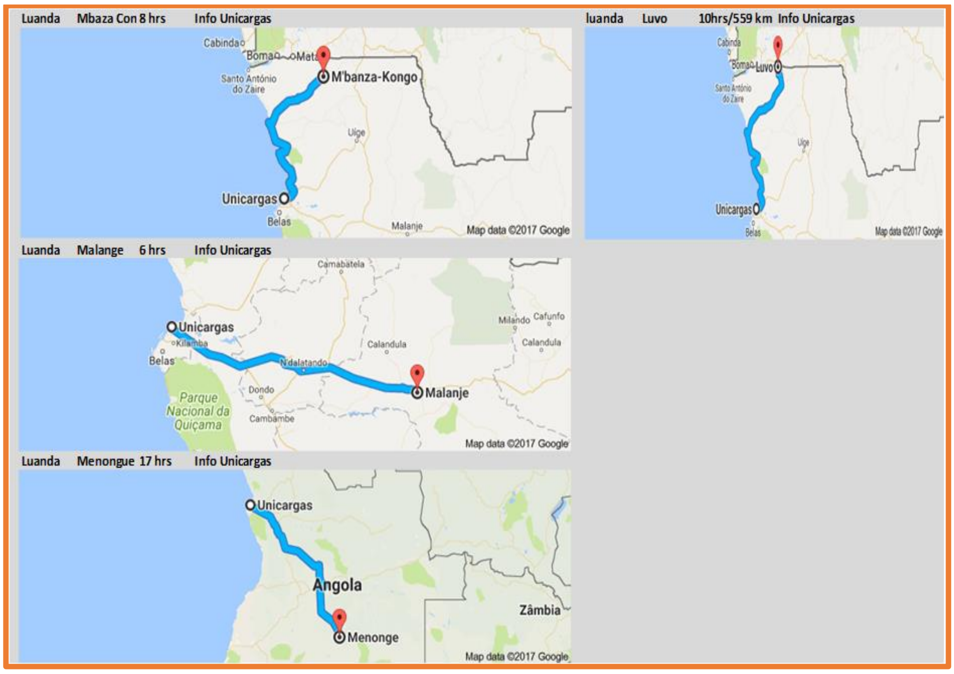
Source: Styles, L. 2019

Figure 14: Travel Time Matrix: Luanda to Luau, Lubango & Luena



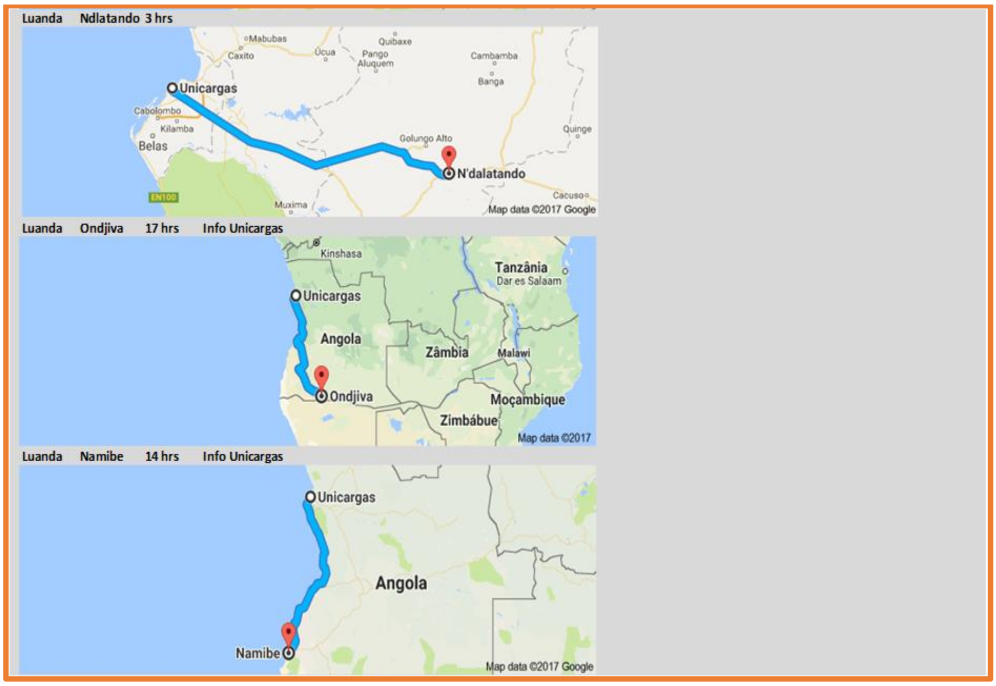
Source: Styles, L. 2019

Figure 15: Travel Time Matrix: Luanda to Mbaza Con, Malange & Menongue



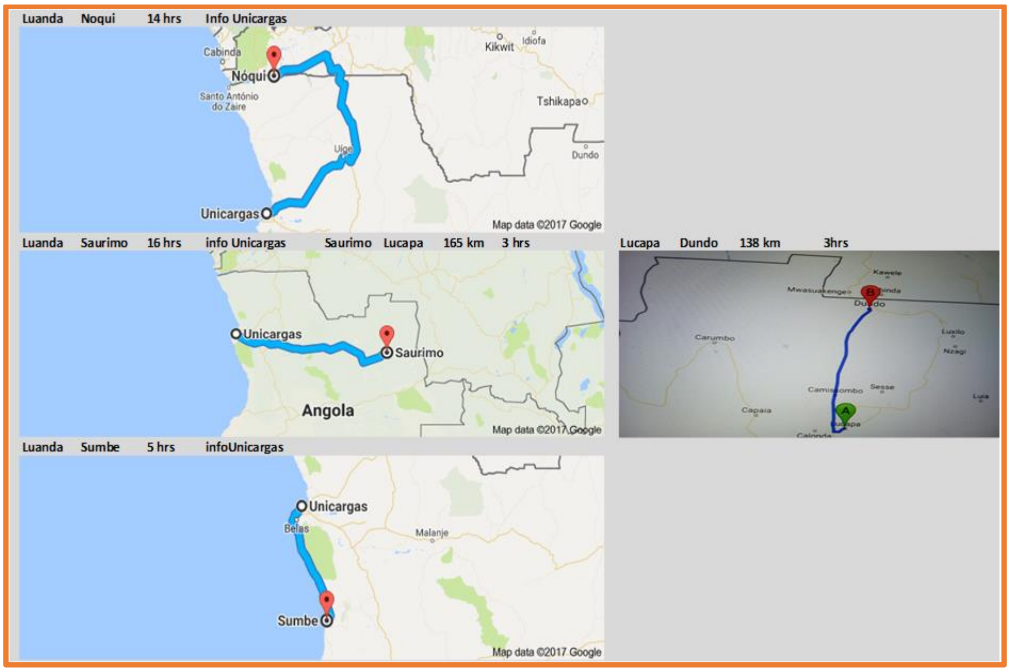
Source: Styles, L. 2019

Figure 16: Travel Time Matrix: Luanda to Ndlatando, Ondjiva & Namibe



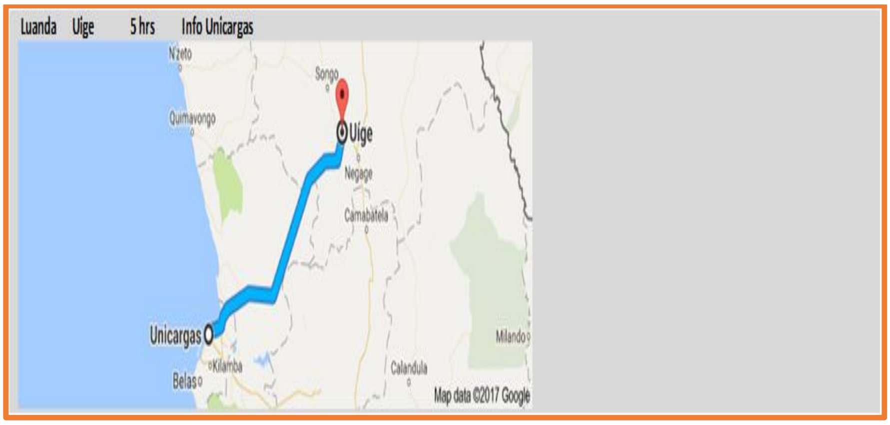
Source: Styles, L. 2019

Figure 17: Luanda to Noqui, Saurimo & Sumbe



Source: Styles, L. 2019

Figure 18: Travel Time Matrix: Uige to Unicargas



Source: Styles, L. 2019

4.2.5 Road safety and security

Safety is a big issue on Angola's roads. Landmines remain a problem outside major urban areas. This problem is worse during the rainy season (running between November to April), as land mines may become displaced and end up outside recognised minefields. To make matters worse, roads and bridges are often washed away by sudden floods during the rainy season. (https://dlca.logcluster.org/display/public/DLCA/2.3+Angola+Road+Network#id-2.3AngolaRoadNetwork-RoadSecurity)

There is a common agreement amongst road transporters that Angola has not yet achieved sufficient road security. Examples of road transport constraints include, but are not limited to the following:

- Conditions of the road range between fair and bad. In the western parts of the country roads link towns along the coast. Road conditions deteriorate further East to the inland provinces;
- Bridges and weighbridges are a pivotal compliment for the road system in Angola however, the need of replacement of old structures or its rehabilitation has been slow and / or not up to speed as per the needs of the transport industry;
- Bridges, weighbridges and roads are not protected by regular inspection and rehabilitation, and above all the application of regulations related to e.g. axle load limits. As a result, non-compliance is a common occurrence and vehicles are frequently overloaded;
- Almost no or non-existence of active road weighbridges across the country is widely acknowledged by authorities; and
- Exacerbating all the problems is the long rainy season which not only increases deterioration or slows down repairs, but often cuts-off circulation of trucks for long periods. In response, road transporters are forced to use alternative roads that almost double time travel and cost.

4.2.6 Weighbridges and axle load limits

There are only a few active road weighbridges in Angola. Weighbridge stations are located along the following national routes:

- Maria Teresa / Dondo;
- Chibia / Lubango; and
- Panguila / Caxito.

In addition to the above, other weighbridges are found at Barra do Dande and Barra do Kwanza near Cabo Ledo in the Bengo Province. Further to a shortage of weighbridges, overload control is not strictly enforced in Angola. As a result, commercial road freight vehicles are often overloaded. Although commercial road transporters are aware of the damages caused by overloading trucks, many of them are not familiar with the contents of the law and regulations related to permissible axle load limits. Table 16 illustrates the axle load limits that apply in Angola.

Table 16: Axle Load Limits

Axle Load Limits	Angola
Truck with 2 axles	19 tons
Truck with 3 axles	26 tons
Truck with 4 axles	32 tons
Semi-trailer with 3 axles	29 tons
Semi-trailer with 4 axles	38 tons
Semi-trailer with 5 axles	40 tons
Semi-trailer with 6 axles	40 tons
Truck & Drawbar Trailer with 4 Axles	37 tons
Truck & Drawbar Trailer with or above 5 Axles	40 tons

Source: Styles, L. 2019

4.2.7 Fuel prices

Angola is a member of OPEC that controls over 50% of global oil supplies and around 90% of proven oil reserves. This dominant position ensures that the coalition has a significant influence on the price of oil, at least in the short term. Given its abundance in oil reserves, fuel in Angola is much cheaper than in the other SADC countries. Table17 and 18 below illustrates the price of gasoline (refined petroleum) and diesel in Angola for 25 January 2021.

Table 17: Gasoline Price in Angola

Date	Gasoline Price – Different currencies	Litre	Gallon
25 January 2021	Kwanza	160	605,666
	USD	0,244	0,924
	EUR	0,201	0,761

Source: https://www.globalpetrolprices.com/Angola/gasoline_prices/

As seen in table 17, the price of octane-95 petroleum on 25 January 2021 was 160 Angolan Kwanza per litre, that equals R3,72. On the other hand the price of a gallon was 605,67 Angolan kwanza (R14.04). For comparison, the average price of gasoline in the world for this period (26 January 2021) was 698.13 Angolan Kwanza. (https://www.globalpetrolprices.com/Angola/gasoline_prices/)

Table 18: Diesel Price in Angola

Gasoline Price – Different currencies	Litre	Gallon
Kwanza	135	511
USD	0,206	0,780
EUR	0,169	0,640

Source: https://www.globalpetrolprices.com/Angola/gasoline_prices/

On 26 January, the price of diesel was 135 Angolan Kwanza per litre (around R3,14) and 511 Angolan Kwanza (R11,88) per gallon. For comparison, the average price of diesel in the world one the same day was 628.05 Angolan Kwanza. This clearly illustrates that diesel in Angola is lower than the global price and much cheaper than in South Africa.

4.3 Angola's Global Performance

The previous section alluded to several infrastructure inefficiencies (e.g. low percentage of paved roads, long travelling distances between key centra) that undermine the efficiency of the road transport sector in Angola. This section provides a high-level overview of Angola's performance in the global arena. Input data was extracted from the Global Competitiveness Index report, published by the World Economic Forum (WEF) in 2019 that analysed the performance of 141 countries.

The Global Competitiveness Index report compares the performance of prioritised countries (141 during the 2019 study) against the Global Competitiveness Index. This index is used as an annual yardstick by policy-makers and assist them in identifying relevant policies and practices. Country progress is assessed according to performance in the following twelve areas / pillars:

1) Institutions;
2) Infrastructure;
3) ICT adoption;
4) Macroeconomic stability;
5) Health;
6) Skills;
7) Product market;
8) Labour market;
9) Financial system;
10) Market size;
11) Business dynamism; and
12) Innovation capability.

Table 19 illustrates the performance of Angola in relation to the other benchmarking candidates.

Table 19: Performance Overview: Angola

	Pillar	Score	Rank	Best Performer
1	*Institutions*	36,6	135	Finland
2	*Infrastructure*	40,2	126	Singapore
3	*ICT adoption*	30,5	123	Korea Republic
4	*Macro-economic stability*	40,6	137	Multiple (37)
5	*Health*	46,9	129	Multiple (4)
6	*Skills*	29,1	140	Switzerland
7	*Product market*	37,7	138	Hong Kong
8	*Labour market*	46,8	132	Singapore
9	*Financial system*	38,4	138	Hong Kong
10	*Market size*	53,9	69	China
11	*Business dynamism*	36,7	138	United States
12	*Innovation capability*	18,8	140	Germany
	Angola's overall score	*38*	*136*	

Source: World Economic Forum. 2019

Table 19 illustrates that Angola's quality of infrastructure is ranked 126th out of 141 countries. Although not indicated in table 17, transport infrastructure consists of eight (8) dimensions, of which two relate to road transport i.e. *road connectivity* and *quality of road infrastructure*. Angola's overall score for road connectivity is 77,7 placing Angola in the 61th position. For quality of road infrastructure Angola's score is 19,2 and Angola's overall ranking is 135th position.

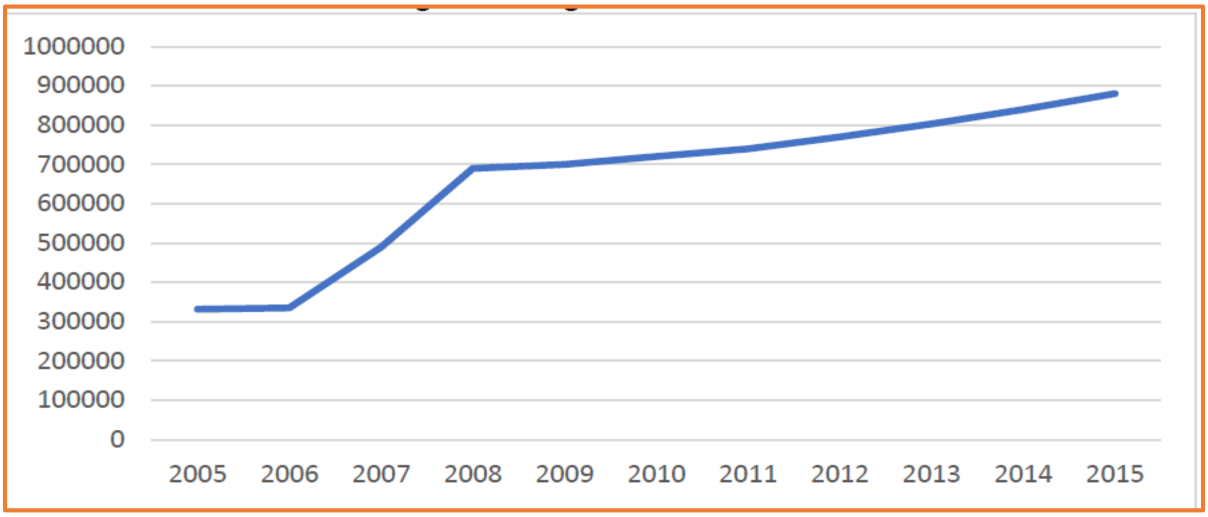
Regarding the other indicators, Angola performs poorly against the other benchmarking candidates. Angola obtained the lowest score for indicators 6 (skills) and 12 (innovation capability). For both indicators Angola ranks in 140in position (second-lowest score). Angola's overall score is 38, positioning the country in 136th position.

4.4 Demand for Road Transport Services

The demand for road transport has increased rapidly in recent years as witness in an increase in the growth of the vehicle fleet by around 10% per annum. The total vehicle fleet reached 880,000 million in 2015 (Figure 19) and is expended to total 1,4 million vehicles by 2020 if the same annual growth rate is used.

The motorisation is only 45 vehicles per 1,000 people but are likely to continue at a rapid pace unless government develop and implement policy interventions, aimed at containing vehicle ownership and usage.

Figure 19: Angola Vehicle Fleet



Source: Benmaamar, M, et.al. 2020

The concentration of approximately 36% of the vehicle fleet in Luanda is likely going to exasperate congestion problems in the capital in years to come. The current state of affairs necessitate that authorities either allow market forces to prevail for ownership and use based on current taxation levels, or to intervene by reducing demand through higher taxation, a reduction in fuel subsidies and stricter regulation.

4.3.1 Traffic volumes and Composition

The findings of a study into public sector expenditure in the Angolan road transport sector (Benmaamar, M et.al. 2020: 13) reports that traffic volumes on national roads are too low to sustain financial viability and to attract private sector financing. Traffic surveys, conducted at 31 survey stations along the fundamental road network in 2018, revealed that the average daily traffic is around 900 vehicles.

During the time of the surveys, the highest traffic volumes was observed on the Dande– Ambriz road section that totalled 4,000 vehicles. The second highest traffic volume was 2500 vehicles and the lowest traffic volumes observed were less than 100 vehicles. The findings of the survey pointed to the fact that traffic volumes on all national roads are too low to sustain financial viability. The highest traffic volumes were along the coast while traffic volumes in the central and eastern parts of the country were low.

In terms of traffic composition, light vehicles (motor cars) represent approximately 75 percent of the traffic, followed by public transport vehicles (buses) and trucks at 11% and 13% respectively. (Benmaamar, M et.al. 2020: 13)

4.5 Road Transport Corridors linking Angola

Eighteen transport corridors bind the SADC region together. These corridors are all of strategic regional importance since they facilitate trade and transport movements between countries in the region. Of the total, 5 corridors run through Angola, and these corridors are known as:

1) Trans Cunene corridor (running between Angola and Namibia);
2) Namibe (running between Angola and Namibia);
3) Bas Congo corridor (running between the DRC and Angola);
4) Benguela corridor (traversing through Angola, DRC and Zambia); and
5) Malane corridor (traversing through Angola and the DRC).

Further to the above-mentioned regional corridors, Angola is also part of two major Trans-African Highway (TAH) corridors. The first runs from North to South, linking Tripoli in Libya with Cape Town in South Africa. The second one, running from East to West, links Beira in Mozambique with Lobito in Angola. The implementation of the TAH corridors has been slow, and the quality of both these TAH corridors is inferior. The status quo makes it difficult for Angola to develop regional trade with countries in the region and discourages surrounding countries from making greater use of Angola's ports.

Several infrastructure programmes have been approved in recent years (some which are currently being implemented) to improve the condition of road networks and regional connectivity with MS, Infrastructure programmes focus mostly on the widening and paving of the roads to bring roads to regional (SADC) standard. (Benmaamar, M. et.al. 2020: 11).

4.6 Cross-border road transport

Currently, no cross-border road passenger transport (bus and mini-bus) services is offered between South Africa and Angola. The C-BRTA has not since its formation received any application for the issuing of cross-border bus / taxi permits between the two countries. It is assumed that Angolan citizens rather fly to South Africa or arrange transport to Namibia from where they depart to reach South Africa (by air or road).

Limited freight transport operations take place between the Angola and South Africa. In the absence of a demand for cabotage/ third-country permits, the C-BRTA does not issue such permits. Table 20 illustrates the number of cross-border road freight permits issued by the C-BRTA for conveyance of goods between South Africa and Angola, between 2018 - 2020.

Table 20: Cross-Border Road Transport Permits issued between South Africa and Angola

Country	2020/21	2019/20	2018/19
Angola	*134*	*186*	*163*

Source: Table created for study

The number of freight transport permits issued by the C-BRTA between South Africa and Angola decreased by around 28% between FY 2019/20 and 2020/21. A weak regulatory environment and poor quality of road infrastructure are cited as main causes for the low demand for cross-border road freight permits by South African cross-border operators.

4.7 Road Transport Sector Institutional / Regulatory Environment

4.7.1 Institutional Arrangements

The road sector in Angola falls under the responsibility of the Ministry of Construction and Public Works. The Angola National Road Institute (INAE), an autonomous parastatal which is overseen by the Ministry of Public Works (MPW), is assigned with the responsibility to manage and develop the fundamental and complementary road networks. INAE also fulfils a supporting advisory role to unclassified roads, which are managed by the provinces / municipalities.

INAE has regional offices in all the 18 provinces and its staff complement are around 700 employees. The INAE staff/ network level of 1.6 staff/100 km is close to the internationally recommended efficiency level of 2 staff/100km and compares well with many good practice agencies in Sub-Saharan Africa. (Benmaamar, M. et.al. 2020: 11).

4.7.2 Regulatory Frameworks

Cross-border road transport regulation in the SADC region is done through bilateral and multilateral cross-border road transport agreements concluded by and between the different SADC MS. Angola has its own regulatory mechanism that determines market access and operating requirements that must be adhered to by cross-border road transport operators. To date, Angola entered into bilateral transport agreements with Namibia, Zambia, DRC and Congo. These agreements cover land transport, maritime transport and aviation.

Angola has not yet concluded a bilateral agreement with South Africa that outlines the conditions / operating environment for issuing cross-border road transport permits. The absence of a regulatory framework between the two countries is one of the reasons for the low number of cross-border road transport movements between South Africa and Angola.

4.8 Conclusion

Angola is rich in natural resources. However, transport infrastructure in its current state does not support economic growth and development. Road transport networks have been severely damaged by the civil war that lasted for twenty-seven years. Although the country has made a significant effort to rebuild its dilapidated road network, the condition of road infrastructure is still poor, with only 24% (around 18 000 kilometres) of the total road network paved. Matters are aggravated by periodic flooding during the rainy season that worsen road conditions, which result in an increase in road accidents.

Given Africa’s geographic landscape (located far from other continents) and since Angola is a member of 2 African RECs, it is imperative that Angola prioritise fellow African markets for the country’s export commodities. Currently the lion’s share of Angola’s trade is still with foreign countries. During 2019, only 2% of Angola’s world exports and 8% of world imports were exported to and sourced from African countries.

One of the main reasons for the poor level of intra-regional trade lies in the poor quality of surface infrastructure (e.g. road networks) in Angola. Around two-thirds of the country’s total road network is in a poor or critical condition, resulting in high transportation costs and prolonged travel times. This trend is supported in the findings of the 2019 Global Competitiveness Report that ranks Angola’s quality of infrastructure at 126th out of 141 countries. Angola’s combined score for all 12 pillars, places the country in the 136th position. This emphasises the need for adopting and fasttracking the implementation of public sector reforms in several areas (e.g. institutional, regulatory and transport) to improve Angola's performance in all pillars. Improved performance, in turn, will impact positively in the living standards of the population.

On a more positive note, despite the weaknesses of the country's road infrastructure, Angola is one of a very few African countries that do not face a significant infrastructure funding gap. Thanks to its large oil reserves, Angola has the financial resources and political will to address structural issues and to rebuild the country's devastated infrastructure. Ultimate success depends on the ability to execute large-scale infrastructure projects in time and within budget to improve mobility within the country, as well as across national land borders.

The next chapter sheds more light on the current state of rail transport in Angola.

5. RAIL TRANSPORT

5.1 Introduction

Rail transport in Angola has been severely damaged and destroyed by the prolonged civil war. In order to restore rail transport, several rail rehabilitation programmes were launched since 2005 that focuses on removing land mines, completing the replacement of obsolete / deteriorated rails and rebuilding the Luanda and Benguela railways. To date great strides have been made towards restoring railway lines and linking strategic rail lines with regional railway networks.

Chapter 5 provides a bird's eye view of the rail transport sector in Angola, with specific attention placed on the following key areas:

- Railway networks and railway gauge;
- Rail transport services;
- Cross-border rail transport;
- Rail transport developments; and
- Rail transport constraints and opportunities.

5.2 Railway Networks and Railway Gauge

5.2.1 Strategic Railway Lines

Rail transport in Angola is provided by three main rail lines, operated by three different administrators who all report to the Ministry of Transport. The Angola National Institute of Railroad (INFCA) establishes the regulations and standards for railroad operations and holds enforcement authority.

The Angolan rail network stretches over approximately 2 700 kilometres and connect the Atlantic coast to the interior of the country. The three separate rail lines are known as the:

- Luanda Railways (located in the north);
- Benguela Railways (located in the central part of Angola); and
- Mocamedes Railways (located in the south).

➢ **Luanda Railways**

The Luanda rail line runs 425 kilometre northeast from the port of Luanda to Malange, located in northern central Angola. The transportation of rail freight from the port of Luanda began in March 2013 with the hope that another transport alternative will entice companies to use railways as a means of transport, instead of trucks.

➢ **Benguela Railways**

The Benguela rail line, also known as the "Lobito Corridor", runs 1,344 kilometre from the Lobito port east to Luau on the Democratic Republic of Congo (DRC) border where a dry port and logistics centre are currently being planned. The Benguela rail renovation project, which was financed by the Chinese government, was completed in 2014.

Plans are underway to connect the Benguela line with railway networks in the DRC and Zambia to facilitate greater intra-African trade. It is expected that the Benguela rail line will become pivotal for the movement of cargo as a direct road link between Lobito and Luau does not exist.

- **Moçâmedes Railway**

The southern Moçâmedes railway line is 857 kilometre long and connects the port of Namibe to Memongue in the south, as well as the border of Namibia.

An ambitious plan has been developed to interconnect the Luanda, Benguela and Moçâmedes railways with railway lines in neighbouring countries to facilitate the seamless movement of rail traffic in the SADC. According to this proposal, the three separate railway companies will be merged into one company and rail transport management will be separated from rail infrastructure. The project will be financed through a Public-Private Partnership (PPP) in the form of a concession. Section 5.4 provides more information on railway developments in Angola.

5.2.2 Railway Gauge

Most railways in the SADC run on the Cape gauge, according to which the spacing of the rails on the railway track is 1,067 mm. The case is no different for Angola where all main railway lines are Cape gauge. Even though railway lines in the country are the same width, they do not connect with each other. Proposals have been drafted to connect the three separate railways (Luanda, Benguela and Moçâmedes), but the proposal has not yet moved beyond the planning / conceptual phase.

The integration of the three railway lines will facilitate the integration of the Angolan railway network with neighbouring countries (especially the DRC and Namibia) and will ease the seamless movement of rail commodities across national borders, without the need for transhipment.

5.3 Rail Transport Services

Since the end of the civil war, the Angolan government has initiated several rail infrastructure programmes to rebuild / restore railway tracks, stations and acquire new rolling stock. In this regard, a contract was awarded to the state-owned China Railway Construction Corporation Limited to rebuild the Luanda and Benguela Railway lines, while a privately owned Chinese mining company reconstructed the Moçâmedes Railway. Rail transport services are offered on the following strategic rail lines to several locations in Angola. (https://en.wikipedia.org/wiki/Rail_transport_in_Angola)

5.3.1 Northern line

Luanda Railways operate on the northern line and provides rail services from Luanda port to several towns, including Funda, Sambizanga; Catete, Beira Alta; Caruos, Lombe, Comarca; Viana, Bungo, Boa Vista and Luinha.

5.3.2 Central line

Benguela Railways operate on the central line and provides rail services from the port of Lobito to various locations, including but not limited to Ganda, Huambo, Kuito, Chicala, Luena and the Luau border.

5.3.3 South Line

Moçâmedes railways provides rail services on the South line from the Moçâmedes port to several locations (towns) including Bibala, Maquelo, Laceiras, Cabanas, Kapunda, Tombolo, Cubango, Caraculo and Cuto.

5.3.4 Rail transport Developments

5.3.4.1 Public Rail Transport

Road circulation in the capital (Luanda) is highly problematic, with the capital being characterised by serious traffic jams and long waiting times. To alleviate road transport congestion, government announced its intention to construct a new railway network, comprising 207 kilometres in fully segregated and 317 kilometres partially segregated rail lines during the first International Conference on Mobility that took place in the capital (Luanda) in February 2019.

It is expected that the operationalisation of the new railway network will result in a 400% increase in car fleet by 2030 to reach an average speed of 29 kilometres per hour. (http://www.angop.ao/angola/en_us/noticias/economia/2019/1/8/Luanda-foresees-percent-coverage-public-transport-2030,6252454a-5b02-49aa-94cc-e1d641d783b6.html).

5.3.4.2 Rail Freight Routes

The Benguela rail lines serves as a popular route for the conveyance of copper and cobalt between the DRC and Angola. This strategic rail network can be accessed by several large mines in the DRC. Plans have been developed to extent the existing Benguela rail line to mineral rich Zambia in future.

The Lobito corridor is likely to become more strategic in coming years since a mineral terminal at the Lobito port offers potential to attract larger shipments from the rest of the SADC region. The agriculture, industry and construction sectors will likely benefit most from proposed railway development (extension of the Benguela line).

5.5 Cross-border rail transport

Information pertaining to the cross-border movement of freight and passengers by rail is scarce and not readily available. Electronic sources reveal that Angola and Zambia signed a cross-border transport agreement in 2015 to create a conducive environment for the transportation of people and goods by all forms of transport (road, rail, air and sea) between the two countries. Although statistics on current rail volumes transported between Angola and Zambia is not available, the prediction is that the extension of the Lobito corridor into Zambia will boost the transportation of minerals between the mineral rich provinces of Zambia and the port of Lobito in Angola.

After a 34-year interruption, rail traffic between the DRC and Angola resumed on 5 March 2018 when a manganese train crossed the border between Dilolo and Luau on-route to the port of Lobito. The 25-wagon train carried 1 000 tons of manganese from mines in Kisange. This consignment was followed by a 1 200-ton shipment of copper in September of the same year. Rail traffic along the Lobito corridor is ultimately expected to reach 20 million tons of freight and 4 million passengers a year. (https://www.railwaygazette.com/infrastructure/final-handover-of-benguela-railway-renews-peoples-hope/54775.article).

Although rail passenger services are offered from the three port cities (Luanda, Lobito and Namibe) to several Angolan towns, information on the cross-border conveyance of passengers is scanty. The Rovos Rail offered a luxury rail service (focused mostly on the luxury tourist market) over the east-to-west copper trail in July 2019. The train departed from Tanzania and crossed Zambia and the DRC before it terminated in Angola. Given the success of this journey, it is assumed that other trips have taken place and are planned.

5.5 Rail transport Constraints and Opportunities

5.5.1 Constraints

None of the three public sector railway administrators who operate the three main rail lines have been successful in managing direct cost, nor have they been successful in paying for the maintenance of rail infrastructure, modernisation of traffic management systems or invest and purchase of new rolling stock. The absence of a single management system for all three railways further compound an economically unsustainable proposition. Table 21 illustrates the financial position of the 3 Angolan railways for the year 2016.

Table 21: Financial Performance of Angolan Railways ($)

Name	Assets	Turnover ($)	Operating Results	Total Liabilities
Benguela Railway	95,596,162	9,619,456	-2,871,490	15,215,575
Luanda Railway	86,623,224	10,701,830	-910,825	40,166,965
Moçâmedes Railway	74,122,712	10,908,616	-182,452	28,185,954

Source: The World Bank Group. 2019

The operating results of all 3 railways indicate that none of them made a profit in 2016. Benguela railway was the worst performer with an operating loss of $2,871,490, followed by Luanda railways with a loss of $910,825. The status quo does not create a conducive environment for private investors. The status quo requires that infrastructure improvements be made before railway companies will be able to improve their performance.

To directly link the Lobito corridor (which is operated by Benguela Railway) to Zambia, without transiting through the DRC, additional rail infrastructure investments on both sides of the border is required. The link from Luacano to the Angola / Zambia border town of Jimpy would require the construction of 270 kilometres of railway lines. Additionally, on the Zambian side, the section from Jimpy to Luwamana where the Zambian Railways currently stops is 140 kilometres long. Altogether, if the two governments were to agree on this route, 410 kilometres of new rail line would need to be built. The estimated cost exceeds $1 billion.

The current capacity on the existing Lobito corridor line to DRC only allows forty 20-foot containers per train, and only four trains per week run on this corridor, compared to 10 trains per day before 1975. The railway connects to the DRC through the Luau-Dilolo border. However, the section of the railway between Dilolo and Kolwezi (420 kilometres) is not operational on the DRC side.

Further to the above, the commercial viability of the Benguela railway also depends on operations at the port of Lobito that faces stiff competition from other regional corridors and transport modes. Ports in the SADC that serve the DRC and the copper belts of Zambia are continuously improving their operating capacity. These ports are the Dar es Salaam port (in Tanzania), Beira port (in Mozambique), Walvis Bay (in Namibia) and Durban in South Africa.

5.5.1 Rail Opportunities

Given the constraints faced by the public sector in securing adequate finance for rail infrastructure development, the private sector is increasingly being regarded as an important source of investment. The Angolan government is no exception and has announced its plans to restructure the railway sector in the country through the partial privatisation of rail services.

In recent years, senior officials of the Angolan Ministry of Transportation have visited railroad industry representatives in France, Spain and the United States to learn from best practices implemented in these countries. This had led to the decision to build railroad capacity with private sector participation. Future plans include linking the three strategic railway lines through the construction of three additional lines, totalling over 10,000 km. (https://www.export.gov/apex/article2?id=Angola-Transportation-Aviation-and-Rail).

Another railway initiative revolves around connecting the Benguela and Moçâmedes lines. An agreement was signed with two Russian companies to operationalise this project. https://www.export.gov/apex/article2?id=Angola-Transportation-Aviation-and-Rail.

5.6 Conclusion

The rail system in Angola consists of three main railways - Luanda, Benguela and Moçâmedes railways. Most rail lines were severely damaged during the prolonged civil war, but an extensive rehabilitation programme has been on-going since 2005. The rehabilitation and rebuilding of Angola's current rail infrastructure remains a daunting task to complete the replacement of obsolete rails. The new ruling government supports on-going infrastructure programmes and intends to transform the country into a logistics hub for the SADC region.

An important dimension of infrastructure funding is Chinese investments in Angola. To date several rail programmes have been executed by Chinese firms, while other projects (e.g. linking of the 3 railways) still await funding. Moving forward the Angolan government should adopt and implement policy frameworks that encourage private sector participation in railway projects. Political will for railway restructuring through PPPs already exist. However, to maintain momentum, the public sector should plan infrastructure development with the private sector to ensure the government understands the risks from the private sector perspective, properly allocate these risks and provide appropriate risk-adjusted returns.

6. AIR TRANSPORT

6.1 Introduction / Background

Air transport acts as an important enabler to economic growth and development. Airports act as gateways to national, regional and global travel and therefore facilitates integration into the global economy. At the same token, airports provide vital connectivity on a national, regional, and international scale.

Acknowledging the importance of the air transport industry in stimulating economic growth and development, the aviation sector remains one of the most funded areas by the Angolan government. The aviation network is well established, as it was the major means of transportation during the country's turbulent history. For this reason, the aviation sector suffered the least destruction of all transport modes.

The Angolan air transport market is monopolistic in nature and faces limited competition. The national carrier, TAAG has a monopoly on most of the domestic network and faces only some degree of competition on other (regional) routes. The status quo is about the change. President Joao Lourenco has made privatisation a mainstay of his policy agenda since taking over from Jose Eduardo dos Santos in 2017.

The new government adopted a holistic approach to transport infrastructure development and to date several air transport projects/programmes have been approved, many of which focus on modernising and enhancing airport networks and privitising the national carrier (TAAG) and the existing international airport. Progress include reincorporating the flag-carrier as a public limited company and a pledge made by government to partially privatise TAAG, with an initial sale of 10 percent of the airline company.

The privatistion of the international airport, Quatro de Fevereiro, is already taking shape. The privatisation model for the sale of a majority stake in the airport concessionaire is included in the Global Strategy for the Airport System (EGSA) and expressed in the Presidential Decree no. 206/20 of 3 August 2020. The Airport Management Company (SGA) will oversee the privatisation processes. In line with government's privatisation initiatives, the construction of a new international airport has been on-going for several years and in 2019, this mega-project was 60% complete.

6.2 Airports in Angola

Several airports in Angola offer scheduled flights. Numerous international and domestic flights are offered from Quatro de Fevereiro airport, while secondary airports offer regular domestic and regional flights. Table 22 provides information on the names and location of Angola's biggest airports. This table also reveals the number of airlines offering services at these airports and the number of destinations that each airport serves.

Table 22: Biggest Airports in Angola

Name	IATA CODE	Location	Airlines	Destinations
Quatro de Fevereiro Airport	LAD	Luanda	19	36
Cabinda Airport	CAB	Cabinda	2	2
Soyo Airport	SZA	Soyo	2	2
Mbanza Congo Airport	SSY	Mbanza Congo	1	1
Catumbela Airport	CBT	Catumbela	1	2
Ngjiva Pereira Airport	VPE	Ngiva	1	6
Nova Lisboa Airport	NOV	Huambo	1	3
Malanje Airport	MEG	Malanje	1	2
Menongue Airport	SPP	Menongue	1	3
Namibe Airport	MSZ	Namibe	1	1
Lubango Airport	SDD	Lubango	1	3

Source: https://www.worlddata.info/africa/angola/airports.php

Quatro de Fevereiro, Angola's busiest airport, has 5 gates and 2 runways at 3 700 and 2 600 meters. A presidential decree was issued in March 2019 to authorise renovation and expansion of this airport. (https://www.trade.gov/knowledge-product/angola-transportation-aviation-and-rail).

Further to the airports listed in table 22, a new international airport is currently being built on the outskirts of the Luanda province that will serve as an alternative to Quatro de Fevereiro airport. Occupying an area of 1,324 hectares, the new airport is expected to become the aviation hub of Western Africa. The Luanda international airport, which will encompass operating zones (e.g. passenger terminal and circulation areas), a control tower, cargo facilities, baggage reclaim hall, and other supporting infrastructure, is designed to handle 15 million passengers and around 50,000 tons of cargo a year. (https://www.airport-technology.com/projects/new-luanda-international-airport/). According to revised project plans, this airport will be commissioned between 2022 and 2023.

6.3 Airline Operators

The Angolan government still keeps foreign airlines on a tight leash by restricting traffic rights at Quatro de Fevereiro International Airport. Its grip on the domestic market is even firmer. The closest thing TAAG has to a competitor is another state-owned entity, SonAir, which is a subsidiary of the national oil firm, Sonangol. It was in this stagnant business climate that Gestomobil, an Angolan investment firm, launched its own scheduled airline, Fly Angola, in 2018.

6.3.1 TAAG Angola Airlines

TAAG Angola Airlines is the national flag carrier of Angola. Based in Luanda, the airline operates al-Boeing fleet on domestic services within Angola, medium-haul services in Africa and long-haul services to several inter-continental locations (see table 21). TAAG Angola airlines is fully owned by the government of Angola and enjoys a monopoly on most of the domestic network, as the airline faces limited competition from other carriers.

The European Union (EU) banned TAAG aircraft from entering into European airspace in July 2007 due to safety concerns. Although the airline received permission two years later to operate flights to Europe under restricted conditions, 2 engine incidents involving TAAG Boeing 777-200ERs, forced the carrier to ground the 777-200 ER models. All bans were lifted in 2018 when TAAG Angola became authorised to operate flights over European airspace, with no restrictions.

TAAG has code-share agreements with many airlines, including South African Airways (SAA), Mozambique Airlines and Air France. The code-share agreement with SAA, enables SAA to offer flights with the South African code on flights operated by TAAG, and TAAG in turn offers flights with the DT code on flights operated by SAA. The South African carrier serves the Angola market four times per week. (https://www.sanews.gov.za/south-africa-world/saa-taag-angola-airlines-sign-code-share-agreement).

In 2014, TAAG signed a 10-year management contract with the Emirates Group with plans to increase aircraft fleet, passenger volumes and revenues. The partnership collapsed towards the end of 2017 when the government, swaying from low energy prices, blocked Emirates (and other carriers) from repatriating Emirates own flight revenue from the country.

6.3.1.1 Destinations of TAAG

TAAG offers various domestic, regional and inter-continental flights, as noted from table 23 below.

Table 23: Destinations served by TAAG

Country	City	Airport
Angola	Cabinda	Cabinda Airport
	Catumbela	Catumbela Airport
	Dundo	Dundo Airport
	Huambo	Albano Machado Airport
	Kuito	Kuito Airport
	Luanda	Quatro de Fevereiro Airport
	Lubango	Lubango Airport
	Luena	Luena Airport
	Menongue	Menongue Airport
	Namibe	Namibe Airport
	Ondjiva	Ondjiva Pereira Airport

Country	City	Airport
	Saurimo	Saurimo Airport
	Soyo	Soyo Airport
Brazil	Rio de Janeiro	Rio de Janeiro-Galeao International Airport
	Sao Paulo	Sao Paulo-Guanulhos International Airport
Cape Verde	Sal	Amilcar Cabral International Airport
Cuba	Havana	Jose Marti International Airport
Democratic Republic of the Congo	Kishasa	N'djili Airport
South Africa	Cape Town	Cape Town International Airport
	Johannesburg	OR Tambo International Airport
Sao Tome and Principe	Sao Tome	Sao Tome International Airport
Zambia	Lusaka	Lusaka International Airport
Zimbabwe	Harare	Harare International Airport

Source: https://en.wikipedia.org/wiki/List_of_TAAG_Angola_Airlines_destinations

6.3.2 SonAir

SonAir is owned by the government oil company Sonangol. Although this airline offered international air transport services to Houston in the United States (US) in the past, the US route was terminated in March 2018. SonAir still operates regular commercial flights from Luanda to the Angolan cities of Cabinda, Catumbela, Lubango, Malange and Soyo.

6.3.2 Fly Angola

Fly Angola is a privately owned virtual airline, which is based in Luanda. This airline was established in September 2018 by a Portuguese agency and is backed up by Gestomobil, an Angolan investment firm. Fly Angola offers air transport services to the country's provincial capitals from the hub airport in Luanda. Its route network comprises a mixture of direct roundtrips and triangle flights.

Fly Angola has adopted a pragmatic approach to overcome the restrictions that government still imposes on domestic carriers and remains optimistic that government will reduce its influence in TAAG to allow private operators to enter the market. Given the small size of this newly established airline and the company's limited operational experience, it is unlikely that Fly Angola will offer regional flights in the near future, except if this airline enters into a partnership with foreign airline(s) that has traffic rights to offer services to regional markets.

6.4 Airstrips and Unpaved Runways

Additional to the international and domestic airport(s), located in Luanda, Catumbela and Lubango, there are 17 rehabilitated airstrips throughout the country of which twelve receive commercial domestic flights from TAAG. (Styles, L.2019:35)

Furthermore, the country has seventy airports with unpaved runways (grass, dirt, sand, or gravel surfaces) by length. Of the total only 2 airports are longer than 3,047 meters. Twenty-seven airports have runways between 1,524-2,437 meter, while the runways of 27 airports are below 914 meter. (https://www.cia.gov/library/publications/the-world-factbook/fields/381.html)

6.5 Key Regulators

The following bodies act as key regulators in the air transport industry:

- National Institute of Civil Aviation; and
- National Company of Airport Development and Air Navigation.

6.5.1 National Institute of Civil Aviation

The National Institute of Civil Aviation (INAVIC) resorts under the Ministry of Transportation and is responsible for the establishment of standards and regulations, while also providing enforcement authority for aviation operations and security. All pilots licensed in Angola must adhere to the regulations and oversight of this body.

INAVIC follows the security standards of the International Civil Aviation Organisation (ICAO) and is working towards positioning Angola as a regional aviation hub for domestic and regional routes from the principal airport in Luanda. In line with on-going reforms of the civil aviation sector, government announced that INAVIC will be transformed into a National Civil Aviation Authority in the near future to ensure compliance with ICAO recommendations.

6.5.2 National Company of Airport Development and Air Navigation

The National Company of Airport Development and Air Navigation (ENANA) manages the country's civilian airports. As part of on-going reforms, plans are underway to restructure ENANA into the following two companies:

- National Society of Airport Management – that will be responsible for the management and operation of national airports and;
- National Air Navigation Company – which will be responsible for air traffic control and safety of air navigation.

6.6 Conclusion

The Angolan air transport market is monopolistic in nature and faces limited competition. The national carrier, TAAG has a monopoly on most of the domestic network and faces only some degree of competition on other (regional) routes. Furthermore, the aviation sector does not experience capacity issues. There are several airports with paved runways. The Quatro de Fevereiro International Airport just outside Luanda is the country's busiest airport and serves international and domestic airlines.

Although the airline industry has faced limited competition in the past due to its monopolistic nature, The Angolan government is becoming more receptive to private investments and has committed to restructure the civil aviation sector, inter alia, through the partial privatisation of TAAG and giving concessions for the operation of airport services at the new Luanda international airport to private parties. A review of existing legal and regulatory frameworks is underway to ensure alignment to international recommendations and best practices.

Over the years, foreign direct investment has been directed to Angola's most important sector: oil. The future growth of the civil aviation sector, to a large extent, depends on the ability to foreign direct investments to the aviation sector. Against this background it is important that the privatisation model create a conducive environment for the private sector, since private bidders will only finance projects if they are commercially viable.

7. MARITIME TRANSPORT

7.1 Introduction

Seaports act as important interfaces in the supply chain between sea and land transportation. This is especially the case in Africa where maritime transport is the primary form of access to international markets. Ports are also important for the support of economic activities in the hinterland since they act as a crucial connection between sea and land transport. Furthermore, as a supplier of jobs, ports do not only serve an economic but also a social function.

Located in Southwestern Africa with a 1600 km Atlantic Ocean coastline, Angola's international trade is entirely dependent on the country's ports, which account for over 90% of all imports. (PricewaterhouseCoopers, 2013). Ports are essential for Angola's plan to become an important regional supplier to its land-locked countries. As such, the reigning government has prioritised the development of maritime transportation and fisheries in its 2018-2022 national development plan.

Angola has four important deep-water ports that are open to international shipping. These ports are located in Luanda, Cabinda, Lobito and Namibe. The sections of this chapter shed more light on the operational efficiency and throughput at Angola's principal seaports. Operational challenges experienced at these ports and reforms (on-going and new) intended to eliminate port inefficiencies, are also discussed in later sections of this report.

7.2 Angolan Seaports

7.2.1 Principal Seaports

7.2.1.1 Port of Luanda

The port of Luanda, located on the bay of the city of Luanda, offers excellent conditions for navigation and for operating sea transport vessels. Its location in the middle of the west coast of the African continent positions this port as an ideal stop for ships on-route to the western parts of the continent.

Luanda port is managed by Empresa Portuaria de Luanda (EPL), a public company that grants concessions to parties to operate cargo and passenger terminals. Currently, Luanda port is the largest seaport in Angola, responsible for around 80% of the turnover of cargo transported by sea in the Angolan territory. (Investment Memorandum. December 2019). This port is strategically located adjacent to the Luanda Railway (CFL) and is currently the only seaport that has a railway connection with a border country to Angola, namely the DRC. The following specialised terminals are found at Luanda port:

- Multi-terminals (break-bulk terminal);
- Unicargas (multipurpose terminal);
- Sogester (container terminal);
- Sonils (oil & gas terminal); and
- Soportos (multipurpose terminal).

7.2.1.2 Port of Lobito

Lobito port, the second largest seaport in Angola, is strategically interconnected to the Benguela railway network (CFB) to facilitate the transportation of minerals from neighbouring countries (e.g. DRC and Zambia). This port is classified as a deep-water seaport with five different types of terminals, namely:

- General cargo terminal;
- Refrigerated container terminal;
- Containers in dry port terminal;
- Mining terminal; and
- Support Terminal.

The mining terminal has a railway connection to the Benguela railway, linking Lobito to the mining regions of the DRC and Zambia. Lobito port benefitted from Chinese-funded construction, renovation, and installation of heavy equipment at the port. The inaugural load, using the Benguela railway network took place in March 2018 when 1 000 tons of manganese was transported from the Katanga province in DRC to the Lobito Port in Angola. (https://www.privacyshield.gov/article?id=Angola-Marine-Technology). Plans have been developed to extend the existing railway network to other neighbouring countries.

7.2.1.3 Port of Cabinda

The port of Cabina is located situated in the province of Cabinda, approximately 400 kilometre north of Luanda. This port services primarily to the oil and gas industries that dominate business in the province. There are several oil fields in the area with associated platforms and wellheads. Cabinda port comprises a single multi-purpose berth and operates all day (over 24 hours). This port also has a passenger terminal.

7.2.1.4 Port of Namibe

Namibe is the third largest port in Angola and the leading freight gateway to the south of Angola. The terminal is strategically located to serve importers in the provinces of Cunene, Huambo, Huila and Kuando Kubango. This port has two terminals, i.e. a container terminal and a mining terminal. The mining terminal acts as the main fuel and lubricant terminal for Sonangol. Developments at the port of Namibe was made possible with assistance from the Japanese government. This port remains a focal point of Japan’s developmental interests in Angola.

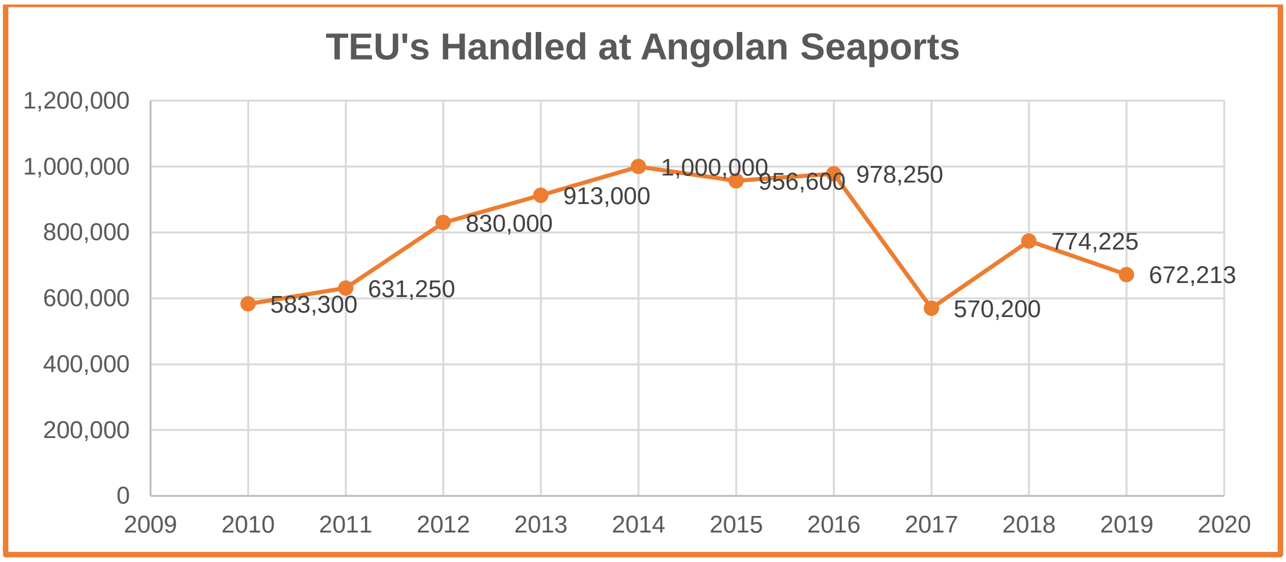
7.2.2 Secondary / Other Seaports

Two new green-field ports were initiated several years ago to increase cargo capacity and the competitiveness of the maritime industry in Angola. The Caio port continues under development in Cabinda with plans to provide regional services. The other green-field project (Dande project) near Luanda has been delayed since the country’s economic downturn has resulted in drastic declines in cargo traffic handled at the principal seaports.

7.3 Cargo Volumes handled at Angolan Seaports

Figure 20 illustrates TEU’s handled at Angolan seaports between 2010 and 2019.

Figure 20: TEU's handled at Angolan Seaports



Source: Data extracted from CEIC website. https://www.ceicdata.com/en/indicator/angola/container-port-throughput

Angola Container Port Throughput was reported at 672,212.500 TEU in December 2019. This records a decrease from the previous number of 774,225.000 TEU for December 2018. The data reached an all-time high of 1,000,000.000 TEU in 2014 (at the peak of the oil boom) and a record low of 570,200.000 TEU in 2017.

7.4 Operational Challenges Experienced at Seaports

As already stated, Angola's international trade is entirely dependent on the country's seaports, which account for more than 90% of the country's imports. Although seaports are essential for Angola's plans to become an important regional supplier to its landlocked neighbouring countries, the optimal performance of seaports are undermined by several operational and infrastructure constraints.

Infrastructure challenges are witnessed in limited quay lengths, insufficient handling equipment and inadequate intermodal connections, to name a few. Problems surrounding port management and operation manifest in low productivity of cargo handling (due to poor infrastructure and equipment), slow documentation for gate clearance / billing, long dwelling time of cargo and a high percentage of unskilled labour.

In response to infrastructure and operational challenges, vessels experience lengthy dwell time and turn-around time that impacts negatively on port efficiency. The port of Luanda that has become notorious for lengthy delays, with general cargo vessel pre-berth waiting time of 144 hours, compared to the Sub-Saharan African average of approximately 18 hours. (PwC).

7.4 Port Developments

In order to improve port performance, the Angolan government has given the go-ahead for the construction of a new commercial port at Barra do Dande (located north of Luanda) in 2011. Since this port is viewed as a regional hub, it will have significant dry bulk facilities and intermodal interchange infrastructure upon completion to enable easy access to the hinterland by both road and rail. The initial dry bulk terminal will cover an area of 250,000 square metres, with vessels drawing up to 16 meters of water accommodated at the 250-metre-long berth. (https://www.drycargomag.com/angola-to-put-new-dande-port-out-to-tender).

Progress in the development of the new seaport is witnessed in the issuing of an international tender by the Angolan government in 2018. This project will take the form of a Build-Operate-Transfer (BOT) concession, whereby the concessionaire will be responsible for the planning, construction and operation of the new seaport. With basic engineering preparations completed, the project has been put on hold due to a lack of government funding and a significant slowdown in cargo flows resulting from the country's economic challenges.

Developments at the principal seaports (e.g. Lobito and Luanda) include the privatisation of terminal operations. Two separate companies - Soportos and Sogester will manage the minerals and container terminals at both seaports. At both ports, concessions have been awarded for 25 years to allow the concessionaires enough time to recover their initial investment. (Port Strategy. 2017).

Furthermore, infrastructure improvements at the Port of Lobito, totalling around USD1.25 billion include extending the berthing area to a total of 7,8 kilometre and increase capacity to around 11 million tons of general merchandise and 700 000 TEUs per annum (PwC. 2015: 28)

Further to on-going infrastructure investments, significant investment is required to improve both coastal and inland infrastructure. Inland water transport is hardly possible in Angola. Although the Cuanza river (located south of Luanda) is navigable by ship 200 kilometre inland, most of the country's other rivers are not suitable for inland water transport.

7.5 Regulatory Framework for Maritime Transport

The maritime industry in Angola is governed by Law 27/12 of 28 August, titled (in English) "Law of Merchant Navy, Seaports and related Activities". This law regulates all activities developed in the maritime and seaport jurisdiction areas in the scope of the merchant, navy, recreational maritime sectors and nautical sports and of seaports, in connection and integrated with transport and logistics activities.

The Maritime and Seaport Institute of Angola act as sector regulator under the supervision of the Ministry of Transportation. This body exercises its competencies in several fields, i.e. merchant navy, recreational navy and nautical sports, seaports, navigation and maritime security. This body also supervise and regulates activities developed in this sector.

7.5.1 Regulatory Framework of Seaport Concessions

Under law 11/13 titled Basic Law for Public Sector Enterprise, the ports of Angola are formed as public enterprises, governed by their own legislation, with patrimonial, administrative and financial autonomy. Their revenues are collected through the implementation of the seaport tariff regulation to the services provided to clients involved in the transport and logistics chain.

Regarding the port of Luanda, the EPL, in the exercise of its competencies in the management, administration and seaport authority, acts as licensing entity and therefor sign and grants concession contracts.

7.6 Conclusion

Angolan seaports provide access to international markets, with more than 90% of Angolan imports shipped in sea vessels. The Angolan government acknowledges that the country's ports lie at the heart of the logistics supply chain and that seaports can enable the country to position itself as an important regional supplier to land-locked countries in the region.

Despite their strategic significance, the performance of Angolan ports is severely constrained by infrastructure and operational constraints, which include the use of outdated handling equipment, limited quay length, inadequate intermodal interchange infrastructure and poor skills levels of employees. Port constraints result in lengthy ship dwell time and turn-around times. The economic downturn, coupled with operational and infrastructure constraints at Angolan ports are the primary causes for the significant drop in the number of TEUs handled at the country's deep-water ports over the last decade.

In order to improve port efficiency and position Angola as a strategic regional hub, the Angolan government has approved several regulatory and infrastructure reforms in recent years, including the partial privatisation of terminal operations at Lobito and Luanda ports, expansion of capacity at the principal ports and the building of a new commercial port at Barra do Dande, located north of Luanda. The building of the new port has been put in hold since the country continues to face a challenging macro-economic environment brought about by a sharp drop in oil prices in 2014 and severe fluctuations in the international oil price since then.

8. CHALLENGES AND OPPORTUNITIES IN ANGOLA

Chapter 8 briefly summarises key challenges and business opportunities that exist in Angola. A discussion of key challenges seeks to equip interested parties (e.g. cross-border road transport operators, traders and investors) with relevant/ accurate info to assist them in making informed decisions regarding investing money, conducting business for reward, or establishing new business undertakings in Angola.

8.1 Challenges

This section briefly summarises key challenges that prevail in Angola. It is important that these constraints be examined by all cross-border role-players before they decide to do business in Angola. For purposes of discussion, challenges are categorised into five main categories that are discussed in greater detail below.

8.1.1 Political Instability and Inequality

Government and business are inextricably linked in Angola, with reported incidents of political interference in many areas of the business environment. Greater political stability has been achieved since the 2017 presidential elections and government has indicated its plans to push towards the privatisation of larger state-owned businesses. However, violence still erupts from time to time. Bribery and corruption are prevalent throughout Angolan society, particularly within the civil service and police. Since the ruling party (PMLA) came into power, it has held a firm hand on the Angola’s oil resources, through the oil company Sonangol which the presidency controls.

The 2019 Corruption Perceptions Index scored Angola 26 (out of 100) in terms of the country’s perceived levels of public sector corruption, with 100 being highly clean and 0, highly corrupt. Angola’s score is well below the global average of 43. On-going corruption calls for greater political integrity. This requires of government to strengthen checks and balances, limit the influence of big money in politics and ensure broad input in political decision-making. Furthermore, public policies and resources should not be determined by economic power or political influence, but by fair consultation and impartial budget allocation.

President, João Lourenço has pledged its commitment to address corruption, with the fight against corruption prioritised as a top government priority. A positive development is noted in regular contact between the Angolan government and the International Monetary Fund (IMF) and frequent visits of commercial credit rating agencies to Angola. These interventions are bearing fruit as improvements are already noticeable.

Despite its commitment to fight inequality, government has not yet succeeded to eliminate inequality, as around 50% of the population is still living below the poverty line, with wealth concentrated in the hands of a selected few. Government and business are inextricably linked, and political influence remains prevalent in many areas of the business environment. Government intends to address this “gap” through privatising some of the larger and under-performing state-owned businesses.

8.1.2 Volatile Economy

Angola continues to be heavily reliant on oil that amounts to over 90% of total exports. As an oil exporting country, Angola’s economic performance is dictated by developments in the oil market. The end of the oil boom from 2014 onwards has impacted negatively on the economy. The drop in oil prices and fall in world demand has pushed the economy into a recession from which it has not yet fully recovered.

The prolonged economic crisis led to sizeable cuts in public spending which caused considerable delays in government payments to suppliers and restrictions on foreign currency supplies, with a knock-on effect felt in all sectors. Despite cuts in government spending, government debt remains high, comprising almost 89% of the GDP, which makes the economy vulnerable to currency depreciations and variations in the international oil price.

On a more positive note, plans have been approved (and some are currently being implemented) to diversify the economy in an attempt to reduce Angola's reliance on the oil sector. Although oil still makes up the vast majority of exports, rising non-oil earnings (diamonds and gas in particular) shows government commitment to expand the economy, inter alia, through diversifying the minerals sector. Another step in the right direction is the President's approval to go ahead with the development of a new macro-economic plan that aspires to improve the business environment and foster national economic growth.

8.1.3 Poor Ease of Doing Business

Angola continues to face high costs associated with doing business and ranks 177 out of 190 economies in the World Bank 2020 Doing Business Study. The findings of this study reveals that it takes 79,4 days to start a new business in Angola, while trading across borders is complicated through high costs and lengthy delays associated with logistical processes to import and export goods. Angola ranks 174 out of 190 countries for the trading across borders indicator.

The existence of several Non-Tariff barriers (NTBs) discourages investors to fund key infrastructure projects, while it also discourages cross-border role-players to do business in Angola. In order to improve the status quo, government should fast-track the implementation of on-going reforms (e.g. regulatory and infrastructure) to create a conducive environment that supports industrial growth and doing business.

8.1.4 Poor State of Transport Infrastructure

Angola's transport infrastructure in its current state does not support economic growth and industrialisation. Transport infrastructure and systems have been severely damaged by the civil war. Land transport infrastructure (road and rail) are still characterised by missing links and poor network connectivity. Only 24% of the total road network is paved, while some sections of the paved road network require urgent rehabilitation. Inadequate road infrastructure result in prolonged journeys and cause safety concerns, especially outside urban areas where land mines are still found. The poor state of transport infrastructure is noted in the 2019 Global Competitiveness Report that ranks Angola 141th out of 190 countries.

Rail infrastructure and systems have also been damaged by the civil war and has not been subjected to regular maintenance. Multi-modal infrastructure arrangements are inadequate and to not favour road / rail connectivity. This undermine the cross-border transport of agricultural and mining commodities between Angola and its neighbours (DRC and Zambia). The principal seaports in Angola are all subjected to several operational and infrastructure constraints that undermine port performance and increase ship dwell time and turnaround time at seaports.

Government is becoming more perceptive to tying hands with the private sector to fund, build and manage transport infrastructure and operations and has given the go-ahead for the (partial) privatisation of terminal operations at Lobito and Luanda ports to improve port performance. Plans are also underway to restructure the civil aviation sector, inter alia, through the partial privatisation of TAAG and giving concessions for the operation of airport services at the new Luanda international airport to private parties.

Limited progress is witnessed towards the privatisation of state-owned entities and execution of strategic infrastructure programmes. Missing links are still noted along key regional road transport corridors that run through Angola. It is imperative that hard infrastructure programmes (e.g. road and rail construction and rehabilitation) be undertaken in conjunction with “soft” reforms (regulatory and institutional improvements). A conducive business environment will stimulate industrial growth, while the restoration of road and rail infrastructure will in all likelihood boost Angola’s trade with countries in the SADC.

8.1.5 Poor Access to Health Care

Quality health care in Angola is compromised by a shortage of pharmaceuticals, medical supplies and skilled medical workers (e.g. doctors, nurses and primary health care workers). Major health concerns include, malaria, typhoid, tuberculosis, infectious diseases, cholera and measles. Due to these limitations, Angola’s health indicators rank very low globally. Poor access to proper health care act as deterrent to attracting FDI while it also undermines business growth. Maximum benefit can only be obtained if government prioritised the execution of strategic reforms in a holistic manner meaning that political, economic, infrastructure and healthcare reforms (programmes) should be executed concurrently.

8.1.6 Workers Education and Training

With ‘n high percentage of the youth being unemployed, Angola does not face a shortage of unskilled labour. However, the lack of training and education in Angola remains an on-going challenge. Absenteeism is often reported as a major cause for the low quality of services. The introduction of an incentive scheme, based on productivity is still lacking in most public-sector institutions. The status quo calls for urgent government intervention to increase investment in human capital.

8.2 Opportunities

The following opportunities can be considered for exploitation by corridor role-players (e.g. cross-border operators), provided that the Angolan government maintain momentum in executing on-going reforms to eliminate, or at least minimise the challenges presented in the previous section.

With a relatively new government and a reform mission underway, the country has a vision to transform its economy by attracting private investment to help reduce inequality and provide jobs for a young and fast-growing population. The National Development Plan (NDP) for 2018-2022 aims to address structural bottlenecks and promote human development, public sector reform, diversification and inclusive growth.

The government has embarked on a privatisation process and to date, laws for establishing principles for private investment and promoting market competition have been approved. Anti-corruption measures have also been put in place.

8.1.1 Targeted Agribusiness Development and Diversification

Once, a significant producer and exporter of agricultural products (e.g. coffee, sugarcane) exports nearly ceased during the 1990s due to poor global prices and lack of investment. As a result, Angola has been dependent on food imports since 1990. Currently, only 10 percent of the country's arable land is under cultivation.

Given the availability of land and considering the low skills levels of the greater part of the adult population, agribusiness is targeted at the centre of Angola's economic diversification drive. The size of the market and unmet demand creates ample opportunity for private investment to open the economy and drive growth and development. The following areas are targeted for further exploitation:

- Expand commercial horticulture and fruit production;
- Build on the relative competitiveness achieved by a few successful firms;
- Establish backward integration of distribution and processing firms to reduce dependence on imports and build commercial logistics networks; and
- Unlock the productive capacity of state-owned agro-industrial assets through privatisation and PPP arrangements and tendering of state-owned agriculture land.

Although Angola's investment climate will benefit from improved regulations and greater access to foreign exchange, most rural land is not formally registered, or part of a database. Furthermore, high costs associated with obtaining land concessions for farming may discourage investors to fund agri-business development. It is important that these impediments be escalated for urgent intervention to allow agribusiness development and diversification.

8.2.2 Build Manufacturing Capacity through Beneficiation

Despite the fact that Angola is endowed with a variety of natural resources, the country's manufacturing industry has been hit hard by the civil war, nationalisation and the loss of skilled labour. Since the early 1990s, government has made several attempts to stimulate manufacturing output through the privatisation of several businesses and introducing a new foreign investment code. Re-construction remains a top priority for government and manufacturing output is expected to increase if the beneficiation of primary sector output (agriculture products and raw mining commodities) takes place within Angola.

The manufacturing industry in Angola is characterised by heavy and light manufacturing. The development of a comprehensive industrialisation programme is a key priority of Angola's National Development Plan that supports the development of manufacturing industries to enable beneficiation (value-add) of agricultural products and minerals to take place within the country.

Against this background opportunities emerge for interested parties to participate in the beneficiation of raw materials (agriculture and mining), inter alia, through private sector participation in warehousing, manufacturing and distribution (transportation). The beneficiation of minerals includes labour-intensive processes such as smelting and refining for which specialised skills are required. It is therefore important that government identifies skills shortages, develop custom-made programmes and offer vocational training to upskill the labour force to be part of the processes associated with the beneficiation of raw materials.

The private sector will only exploit business opportunities associated with beneficiation if existing NTB's that create a weak business environment, and which impede industrial growth are addressed in an urgent fashion.

8.2.3 Explore Opportunities in the Renewable Energy Sector

In light of the renewable energy revolution taking place across the globe, Angola has also shifted its focus into renewable energies, notably solar, wind and hydropower. Several benefits are associated with renewable energy systems, including reduced climate-changing emissions in the long run, job-creation (part-time and full time) and greater access to electricity for thousands of Angolan residents.

Angola's hydroelectric potential is one of the largest in Africa and currently, most electricity comes from dams on the Cuanza, Cunene, Catumbela, and Dande rivers. Furthermore, investments in Angola's renewable energy sector are a positive complement to other large-scale developments (transport infrastructure and agriculture). According to industry experts, renewable energy in Angola remains a largely untapped area.

The Angola Energy 2025 strategy acknowledges that secure power is a pre-requisite to industrialising the country and identifies suitable locations in the Southern and Central regions for the generation of solar and wind capacity. The renewed focus on renewable energy offers opportunities for development, through the creation of new markets that can be explored by relevant interest groups (e.g. private sector and investors).

8.2.4 Develop the Logistics Industry

Despite Angola's poor overall performance in the 2019 Global Competitiveness Report, opportunities exist to develop the logistics industry given the country's strengths in the following areas:

- Its geographic location (extensive coastline and mineral-rich neighbours),
- Abundance in natural resources; and
- Government commitment to develop the manufacturing industry and transform economy.

The National Development Plan 2018–2022 puts in place a national network for logistics platforms to facilitate the integration of Angola through the development of several logistics and transport corridors. The long-term vision is to transform Angola into a strategic logistics hub in the region (SADC).

The Angolan coastline extends over 1, 600 kilometre and all 4 deep-water seaports – Luanda, Lobito, Cabinde and Namibe – can accommodate international traffic. Road and rail infrastructure are under development and are aimed at creating connections to SADC countries. Plans are underway to extend the Benguela, Luanda and Moçâmedes railway lines across Angolan borders into the mineral-rich neighbouring countries (Zambia and the DRC). The extensions of the Luanda and Moçâmedes lines are seen as potential game-changers as they could move the minerals from the DRC and Zambia out to the world in a much cheaper and faster mode.

It is expected that emerging logistics hubs will be located close to borders to enable the exchange of goods with neighbouring countries and throughout the region. The Angolan government is creating conditions to sustain hubs by preparing tenders for the terminals and concessions and free zones to attract industries to invest in Angola.

Against this background, opportunities arise for interest parties (private sector) to explore suitable business opportunities in the logistics industry, including transhipment, warehousing, storage areas and distribution (transportation).

8.3 Conclusion

Angola is one of the richest countries in the world in natural resources. Although oil is still the dominant sector, government is prioritising huge investments in other sectors to diversify the economy and industrialise the country. Opportunities in the agri-business, manufacturing, energy and logistics sectors deserve further investigation to determine the feasibility of such business opportunities. Although Angola is still in the early phases of industrialisation, political will exist to transform the economy and to make the economy more attractive to FDI as the Angolan government perceives FID as a necessity for diversifying the economy.

It is imperative however that investors and the private sector closely monitor the execution of key reforms in other areas (regulatory, institutional and infrastructure). Government and business are inextricably linked, and Angola is currently one of the bottom performers regarding the ease of doing business in Africa. Moving forward, it is imperative that the government continue to make concerted efforts to improve the business environment and to implement policies aimed at restoring macro-economic stability and improving the weak regulatory environment.

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