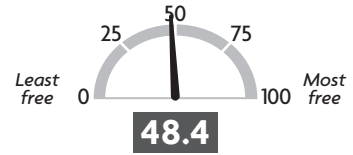


ANGOLA

Economic Freedom Score



World Rank: **154**

Regional Rank: **33**

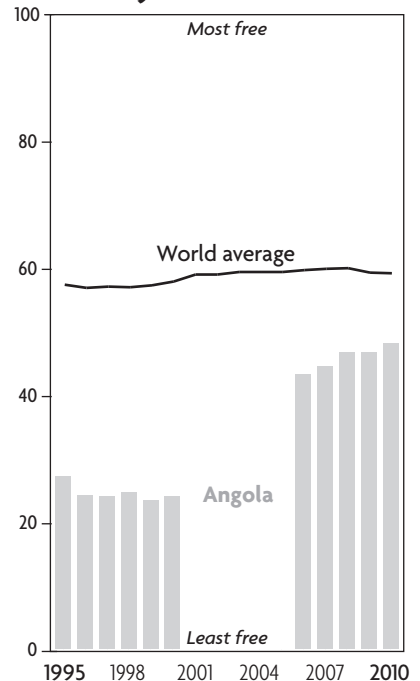
Angola's economic freedom score is 48.4, making its economy the 154th freest in the 2010 *Index*. Its overall score has improved 1.4 points, primarily because of increased investment freedom. Angola is ranked 33rd out of 46 countries in the Sub-Saharan Africa region.

In recent years, robust economic growth facilitated by the booming oil industry has allowed Angola to sustain macroeconomic stability in rebuilding its post-civil war economy. Structural reforms have progressed in public financial management and trade liberalization.

Pervasive corruption and a lack of institutional capacity continue to undermine the implementation of other important reform policies. Angola scores poorly in most of the 10 economic freedoms. Monetary stability remains fragile, regulation chokes private business investment, and the judiciary is politically influenced. Inconsistent and confusing regulations make entrepreneurial activity costly and difficult. Despite the government's plan to diversify its economic base away from oil and diamonds, progress in stimulating the development of the non-oil private sector has been sluggish. Monopolies and quasi-monopolies still dominate the leading sectors of the economy.

BACKGROUND: Since the end of a 27-year civil war in 2002, Angola has been repairing and improving ravaged infrastructure and weakened political and social institutions. President José Eduardo dos Santos has ruled since 1979, and his Popular Movement for the Liberation of Angola (MPLA) won a strong victory in the 2008 parliamentary elections. A long-delayed presidential election is supposed to be held in late 2009 or 2010. Despite extensive oil and gas resources, diamonds, hydroelectric potential, and rich agricultural land, many Angolans remain poor and dependent on subsistence agriculture. The recent decline in international oil prices has depressed economic growth and strained the budget. Corruption and public-sector mismanagement are pervasive, particularly in the oil sector, which accounts for approximately 60 percent of GDP, 95 percent of exports, and 80 percent of government revenue.

Country's Score Over Time



Quick Facts

Population: 18.0 million

GDP (PPP): \$106.3 billion

14.8% growth in 2008

18.5% 5-year compound annual growth

\$5,899 per capita

Unemployment: n/a

Inflation (CPI): 12.5%

FDI Inflow: -\$1.5 billion

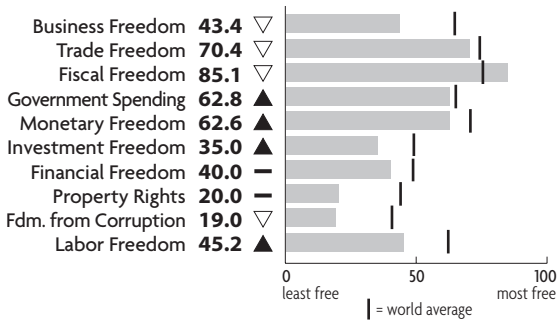
2008 data unless otherwise noted

Data compiled as of September 2009

How Do We Measure Economic Freedom?

See page 457 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

ANGOLA'S TEN ECONOMIC FREEDOMS



BUSINESS FREEDOM — 43.4

The overall freedom to start, operate, and close a business is constrained by Angola's regulatory environment. Starting a business takes an average of 68 days, compared to the world average of 35 days. Obtaining a business license requires more than the global average of 218 days.

TRADE FREEDOM — 70.4

Angola's weighted average tariff rate was 7.3 percent in 2008. Despite progress in trade reform, restrictions on some imports, variable and high customs fees and taxes, import licensing, government import authorizations, the regulatory environment, non-transparent government procurement, subsidies, inadequate customs capacity, and issues involving enforcement of intellectual property rights add to the cost of trade. Fifteen points were deducted from Angola's trade freedom score to account for non-tariff barriers.

FISCAL FREEDOM — 85.1

Angola has a relatively low income tax rate but a burdensome corporate tax rate. The top income tax rate is 15 percent, and the top corporate tax rate is 35 percent. Other taxes include a fuel tax and a consumption tax. In the most recent year, overall tax revenue as a percentage of GDP was 6.2 percent.

GOVERNMENT SPENDING — 62.8

Total government expenditures, including consumption and transfer payments, are moderate. In the most recent year, government spending equaled 35.2 percent of GDP. The transparency of government fiscal accounts and government budgetary management is somewhat improved, but an expanded wage bill and higher fuel subsidies have increased the fiscal deficit.

MONETARY FREEDOM — 62.6

Inflation, though high at an average rate of 12.5 percent between 2006 and 2008, has moderated somewhat, largely due to central bank intervention in foreign-exchange markets, but the government still needs to improve fiscal management and deal with excess liquidity. Key sectors remain government-owned, and price controls are pervasive in many sectors, including fuel and electricity. Fifteen points were deducted from Angola's monetary freedom score to adjust for price-control measures.

INVESTMENT FREEDOM — 35

Foreign investors receive equal treatment, but investment in certain sectors is restricted, and ministry regulations can take precedence over the law. Foreign investments exceeding \$100,000 and investments that require a concession (such as oil and mining) or involve participation by a parastatal require approval. The regulatory system is non-transparent and time-consuming, lacks capacity, and is subject to corruption. Companies familiar with the business environment's bureaucratic and legal complexities often hold an advantage. There are few specific performance requirements on foreign investments, but "Angolanization" of companies and greater use of Angolan suppliers are encouraged. Reforms have improved local access to foreign exchange, and repatriation of profits for officially approved foreign investment is guaranteed, subject to some restrictions. All land is ultimately state-owned but can be leased to private entities. Direct expropriation of foreign investors' assets is relatively unlikely.

FINANCIAL FREEDOM — 40

Liberalization and privatization of the previously state-controlled banking system has progressed. Banking is relatively well capitalized, in part due to foreign banks, which have driven growth. In 2008, there were 18 commercial banks, but three major banks (two of them government-owned) still dominate the system. The granting of credit to the private sector has increased sharply. In 2008, deposits rose by around 45 percent, and loans expanded by over 80 percent. Banking, however, remains rudimentary. Fewer than 10 percent of Angolans have bank accounts. After years of delays, the opening of the Luanda Stock Exchange has been further postponed.

PROPERTY RIGHTS — 20

Angola's legal and judicial system is inefficient and subject to executive influence. Legal fees are high, and most businesses avoid taking commercial disputes to court. The state owns all land, but long-term renewable leases are available for most urban and some non-urban land. Property registration is lengthy and expensive. Angola is ranked 114th out of 115 countries in the 2009 International Property Rights Index.

FREEDOM FROM CORRUPTION — 19

Corruption is perceived as rampant, especially among government officials at all levels, and investigations and prosecutions of government officials are practically nonexistent. Angola ranks 158th out of 179 countries in Transparency International's Corruption Perceptions Index for 2008, a decline from 2007.

LABOR FREEDOM — 45.2

Restrictive labor regulations hinder employment and productivity growth. The non-salary cost of employing a worker is low, but dismissing a redundant employee is relatively costly. The high cost of laying off workers creates a disincentive for employment expansion.