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*Angola**

The Republic of Angola, born upon gaining independence from Portugal on November 11, 1975, is the second largest country in Africa South of the equator. It is a huge country situated in the Southwest of the continent, with a coastline of about 1,600 kms.

The mainland has been devoid of economic activity and yet the country has substantial natural resources, inhabiting 80-90 percent of the population. More than one-half of the population of Angola is situated along the coastal towns and on the highlands

PROFILE	
Population:	13.5 million***
GDP (Current US$):	13.2 billion***
Per Capita Income: (Current US$)	740 (Atlas method)*** 2,130 (at PPP.)**
Surface Area:	1.2 million sq. km
Life Expectancy:	69.5 years**
Literacy (%):	42 (of ages 15 and above)**
HDI Rank:	166***

Sources:
- World Development Indicators Database, World Bank, 2004
- Human Development Report Statistics, UNDP, 2004

(**) For the year 2002
(***) For the year 2003

Economy

Before independence in 1975, the economy was diversified. Coffee, sisal and cotton were the main agricultural exports; diamonds and iron were mined; oil production reached 1,70,000 barrels a day (b/d) and light manufacturing was well developed and fairly successful.

The subsequent post-independence civil war, together with the vastly increased oil production, has radically changed the country's economic profile. Offshore oil now dominates the economy, contributing 60 percent of GDP in 1999, whereas agriculture only contributed eight percent, and the manufacturing industry four percent. Oil currently contributes to approximately 90 percent of Angola's export earnings.

Competition Policies, Regulation, Legislation and Institutional Framework

After independence, the State adopted socialist, national economic management and, thus, market competition has been at a distance. However, the Government officially turned away from socialist economic principles more than ten years ago, but progress towards a business friendly free-market economy is reported to have been slow. This background to the competition scenario accounts for much of what is currently taking place. Whilst 60 percent of the population now resides in urban centres, many of them survive by trading imported goods in the informal sector, which employs about 5.5 million people out of a total labour force of 7.5 million.

The Government has revisited its past socialist principles and, although reforms have been slow, tangible signs are there that it is on a reform path. However, events in Angola are rather paradoxical in that a comprehensive and well thought out reform programme has so far hardly been visible. Probably as a result thereof, a huge informal sector has established itself. The informal sector has become so big and powerful that it no longer only be described as a result of insufficient efforts to reform the economy. The informal sector, itself, became a serious threat to the formal sector and an obstacle to further economic reform.

Despite the dominance by the State in economic activities, evidence is there to support the decade-old shift in paradigm from socialist principles of the past, through the measures taken by the Government at economic restructuring. Progress has been minimal but the strides

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have been made for a market economy, which should be taken as a starting point. It is a fact that Angola is operating in some global industries, e.g. oil and diamonds, but with little effect on the rest of the economy. Further evidence of the Angolan restructuring efforts includes the following:

Privatisation of SoEs and the New FDI Law in 1995

The decision taken by the Angolan Government, to reduce the role of the State in the economy, has been phenomenal in that this sends the signals to the private sector that they will have public support in acting with freedom in economic management of enterprises. Included in this decision was a change at the cabinet level, whereby investments below US$5mn would then not require full cabinet approval. Furthermore, 275 SoEs would be broken up into 850 privately owned enterprises, and some 33 coffee companies would sell to foreign direct investment (FDI). These decisions have attracted lots of business from the USA, Germany, Portugal, South Africa, etc and negotiations have since commenced

Angola does not have a competition policy or law. However, it is a member of the Southern African Development Community (SADC) and a derogated member of the Common Market for Eastern and Southern Africa (COMESA) due to the 30-year civil war. Under both treaties, competition provisions are to be observed by member states, which seek to implement measures within the community that prohibit unfair business practices and promote competition respectively.

Sectoral Regulation

Oil Sector

It is estimated that about two million people are employed formally, most of them in the Government. Only as little as 50,000 Angolans are estimated to be formally employed by the private sector. The State plays a central role in the economy and SoEs contribute about 60 percent of GDP. In addition, the state oil company, Sonangol, is involved in the petroleum industry, which is responsible for over 96 percent of the country's total exports out of offshore drilling operations. The company is also involved in both refinery and downstream operations.

The State is also involved in the diamond industry, through its company, Indiama. On the other hand, Angola has managed to attract huge FDI into the oil sector. UNCTAD has ranked it the largest recipient of FDI in sub-Saharan Africa in 2002, cumulatively from 1998 to 2002, out ranking Nigeria and South Africa. Almost all of the investment went into the capital-intensive oil sector.

Telecommunications Sector

There are other cases of state domination of the Angolan economy, including in the telecommunications. The Government's modernisation of the telecommunications network, operated by *Impresa Publica de Telecomunicaes* (Eptel), was due for completion by mid-1991. The scheme involved the expansion of the Cacuaco standard and Earth Station (on the outskirts of Luanda); the installation of new microwave links between the earth station and new telephone and telex exchanges; and the reconstruction of Eptel's headquarters with a US$37.7mn credit from the African Development Bank (ADB).

A Portuguese company, Radio Marconi, is to undertake two modernisation projects involving the telecommunications network and links between Luanda and the provincial capitals. State control in the telecommunication sector is entrenched and, hence, is heavily involved in issues of its modernisation, other than being left to the private sector.

It may be pointed out that analysts are concerned not so much with state involvement, but the lack of transparency surrounding the petroleum revenues and their utilisation. The fear is that, again due to the non-use of markets, redistributive effects are not visible on the poorest of the poor. The United Nations International Children's Emergency Fund (UNICEF) has observed that one child out of four dies before the age of five in Angola as it has 'one of the highest mortality rates in the world, and malnutrition was found in 45 percent of children' (EIU, February 2004).

Financial Sector

Banking facilities have improved substantially; also as a result of several (four out of a total of eight) foreign banks opening branches in Luanda and even in some provincial capitals. In the past, many Angolans have been taking huge amounts of hard currency in cash, across Angola's borders, in order to conduct their purchases abroad. Now, importers have to provide proof for payment by bank transfer. For that purpose, banking facilities have been established along important border posts, such as Ondjiva in Southern Angola.

Credit, being granted by commercial banks to either businesses or individuals, is something that only very recently came into being.

International transfers: A time consuming and difficult undertaking in the past, has eventually become easy and less bureaucratic, and are subject to the presentation of just a pro-forma invoice and the import permit (BRI).

According to Angolan law, international payments may only be carried out once goods have been shipped, which is easy to prove by presentation of invoice and bill of lading. In reality, banks will conduct transfers for trusted clients prior to shipment, giving them up to 90 days time to prove arrival of goods.

Restrictive Business Practices

It is difficult to report on restrictive practices engaged in by the business people in the country as there is hardly any awareness on the issue and there has not been any study on this. However, the overall economic environment is definitely quite restrictive. Doing business in Angola is an expensive undertaking. The payment of 'gasosas' (facilitation payments) creates additional costs. It is especially so for the manufacturing sector, which is facing considerable problems to compete against imported goods. The current market environment does not allow local industries to compete internationally. It is difficult and costly to conduct business and even more difficult and costly to start a business.

Registration of a Company puts off Quality Investment but Promotes the Informal Sector: To accelerate and facilitate bureaucratic procedures, the streamlining of the investment law is essential, but not sufficient. Complimentary measures will have to follow. The registration of a company, for instance, still is a complex and time consuming undertaking, which requires the involvement of not less than 4 different ministries, namely the Ministries of Justice, Finance, Commerce and Planning. The registration of a company usually does not take less than six-months, unless 'speed money' is paid. The establishment of a new one-stop-shop centre (Guiché Unico) has been announced. No information was, however, available about when the new authority is expected to start operating.

Policy to Use Local Transporters: A Restrictive Entry Mechanisms and Costly. Due to time consuming and costly (including insurance) procedures to temporarily import a Namibian or South African vehicle into Angola, transportation in Angola is almost entirely carried out by Angolan transport operators. Re-loading cargo/goods from a Namibian to an Angolan truck sometimes becomes a sweat dripping and time-consuming procedure, as no cranes or forklifts exist in border areas like at South Oshikango/border, and are unable to cope with heavily loaded containers.

Import Regulations in Angola have Entry Restrictions and Costs: Import trade is highly regulated in the country. If left un-reformed, the regulations may further hinder domestic market contestability. For goods exceeding US$5000, an import licence is required. The Angolan Customs also demand an import permit (BRI), to be issued specifically for the goods to be imported, by the Angolan Ministry of Commerce. It is, however, expected that this document, currently the Government's basis on which to obtain statistical data on imports, will eventually, and in line with increasing computerisation, be abolished.

Furthermore, a 'Clear Report of Findings' issued by an internationally operating company called BIVAC, is required. The report will be issued after export goods have undergone a pre-embark/loading inspection, in order to confirm international standards with respect to price, quality, quantity and other characteristics. The report will be issued free of charge. A fine of 100 percent, based on the payable customs duties, will be levied on goods entering the country without a clear report of findings.

There are other problems as well. As from February 2003, for instance, labelling of all goods entering Angola has to be in Portuguese.

Box 37.1: Trade in Consumer Goods is Controlled by a Cartel

The bulk of consumer goods consumed in Angola are imported by an oligarchy of eight (8) groups, amongst them are Brazilian, Portuguese, Lebanese and Arabs. These groups are believed to have gone into joint venture operations with strong and influential Angolan partners.

It is expected to be difficult for newcomers to get a significant share of Luanda's import market. This is also adversely affecting the revival of the manufacturing sector in Angola Some local flourmills have consequently already closed their doors as they were driven out of the market by cheap flour imports.

The above importers, are however, believed to concentrate onto the market of Luanda, where most of Angola's buying power exists. In Angola's Southern provinces the situation is entirely different. South African goods have so far dominated the markets on the Southern Angolan border areas where the cartel does not operate.

Concluding Observations and Future Scenario

It is clearly evident that Angola does not have a comprehensively thought out competition policy and law in place. However, some public practices and market players' conduct point to the need of competition policy, generally, and the attendant implications for consumer welfare.

Angola is a typical country that is in transition from central planning to a market economy, save for the disruptions of the civil war that ended in 2002. Several attempts have been made by the Government to anchor the country into the world economy primarily by membership of the WTO and regional groupings like SADC and COMESA. The current scenario is developing positively in the direction of reforms, based on the political will at top government level. The stage Angola has reached requires external impetus to facilitate the transition towards a market economy.

Suggested Readings

1. Angola at a Glance, http://www.worldbank.org/data/
2. Angola, Recent Economic Developments and Prospects, http://www.bna.ebonet.net//bna_evo_ing.htm
3. Angola – SADC Review, http://www.sadcreview.com/country%20profiles%202001/angola/angola.htm
4. Angola: The Facts, http://www.us-angola.org/Angola/angfct.html
5. CIA – The World Fact book – Angola, http://www.odci.gov/cia/publications/factbook/geos/ao.html
6. WTO website
7. Country Report, Economic Intelligence Unit, *February 2004*