International Research Journal of Social Sciences ISSN 2319–3565
Vol. **4(7),** 83-85, July **(2015)** *Int. Res. J. Social Sci.*

Angola Seek to Develop the Oil and Non-Oil Sectors and its Contributions

Mucuta S.G.
Ulofa Palme 6 – 119590 MOSCOW-RUSSIA

Available online at: www.isca.in
Received 22nd April 2015, revised 27th May 2015, accepted 26th June 2015

Abstract

Role of International Investment in the Economic Development of Angola. The purpose of the study is to identify the challenge of contribution of the oil production to the Angola`s gross domestic product in particular and non-oil production in general. Therefore, the study identifies the major challenges that hinder the development of the oil sector. The findings indicated problems such as financial factors, marketing, management and human resource management factors.

Keywords: Economy of Angola, Oil Sector Growth GDP, Non-Oil Sector Growth GDP.

Introduction

The slowdown the oil sector production's contribution to the gross domestic product of Angola (GDP) was due to the oil price fall on the international market in June 2014, which led to national, international economic institutions and agencies to review the prospects of GDP growth by diversifying the economy. Angola has made substantial progress in economic terms, since the end of civil war. However, Angola continues to face tremendous challenges of development, including the reduction of oil dependency and diversification of the economy, the reconstruction of its infrastructure and improving institutional capacities[1].

The Angolan economy experienced a deterioration of public accounts and an increase in the budget deficit to 4.1 percent in 2014 and 4.2 percent in 2015, which was contrasted with a surplus of 0.3 percent of GDP in 2013. The fall of international oil prices had a substantial impact on fiscal balances with the budget deficit to widen to 0.3 percent of GDP in 2013 to 2.9 percent in 2014. With the continuous reduction in the global price of crude oil, the Angola budget saw a sharp decline in revenue oil 30 percent to 24 percent of GDP between 2013 and 2014. In contrast, income from non-oil sector rose slightly over the same period of 8.1 percent to 9.1 percent of GDP between 2013 and 2014, thus containing the drop in total revenues in 14 percent and oil exports began to decline in 2013, with a drop in domestic production, solution 1. (i.B) Angola overview World Bank (2015), Angola general aspects World Bank (2015) and Angola Economic update Angola`s Economic Recovery and Challenges Ahead (2013)

Contrast the non-oil sector in 2014, strengthened economic growth of about six percent. This index was due to strong growth in non-oil sector, especially agriculture, manufacturing industry, construction and business services, the rates have been fluctuating in the range between 9 and 11 percent. The momentum was detected in domestic economic activity, which contributed to achieving the objectives that attracted new domestic and foreign investments in order to maximize the Angolan market with goods and services, promote sustainable development and strengthen and promote private investment in various sectors the Angolan economy[1], Angola overview World Bank (2015), Angola general aspects World Bank (2015) and Angola Economic update Angola`s Economic Recovery and Challenges Ahead (2013)

Since 2006 the non-oil sector of the Angolan economy has grown rapidly than the oil sector. In 2007, economic growth, the oil sector was 20.4 percent against 25.7 percent the non-oil sector. In 2008, economic growth, the oil sector was 12.3 percent and the non-oil sector grew by 15 percent. In 2009, there was a negative growth the oil sector by 3.6 percent and non-oil sector increased 5.2 percent. In 2010, there was an increase the oil sector of 3.4 percent and 10.5 percent the non-oil sector[1].

Currently there is the National Plan ongoing developing the government sector establishing agriculture, agro-industry and construction as priority sectors. These are the sectors with better conditions to generate employment, income and reduce the import of domestic consumer goods in short period[1].

Despite the predominance of production of the oil sector in GDP of Angola, trade and services sectors showed a dynamic progress with the participation of 20 percent of GDP, livestock and fisheries contribute 10 percent to the GDP of Angola. The creation of a stock exchange is not only a symbol of the development of the capital market in Angola, for the government, is also another source of revenue to the Treasury[2].

With the improved economic environment and increased public and private investment, Angola is becoming a country that encourages foreign direct investors. However the changes will improve the business environment and the construction of infrastructure must continue so that the country can achieve its full economic potential. Encourage foreign investment it is part of the task of the Angolan authorities concerning the diversification of the economy in order to reduce heavy dependence on the oil industry, which currently accounts for about 46 percent of the gross domestic production. The government offers incentives that encourage domestic and foreign companies to invest in other non-oil industries[2].

Angola has only a small refinery that was constructed in 1955 with capacity to produce 39,000 barrels of oil per day. The supply of refined oil production is not sufficient in relation to the domestic consumption estimated approximately 100 thousand barrels of oil per day. What implies Angola imports more than half of oil for domestic consumption, the construction of a new refinery in Lobito Sonangol began in December 2012, that refinery is expected to come on stream in 2017 with an initial processing capacity of 120,000 barrels of oil per day. The new refinery production capacity is scheduled to refine 200,000 barrels of oil per day in 2018. The refinery will process crude oil from Angola, and refined products will be sold in domestic and international markets. The main objective is to increase production of oil supply for domestic consumption in order to reduce the import of refined oil and export the surplus. In December 2013 Sonangol has hired Standard Chartered Bank UK to provide financial advice in building the same refinery[2].

Angola consumed approximately 94,000 barrels per day of oil products in 2012, almost double the volume consumed a decade ago. Angola imports more than half of the oil required for domestic consumption. The internal oil demand remains relatively low because of the low levels of economic development. Fuel transport rates in Angola are among the lowest in the world due to government subsidies[2].

Investments by foreign and domestic companies are the pillars of economic growth and sustainable development. Although domestic companies over larger investors are developing and transition economies, while foreign investors are particularly sought after because they have technology, skills, expertise and access to international markets[2].

The government has made some important reforms of regulations affecting business operations in 2013, they are: i. The introduction of an import tax rate of primary consumer goods and oil companies 10 percent. (PNUD 2014), ii. The introduction of the law decree to reduce and eliminate the custom tax burden on imported used goods such as key inputs for the production Domestic industries, including some food products, iii. The introduction of laws to regulate the operations of shares and debt market[3].

Development objective of the Government of Angola and strategy for foreign investment can be summarized as follows: i. The choice of a model of sustainable development, considering the territorial point of view, economic and social. This option should be based on criteria which would ensure a better balance in economic development and be fairer, encourage employment growth and higher domestic savings, offer more respect for nature and individual freedoms. In addition, the development model must ensure greater access of society to modern knowledge, must face the outside with the presence of national and foreign direct investment and more dynamic market, private enterprise and competition. ii. The creation of a just society, and encouraging cultural development, eradication of hunger and poverty, based on equal opportunities for all citizens and emphasis on human development and justice in the distribution of national income, ensuring political and social stability. The country should ensure universal access of families to adequate housing, drinking water and electricity, education and health services and other public goods that contribute to the national welfare. iii. The State shall assume the role of a regulator and a key coordinator, having a leadership based on an agreed strategic vision with civil society and the business sector. iv. The progressive diversification of the economic base of the country and exports, as well as its productive specialization should not be done spontaneously and diffuse form, but should be based on a perfect coordination between public and private investment. v. Based on the strategic planning, the country is expected to grow the network for aggregates that will create dynamic comparative advantages able to maintain the position of Angola in the sectors of production chains of added value. vi. Given the existing high unemployment rates in the country the major objective of the Government is to eliminate hunger and extreme poverty. The Angola's development strategy is based on employment, i.e. having job as a lever of economic growth. vii. Necessary measures steady and progressive increase in productivity levels of the national economy. viii. The State should support sectors of Angola's economy that demonstrate high levels of productivity and technological modernity, suggests the creation of development poles, ensure industrial development and rapid agricultural development by creating the enabling environment for private investment attraction policy domestic and foreign, favoring the establishment of investment concentration of areas, such as special economic zones and free zones. ix. With the expansion of economic activities, the state has the opportunity to promote the balanced development of different regions of the country, focusing, as regards public incentives and investment in less developed regions. x. Should be given high priority to food self-sufficiency while re-releasing some cultures that can be competitive in foreign markets to regain international position of Angola in the global market of agro-forestry products[3].

Example: Chevron Texaco is an example of the participation of foreign investment, which is important for economic development. This oil and gas company based in California has invested about $ 4 billion in Angola's development projects in 2008 (UNDP 2014).

Conclusion

The end of the Civil War allowed the most lucrative oil industry to finance investments of the non-oil sector for growth economy. Also provides new opportunities for growth of public and private investments. The production of oil continues to account for about 46 percent of Angola's GDP, 80 percent of government revenue and 95 percent of its exports. The growth of oil production and the use of larger model reflect expansion of Angola in its oil fields in deep waters that are furthest away from the coast.

Despite the predominance of production of the oil sector in Angola GDP, it should be noted that since 2006 the non-oil sector has grown rapidly than the oil sector. Economic growth, the oil sector was 20.4 percent against 25.7 percent the non-oil sector in 2007. In 2008, economic growth the oil sector was 12.3 percent and the non-oil sector grew by 15 percent. In 2009, there was a negative growth the oil sector by 3.6 percent and non-oil sector increased 5.2 percent. In 2010, there was an increase in the oil sector of 3.4 percent and 10.5 percent the non-oil sector.

References

1. Angola Overview-World Bank// URL: http://www.World Bank.org/en/country/angola/overview (April, 17 2015), Angola aspectos gerais-World Bank// URL: http://www.World Bank.org/en/country/angola/overview (April, 17 2015) and Angola Economic Update Angola`s Economic Recovery and Challenges Ahead// URL://www.World Bank.org/en/country/angola/overview (June, 20 2013) **(2015)**

2. Angola (September 2012). Angola-Private Sector country profile-African// URL: http://www.angola-today.com/ country-profile/industries/oil and -gas# (accessed 20.01.2015) and Economy of Angola-wikipedia the free encyclopedia (July, 13 2014) **(2015)**

3. Angola Basic Law for private investment. Law nr 20.11 (May, 20 2011), Angola-Economy-Institute for Security Studies. URL: http://www.issafrica.org/af/profiles/Angola/ Econ.html (2014) and Angola-African Economic outlook. URL: http://www.african economic outlook.org **(2014)**

4. Agriculture Forestry and Fishing in Angola. URL: http://www.mbendi.com/indy/agff/af/.an//p0005.htm

5. Economy of Angola. htt://en.wkipedia.org/wki/Economy-of-Angola **(2015)**

6. World Bank, 7 July 2014 http://www. worldbank.org/en/news/press-release/2014/07/07/angola-economy-back-on-track-non-oil-s **(2015)**

7. Council on foreign relations «Angola's Political and Economic Development»// URL: http://www.cfr.org /world/angolas-political-economic-development/p16820 (accessed 23.01.2015) **(2015)**

8. Angola-Today «Oil and Gas»// URL: http://www.angola-today.com/country-profile/industries/oil-and-gas/# (accessed 20.01.2015) **(2015)**

9. Secretariat of the Organization of the Petroleum Exporting Countries (OPEC), Angola facts and figures, accessed February 2015. And Oil and Gas Journal, "Sonangol taps Standard Chartered for Lobito Refinery," (accessed 3.12.2013) **(2015)**

10. EIA Independent statistics and analysis// URL: http://www.eia.gov/countries/cab.cfm?fips=AO (accessed 03.02.2015) **(2015)**