POTENTIAL SOCIOECONOMIC IMPACT OF COVID-19 PANDEMIC IN ANGOLA: A BRIEF ANALYSIS

Brief n. 2 – 21 April 2020

¹ Due to the rapid change in the global pandemic of COVID-19, it is a living document. Updated issues will follow based on new information. The views expressed in this publication are those of the author(s) and do not necessarily represent those of the United Nations, including UNDP, or the UN Member States. For any comment, please contact UNDP Angola.
1. Situation of coronavirus pandemic

The number of confirmed cases of coronavirus disease (COVID-19) worldwide has skyrocketed to more than 2.3 million, with total deaths exceeding 160,000 on April 21st (Map 1).

Map 1. Coronavirus disease (COVID-19) situation


On 23 March 2020, the two first cases of COVID-19 were confirmed in Angola by the Ministry of Health (MINSA). On April 20th, the number of confirmed cases was 24, with two deaths.

Countries have adopted different strategies to face the pandemic. A recent study simulated different mitigation strategies and revealed that the type of mitigation measures adopted may affect significantly the number of intensive care unit (ICU) beds required (Fig. 1). According to that study, the optimal mitigation policy is the combination of home isolation of suspect cases, home quarantine and social distancing.

Fig. 1. Mitigation strategy scenarios (number of intensive care unit (ICU) beds)

Source: Ferguson et al. (2020).

To face the rapid spread of coronavirus pandemic, the UN Secretary-General launched a US$2 billion Global Humanitarian Response Plan for COVID-19. UN agencies in Angola, led by the UN Resident Coordinator, have reprogrammed US$12.5 million to support Angola on the response to COVID-19.

2. Response

Angola declared the state of emergency for COVID-19, on March 27th, which has been extended until April 26th and approved the National Contingency Plan to Control the Epidemic. Government authorities have adopted the following measures:

1. Transitional measures on the state budget 2020 to respond to the impact of COVID-19, among which:
   - Mobilize US$1.5 billion from the Sovereign Fund of Angola (FSDEA), with commitment to future recapitalization.
   - Accelerate the privatizations programme (ProPriv) that includes 195 public companies across several sectors.
   - The National Institute of Social Security (INSS) will be allowed to invest in treasury bonds in the primary market.
   - Imports of goods for humanitarian assistance will be VAT exempt.
   - A 30% of the budgeted expenditure in goods and service for 2020 will be withhold (except for food, drugs, cleaning and sanitation).
   - Partial suspension of the budgeted capital expenditure that has no guaranteed funding.
   - Prohibition of export of food, drugs and health equipment.

2. Immediate Measures to Alleviate the Negative Economic and Financial Effects provoked by the pandemic of COVID-19, among which:

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2 Ferguson et al. (2020).
3 See: Decreto Presidencial n. 81/20, 82/20 and 97/20.
4 See: Decreto Presidencial n. 96/20.
5 See: Decreto Presidencial n. 250/19.
6 See: Decreto Presidencial n. 98/20.
2.1 Support to private sector

- The Agrarian Development Fund (Fundo de Apoio ao Desenvolvimento Agrário, FADA) will open a credit line of AOA15 billion to finance family agriculture, with an interest rate not exceeding 3%.
- The Angola’s Development Fund (BDA) will open a credit line of AOA26.4 billion – at a 9% interest rate with two-year maturity – to finance the purchase of local agricultural and fishery products (rice, corn, sugar, meat, egg, milk, sardines, etc.).
- BDA will open a credit line of AOA13.5 billion – at a 9% interest rate with two-year maturity – to finance the purchase of improved seeds, fertilizers and pesticides by domestic agricultural companies.
- BDA will open a credit line of AOA750 million to fund the modernization and expansion of up to 15 agriculture and fishery cooperatives in each province – at an interest rate of 7.5%.
- The Venture Capital Active Fund (Fundo Activo de Capital de Risco Angolano, FACRA) will disburse AOA3 billion to support investments in equity by cooperatives in the agriculture and fishery sectors.
- FACRA will open a credit line of AOA4 billion to support microfinance institutions, farm-field schools and agricultural credit bank to fund youth and women entrepreneurs who invest in agriculture, livestock, fishery, tourism and culture, waste recycling, vocational training services and software development.
- Elimination of several bureaucratic procedures to start a business.
- Continue the Credit Support Programme (PAC) to provide more credit access to private sector.7

2.2 Support to families

- The Ministry of Social Action, Family and Women Empowerment (MASFAMU) will disburse AOA315 million to support basic food distribution to vulnerable groups.
- The National Social Protection System Project/Cash Transfer (Programa de Transferências Sociais Monetárias), will be launched in May. In three years, 1.6 million households will benefit – 300,000 households in 2020. Each household will receive AO8,500 (US$15) per month. The project is funded by a US$320 million World Bank’s loan.
- A multisectoral working group has been created to elaborate and execute an action plan for the formalization and organization of itinerant sale, markets, transport of goods and passenger transport.
- A multisectoral working group has been created to elaborate and execute an action plan to foster digital payment, education, financial inclusion of economic agents, as well as to promote and support the rise of financial technology.

3. Other key initiatives:

- Accelerate the implementation of the cash transfer programme “Valor Criança”, developed by the Ministry of Social Action, Family and Women Empowerment (MASFAMU) – funded by the EU with €9 million with support of UNICEF – to benefit households with children under 5 years of age, in the framework of the Projecto de Apoio à Protecção Social (APROSOC). Each family will receive AO5,000 per month per child.
- The National Bank of Angola (BNA) issued a new regulation to mandate financial institutions to grant credit aimed at fostering 54 essential goods with a deficit of national production (rice, corn, vegetables, meat, etc.) included in the Production Support, Export Diversification and Import Substitution Program (PRODESJ). The total credit granted to support PRODESJ should be at least 2.5% of a bank’s net assets value at end-2019. Credit to small and medium-sized enterprises (SMEs) and agricultural cooperative will be prioritized.8

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7 Total funding from commercial banks to the PAC amounted to AOA109 million, with 37 projects authorized since June 2019. Source: Jornal de Angola, Financiamentos do PAC atingem 108 mil milhões, 14/2/2020.


9 BNA, Instrutivo 06/2020. The total cost of the credit cannot exceed 7.5% per year.
BNA opened a credit line of AOA100 billion to buy treasury bond (Obrigações do Tesouro) owned by SMEs.\(^{10}\)

### 3. Context analysis

#### 3.1 Macroeconomic

COVID-19 will exacerbate the already weak macro-fiscal situation. The Angolan economy contracted for three consecutive years since 2015 and shrank 0.9% in 2019 (Fig. 2), largely affected by the contraction of the oil sector, which account for about 30% of GDP (Fig. 3).\(^{11}\)

![Fig. 2. Angola’s real GDP (annual % change)](image)

The depreciation of the kwanza has accelerated, currently trading at about USD1=AOA560, compared to AOA482 on January 1\(^{\text{st}},\) 2020. Net international reserves have gradually declined since 2013 and stood at about five months of imports of goods and services in 2019.\(^{12}\) A further weakening in the currency may raise the debt burden and debt service – more than two-thirds of the debt is denominated in foreign currency.\(^{13}\) On the other hand, gap between official and parallel exchange market has narrowed but it is unclear how it will evolve.

The depreciation has been associated with sustained inflation. Consumer price inflation (CPI) was 18.6% in 2018 and 16.9% in 2019. Inflation is expected to remain at two-digit in 2020, which will weigh on private consumption. Accumulated inflation in January-March rose to 5.7%, up from 3.3% in the same period in 2019.\(^{14}\)

Panic buying could ignite speculation and inflation in essential goods. Also, a depreciated kwanza may increase the import bill: food import amounted to US$3.2 billion in 2018, about 20% of country’s import.\(^{15}\) On the other hand, the FAO Food Price Index averaged 172.2 points in March 2020, a sharp decline of 4.3% from February, mainly driven by global demand contraction.

BNA has kept the main interest rate (taxa BNA) at 15.5%. The required reserve ratio in domestic currency was increased from 17% to 22%, a move to ease inflation and stabilize the currency; the reserve ratio for foreign currency was kept at 15%. On the other hand, the interest rate on the liquidity absorption facility with a maturity of seven days was reduced from 10% to 7% – the interest rate on overnight maturity continues at 0%. BNA has also established a liquidity line of up to AOA100 billion for the purchase of public debt owned by non-financial companies.

Private sector development remains constrained. Angola ranked 177\(^{\text{th}}\) out of 190 economies in the World Bank’s 2020 Ease of doing business.\(^{16}\) In the context of COVID-19, limited access to credit and foreign currency

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\(^{10}\) BNA, Instrutivo 06/2020.

\(^{11}\) Source: INE, National Account, third quarter 2019.


\(^{13}\) Source: World Bank (2020a).

\(^{14}\) Source: INE, Folha de Informação Rápida n. 3_IPC Nacional.


could create serious obstacles to businesses. Moreover, the expected decline of oil revenues is already creating a temporal shortage of U.S. dollar. The purchase of imported medical supplies and equipment from abroad may be affected.

3.2 Social

The pandemic is expected to create a tremendous challenge for the most vulnerable groups and the weak social services.

The Human Development Report 2019 ranked Angola 149th out of 189 countries, with a medium Human Development Index (HDI) score of 0.574. Life expectancy is 60.8 years, with 5.1 mean years of schooling and 11.8 expected years of schooling.17 The female HDI value for Angola is 0.546 in contrast with 0.605 for males.

INE’s IDREA 2018-2019 survey revealed that 40.6% of the population live below the national poverty line (about 11.9 million people) – with higher incidence in rural areas (57.2%) versus urban areas (29.8%) – higher than the 36.6% poverty rate calculated in 2008-2009. INE also revealed that about one in two people (47.6%) live below the international poverty line of US$1.90 per day; World Bank projects that this figure will rise to 50.1% in 2020.18 Inequality also rose significantly, with the Gini coefficient bouncing from 0.43 in 2008 to 0.51 in 2019.19

The Global Multidimensional Poverty Index (MPI) 2019 revealed that 51% of the population is multidimensionally poor. Also, the report on Municipal MPI shows that 65 out of 164 municipalities of Angola have above 90% poverty rate (Fig. 4).

Fig. 4. Municipal MPI in Angola (% of population)

Source: INE (2019a)

The Multiple Overlapping Deprivation Analysis (MODA) revealed that three out of four (74.4%) Angolan children aged below 18 years suffered from three to seven deprivations simultaneously.20 Moreover, in 2016-2018, stunting affected 38% of Angolan children under 5 years of age and malnutrition affected 8% of them (INE, 2018).

At global level, the ILO (2020) expects that between 5 million and 25 million jobs may be lost and labor income may be reduced between US$860 billion and US$3.4 trillion.

In Angola, the unemployment rate21 rose to 31.8% in the fourth quarter of 2019 – 33.5% for women and 30.0% for men – which corresponds to 4.6 million people currently unemployed. Urban unemployment (42.6%) is significantly higher than rural unemployment (17.0%). Youth unemployment (15-24 years) peaked at 56.5% – 55.4% for women and 57.5% for men – that is about 2.7 million young people unemployed.

Informal employment remains widespread: 72.6% of the population aged 15 or above have an informal job (71.4% for men and 73.8% for women). For example, unpaid domestic work accounts for 9.5% of total employment.22 Measures adopted in the state of emergency implied the shutdown of those informal markets lacking basic health conditions. As per the presidential decree n. 97/10, street vendors

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17 Source: UNDP (2019).
19 Source: INE (2019b).
21 Population aged 15 years or above.
22 Source: INE (2019b).
will be only allowed to sell essential products three days per week, with a limited working hour. A prolonged lockdown may severely affect income generation of those informal workers.

Technical and Vocational Education and Training (TVET) could play a key role in strengthening professional skills and fostering job opportunities and income generation for the youth but remain underfunded. In partnership with ILO and Mandume Yandemufayo University, UNDP has conducted a study on skill supply and demand in the province of Huila that highlighted the need to strengthen the TVET system and its link with the labor market.

Social protection has for the most part been ad hoc and reactive. Protection for poor and vulnerable groups remains weak. In 2018, the Minister of Family and Social Action declared that only 1.7 million workers, out of total 7.5 million, were covered by social protection; 99% of them were dependent employers, including civil servants. Non-contributive social protection – targeting particularly vulnerable groups such as those who have lost the capacity to work due to old age and/or disability – remains weak.

National budgeted expenditure for 2020 on social protection increased slightly in nominal terms but shrunk as share of total budget – 3.3% of total budget compared to 4.9% in the national budget 2019 – corresponding to 1.3% of GDP. People with disabilities will remain highly vulnerable to the economic and health shock caused by COVID-19.

High unemployment and weak social protection are aggravated by limited access to basic services, which will hamper the efforts to combat the pandemic. Despite notable improvements between 2008 and 2019, one in two Angolan households remain without access to safe drinking water and electricity (Fig. 5 and 6). Moreover, in 2017 only 26.7% of population had access to basic handwashing facilities including soap and water.

![Fig. 5. Households with access to safe water (%)](image1)

<table>
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<th>Year</th>
<th>Percentage</th>
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<tr>
<td>IIMS, 2015-2016</td>
<td>52.9</td>
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<tr>
<td>IDREA, 2018-2019</td>
<td>51.6</td>
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</tbody>
</table>

Source: INE (2019b). Each bar represents a survey.

![Fig. 6. Households with access to electricity (%)](image2)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBEP, 2008-2009</td>
<td>36.6</td>
</tr>
<tr>
<td>IIMS, 2015-2016</td>
<td>41.6</td>
</tr>
<tr>
<td>IDREA, 2018-2019</td>
<td>41.3</td>
</tr>
</tbody>
</table>

Source: INE (2019b). Each bar represents a survey.

It is noteworthy that the national budget allocation to health sector increased in nominal terms for 2020 but shrunk as share of total budget – 5% of total budget compared to 5.7% in the budget for 2019 – corresponding to about 1.9% of GDP. However, the Abuja Declaration (2001) commits countries to allocate at least 15% of their annual budgets to health.

The number of physicians in the country remains limited to 0.2 per 1,000 people in 2015. People living with HIV and infected with tuberculosis and malaria will be particularly vulnerable to the health emergency. Sex workers and LGBT will also remain very vulnerable, including possible increase of social discriminations. In Angola, HIV prevalence rate was 2% among people aged 15-49 years (2.6% for women, 1.2% for men) in 2016; incidence of tuberculosis was 204 cases in 100,000 people in 2017; and there were 159 cases of malaria in 1,000 people in 2017.

As mentioned, income inequality has increased since 2008. The territorial dimension of this inequality is translated in informal settlements in the urban area. Angola has been drastically reducing the prevalence of slums in its cities since the end of the Civil War. In 2005, 86.5% of the urban population was living is slums. This number decreased to 76.2% in 2007, 65.8% in 2009 and 55.5% in 2014, when the country was

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24 Source: World Bank, World Development Indicators.

25 Source: ibidem.

hit by the oil price crisis and was forced to discontinue the massive housing and urban development programme. This new trend is an evidence that the prevalence of urban dwellers living in slum conditions in 2020 may have increased from 2014.

The population living in slums usually faces major challenges in terms of housing and basic services, relying on community water pumps which can be a major focus for COVID-19 contamination and community spreading. Also overcrowding in these areas together with the strong reliance of slum dwellers in the informal economy will pose additional challenges to social distancing and quarantine policies.

Another major threat during the COVID-19 pandemic is the lack of tenure security affecting significant numbers of slum dwellers. Forced evictions and termination of renting contracts are prohibited during the period, as per the article 30 of the decree renewing the State of Emergency until 25 April.

Homeless, especially elders and street children, are also a major vulnerable group in the COVID-19 crisis. As referred by the UN Special Rapporteur on the Right to Adequate Housing, “in the face of this pandemic, a lack of access to adequate housing is a potential death sentence for people living in homelessness and puts the broader population at continued risk”. Policies need to consider these vulnerable groups and address and mitigate the impact of social distancing in their livelihoods.

One in three (32.5%) ever-partnered Angolan women and girls aged 15 years and older were subjected any physical violence by their partners. The state of emergency and economic crisis may have the potential to increase the risks of domestic violence. Significant increase in gender-based violence (GBV) and in unpaid domestic work and care burdens may arise, among other effects, in the context of COVID-19. Government may consider these factors in the contingency plan to ensure that gender equality and women’s empowerment are included in response and recovery strategy.

Moreover, COVID-19 can generate worldwide stigma, discrimination and human rights violations. It also has the potential to limit access of vulnerable groups such as people with disabilities, refugees, asylum seekers, stateless persons, migrants, or people without documentation to health care services.

Finally, Angola was hit by a severe drought in 2019, which affected 2.3 million people in the provinces of Huila, Bie, Cunene and Namibe. Local communities remain highly vulnerable – e.g. limited access to basic services in rural areas – and more exposed to additional economic shock caused by the pandemic. Efforts to strengthen resilience need to be strengthened despite the health emergency.

3.3 Finance

More than half (61%) of Angola’s budgeted expenditure for 2020 was allocated to public debt operation. Before the COVID-19 emergency, public debt was projected to rise from 89% of GDP in 2018 to 111% of GDP in 2019.\(^7\) Debt service was expected to grow from US$6.4 billion in 2018 to US$14.9 billion in 2019, of which US$7.9 billion external.\(^9\) Debt service rose to 27.6% of export goods and services in 2019, from 22.9% in 2018 – among the highest in Sub-Saharan Africa.\(^10\) China Development Bank is the major external creditor of Angola, US$14.9 billion.\(^31\)

A sharp fall in oil revenues is likely to prevent the government from pursuing its debt management strategy of paying down short-term debt. Indeed, oil revenues are expected to account for 13.2% of GDP and 64.8% of fiscal revenues in 2020. Overall fiscal balance is expected to remain positive in 2019 at 1% of GDP with the assumption of oil price averaging US$55 per barrel.\(^24\) However, IMF (2020) projects fiscal deficit to rise to 6.0% of GDP in 2020.

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\(^{27}\) Source: INE, SDG baseline indicators report 2018.
\(^{28}\) Source: IMF, 2019. Note: 34.4% of GDP of domestic debt and 76.5% of GDP of external debt.
\(^{29}\) Source: IMF, 2019.
\(^{31}\) Source: Ministry of Finance. 3Q 2019.
\(^{32}\) Source: ibidem.
However, lower oil prices will curb state revenues and Government’s borrowing requirements will likely increase. Ministry of Finance has already announced that Angola will issue US$3 billion of Eurobonds in 2020.\textsuperscript{33} However, borrowing costs soared as investors have withdrawn more than US$83 billion from emerging markets\textsuperscript{34}: Angola’s 2025 Eurobonds yields surged from about 7% in early March this year to above 30% in mid-April 2020.\textsuperscript{35}

Moody’s has recently downgraded Angola Government’s long-term issuer rating, which is considered speculative and subject to high credit risk.

Fiscal policy needs to avoid procyclical cuts to public expenditure, such as health services. However, Angola’s capacity to smoothen negative impact on economic growth will remain constrained by a tight fiscal space, high debt and deteriorating terms-of-trade. Concessional financing from donors and international financial institutions may play a key role. Indeed, several developing countries have already requested financial assistance to IFIs.

In 2018, the IMF approved a three-year Extended Arrangement under the Extended Fund Facility (EAEFF) to Angola of about US$3.7 billion to support economic reforms, of which US$1.48 billion has been already disbursed.

In this regard, World Bank’s president declared that the poorest countries face official bilateral debt service payments of US$14 billion in 2020.\textsuperscript{36} African Ministers of Finance recommend the immediate waiver of all interest payments on public debt and sovereign bonds estimated at US$4 billion for 2020 with possible extension to the medium term. A debt moratorium granted by official creditors to Angola represents US$4.1 billion, and that amount would increase to US$ 7.4 billion including all creditors.\textsuperscript{37} IMF Executive Board approved an Immediate Debt Relief for 25 countries on April 13\textsuperscript{38}; Angola was not included.

On the other hand, remittances and Official Development Assistance (ODA) plays a minor role. Angola has a very low ratio of remittances to GDP, less than 0.1% of GDP in 2018.\textsuperscript{39} Net ODA was 0.2% of GNI in 2018\textsuperscript{40}. In the context of Angola’s graduation from Least Developed Country (LDC) in February 2021\textsuperscript{41}, ODA will likely remain limited.

Finally, it is noteworthy that, according to a study by the Natural Resource Governance Institute, Angola received the largest amount of resource-backed loans in sub-Saharan Africa. Between 2000 and 2016, Chinese lenders committed over US$24 billion worth of oil-backed loans and credit lines to Angola, most of which have been disbursed.\textsuperscript{42}

### 3.4 External sector

The World Trade Organization (WTO) projects that world merchandise trade will shrink between 13 and 32% in 2020 due to the COVID-19 pandemic.\textsuperscript{43}

For Angola, the external sector will be a major source of economic shock in the context of the pandemic, especially through exports. The ratio between export and import of goods and services in 2019 was about 152%.\textsuperscript{44} Export of goods represented about 40% of GDP in 2019.\textsuperscript{45} Angola maintained a positive current account balance in 2019 (4.8%).\textsuperscript{46} However, the oil price shock will negatively affect the country’s external position, raising pressure on the exchange rate and turning current account into a deficit. IMF (2020) projects a current account deficit of 6.7% in 2020. Indeed, a large share of country’s exports will be highly impacted by the deteriorating global economic outlook. Indeed, Angola exported US$40.7 billion in 2018, of

\textsuperscript{33} The country already issued US$1.5 billion Eurobonds in 2015, US$3.5 billion in 2018 and US$3 billion in 2019.


\textsuperscript{35} Source: Bloomberg. Angola’s sovereign Emerging Markets Bond Index (EMBI) spread have already exceeded the threshold of 1,000 basis points.

\textsuperscript{36} Source: Reuters.

\textsuperscript{37} World Bank (2020b).

\textsuperscript{38} Source: World Bank, World Development Indicators.

\textsuperscript{39} Source: OECD.

\textsuperscript{40} In March 2020, the UN Committee for Development Policy confirmed that Angola meets the income-only criterion for LDC graduation.

\textsuperscript{41} See references.

\textsuperscript{42} Source: WTO, Trade set to plunge as COVID-19 pandemic upends global economy, 8 April 2020.

\textsuperscript{43} Source: Source: BNA, Statistical Bulletin, December 2019.


\textsuperscript{45} Source: ibidem.
which US$39.4 billion from oil and gas, 97% of total export (Table 1).

<table>
<thead>
<tr>
<th>Export product</th>
<th>Amount</th>
<th>% total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and gas</td>
<td>39,408.7</td>
<td>96.7%</td>
</tr>
<tr>
<td>Diamonds</td>
<td>1,151.9</td>
<td>2.8%</td>
</tr>
<tr>
<td>Fish</td>
<td>85.3</td>
<td>0.2%</td>
</tr>
<tr>
<td>Marine and aviation</td>
<td>48.1</td>
<td>0.1%</td>
</tr>
<tr>
<td>Wood</td>
<td>31.5</td>
<td>0.08%</td>
</tr>
<tr>
<td>Beverage</td>
<td>21.0</td>
<td>0.05%</td>
</tr>
<tr>
<td>Granite</td>
<td>6.9</td>
<td>0.02%</td>
</tr>
<tr>
<td>Coffee</td>
<td>1.3</td>
<td>&lt;0.01%</td>
</tr>
<tr>
<td>Marble</td>
<td>0.0</td>
<td>&lt;0.01%</td>
</tr>
<tr>
<td>Salt</td>
<td>0.0</td>
<td>&lt;0.01%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>40,757.8</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: BNA, Boletim Estatistico, December 2019

Amid a deteriorating global economic and oil demand outlook due to COVID-19, oil prices crash in March 2020 (Fig. 7). In Angola, oil revenues already decreased in February to about AOA405 billion due to progressive decline in oil production, from an average of 1.5 million barrels per day in 2018, to 1.4 million barrels per day in 2019—owing to maturing fields and a lack of investment in recent years. Within this context, Government will adjust downward the national budget 2020, which was based on a projection of US$55 per barrel, on average.

Fig. 7. Crude oil price movement (US$ per barrel)


It is noteworthy that, on April 12, OPEC producers and allies (OPEC+) have agreed on a deal that will slash global output by about 10% (about 9.7 million barrels per day), which is intended to adjust the supply/demand imbalance and influence prices. However, it is still unclear if the reduction in oil production will be enough to balance the dramatic reduction of global demand.

COVID-19 is impacting air transport and tourism industry across the world, which will likely impact the infant tourism sector in Angola – 218,000 tourist arrivals in 2018 — and the national airline company TAAG. Pressure caused by the pandemic may push Government to increase TAAG’s borrowing on commercial terms and accelerate its privatization. External debt accumulated through TAAG is US$214 million.

UNCTAD expects that COVID-19 could cause global foreign direct investment (FDI) to shrink by 30%-40% during 2020-2021. FDI inflow to Angola remained negative in the last three years, mainly due to disinvestments in the oil sector — owing to large repatriations of earnings by foreign parent companies and decline in oil production that affected new investments (Fig. 8). FDI inflow in the non-oil sector rose from US$185 million in 2018 to US$461 million in 2019 but remains limited compared to the oil sector.

Fig. 8. Net FDI, inward and outward (US$ million)

Source: National Bank of Angola

48 The cuts will decline to 7.7 million barrels per day in July-December 2020, and then to 5.8 million until the end of April 2022.
49 Source: UN World Tourism Organization.
The national oil company Sonangol may also be affected by the oil crisis. As the company subsidizes about 60% of the cost of fuel, expenditure in fuel subsidies amounted to US$1.4 billion in 2019. About US$5 billion of Angola’s external debt is related to Sonangol.

Finally, Africa Growth Initiative estimates that illicit financial flows from Angola amounted to US$45 billion in 1980-2018, being among the top African emitters of illicit flows. Government has already promoted actions to recover illicit financial flows in the last years and may strengthen its efforts in search of more resources to tackle the economic crisis.

3.5 Economic scenario

According to United Nations Department of Economic and Social Affairs (UN DESA), in the worst-case scenario, the world economy could contract by 0.9% in 2020 (Fig. 9). IMF (2020) projects a strong contraction in the global economy, -3% in 2020, much worse than during the 2008-09 financial crisis.

Fig. 9. World growth outlook to 2025 (real GDP)

Source: UNDESA, Monthly Briefing n. 136, April 2020

According to the World Bank, economic growth in Sub-Saharan Africa is forecast to fall sharply from 2.4% in 2019 to -2.1 to -5.1% in 2020, which is the first recession over the past 25 years. IMF (2020) projects the regional economy to shrink 1.6% in 2020.

For Angola, Ministry of Finance’s latest economic forecasts remain negative: -1.1% in 2019 and -1.2% in 2020. IMF and EIU expect a strong contraction in 2020, -1.4% and -4.1% respectively (Fig. 10).

Fig. 10. Economic growth projections for Angola

Source: Ministry of Finance only for 2020; IMF (2020); EIU, April 2020; World Bank (2020a)

4. Policy recommendations

Angola faces a prolonged economic recession, volatility of oil prices, increasing fiscal and external vulnerability, growing poverty and unemployment and limited access to basic social services. Response and recovery to the pandemic of COVID-19 require immediate action. Based on this analysis, key policy recommendations are:

- Target and quickly implement disaster relief initiatives for the most vulnerable groups that are already at risk, such as unemployed and informal workers – especially women – people living in highly concentrated areas or lacking access to basic social services, including drought and flood-affected communities. Strengthen social protection remains a priority, including the finalization of the Single Registry (Cadastro Social Único).

52 Source: Sonangol, March 2020
Government initiatives and measures need to ensure a gender responsive approach, including the prevention of gender-based violence.

Continue to adopt a human rights-based approach to ensure that everyone has equal access to health services, including the promotion of equality and the prevention of human rights violations such as arbitrary detentions and domestic violence.

Take measures compatible with health safety to ensure the continuity of economic activity, including micro, small and medium sized-enterprises, informal markets and smallholder farmers to keep the food supply chains working. With about three in four people having an informal employment, policy measures need to clearly address the livelihood of these informal workers, who are strongly hit by the shutdown and the economic crisis. By investing in the refurbishment of informal markets (e.g. Kikolo market) and establishing clear rules—such as a maximum number of people per area, distance between people and the use of masks and sanitizers where appropriate—authorities could allow the functioning of shops, businesses and municipal markets where these conditions can be met, under supervision from the competent authorities.

As one in two people live in multidimensional poverty—with more than 40% of the municipalities having more than 90% MPI—response and recovery measures need to be intersectoral and targeted at the most vulnerable groups, at national and local level, including children.

Revise the National Development Plan (NDP) 2018-2022 to prioritize programmes to improve the health sector and end poverty, including review of targets and shut down of ineffective programmes.

Review and accelerate the delivery of key social programmes, such as the Integrated Programme of Local Development and Combat Poverty and the Employability Promotion Action Plan (PAPE), including vocational training to develop skills for the youth.

Consider labor market interventions to strengthen social protection. For example, public works programs may be used to provide temporary employment and generate labor-intensive infrastructural projects and social services. A component of the US$2 billion Municipal Intervention Integrated Plan (PIIM) could be reoriented toward labor-intensive activities targeted at key priorities of communities (e.g. rural roads and irrigation systems), including an employment guarantee scheme.

The revision of the state budget 2020 (OGE) could be an opportunity to ensure the alignment between the planning (the revised NDP 2018-2022), budgeting and the SDGs to have greater impact on inclusive and sustainable development, including the promotion of youth employment.

Seek debt relief through international cooperation, to ease resources for the state budget.

Promote effective dialogue and coordination between local and national actors, including the implementation of participatory budget.

For informal settlement and slums (musseques):

- Distribution of soap, sanitizers, hygiene and food products in water collection points in the community. Community water pumps in informal settlements are places for potential contamination and spreading and can be the entry-point for community-oriented actions in partnership with community water associations and federations.
- Based on current schemes (community-based and neighborhood associations), assignment of clear responsibilities at community level and establishment of communication channels/mechanisms with local authorities; this will include the appointment of responsible community members to identify the most vulnerable, promote local solidarity, supervise the implementation of control measures, ensure two-way communication with communities.
- Working with civil society organizations and community leaders to organize for water distribution, toilets, waste collection and cleaning campaigns.
- Organization of mini-cash transfer and food distribution in times of crisis and forced confinement.
- Organization of wide vaccination, especially focusing on elders and vulnerable groups to other diseases with similar symptoms to
reduce number of suspected cases and improve local immunity.

- Radio and megaphone distribution for improving community communication and ensure local and regular awareness-raising while being confined; this will include the dissemination of preparedness, response and solidarity messages.
- Coordination of waste collection groups and provision of personal protective equipment along with guidelines to safely support municipal waste collection services.
- Cease any form of forced eviction during the COVID-19 pandemic and establishing compulsory 3-months contract extensions to rented housing units with contracting expiring during the pandemic.
- Ensure that women, children and youth who may need to leave a household due to domestic violence do not fall into homelessness and are provided with adequate alternative accommodations that ensure safety and provide access to water/sanitation, food, social supports, health services and testing for COVID19.

For urban destitute and homeless people:

- Continue providing accommodation to all homeless people living ‘rough’ or on the streets with a view to transitioning them to permanent housing so that they do not return to a situation of homelessness once the pandemic is over. This may require procuring hotel or motel rooms, or repurposing buildings such as army barracks, or unused public facilities.
- Ensure that food banks, and other support services for homeless people, are included in the list of essential service providers and can continue and expand their services during a lockdown. Local authorities must ensure that service providers can have access to up-to-date health information, masks, hand sanitizers and any other necessary personal protective equipment required to safely continue providing support services.
- In order to prevent spreading of COVID through homeless support services or foodbanks, WHO hygiene and social distancing recommendations need to be applied as far as possible and a more decentralized delivery of services, including
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