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# Ex-ante impact assessment - Angola
# 2015 triennial review

**Abstract**

This ex-ante impact assessment considers the likely implications of graduation on Angola from the list of the least developed countries (LDCs), in particular, those emanating from possible changes in WKH FRXQWU\¶V access to LDC specific international support measures. It indicates that the impact of eventual loss of preferential market access due to LDC status on Angola¶V H[SRUWV ZRXOG EH OLPLWHG GXH high concentration in the oil exports (98 per cent of the total merchandise export). 7KH FRXQWU\¶V UHOLDQ on ODA flows is very small (0.2 per cent of GNI) and thus the impact of any eventual reduction of ODA on the economy would not be large. Yet, graduation may lead to loss of access to the GEF-LDC Fund, and to concessional loans by the Republic of Korea in the future. In addition, the contribution to UN regular and peacekeeping budgets will increase by about $1 million and $663,000, respectively, and the country will lose access to travel support to participate UN General Assembly after a transition period. Regardless of its LDC status, it is critical that the international donor community continues to provide support to required national policy efforts to address WKH FRXQWU\¶V GHYHORSPHQW JDSV, in particular its low level of human development.

## 1. Background

At its 2012 triennial review of the list of least developed countries (LDCs), the Committee for Development Policy (CDP) considered Angola eligible for graduation IURP WKH /'& FDWHJRU\ IRU WKH ILUVW WLPH[1] DV LW PH The income-only criterion was established on the basis of a recommendation CDP made at its seventh session in 2005. It stipulates that a country would be considered eligible for graduation if its GNI per capita was more than twice the amount of the graduation threshold, even if the country did not meet any of the other criteria for graduation as measured by its Human Asset Index (HAI) or Economic Vulnerability Index (EVI) scores.[2] At the 2012 review (table 1), Angola¶s GNI per capita amounted to $3,747, which was more than three times the income graduation threshold ($1,190). Angola shares a common characteristic with other LDC net fuel exporters: high income level, low HAI and high EVI, as observed in Equatorial Guinea, Sudan and Timor-Leste.

Based on the 2012 triennial review outcome, the Committee requested the Department of Economic and Social Affairs (DESA) to prepare an ex-ante impact assessment of the

[1] United Nations Committee for Development Policy, Report on the fifteenth session of the Committee for Development Policy, 18-22 March 2013 (E/2013/33, Supplement No. 13)

[2] United Nations Committee for Development Policy, Report on the seventh session of the Committee for Development Policy, 14-18 March 2005 (E/2005/33, Supplement No. 13)

consequences incurred by graduating countries as a result of a reduction in receiving special international support measures related to their status as an LDC

The LDCs derive special support measures both from the donor community, including bilateral donors and multilateral organizations, as well as from the special treatment accorded to them by trading partners and certain multilateral and regional trade agreements. These measures fall into three main areas: international trade; official development assistance (ODA), including development financing and technical cooperation; and general support. Currently, the major support measures extended owing to LDC status vary among development partners and are mostly related to trade preferences and the volume of ODA. A comprehensive catalogue of LDC specific international support measures is available at: http://www.un.org/ldcportal.

It is important to emphasize that the analysis carried in this report involves the identification of support measures that are made available to the country concerned exclusively on the basis of its LDC status alone. Some of those measures can be easily identified, for instance, the preferential market access granted to LDCs, such as in the Everything-But-Arms (EBA) Initiative of the European Union and other similar initiatives, or the support provided by the United Nations in terms of caps to budget contribution and participation at various international meetings.

However, in some other instances, it is not possible to make a distinction between LDC VSHFLILF PHDVXUHV DQG ³UHJXODU´ GHYHORSPHQW DV
countries are eligible. For example, the commitment by donor countries to reach 0.15 to 0.20 per cent of their GNI as ODA flows to LDCs does not imply that ODA goes to LDCs exclusively on the basis of their status as such. Hence, this report will identify major bilateral and multilateral donors and briefly provide an overview of their development assistance strategies vis-à-vis Angola and highlight those areas (if any) that could be potentially affected.

The qualitative analysis employed in this report is supplemented by quantitative data to an extent possible. Every effort has been made to collect most up-to-date information from national, regional and international sources on socio-economic data of Angola and on relevant trade and external aid data of its development partners. As of late 2014, most data are available at least up to the end of 2012 or 2013.

**3. Support measures and special treatment related to trade**

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exports, which attempts to ensure non-discriminatory and equal treatment among all signatories with respect to market access conditions. This notwithstanding, the "Enabling Clause" was introduced in 1979, which allows developed countries to extend more favourable, non-reciprocal treatment towards the exports of developing countries in general (thereby giving the legal basis to the Generalised System of Preferences - GSP) and deeper margins of preferences for LDCs which may or may not be WTO members. In 1999, Members of the WTO adopted a waiver that allows developing countries to

extend preferential treatment to the imports from LDCs.[4] The possibility of receiving preferential treatment has also been extended to services and services suppliers[5] of LDCs although the operationalization of the Services waiver has not yet been finalized.[6]

As an LDC, Angola can have access to preferential treatment extended to LDCs by developed countries such as the EBA initiative of the European Union, and the special programmes that other developed countries have for LDCs within their GSP schemes, as is the case of Japan, Canada and the United States, among others. Similar preferences have also been granted to LDCs by emerging and higher income developing countries and duty-free imports to these countries have been increasing in recent years.[7]

Independent of its LDC status, Angola can access markets on a preferential basis due to its participation in regional free trade agreements. Angola is one of the 15 member states of Southern African Development Community (SADC),[8] but remains as one of the three countries -- together with the Democratic Republic of Congo and the Seychelles

2014) place proved oil reserves at almost 9.1 billion barrels. Angola is also a natural gas producer and recently started exporting small quantities of LNG. The country has proven reserves estimated at 366 billion cubic meters. Total oil production has averaged around

right laws and/or adoption of compatible new legislation. While one could not expect Angola to implement it immediately after graduation, there are no smooth transition measures envisaged for countries graduating from the category, and there is no guarantee that other WTO members will not request a prompt implementation of the TRIPS. Thus, it is not clear how and how long implementation would take place or the extent of costs involved.[19] Additionally, loss of LDC status may imply in reduced policy space as the country will no longer be exempted from certain disciplines. It is not clear, however, how much use Angola currently makes of these prerogatives.

From the above, it is expected that, at least in the short term, Angola¶V PDUNHW DFFHVV its current exports will not be affected by graduation as its main exports already enter markets with zero tariff under the MFN treatment or benefit from preferential treatment not related to LDC status (AGOA, for instance).[20] A recent study on the process of graduation of Angola confirms this conclusion.[21] However, in the medium and long term, the graduation might have a potential impact on the national policy of diversification of exports, if implemented, due to lack of access to preferential treatment granted by trade partners and some importing countries¶ policies that include higher tariffs on semi-processed or processed goods, including oil derivatives. In 2013, the Government of Angola set up a national commission on LDC graduation, comprised of secretaries of the President for economic affairs, diplomatic affairs, and international cooperation, as well as ministers of planning, foreign affairs, finance, economy, trade, industry, agriculture, and fisheries.[22] A report of the commission on the graduation process of 4(s )] Teport c affa

strategic frameworks: (a) Vision 2025; (b) National Development Plan 2013-2017: and (c) Poverty Reduction Plan 2010-2015.[30]

### *4.1 Bilateral Flows*

Japan, Norway, the Republic of Korea and the United States are Angola¶V PDMRU ELODWHUDO donors during the period of 2008-2012 (table 6). As described below, some bilateral donors have development assistance plans and strategies in place which seem to have been established regardless of Angola¶V VWDWXV DV DQ /'& *HQHUDOO\ assistance appears to be guided by humanitarian, economic or political considerations, not by the LDC status of the country.

Bilateral ODA has been allocated mostly to social infrastructure and services (70 per cent of the total bilateral ODA receipts) in the period 2008-2012 (table 7). The focus on the social sector is observed among all major partners (table 8).

The United States is Angola¶V ODUJHVW GRQRU with US$72 million in 2008-2012 FRQWULEXWLQJ loans carry concessional interest rates for LDCs, but Angola currently does not borrow concessional loans from Japan.[34]

Norway's aid to Angola was $12.6 million in 2008-2012, on average (10 per cent of the total ODA received by Angola). Norwegian development cooperation with Angola is focused on: oil for development, good governance, human rights, and women and gender equality.[35] In particular, Norway has provided petroleum-related assistance to Angola since 1987, and the most recent technical assistance to the petroleum sector has been implemented from 2006 to 2012. The objective of the agreement was to promote improved management of petroleum resources as a tool for sustainable economic and social development in Angola. In 2013, a five-year institutional cooperation programme was developed.

the 2008-2013 EU Angola Country Strategy Paper (CSP)[38], EU indicated that graduation would not have an immediate impact on development cooperation for the country in the period 2014-2020 under the 11th European Development Fund (EDF) since bilateral assistance envelopes have already been decided and based on criteria which are different from those used for the graduation. In the period 2014-2020, EU will pay particular attention to the business environment in Angola, the regulatory framework for foreign investment and education levels, and structural elements which are crucial for the F R X Q W U \ ¶ V H I I R U W V W R G L Y H U V L I \ L W V H F R Q R P \ D Q G U H dependency.[39]

Under the United Nations Framework Convention on Climate Change (UNFCCC), special funds have been created to address the special needs of developing countries for climate change mitigation and adaptation. In 2001, UNFCCC parties established the Least Developed Countries Fund (LDCF) to support LDCs in carrying out the preparation and implementation of National Adaptation Programmes of Action (NAPAs). Since Angola completed the NAPA preparation in 2011, four country projects (on soil management, land management, coastal adaptation and disaster risk management) have been approved to be financed by LDCF, and about $30 million has been secured as of 2014.[40]

The current World Bank portfolio in Angola is comprised of five projects funded by the International Development Association (IDA) with a total net commitment of $426 million dollars as of September 2014. Access to IDA funds however does not depend on LDC status. In fact, Angola was graduated from IDA in fiscal year 2014.

Similarly, Angola¶ V access to funds provided by other multilateral financial institutions such as the International Monetary Fund (IMF) and the African Development Bank (AfDB) is not contingent on its status as LDC.

Angola has received support from Global Alliance for Vaccines and Immunizations (GAVI) for strengthening immunization. The provision of sound primary health care services to its population is especially relevant in Angola, where the child mortality rate is among the highest in the LDCs (170 per 1000 in the 2012 triennial review).[41] The support from GAVI does not depend on LDC status.

***4.3 Possible impact of graduation on ODA***

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TKH FRXQWU\¶V PDLQ ELODWHUDO GRQRUV KDYH LQGLFD Angola¶V /'& VWDWXV ZRXOG QRW DIIHFW WKH The OHYHO R development assistance strategies of such countries are not DVVRFLDWHG ZLWK WKH F LDC status. Donors are guided by humanitarian, economic and political considerations in determining their aid priorities for Angola.

However, it should be noted that graduation may involve the reduction of concessionality of the foreign aid and a possible increase in tied aid.[42] Some of the donor countries, including the Republic of Korea, indicated that graduated countries may face higher interest rates on loans ZKLFK DUH DSSURYHG DIWHU WKH FRXQWU\¶V

At the multilateral level, the projects funded by LDCF will continue to completion, if the projects are approved before the graduation. Should Angola graduate, new projects will not be eligible to be funded by the LDCF. T required for all Member States.[45] Angola is assessed at the maximum rate of 0.01 per cent for LDCs, for the regular budget for 2013, 2014 and 2015.[46]

Contributions to the UN peace keeping budget are based on gross national income and other considerations, such as the LDC status. Angola is included in the J level group of countries which consists of the LDCs, and the effective rate for 2014-2015 is 0.001 per cent, receiving a 90 per cent discount on its regular budget assessment of 0.01 per cent.[47]

The United Nations offers travel support for up to five representatives of each Member State designated as a LDC attend the regular sessions of the General Assembly.[48] The travel support for Angola would be about $990 per person.[49]

***5.2***

resources, Angola is the fifth

Table 7. Angola: bilateral ODA by sector, 2008-2012.
(Commitments, current US$ million)

| | 2008 | 2009 | 2010 | 2011 | 2012 | Average |
|---|---|---|---|---|---|---|
| **Total** | **226.3** | **152.2** | **321.0** | **156.5** | **142.7** | **199.8** |
| SOCIAL INFRASTRUCTURE & SERVICES | 124.6 | 118.2 | 232.2 | 121.9 | 104.7 | 140.3 |
| Education | 16.9 | 23.2 | 61.0 | 24.5 | 11.5 | 27.4 |
| Water supply and sanitation | 2.1 | 4.5 | 4.5 | 0.7 | 2.9 | 2.9 |
| ECONOMIC INFRASTRUCTURE AND SERVICES | 41.6 | 9.1 | 8.7 | 4.1 | 2.2 | 13.1 |
| Transport and Communications | | | | | | |

Annex: letter of the Government of Angola dated 29 December 2014

REPUBLIC OF ANGOLA

In this context, we submit for all intents and purposes the Memorandum on my Country's position regarding the above mentioned ex ante Assessment Impact Report on Angola's graduation