

# Socioeconomic Impact of COVID-19 Pandemic in Angola: Brief Analysis

May 2020<sup>1</sup>



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<sup>1</sup> 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 or the UN Member States.

## Introduction

This is the third edition of the brief analysis of the socioeconomic impact of COVID-19 in Angola, which follows previous [issues](#) published by UNDP and UN-Habitat on 7 and 21 April 2020. The present edition is prepared by a further expanded group of experts from across the UN Development System (UNDP, UNICEF, FAO, WHO, UNFPA, WFP, UN-Habitat, UNHCR, UNAIDS, UNCTAD, IOM and ILO) and in partnership with the World Bank. Comments to this edition were also received from the United Nations Economic Commission for Africa (UNECA).

Based on the [UN Secretary-General's Shared Responsibility, Global Solidarity report](#) the United Nations Development System (UNDS) is preparing a [UN Framework for the Immediate Socio-Economic Response to COVID-19](#), an integrated support package to protect the needs and rights of people living under the duress of the pandemic. This third edition of the socioeconomic impact assessment aligns with the response framework. As such, this brief analysis aims at investigating the potential socio-economic impact of the COVID-19 in Angola to contribute to the dialogue on response and recovery in the country, including key policy recommendations.

The UN framework for the response includes: (1) ensuring that essential health services are still available and protecting health systems; (2) helping people cope with adversity, through social protection and basic services; (3) protecting jobs, supporting small and medium-sized enterprises, and informal sector workers through economic response and recovery programs; (4) guiding the necessary surge in fiscal and financial stimulus to make macroeconomic policies work for the most vulnerable and strengthening multilateral and regional responses; and (5) promoting social cohesion and investing in community-led resilience and response systems (Fig. 1).

The socio-economic response is undertaken under the leadership of the UN Resident Coordinator, with UNDP as technical lead, and the UN Country Team working as one across all facets of the response.

Fig. 1. A UN framework for the immediate socio-economic response to COVID-19



Source: UNDG, 2020. A UN framework for the immediate socio-economic response to COVID-19

The number of confirmed cases of coronavirus disease (COVID-19) worldwide has skyrocketed to more than 5.2 million, with total deaths exceeding 330.000 on May 24 (Fig. 2). In Angola, the two first cases of COVID-19 were confirmed on 23 March 2020 by the Ministry of Health. On May 24, the number of confirmed cases was 69, with four deaths.

Fig. 2. Global situation of COVID-19 pandemic



Source: WHO, Coronavirus disease (COVID-19). 24 May 2020

To face the rapid spread of the coronavirus pandemic, Angola declared the state of emergency for COVID-19 on March 27 – which has been extended until May 24 – and approved the National Contingency Plan to Control the Epidemic.<sup>2</sup> The UN system in Angola, led by the UN Resident Coordinator, have reprogrammed US\$12.5 million to support Angola on the response to COVID-19.

Considering the population projections of the National Institute of Statistics (INE), Angola has a total population of about 31 million people. Using this data and the Minimum Initial Service

Package calculator tool, to support the sexual and reproductive health information, about 944,779 women are already pregnant and approximately 315,000 live births will occur in the next three months.

In addition, there are about 600,000 persons with 16 years old (49.2% boys; 50.8% girls) who will start their sex life – since this is the medium age for sexual debut in Angola – according to the Multiple Indicator Cluster and Health Survey (IIMS) 2015-2016.

Despite there is no official information, after the first declaration of the state of emergency, essential lifesaving services apparently have been negatively affected. According to verbal reports from government officials, several primary health units at community level started to function below their capacity delivering essential services partially or even suppressing some of them like immunization, antenatal care, institutional delivery, counseling on family planning and HIV counseling and testing.

As a result of the closure of health units or the reduction in their functioning capacity the essential reproductive health commodities as modern contraceptives methods, including condoms, antiretroviral treatment, and maternal health medicines also suffered disruptions putting at risk the progress made during the previous years to achieve the national priorities and the Sustainable Development Goals (SDGs).

To overcome this situation, targeted actions are needed to allow the maintenance of essential lifesaving and sexual and reproductive health services and support the Ministry of Health to address the health system recovery, preparedness and reinforcement. The health protection of individuals working at the primary health care health units' level also needs to be ensured through the provision of personal protective equipment. The reorganization of the health units' infrastructure, availability of hand sanitizers, water and soap provision are key. Gender-based violence prevention interventions also need to be reinforced to protect women, girls and children during the social isolation period.

The burden of disease in Angola is dominated by infectious diseases. Non-communicable diseases are emerging as a public health concern. Main causes of mortality are traffic accidents, malaria, diarrheas, respiratory infections, tuberculosis, HIV/AIDS and ischemic heart disease. Limited access to

<sup>2</sup> See: Presidential Decrees n. 81/20, 82/20, 97/20, 120/20, and 128/20.

water and sanitation, food security, poverty and lack of access to social protection are major contributors to the burden of disease.

It is noteworthy that the national budget allocation to health sector increased in nominal terms for 2020 but shrank as share of total budget – 5% of total budget compared to 5.7% in the budget for 2019; in 2019, budgeted expenditure on health corresponded to about 1.8% of gross domestic product (GDP).<sup>3</sup> It should be noted that the Abuja Declaration (2001) recommends countries to allocate at least 15% of their annual budgets to health.

Coverage of essential health services is estimated at 39.6%,<sup>4</sup> the number of physicians in the country remains limited to 2.1 per 10,000 people, while nurses account for 16.5 per 10,000 people in 2017.<sup>5</sup> Despite the information is not updated, the majority of the health workforce at frontline services is composed by women. All health workers, including women, responding to COVID-19 must have personal protective equipment. Financial protection in accessing health care is limited with out of pocket payments estimated at 24% of total health expenditure. There is lack of updated information on health household expenditures and its distribution across the different socio-economic groups. The Universal Health Coverage progress report (World Health Organization and World Bank) estimates that in Angola about 25% of population spends more than 4.5% of their income on health.<sup>6</sup>

In Angola 33% of women reported suffer physical violence in any moment of their lives since they are 15 years old. In times of crisis such as the COVID-19 pandemic, as mentioned above, women and girls may be at higher risk of intimate partner violence and other forms of domestic violence due to increased tensions in the household. As systems that protect women and girls, including community structures, may weaken or break down, specific measures should be implemented to protect them from the risk of intimate partner violence with the changing dynamics of risk imposed by COVID-19.

People living with HIV/AIDS and infected with tuberculosis and malaria will be particularly vulnerable to the health emergency. Lesbian, gay, bisexual, transgender and intersex (LGBTI) persons 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.<sup>7</sup>

With an estimated 330,000 people living with HIV in Angola in 2018, the increase of access to antiretroviral treatment was relatively low during the last six years, coverage of antiretroviral therapy was reported at 27%.<sup>8</sup> In 2018, about 47% of new infections among adult females (aged above 15 years) in the country was among young women aged 15-24 years.<sup>9</sup>

Despite the progress made in response, hard-won gains are in danger of being reversed by the COVID-19 pandemic sweeping around the world. In this context, the UN is urging countries to remain steadfast in their response to HIV and ensure that people can continue to access prevention and treatment services they need to stay HIV-free, discrimination-free and violence-free and to be able to enjoy their sexual and reproductive health and rights.

The UN considers that “COVID-19 is impacting almost every country and community, but the global HIV epidemic hasn’t gone away (...). People are still having sex. People are still using drugs. During the COVID-19 pandemic, everyone must be given the tools they need to be safe and to protect

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<sup>3</sup> Budgeted expenditure on health was about AOA595.5 billion. The budget law 2020 indicates that the nominal GDP in 2019 was about AOA32,267.5 billion.

<sup>4</sup> Source: WHO Global Health database.

<sup>5</sup> Source: *ibidem*.

<sup>6</sup> Source: Tracking Universal Health Coverage: 2017 Global Monitoring Report

<sup>7</sup> Source: INE (2018).

<sup>8</sup> Source: UNAIDS 2019, Estimates EPP Spectrum.

<sup>9</sup> Source: *ibidem*.

themselves from HIV. Human rights are a cornerstone of HIV prevention and must be a cornerstone of the COVID-19 response”.<sup>10</sup>

Young people with HIV, who bear a disproportionate burden of the global HIV epidemic, are at greater risk due to weak immune systems and dependency on regular supplies for antiretroviral medication, and other services, which may not be prioritized. Innovative ways to reach them which clear information about COVID-19 as well as sexually transmitted infections and HIV prevention are important to be considered to respond this health emergency.

## 2. Protecting people: social protection and basic services

The World Bank estimates that COVID-19 crisis is pushing about 40-60 million people worldwide into extreme poverty – living on less than US\$1.90 per day – of which 23 million in Sub-Saharan Africa.<sup>11</sup>

The United Nations Economic Commission for Africa (UNECA) in its latest report<sup>12</sup> “Protecting Lives and Economies” for its part estimates that between 5 million and 29 million people will be pushed below the extreme poverty line of \$1.90 per day owing to the impact of COVID-19, compared to its baseline 2020 African growth scenario. According to UNECA, vulnerable households affected by COVID-19 face an increased probability of moving into transient poverty by 17.1%, a 4.2% increased probability of staying in poverty for a decade or longer, and a fall in the probability of moving out of poverty by 5.9%. Increased poverty levels will also exacerbate existing income inequalities.

Global human development – which can be measured as a combination of the world’s education, health and living standards – could decline this year for the first time since the concept was introduced in 1990.<sup>13</sup>

In Angola, the INE’s household income and expenditure survey (Inquérito de Despesas e Receitas, IDR) 2018-2019 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%) – which is higher than the 36.6% poverty rate reported in 2008-2009. The IDR 2018-2019 also revealed that about one in two people (47.6%) in Angola live below the international poverty line of US\$1.90 per day. The World Bank projects that this figure will rise to 50.1% in 2020.<sup>14</sup>

Inequality has also risen significantly in Angola in recent years. The Gini coefficient bounced from 0.43 in 2008 to 0.51 in 2019, which indicates a strong increase of inequality.<sup>15</sup>

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<sup>10</sup> Source: UNAIDS, [www.unaids.org](http://www.unaids.org)

<sup>11</sup> Source: World Bank, The impact of COVID-19 (Coronavirus) on global poverty: Why Sub-Saharan Africa might be the region hardest hit. 20 April 2020.

<sup>12</sup> Source: UNECA. [https://www.uneca.org/sites/default/files/PublicationFiles/eca\\_covid\\_report\\_en\\_24apr\\_web1.pdf](https://www.uneca.org/sites/default/files/PublicationFiles/eca_covid_report_en_24apr_web1.pdf).

<sup>13</sup> Source: UNDP, 2020. COVID-19 and Human Development: Assessing the Crisis, Envisioning the Recovery.

<sup>14</sup> Source: World Bank (2020a).

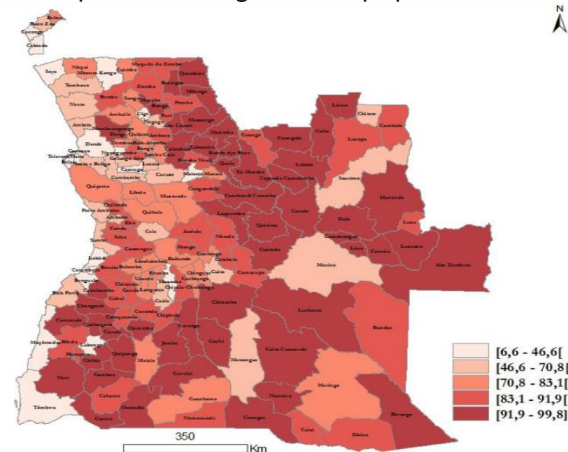
<sup>15</sup> Source: INE (2019b).



The Global Multidimensional Poverty Index (MPI) 2019 revealed that 51% of the population is multidimensionally poor – including the dimensions of health, education and living standards. Also, the report on Municipal MPI shows that 65 out of the 164 municipalities that constitute Angola have a multidimensional poverty rate above 90% (Fig. 3).

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.<sup>16</sup> Children out of schools may now face further risks of abuse and exploitation, especially domestic violence and other forms of gender-based violence. Children in rural areas, but not only, may also become more prone to child labor.

Fig. 3. Multidimensional Poverty Index in the municipalities of Angola (% of population)



Source: INE (2019a)

The direct impact of the COVID-19 on children, women and youth cannot be underestimated as the global and national lockdown measures continue to significantly lower income and assets at the household level. Additionally, the increase in costs of basic goods, including costs for supplies for biosafety such as masks, soap and sanitizer, and the reduction in the access to key social services such as school feeding programs and child protection programs will have a medium to long-term effect on children, adolescent and youth. Women are also more vulnerable to economic fragility during confinement and movement restrictions, for reasons that include their far greater representation in informal sector jobs.

UA major concern of the UN is on the immediate risks to children, and youth in Angola which have been identified as the increase in hunger and malnutrition, sickness (including from coronavirus), poor mental health, physical, sexual and/or psychological violence, lower educational achievement, child labor and abandonment.

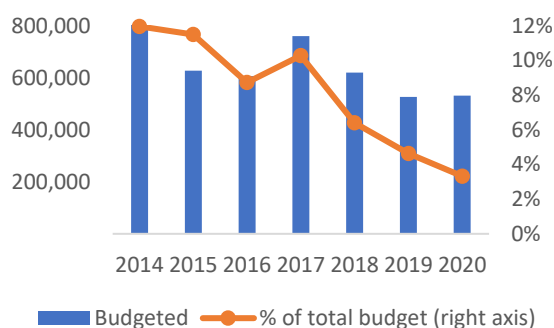
The UN is equally concerned about the adolescent and youth, especially adolescent girls and young women, who already tend to face very high levels of domestic and intimate partner violence and may experience even higher levels of violence driven by quarantine and isolation. Single adolescent parents will have no choice but to continue working and providing for their children. Research demonstrates an estimated increase of 20% of gender-based violence cases globally during 2020 due to COVID-19.

As national containment measures are prolonged, the immediate risks for youth and children also increase and there is need to address the impact on households and ensure coping mechanisms are established and reinforced as part of the emergency measures to COVID-19.<sup>17</sup> Adolescents are impacted by the disruption of schools, routine health services and community-level centers, and are facing a lack of accessible information and support to their sexual and reproductive health and rights. The UN highlights the criticality of addressing the sexual and reproductive health needs of the adolescent population, 66% of the population under age 25, taking into account that Angola's adolescent birth rate is 163 per 1000 for girls aged 15-19 years; with the, already, highest unmet need for contraceptives at 43% at the same age group.

<sup>16</sup> Source: UNICEF and INE (2018).

<sup>17</sup> UNICEF ESARO Social Policy Guidance Note, April 2020.

Fig. 4. Budgeted expenditure on social protection (AOA million and % of total budget)



Source: based on data from the Ministry of Finance

Before the COVID-19 emergency, the national budgeted expenditure for 2020 on social protection has been gradually reduced and reached 3.3% of total budget 2020 (Fig. 4); in 2019, budgeted expenditure on social protection corresponded to about 1.6% of GDP.<sup>18</sup>

Social protection spending is highly concentrated in two ministries: the Ministry of Public Administration, Labor, and Social Security (MAPTSS) and the Ministry of National Defense, mainly for contributory social protection. Moreover, the National Social Security Institute (INSS) covers about 1.7 million workers, out of a total 7.5 million at national level of which 99% of them were dependent employers, including civil

servants.<sup>19</sup> 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.

Beside the limited social protection, food and nutritional insecurity affecting families is also a persistent problem in some areas. It is due not only to the low availability of food, but also to the limited means to access the food available on the market, as well as to limited knowledge about nutrition and adequate diet. Food scarcity and increasing food prices compel poor families to use up all their income for meeting basic food needs leaving little or no possibilities for meeting the basic social services and reproductive health needs of the affected populations. High food prices and food scarcity may lead women and young girls to engage in transactional sexual relationships in exchange for food and other basic household needs. As food resources become scarcer the greater the likelihood for gender discrimination in access to food within households, with women and girl children being most affected. Pregnant and lactating women, young children, and the elderly are particularly vulnerable to malnutrition. Maternal malnutrition increases the risk of obstetric and neonatal complications including poor pregnancy outcomes such as obstructed labor, premature or low-birth weight babies, and postpartum hemorrhage.<sup>20</sup> Severe anemia during pregnancy is linked to increased maternal and perinatal morbidity and mortality; while low-birth weight is a significant contributor to infant mortality.<sup>21</sup>

The latest national nutrition data from the IIMS 2015-2016<sup>22</sup>, show that more than 2.1 million (38%) children under five years of age in Angola have chronic malnutrition (stunting or being too short for their age), and about 271,000 (5%) have acute malnutrition (low weight for height). Based on the same survey, micronutrient deficiencies are also very high in children between 6 and 59 months, the prevalence of anemia reaches 65% – being more pronounced in children aged 6 to 23 months. More than 88% of children aged 6 to 23 months do not have access to adequate and diversified diet, which implies they do not consume the nutrients needed for their healthy and harmonious development.<sup>23</sup>

Undernutrition is likely to exacerbate the impact of COVID-19 as people who are undernourished are more likely to die from infectious diseases, including pneumonia. Poor quality diets

<sup>18</sup> Budgeted expenditure on social protection in 2019 was about AOA516 billion. The budget law 2020 indicates that the nominal GDP in 2019 was about AOA32,267.5 billion.

<sup>19</sup> Source: Novo Jornal, 2018. Segurança Social: apenas 1,7 dos 7,5 milhões de trabalhadores estão inscritos. 26/10/2018.

<sup>20</sup> Rylander, C., Odland, J. Ø., & Sandanger, T. M. (2013). Climate change and the potential effects on maternal and pregnancy outcomes: an assessment of the most vulnerable – the mother, fetus, and newborn child. *Global Health Action*, 6, 10.3402/gha.v6i0.19538. <http://doi.org/10.3402/gha.v6i0.19538>

<sup>21</sup> Source: ibidem.

<sup>22</sup> Source: INE (2016).

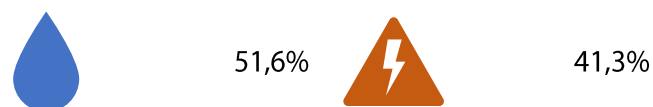
<sup>23</sup> Source: ibidem.

that lack the range of nutrients needed for immune function, brain development and health more broadly leave a permanent legacy.

Within this context, school feeding programs could play a critical role as social safety net for poor and vulnerable households. However, about 370 million children around the world are now missing out on school meals due to school closures because of COVID-19, of which 1.5 million in Angola.<sup>24</sup>

The weak social protection system is also aggravated by the limited access to basic services, which may 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). Moreover, in 2017 only 26.7% of population had access to basic handwashing facilities including soap and water.<sup>25</sup>

Fig. 5. Population with access to safe drinking water and electricity



Source: INE, IDREA 2018-2019

For women and girls, lack of access to clean water can present additional challenges in managing menstrual hygiene. When access to basic materials, sanitary disposal, washing areas and privacy are compromised it can increase girls' and women's vulnerability to embarrassment, ridicule or even violence. Managing menstrual hygiene in times of water scarcity can also inhibit girls' and women's engagement in daily, family and community work and activities. Scarcity of clean water within health facilities may also affect the provision of quality delivery services and emergency obstetric and newborn care and increase the risk of post-partum infection.

In Angola, one in three (32.5%) ever-partnered women and girls aged 15 years and older were subjected to physical violence by their partners.<sup>26</sup> Women and girls remain vulnerable as the COVID-19 pandemics compound existing gender inequalities and vulnerabilities, increasing risks of abuse. In times of crisis such as an outbreak, women and girls may be at higher risk, for example, of intimate partner violence and other forms of domestic violence due to heightened tensions in the household. They also face increased risks of other forms of gender-based violence including sexual exploitation and abuse in these situations.<sup>27</sup>

The movement restriction measures due to the emergency state could make women and girls more vulnerable to gender-based violence, since the close contact with the perpetrators during this period, lack of access to support services, resources, as well as fear of retaliation. However, according to the Ministry of Social Action, Family and Women Empowerment (MASFAMU), the number of domestic violence complaint during the COVID-19 crisis have decreased in Angola, from an average of 15 to 5 per day.<sup>28</sup> Two support hotlines are available for victims/survivors of domestic violence, which are also used to advise and support other vulnerable groups. These numbers can be related with the closure of shelters and counselling centers – a COVID-19 national measure to avoid agglomerates – along with the quarantine and the requested social distancing. There are no specific measures in place to reinforce and/or expand the capacity to address gender-based violence in this context of emergency.

<sup>24</sup> Source: World Food Programme (WFP), forthcoming. State of School Feeding Worldwide 2020. Note: considering that all schools have been closed in Angola.

<sup>25</sup> Source: World Bank, World Development Indicators.

<sup>26</sup> Source: INE (2018).

<sup>27</sup> For example, the economic impacts of the 2013-2016 Ebola outbreak in West Africa, placed women and children at greater risk of exploitation and sexual violence. In addition, life-saving care and support to gender based violence survivors (i.e. clinical management of rape and mental health and psycho-social support) may be cut off in the health care response when health service providers are overburdened and preoccupied with handling COVID-19 cases.

<sup>28</sup> See: O País. Violência doméstica baixa para cinco casos por dia. 6 de Maio de 2020.



The pandemic has the potential to limit access to basic services by vulnerable groups such as people with disabilities, refugees, asylum seekers, stateless persons, internally displaced persons and migrants, or people without documentation. Lack of documentation remains one of the key challenges to access basic services and safety nets, particularly since only 53% of the population has been registered in Angola (Census 2014). Unregistered or undocumented population remains at the margin of many socio-economic programs. Among them, uprooted population such as refugees, asylum-seekers, internally displaced persons, the stateless and migrants face even further obstacles in accessing governmental social protection programs, services as well as information, which increases their vulnerability and subject them to heightened protection risks, such as detentions and deportations.

The closure of borders has also hindered access to territory and therefore, to the right to asylum; preventing those in need of international protection to access relevant protection safeguards; a non-derogatory right even at times of state of emergency.

The COVID-19 can also trigger stigma, discrimination and human rights violations. For example, INE's IIMS 2015-2016 survey revealed that about two in ten men and women aged 15-49 years stated that HIV-infected children should not be attending the same school as uninfected children. Three out of ten men and women (30% and 31%, respectively) aged 15-49 years stated that they would not buy vegetables from a person living with HIV. About one in three men and women have discriminatory attitudes towards people living with HIV.<sup>29</sup>

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. The UNECA, for instance, notes that surveillance, monitoring, containment and mitigation interventions pose acute challenges for the control of infectious disease outbreaks in slums.

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 in slums. This number decreased to 76.2% in 2007, 65.8% in 2009 and 55.5% in 2014, when the country was hit by the oil price crisis and was forced to discontinue the massive housing and urban development program. This new trend is evidence that the prevalence of urban dwellers living in slum conditions may have increased since 2014.

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, based on the presidential decrees in effect. 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".

### 3. Economic recovery: protecting jobs, small and medium-sized enterprises, and the informal sector workers

The COVID-19 will exacerbate the already weak macro-fiscal situation preceding the pandemic, including high poverty rate and unemployment. The economic recovery will be a challenge. The Angolan economy has contracted for four consecutive years (Fig. 6) largely affected by the slowdown in the oil sector, which accounts for about 30% of GDP.<sup>30</sup>

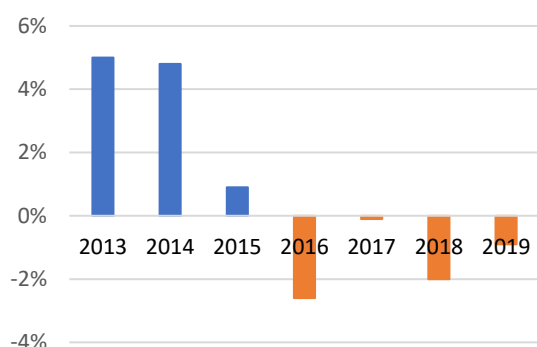
<sup>29</sup> Source: INE. IIMS 2015-2016 survey

<sup>30</sup> Source: INE, National Account.

Due to the COVID-19, economic growth in Sub-Saharan Africa is forecasted to fall sharply from 2.4% in 2019, to -2.1% to -5.1% in 2020, being the first recession over the past 25 years.<sup>31</sup> The International Monetary Fund (IMF, 2020) expects that the regional economy will shrink 1.6% in 2020.

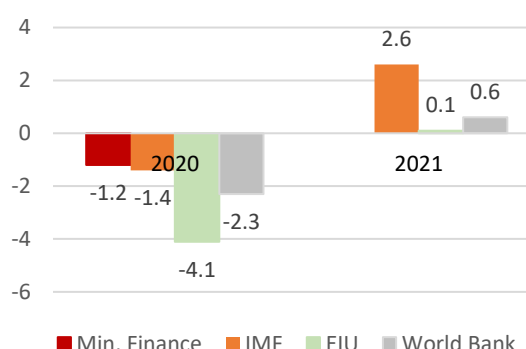
The economic projections of the Ministry of Finance of Angola remain negative at -1.2% in 2020. The IMF and the Economist Intelligence Unit (EIU) expect a strong economic contraction this year, -1.4% and -4.1% respectively (Fig. 7). The Catholic University of Angola (2020) estimates a shrinkage of 6.8% in 2020.<sup>32</sup>

Fig. 6. Economic growth of Angola (GDP, annual per cent change)



Source: INE, National Accounts

Fig. 7. Economic growth projections for Angola (GDP, annual per cent change)



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

It is noteworthy that the depreciation of the kwanza has accelerated, currently trading at about USD1=AOA570, compared to AOA482 on January 1<sup>st</sup>, 2020. Net international reserves have gradually declined since 2013 and stood at US\$10.9 billion in April 2020.<sup>33</sup> A further weakening in the currency may raise the debt service – more than two-thirds of Angola's debt is denominated in foreign currency.<sup>34</sup>

The depreciation has been associated with sustained inflation in recent years. Consumer price inflation (CPI) was 18.6% in 2018 and 16.9% in 2019. Inflation is expected to remain at two-digit this year; indeed, accumulated inflation in January-April 2020 rose to 7.9%, up from 4.4% in the same period in 2019.<sup>35</sup> In March, the category "food and non-alcoholic beverages" had the largest price increase (3.1%), being the largest contributor to the rise in CPI. The food price increase could compromise the access to food, particularly for low-income households, which may reduce the quality of diet and negatively affect nutrition levels.

A depreciated kwanza will not only weigh on private consumption but also on the import bill of Angola, particularly due the notable weight of food and fuel imports. For example, in 2018 food import was about 20% of country's import and amounted to US\$3.2 billion.<sup>36</sup>

The National Bank of Angola (BNA) adopted a base money targeting regime. In the context of COVID-19, the main interest rate (taxa BNA) has been maintained at 15.5%. The required reserve ratio in domestic currency stands at 22%, while the reserve ratio for foreign currency is 15%. The interest rate on the liquidity absorption facility with a maturity of seven days was reduced from 10% to 7%; the interest

<sup>31</sup> Source: World Bank (2020b).

<sup>32</sup> See references. See also: Observatório Político e Social de Angola (OPSA), 2020.

<sup>33</sup> Source: BNA. Committee for Monetary Policy, May 2020.

<sup>34</sup> Source: Banco Mundial (2020).

<sup>35</sup> Source: INE, Folha de Informação Rápida n. 4\_IPC Nacional.

<sup>36</sup> Source: BNA. Statistical Bulletin, December 2019.

rate on overnight maturity continues at 0%. A marginal lending overnight liquidity facility was activated in May, with up to AOA100 billion available for commercial banks.

Within this context, private sector development remains constrained. Angola ranked 177<sup>th</sup> out of 190 economies in the World Bank's 2020 Ease of doing business.<sup>37</sup> In the context of COVID-19, limited access to credit and foreign currency will continue to create serious obstacles to businesses.

In the agri-food systems – the major source of income for rural families – it is thought that social distancing and the cordon sanitaire have not affected national food production, although there have been logistical and transportation constraints of products from the farms to the cities during the first weeks of the cordon sanitaire.

The 2018-2019 agricultural year recorded a production around 22 million tons of food produced, on 1.2 million of hectares (Fig. 8).

According to data from the Agrarian Development Institute (IDA), the country's agricultural market already faces shortages of agricultural inputs and may compromise the sowing of irrigated crops (June to September) and the production of the first dry season (September to January), as well as missing the average production of 2018-2019.

The economic relief measures approved for the productive sector will reach for the first-time family producers organized in the Field Schools (Escolas de Campo) and cooperatives, with opportunities to capitalize on investment plans and to increase production, if bureaucratic and administrative mechanisms do not create obstacle to access to finance.

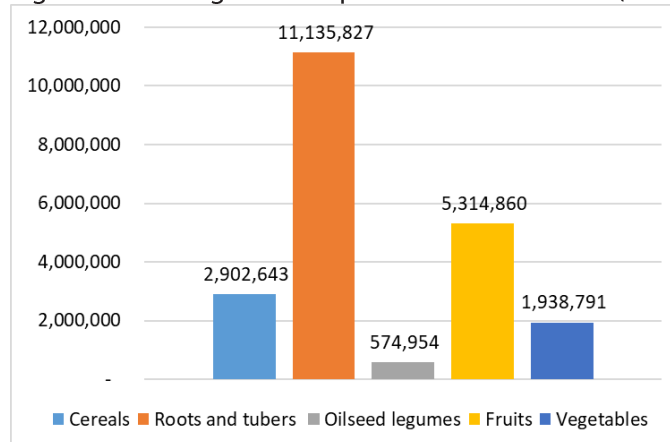
It is important to note that farmers need secure payment systems and financing programs that can improve their productivity. Banks must reduce rates on loans to farmers and extend payment terms. A capital injection in the agricultural sector can help small and medium-sized agricultural companies to continue their operations.

An important aspect to consider is the improvement of storage systems for agricultural products, which can help to reduce post-harvest losses in food chains. Any restrictions on domestic trade, including bureaucratic obstacles, must be removed to link small farmers to markets and allow for the proper structuring and organization of effective value chains, making them functional and with the active participation of the private sector.

The decrease in the pace of agricultural activity can be aggravated by the reduced access to inputs due to border closures. With reduced import capacity, declining productivity of companies can lead them to reduce workloads and labor use, in the absence of a support plan.

Due to the COVID-19 health and economic crisis, the International Labour Organization (ILO) – first quarter 2020 – expects that between 5 million and 25 million jobs may be lost worldwide and labor income may be reduced between US\$860 billion and US\$3.4 trillion. In the second quarter of 2020, total working hours in the world are expected to be 10.5% lower than in the quarter before the crisis. This is

Fig. 8. National agricultural production 2018-2019 (tons)



Source: Ministry of Agriculture and Fisheries

<sup>37</sup> Source: World Bank. Doing Business 2020. Note: the country ranked 185<sup>th</sup> for getting credit and 186<sup>th</sup> for enforcing contracts.

equivalent to 305 million full-time jobs and represents a significant deterioration from the previous ILO estimate.<sup>38</sup> UNECA estimates that in Africa, annual formal job creation (currently 3.7 million) could drop by 1.4 to 5.8%, compared with the baseline 2020 African growth scenario. An increase in informal and vulnerable employment is expected (more than 60% of men, and nearly 75% of women are informally employed in Africa).

Barrier measures relating to border closures and the internal containment measures could cause reductions in working hours in the context of African countries such as Angola, due to the decline in entrepreneurial activities and the informal economy. In this unfavorable scenario, the most affected sectors in terms of labor losses (reduction of working hours) might be agriculture, forestry and fishing; wholesale and retail trade; repair of motor vehicles and motorcycles; construction; transport; storage; hotels and restaurants. Because of their strong contribution to jobs – more than 90% of total jobs<sup>39</sup> in Angola – if physical distancing measures are to be imposed on the agricultural and service sector, they will be more affected by the loss of jobs even in a partial containment scenario of the country.

It should be noted that the unemployment rate<sup>40</sup> in Angola rose to 31.8% in the fourth quarter of 2019, before the COVID-19 crisis – 33.5% for women and 30.0% for men – which corresponds to 4.6 million people unemployed. Urban unemployment (42.6%) is significantly higher than rural unemployment (17.0%). Youth unemployment (15-24 years) stands at 56.5% – 55.4% for young women and 57.5% for young men – which is about 2.7 million young people unemployed.

In the context of the pandemic, due to the likely decline in the employment rate (68.2% at the fourth quarter 2019<sup>41</sup>) as a result of the reduction in working hours, the combined unemployment and underemployment rate<sup>42</sup> is expected to rise for the first part of 2020, which would lead to a decline in projected employment in 2020. Youth unemployment rate is likely to increase as young people are generally more exposed to the dismissal or partial breach of contract, even if containment measures were reduced, it is difficult to say how this pandemic could progress the next weeks or months.

If government authorities implement market-closing measures, informal sector operators will have difficulty carrying out their day-to-day activities. Informal sector operators with fewer means of bargaining may have less access to pandemic mitigation measures. Informal employment remains widespread in Angola: 72.6% of the population aged 15 or above have an informal job (71.4% for men and 73.8% for women). Vulnerable employment includes own-account workers, which account for a remarkable 41.6% of the population employed aged 15 or above, members of cooperatives (about 19.0% of total) and unpaid domestic workers (9.5% of total).<sup>43</sup> In the case of the pandemic, paid domestic workers may be affected if their employers decide to put them on temporary or total work stoppages in order to prevent the contamination inside the family.

Moreover, in most African countries, the sectors that are likely to be most affected by the pandemic in economic terms are agriculture – due to the important contribution of the agriculture to jobs creation and in the pessimistic assumption of a notable propagation of the pandemic the rural areas – transport, catering, hotel-related services, vehicle repair, retail trade, etc. The socio-economic consequences of barrier measures are likely to be more important for those involved in the informal economy in these sectors (ILO Observatory Note, 2020).

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<sup>38</sup> For the second quarter, this development is mainly due to the extension of containment measures.

<sup>39</sup> ILOSTAT 2020, projections.

<sup>40</sup> Population aged 15 years or above.

<sup>41</sup> INE (2019)

<sup>42</sup> This combined rate is a new indicator regarding the labor underutilization in order to provide a better understanding of the status of the labor market, in terms of the quantity and the quality of jobs.

<sup>43</sup> Source: INE (2019b). Note: the 19.0% also includes the workers of churches, NGOs and embassies.

#### 4. Macroeconomic response and multilateral collaboration

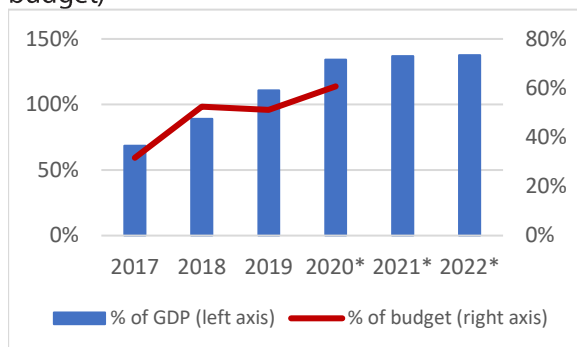
Government authorities have adopted several measures to respond to the potential macroeconomic impacts of COVID-19 (see annex), among which:

- Transitional measures on the state budget 2020 to respond to the impact of COVID-19.<sup>44</sup>
- Immediate Measures to Alleviate the Negative Economic and Financial Effects provoked by the Pandemic of COVID-19.<sup>45</sup>
- Initiatives to foster economic diversification.<sup>46</sup>

Authorities are also reviewing the state budget 2020. The Minister of Finance declared that expenditure on goods and services is to be slashed by 30% and public investment projects that do not already have guaranteed financing will be halted – excluding health, education and social action. Moreover, the Privatization Program is being accelerated; the national oil company Sonangol launched a public tender for several of its holdings. The privatization of the Banco de Comercio e Industria (BCI) was also approved.<sup>47</sup>

Since April 26, public services and commercial activities have been reopened but they can function with only 50% of the staff and observing a limited working hour. Industrial production, agriculture, domestic servants and public works are permitted. Formal and informal public markets and individual itinerant sale are allowed five days per week only until 1pm. Schools and vocational training centers remain closed. Public transport is allowed but only with half capacity.<sup>48</sup> Restrictions on travel have been established between Luanda and the rest of the country, which on one side will have economic impacts owing to the economic importance of Luanda, but on the other hand are key for keeping the virus contained within the capital.

Fig. 9. Public debt (% of GDP and % of national budget)



Source: i) World Bank (2020a) for the share of GDP. Data for 2020-2022 are projections; ii) approved budget laws for the share of state budget

It is noteworthy that these measures are taken in a very tight fiscal space. Angola's public debt is projected to soar from 89% of GDP in 2018 to 134% of GDP in 2020.<sup>49</sup> A rising share of national budgeted expenditure has been allocated to debt service in recent years, hitting 61% of total budget for 2020 (Fig. 9). Indeed, debt service was about 85% of total fiscal revenues and in 2019.<sup>50</sup> Debt service rose to 27.6% of total export goods and services in 2019, from 22.9% in 2018 – among the highest indicators in Sub-Saharan Africa.<sup>51</sup>

Public finances heavily depend on oil revenues, which were estimated to account for 62.2% of total fiscal revenues and 12.1% of GDP in

2019.<sup>52</sup> Due to the pandemic, Government projects a lower reference for oil price, due to the reduced global oil demand, at US\$35 per barrel, on average this year. Moreover, authorities expect a sluggish oil

<sup>44</sup> See: Presidential Decree n. 96/20.

<sup>45</sup> See: Presidential Decree n. 98/20.

<sup>46</sup> See: BNA, Aviso 10/2020 and BNA's Instrutivo 06/2020. See also BNA's Aviso 4/2019 and Aviso 7/2019, as well as Presidential Decree n. 23/19.

<sup>47</sup> See: Despacho Presidencial n.66/20.

<sup>48</sup> See: Presidential Decree n. 128/20.

<sup>49</sup> Source: World Bank (2020a).

<sup>50</sup> See: Ministry of Finance. Report of the state budget 2020.

<sup>51</sup> Source: BNA, Statistical Bulletin, December 2019.

<sup>52</sup> See: Ministry of Finance. Report of the state budget 2020.



production at 1.36 million barrels per day, on average this year – owing to maturing fields and a lack of investment in recent years.<sup>53</sup> Lower oil revenues and non-oil revenues – associated with the economic contraction – will together result in a deterioration of the fiscal balance. IMF (2020) expects a fiscal deficit of 6.0% of GDP in 2020.

Within this context, concessional financing from donors and international financial institutions (IFIs) 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.

The G20 nations announced their decision to support a time-bound suspension of debt service payments for the poorest countries that request forbearance, starting on May 2020 and running until the end of the year. This plan is a temporary suspension of debt-service obligations rather than debt relief and is applicable to 77 of the world's poorest countries, which will imply the postponement of up to US\$12 billion in payments. A debt moratorium granted by official creditors to Angola represents US\$4.1 billion, and that amount would increase to US\$7.4 billion if all creditors are included.<sup>54</sup>

On the other hand, remittances and Official Development Assistance (ODA) play a minor role in Angola. Remittances accounted for less than 0.1% of GDP in 2018 and will likely remain limited as the economic contraction will hit the income of the Angolan residents abroad.<sup>55</sup> Net ODA was only 0.2% of the gross national income (GNI) in 2018.<sup>56</sup> ODA will likely remain limited in the context of Angola's graduation from Least Developed Country (LDC) category in February 2021.<sup>57</sup>

The UN Committee for Development Policy reviewed the LDC graduation of Angola in March this year and found that the country continues to qualify for graduation. However, the Committee expressed serious concern regarding the declining income, persistent inequality and export concentration in Angola. Human assets and economic vulnerability continue to miss the recommended thresholds. As such, the country's graduation in 2021 may happen in rather unfavorable conditions for the country, requiring policy responses as soon as possible. In these responses, intensified efforts towards economic diversification to reduce vulnerability to external shocks are necessary.

The external sector will be a major source of economic shock for Angola mainly due to the expected lower value of oil exports. The World Trade Organization (WTO) projects that world merchandise trade will shrink between 13 and 32% in 2020 due to the COVID-19 pandemic.<sup>58</sup> For Angola, the ratio between export and import of goods and services was about 152% in 2019.<sup>59</sup> Export of goods represented about 40% of GDP in the same year.<sup>60</sup> In 2018, the country exported US\$40.7 billion in 2018, of which US\$39.4 billion from oil and gas, 97% of total export.<sup>61</sup>

Angola maintained a positive current account balance in 2019 (4.8% of GDP).<sup>62</sup> However, oil prices tumbled amid a deteriorating global economic and oil demand outlook due to COVID-19. Angola's oil revenues decreased to about AOA393 billion in March (about US\$715 million), from AOA405 billion in the previous month<sup>63</sup>, due to the progressive decline in oil production, from an average of 1.5 million

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<sup>53</sup> Source: Ministry of Finance. Angola's Response to the Deterioration in Global Economic Outlook. 6 April 2020

<sup>54</sup> World Bank (2020b).

<sup>55</sup> Source: World Bank, World Development Indicators.

<sup>56</sup> Source: OECD.

<sup>57</sup> In March 2020, the UN Committee for Development Policy confirmed that Angola meets the income-only criterion for LDC graduation.

<sup>58</sup> Source: WTO, Trade set to plunge as COVID-19 pandemic upends global economy. 8 April 2020.

<sup>59</sup> Source: Source: BNA, Statistical Bulletin, December 2019.

<sup>60</sup> Source: IMF Country Report n. 19/371, Dec. 2019.

<sup>61</sup> Source: BNA, Statistical Bulletin, December 2019.

<sup>62</sup> Source: *ibidem*.

<sup>63</sup> Source: AGT. Fiscal declarations from oil companies.

barrels per day in 2018, to 1.4 million barrels per day in 2019<sup>64</sup>. Therefore, the oil slowdown will negatively affect the country's external position, raising pressure on the exchange rate and turning current account into a deficit; IMF projects a current account deficit of 6.7% of GDP in 2020.<sup>65</sup>

Moreover, COVID-19 is impacting air transport and tourism industry across the world. According to estimates from the UN World Tourism Organization (UNWTO), global international tourist arrivals in 2020 could fall by 58% to 78% compared to last year.<sup>66</sup> This will hit the infant tourism sector in Angola – only 218,000 tourist arrivals in 2018<sup>67</sup> – and the national airline company TAAG. The pressure caused by the pandemic may push Government to increase TAAG's borrowing on commercial terms and accelerate its privatization. Public external debt accumulated through TAAG is US\$192 million.<sup>68</sup>

The UN expects that COVID-19 could cause global foreign direct investment (FDI) to shrink by 30%-40% during 2020-2021.<sup>69</sup> 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. 10).

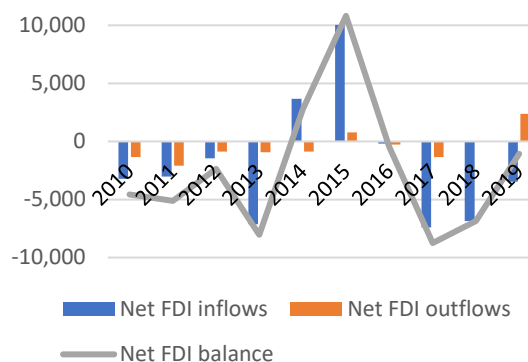
It is noteworthy that FDI inflow in the non-oil sector rose from US\$185 million in 2018 to US\$461 million in 2019 but remains limited compared to the oil sector.

On the UNCTAD Productive Capacities Index (PCI),<sup>70</sup> Angola ranked 177<sup>th</sup> out of 193 countries. In 2018, the country's overall PCI was 22.16 which is far lower than the average for other developing countries (32.45) and slightly lower than the average for the group of least developed countries (24.04). The performance of Angola on the PCI does not reflect the country's income level and wealth.

The low PCI for Angola means that the socioeconomic performance of the country remains sluggish and vulnerable to negative external shocks such as COVID-19. When compared to LDCs and other developing countries, Angola's performance on PCI is weaker on all the seven categories used, except on natural capital component, which is relatively higher than that of LDCs' average thanks to its dominant extractive sectors.

In fact, Angola's performance on structural change, ICTs, institutions and the private sector is the weakest when compared to other developing countries, and it signals not only the high export concentration, but also alarmingly the wide gap between GNI per capita of the country on the one hand, and key economic and social indicators on the other hand. COVID-19 is expected to further weaken the country's low level of productive capacities exacerbating its socioeconomic vulnerabilities. Therefore, Angola should put in place sound policies and strategies aimed at fostering productive capacities and

Fig. 10. Net Foreign Direct Investment (FDI) to Angola, inward and outward (US\$ million)



Source: National Bank of Angola

<sup>64</sup> Source: OPEC Monthly Oil Market Report, April 2020. Based on secondary sources.

<sup>65</sup> Source: IMF (2020).

<sup>66</sup> See: UNWTO, <https://www.unwto.org/news/COVID-19-international-tourist-numbers-could-fall-60-80-in-2020>

<sup>67</sup> Source: UNWTO.

<sup>68</sup> Source: Ministry of Finance. Report on the execution of national budget 2019. Fourth quarter 2019. Preliminary data.

<sup>69</sup> Source: UNCTAD, Investment Trends Monitor. Special issue. 27 March 2020.

<sup>70</sup> Forthcoming UNCTAD publication. Note: UNCTAD defines productive capacities as "the productive resources, entrepreneurial capabilities and production linkages which together determine the capacity of a country to produce goods and services and enable it to grow and develop" (UNCTAD, 2006). It developed Productive capacities Index (PCI) across eight categories which are decomposed from the conceptual definition. These are: transport, energy, information and communications technologies (ICTs), human capital, natural capital, institutions, private sector and structural change.

structural economic transformation to mitigate the impact of external shocks and avoid possible relapse in its graduation or socioeconomic stagnation in post-graduation environment.

## 5. Social cohesion and community resilience

COVID-19 may have a disproportionate impact on certain groups and individuals, including migrants, displaced persons and refugees, people living in poverty, those without access to water and sanitation or adequate housing, persons with disabilities, women, older persons, LGBTI persons, children, adolescent, young people and people in detention.

Significant increase in gender-based violence 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.

As a result of the economic impact of COVID-19, the UN estimates that the number of people facing acute food insecurity in low and middle-income countries stands to rise to 265 million in 2020, up by 130 million from the 135 million in 2019.<sup>71</sup> This affects especially the informal settlements in urban areas where overcrowding and lack of water is a reality. Policy design to COVID-19 emergency response to these areas should also be linked to sustainable long-term solutions which contribute to community resilience building.

Moreover, Angola faces significant humanitarian challenges. A severe drought hit the provinces of Huila, Bie, Cunene and Namibe last year. It is estimated that in these provinces over 2.3 million people are facing food insecurity, nearly half a million of whom are children under 5 years old.<sup>72</sup> According to the Integrated Food Security Phase Classification (IPC) – conducted in July 2019 in the provinces of Cuando Cubango, Cunene and Huila – it was estimated that about 422,000 people were facing acute food insecurity, IPC phase 3 (crisis) and phase 4 (emergency).<sup>73</sup>

The persistent drought, limited access to safe drinking water and food insecurity have a significant negative impact on the population's health and nutrition status. Last year, across the country there were reports of loss of livestock and family assets, increasing water scarcity, sharp rises in food prices in local markets, drops in school attendance and health emergencies, such as measles, polio and scabies outbreaks. The COVID-19 outbreak in a moment where these persons are trying to recover from the effects of a prolonged drought, put them in a situation of greater vulnerability in relation to nutrition and food security.

Considering the severe impact that this drought has had on cattle, which is one of the main assets of those populations in southern Angola, the introduction of improved pasture cultivation adapted to water scarcity conditions, may be one of the mitigation solutions for the impact.

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<sup>71</sup> Source: WFP (2020a).

<sup>72</sup> Source: Seca no sul de Angola afeta 2,3 milhões de pessoas e tira crianças da escola. Available on: <https://news.un.org/pt/story/2019/10/1689312>

<sup>73</sup> Acute Food Insecurity Situation July-September 2019 and Projection for October 2019 - February 2020. Available on: <https://www.ipcinfo.org/ipc-country-analysis/>

## 6. Policy recommendations

Angola faces a prolonged economic recession that started before the COVID-19 pandemic, volatility of oil prices, high fiscal and external vulnerability, high poverty and inequality, rising unemployment, as well as a limited access of the population to basic social services. Response and recovery to the pandemic of COVID-19 require immediate action. Based on this analysis, some relevant policy recommendations can be drawn.

As reaffirmed by the UN Secretary-General<sup>74</sup>, countries need to adopt a human rights-based approach to ensure that the measures to respond to the pandemic are people-centered, gender-sensitive and adequately support vulnerable groups such as persons with disabilities, adolescent and young people, migrants (including undocumented), refugees, internally displaced persons, stateless persons, homeless, travelers, population in slums or other informal settlements, people in detention or institutionalized settings (e.g. prisoners, asylum seekers, etc.), indigenous peoples, minorities and LGBTI persons.

To face the health emergency, it is key to continue to support the Ministry of Health in its leadership role on public health functions and strengthening health systems for continuity of essential services – including HIV, sexual and reproductive health rights and gender-based violence integrated services – particularly for mothers, children, adolescent and young people, old people and persons with prior diseases. The supply chain for health commodities and distributions channels also need to be reinforced. Support quick deployment and capacity building of health professionals along with observance of safety measures for their protection along with their families. Technical support to national, provincial and municipal governments is essential to strategize on how to maintain the essential lifesaving health services available.

Micro, small and medium-sized enterprises (MSMEs) and their workers need immediate support. Angola needs to speed-up the implementation of the reforms agenda to facilitate a more private sector led growth model and a more favorable business environment. The government should provide support for enterprises and jobs by focusing on the most vulnerable (young people, women, etc.) to mitigate the economic and social consequences of the measures to combat the spread of the COVID-19. Given the vulnerability of the MSMEs and workers in the informal economy, the government must consider all options to fund support measures (tax reduction, subvention, etc.) for enterprises and their employees, and to promote adequate social protection and sustainable investments. Authorities need to continue to promote the registration/formalization of informal economic activities and consequently facilitate their access to COVID-19 mitigation measures, access to credit and/or tax incentive schemes, as well as access to training and certification programs

Moreover, authorities need to assess all job opportunities in the context of COVID-19 and build a national employment program post-COVID-19 that includes a crucial role of Technical and Vocational Education and Training. Strengthening the awareness for the establishment of committees on health, hygiene and sanitation in the workplace and in health institutions needs to be considered.

It is advisable to keep measures compatible with health safety to ensure the continuity of economic activity, including MSMEs, 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 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 improve the sanitary conditions of these markets. Other key measures include: i) dissemination of appropriate instructions to sew fabric masks; ii) provision of guides with health procedures for the different work environments need to be organized to

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<sup>74</sup> See: UN, COVID-19 and Human Rights. We are all in this together. April 2020



reinforce the protection of the most vulnerable workers; and iii) engagement of communities to become more involved in the management of health procedures at community level.

While fighting the coronavirus pandemic, the country must also make every effort to keep the gears of its food supply chains moving. Agriculture is key for COVID-19 response and recovery. Some policy recommendations include: i) improve operational mechanisms that facilitate food imports to ensure balance in food availability; ii) reinforce health control measures at food entry points to prevent the spread of the virus along supply chains; iii) accelerate the implementation of the Government's Rural Trade Programme to facilitate the purchase and transport of products from the countryside and improve the cash availability of producers; iv) ensure availability and access to agricultural inputs to ensure continued household agricultural production for the period May to September, especially to take advantage of the supply of inputs from African regional markets; v) approve and implement a plan for the rehabilitation, reconstruction and maintenance of silos and collection centers throughout the country and strengthen the methodologies of community seed banks; vi) organize and enhance the groups of producers (associations and/or cooperatives) allowing access to knowledge, the acquisition of inputs and equipment and improving their capacity to access formal markets, with the help of a price information system; vii) develop sustainable financing services for rural areas; and viii) increasing and spreading the use of animal traction in family farming for the following reasons: family farmers already know how to use animal traction; the big problem with the use of tractors by family farmers is that they need maintenance, spare parts and workshops, something that can only be possible when farmers have some financial stability; animals produce organic matter which is very important for agriculture; about a third of small agricultural producers already have draft animals; another 2/3 of highlands farmers will be able to capitalize an additional income in pastoral areas in the south. Much of this income can be used locally with great multiplier effect.

Policies to respond and recover from COVID-19 need to fulfil the pledge to “leave no one behind” of the 2030 Agenda. It is urgent to tackle poverty from a multidimensional perspective and to redress the inequalities that have been rising in the last decade, including not only income inequalities but also inequalities in human development and gender inequalities.

Fiscal policy needs to avoid procyclical cuts to public expenditure, especially on health services, social protection and agriculture. However, Angola's capacity to smoothen negative impact on economic growth will remain constrained by a tight fiscal space, high public debt and deteriorating terms-of-trade. Considering the growing public debt and its significant burden on the national budget, the country needs to seek debt relief to meet short-term financing needs. Angola will need to count more on concessional financing, reprofile the debt – the G-20 debt relief initiative presents a good opportunity – and secure debt relief, especially from bilateral partners, including banks. Moreover, the country needs to reduce non-essential public expenditures and give priority of budget allocation for essential health expenditure related to fighting the virus. Improvement in public expenditure efficiency is also a priority. On the other hand, a review of the tax policy may be needed to ensure a strong progressivity in the tax policy – with large exemptions for the poor – and an adequate corporate tax.

It is key to mitigate the impact of the crisis on women and girls, including on their access to sexual and reproductive health/rights, and the protection from domestic and other forms of gender-based violence. Therefore, any initiative and measure need to ensure a gender responsive approach, including the prevention of gender-based violence. Government response to COVID-19 will have socio-economic impact in people's lives. It is possible to use this opportunity to strengthen the resilience of institutions and families. It is key to ensure the effective participation and representation of women in the political sphere and in the private sector, mainly in the preparation and implementation of the response to boost recovery from COVID-19.

All children, adolescents and youth, and their families directly impacted by COVID-19 should have financial access to goods and services essential for meeting their basic needs. National ministries and IFIs should prioritize the needs of the poorest children, adolescent, youth and women who are hardest hit by the COVID-19 pandemic in funding allocations and prioritization; and national and local



governments should maintain timely, efficient, effective and transparent systems to deliver essential goods, services and transfers where needed.

While schools remain closed, the Ministry of Education needs to provide distance learning support to students through a variety of platforms. Since the beginning of April, daily classes from beginning (year 0) to grade 9 have been offered on TV and the national radio. Data from the IIMS 2015-2016 suggests that these services provide educational and learning opportunities to approximately 51% of Angolan households. In addition, the Ministry of Education should work with the provinces to distribute additional learning materials/take home exercise books to students to support learning at home for all subjects. School functionality models need to be evaluated so that students do not run the risk of losing the school year if the COVID-19 situation lasts longer.

As the COVID-19 pandemic reaches many countries with fragile health systems and/or already affected by a humanitarian crisis, it is critical to include malnourished children in the list of vulnerable groups to COVID-19 complications. Therefore, it is critical to ensure continuity of the provision of malnutrition prevention and treatment services for the early detection and treatment of child malnutrition while reducing the risk of infection among service providers and between service providers and children.

Education, social support mechanisms and access to health services need to be maintained with parents and/or guardians playing a key role. Prioritization of child and adolescent protection services, including mental health and psychosocial support, case management, alternative care services and monitoring, child helplines, and other essential services, among critical services so these highly critical services remain operable. The need for mental health services and counselling is paramount, as many people, particularly young people, are facing high levels of anxiety and stress related to COVID19. Support child protection case workers to maintain and adapt support for children and families at high risk of violence, abuse and exploitation and cooperate with civil society organizations to strengthen social service workforce. Promote consistent, accurate messaging about COVID-19 and ways to mitigate risks to children by coordinating messages between child protection, gender-based violence, mental health, and health actors.

Water, sanitation and hygiene (WASH) is a key preventative measure in reducing the spread of COVID-19 in Angola and is one of the principal public health recommendations. The severity of the current response to COVID19 poses grave detrimental impacts on WASH service provision and sustainability if not adequately mitigated. Equitable access to WASH commodities and services must be protected for all, without any form of discrimination by nationality, income or ethnicity. Nevertheless, the most vulnerable populations with no access to adequate WASH or without safety nets will be hit hardest. This impacts marginalized people already affected by poverty, disability, social exclusion, and those living in urban slums with weak or no health systems.

It is important to continue addressing the urgent needs of those who are hungry, while at the same time going beyond hunger and ensuring access not only to enough food, but also to nutritious foods that constitute a healthy diet. Integrating nutrition sensitive programming in all food security interventions is key. Government may need to identify evidence-based, cost-effective priority nutrition interventions and a country-specific plan for scaling up nutrition. Improve performance and coverage of nutrition services in the health care system and in public schools is also needed. To support in the definition of priorities in terms of geographical region and type of interventions it is necessary to strengthen and/or set up a monitoring system of the main indicators of nutrition and food security, such as, for instance: prices of essential food, food consumption, prevalence of acute malnutrition in children under 5 years of age, prevalence of illness, among others, to provide updated information and the trend of the situation of nutrition and food insecurity. Authorities need also to consider subsidization of basic food items (cesta basica).

Universal access to basic needs and safety-nets is key. To achieve that it is important to ensure that all the population in Angola, regardless of origin, nationality, status of civil registration or

documentation, benefit from universal access to basic services and social programs (including cash-based), without discrimination of any nature. Special attention to be provided for cultural minorities and uprooted populations, such as refugees, asylum-seekers, migrants, stateless persons and the internally displaced, given their pre-existing vulnerabilities. Authorities need to strengthen campaigns to improve the registration of persons (issuing of ID) and businesses, which seems to be crucial for the measures developed to reach those persons who are in greatest need.

There is a need for Inclusion of migrants in all development programming related to COVID-19 to ensure that migration is well managed and to be a tool to accelerate the response and the recovery of the economy in the country, taking advantage of its potential to ensure and guarantee jobs for nationals at all levels. Response needs to preserve rights and guarantee equal treatment with respect to COVID-19 for migrants in accessing all economic rights, such as exemption from taxes and fees and access to foreign currencies for the continuity of their commercial activities.

Ensure unhindered access to the territory and asylum for those in need of international protection; by means of establishing protection-sensitive reception mechanisms which include health screening and the relevant sanitary preventive and response measures to COVID-19 as part of the referral pathway within the asylum system.

It is key to update in place strategies to ensure effective prevention of HIV and sexual and gender-based violence as a double epidemic. Avail necessary services to prevent new HIV infections. Human rights are a cornerstone of HIV prevention and must be a cornerstone of the COVID-19 response. There is a need to strengthen mechanisms for provision of medicines and supplies for the ongoing management of chronic conditions, including essential sexual and reproductive health commodities – e.g. people living with HIV, including young people living with HIV, people with diabetes, cancer, cardiovascular diseases, mental health disorders, pulmonary diseases, tuberculosis by ensuring refills for longer periods based on country context. Moreover, it is advisable to mitigate and overcome interruptions in health services for people living with HIV and supplies during COVID-19 pandemic to prevent an increase in AIDS and tuberculosis-related deaths.

As the Government is receiving donor attention and funding for its COVID-19 response, domestic funding for these health conditions is rapidly diminishing as a result of a significant drop in oil revenues and therefore domestic funding for social and health sectors. This leads to an increasing need for external financial support, either through loans or grants, to fill in the widening gaps and ensure a continued supply of essential medicines at least to the most vulnerable i.e. children, pregnant women, Tuberculosis patients, people living with HIV. The response to COVID-19 is also starting to drive limited health system resources away from ongoing pandemics. This is best illustrated by the need to use resource-constrained HIV and tuberculosis laboratory platforms for COVID-19 testing. Finally, disruptions in air and sea transport have delayed the delivery of life saving drugs as it is the case for antiretroviral medicines for adults and children living with HIV.

In view of preparing for the graduation from LDC category in February 2021, likely in weaker conditions in terms of human assets and economic vulnerability as a result of the COVID-19 crisis, the country is invited to move towards developing an evidence-based smooth transition strategy, with the support of the UN system.<sup>75</sup> In line with prior work done on graduation-related analysis, the strategy development could be preceded by focused sectoral action-research proposing key steps to enable a smooth transition and – beyond that – a sustainable development of a more diversified economy.

Socioeconomic vulnerabilities to external shocks (such as COVID-19) inherent in Angola's economy and the persistent development challenges facing it call for new generation policies that place the fostering of productive capacities and structural economic transformation at the center of the country's development policies and plans.

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<sup>75</sup> UNGA Resolution A/RES/70/253 of 12 Feb. 2016.

To attract more sustainable FDIs to the country's key sectors with potential for improved diversification, the Government of Angola is invited to work on the gradual implementation of the recommendations arising from the recent UNCTAD's Angola Investment Policy Review (2019),<sup>76</sup> with the support of the UN system. In a targeted manner, specific steps can be taken in this context to improve the responsiveness of relevant institutions to international shocks, such as the COVID-19 crisis.

Angola can also aim at harnessing the benefits of the African Continental Free Trade Area (AfCFTA) to leverage regional integration as an economic driver supporting its economic and export diversification. The UNECA is currently supporting African countries to become "AfCFTA" ready. The promotion of intra-regional trade and investment on the continent can serve to reduce African countries' dependence on Northern markets and their dependence on commodity exports and start to build local manufacturing capabilities including in agri-business. Angolan firms could be encouraged to tap into the potential of proximate regional markets and integrate in regional value-chains in order to explore new avenues of market growth. Angola recently ratified the AfCFTA.

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.
- Creation of mobile market schemes (use of trucks and megaphones) to deliver basic products to informal settlements in sanitary lockdown in accordance to social distancing measures and considering the 1.5-meter new economy principles. These mobile markets can also supply informal settlements with subsidized products during the duration of the pandemic and avoid crowding areas close to informal markets, with a special consideration for including local production and informal workers without income during the crisis.
- Working with civil society organizations, youth-led 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. Government should create mobile payment systems (multicaixa express, e-transfers, M-Pesa, etc.), which are ideal to ensure a quick delivery and minimize human contact through cash.
- 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

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<sup>76</sup> The Investment Policy Review was carried out under the comprehensive EU-UNCTAD Joint Programme for Angola: Train for Trade II.

accommodations that ensure safety and provide access to water/sanitation, food, social supports, health services and testing for COVID-19.

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-19 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 on-site support or "home" delivery need to be considered.

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Government authorities have adopted several measures to respond to the macroeconomic impacts of COVID-19, among which:

1. Transitional measures on the state budget 2020 to respond to the impact of COVID-19<sup>77</sup>, among which:

- Mobilize US\$1.5 billion from the Sovereign Fund of Angola (FSDEA), with commitment to future recapitalization.
- Accelerate the privatizations program (ProPriv) that includes 195 public companies across several sectors.<sup>78</sup>
- 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 withheld (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:<sup>79</sup>

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 Program (PAC) to provide more credit access to private sector.<sup>80</sup>

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.

<sup>77</sup> See: Decreto Presidencial n. 96/20.

<sup>78</sup> See: Decreto Presidencial n. 250/19.

<sup>79</sup> See: Decreto Presidencial n. 98/20.

<sup>80</sup> 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.

- About 1.6 million households will benefit from the “kwenda” cash transfer program, of which 300,000 households in 2020. Each household will receive AOA8,500 (about 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 program “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 AOA5,000 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 (PRODESI).<sup>81</sup> The total credit granted to support PRODESI 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.<sup>82</sup>
- BNA opened a credit line of AOA100 billion to buy treasury bond (Obrigações do Tesouro) owned by SMEs.<sup>83</sup>
- BNA approved of a two-month relief period for credit repayments for borrowers.
- BNA introduced a simplified bank account targeted at informal workers, with a limited amount of transactions and deposit amount.<sup>84</sup>
- Ministry of Finance approved the recapitalization of the Fundo de Garantia de Crédito (FGC) with the issue of AOA40 billion in treasury bonds.

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<sup>81</sup> BNA, Aviso 10/2020. See also: i) BNA’s Aviso 4/2019 and Aviso 7/2019; ii) Presidential Decree n. 23/19.

<sup>82</sup> BNA, Instrutivo 06/2020. The total cost of the credit cannot exceed 7.5% per year

<sup>83</sup> BNA, Instrutivo 06/2020.

<sup>84</sup> See: Aviso 12/2020, 27 April.