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Economic and social impact of COVID-19 in Angola 2021

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CONTENTS

INTRODUCTION

The emergence of the COVID-19 pandemic in the first months of 2020 amplified the symptoms of the economic crisis that the oil-dependent Angolan economy was already undergoing since 2014. Short term prospects for the recovery of the domestic economy are strongly correlated with the global evolution of the pandemic and trends in international oil markets. International oil market volatility is further compounded by global uncertainties surrounding the availability of vaccines to developing countries in the face of the appearance of new and more contagious strains of the COVID-19 virus.

This report presents the main economic impacts of the pandemic on macroeconomic and sectoral performance, as well as on the business base. The study also seeks to examine the effects of the pandemic on employment, consumption behaviour, institutional capacity, poverty and informal activities. It also describes the Angolan government's response to the COVID-19 crisis, covering health emergency responses, as well as macroeconomic support measures aimed at mitigating socio-economic impacts. The report mainly traces the evolution of COVID-19 impacts and responses in Angola during 2020.

METHODOLOGY

The report is based mainly on the bibliographical survey and analysis of a variety of reports produced by national authorities and international organizations on the impact of COVID-19 on the Angolan economy. In addition, the report draws insights from an exploratory survey of COVID-19 impacts carried out during the second half of November to the first week of December 2020. Forty-eight[1] merchants active across eight business segments operating in two informal sector public markets in the city of Luanda (Golf and Kifica markets) were surveyed.

1-COVID-19-related restrictions prevented wider coverage of informal operators.

CONTEXT

Angola spans a vast territory, encompassing a long coastline and central plateau, which crosses the interior of southern Africa bordering the Democratic Republic of Congo, Botswana, Namibia, and Zambia. The country has the third highest population growth rate in Africa. The national statistics authority (Instituto Nacional de Estatística - INE) estimates the population to number a little over 32 million inhabitants (of which 51 percent women) in 2021[2].

The country is embarked on the shift from a centralized economy to a market-led economy since 1992, but the consequences of Angola's devastating 27-year civil war, which only ended recently in 2002, are still evident.

In 2018, the Angolan economy was ranked the third largest economy in Sub-Saharan Africa, behind Nigeria and South Africa (AfDB, 2020a). This performance is mainly driven by oil production, which represents a third of the country's gross domestic product (GDP) and 95 percent of its exports. Gross national income per capita stood at $2,230 in 2020, on a continuous downward trend from a high of $5,010 in 2014[3].

Economic growth accelerated from 2002 but this positive trend was interrupted by the prolonged fall in world oil prices in 2014, generating high budget deficits and a shortage of foreign currency following the sharp depreciation of the domestic currency, and upward pressure on the cost of living. Consequently, the economy recorded sustained negative real GDP growth from 4.8 percent in 2014 to -1.5 percent in 2019. In 2016, 2017, 2018 and 2019 GDP growth fell -2.6 percent, -0.2 percent, -1.2 percent and -1.5 percent, respectively. Inflation increased from 7.3 percent in 2014 to a peak of 30.7 percent in 2016 before dipping to 17.1 percent in 2019 (AfDB, 2020a). According to INE estimates, inflation in December 2020 was 25.1 percent, a 8.2 percentage point increase from December 2019 (INE, 2020d).

October 2017 marked the start of a new cycle of political and institutional reforms (economic governance, poverty and inclusion) when, after 38 years, there was a change in the presidency. Notably, the new Law on Preventing and Combating Money Laundering, the privatization law, the creation of a one-stop shop for investors to improve the business climate and the establishment of social protection mechanisms to protect the most vulnerable (UNDP and UNHabitat, 2020). It is too early for the reforms to have generated significant effects, however, major challenges, including widespread corruption, hamper progress. Transparency International's Corruption Perception Index 2020 ranks Angola 142nd out of 180 countries[4].

Among the critical challenges facing the domestic economy, which are now compounded by the pandemic crisis, are the need to reduce dependence on oil and diversify the economy; rebuild productive infrastructure; enhance institutional capacity, including the quality of governance and public finance management systems; and register sustainable progress on human development indicators and the living conditions of the population (AfDB, 2020b). .

Evolution of COVID-19 crisis in Angola

The first domestic case of COVID-19 was announced by Secretary of State for Public Health on 23 March 2020. By May 2020, the country had registered 84 positive cases, of which four resulted in deaths, 18 recovered and 59 remained active. On 12 December 2020, official sources[5] reported 16,644 active cases (53.5 per 100,000 inhabitants), a total of 9592 recoveries and 387 deaths, corresponding to a mortality rate of 2.33 percent. On 6 January, 2021[6] , the numbers had risen to 17,864 active cases, a total of 11,477 recoveries and 413 deaths. Between 6 and 19 December, the country officially registered a total of 1090 new cases.

Official data thus suggest that up until early 2021, the transmission rate of infections was relatively slow, with numbers of new cases having peaked between mid-September and the first week of November 2020 (25 October recorded the highest number of new cases at 355) when the curve began to show a sustained decline.

Initially confined to the Province of Luanda, active

2- https://www.ine.gov.ao/inicio/estatisticas
3-https://data.worldbank.org/indicator/NY.GNP.PCAP.CD?locations=AO
4-https://www.transparency.org/en/cpi/2020/index/ago
5-https://github.com/CSSEGISandData/COVID-19
6-https://github.com/CSSEGISandData/COVID-19

cases spread to other provinces, although low testing may have contributed to underreporting outside the capital. By March 2021, the total number of tests (RT-PCR) remained below 200,000 (UNDP and World Bank, 2020).

The Angolan authorities' health response was decisive but failed to avert the worsening of the situation. Weaknesses in the health infrastructure and human resources shortfalls contributed to the reduced effectiveness of the Government response. Most of the initiatives implemented by the national authorities mirrored those on the international scale, albeit at a constrained scale. The first phase of strict restrictions severely conditioned mobility, social contact and economic activity. It was followed by alternating periods of the easing and tightening of restrictions, including the establishment of traffic light system for the regulation of entry into the country by international visitors in line with the evolution of domestic and international infections.

A series of socio-economic measures, including emergency assistance intended to support the economy, individual businesses and households and other actions and initiatives of a more strategic and structural nature, such as the readjustment of the National Development Plan and the revision of the State budget, were also implemented with support from the international community.

Government response
Combined health and economic relief measures

The Government's initial response was to prohibit entry into the Angolan territory of all persons from the most affected countries, such as the People's Republic of China, South Korea, Iran and Italy. The initial decision on restricting entry of international travellers was taken by the Ministry of Health, through a dispatch issued on 28 February 2020. Subsequently, the number of countries on the red list was updated culminating in the general closure of national borders at midnight on 27 March 2020, when a state of emergency came into force under Presidential Decree No. 81/20[7] regulated by Presidential Decree No. 82/20[8] . This first state of emergency was subsequently extended by a series of Presidential Decrees issued between 9 April 2020 and 8 May 2020 (box 1).

Box 1: Presidential Decrees (DP) – Pre-Civil Protection Law
DP 81/20 (Declaration of State of Emergency). Published 25/03/2020
DP 82/20 (Exceptional and Temporary Measures for the Prevention and Control of the Extension of PANDEMIA COVID-19). Posted 26/03/2020
DP 96/20 (Transitional measures to respond to the impact of COVID-19 on the OGE 2020). Posted 9/04/2020
DP 97/20 (Extension of the State of Emergency and Exceptional and Temporary Measures to Prevent and Control Pandemic COVID-19). Published on 09/04/2020. Extension of the State of Emergency, for a period of 15 days, between 00:00 on April 11 and 23:59 on 25 April 2020
DP 98/20 (Immediate Measures to Relieve Negative Economic and Financial Effects caused by the COVID-19 pandemic). Published 09/04/2020. Approval of Immediate Measures to Relieve Negative Economic and Financial Effects caused by the COVID-19 pandemic
DP 101/20. Published 14/04/2020. Temporary lifting of the provincial sanitary fence for a period of 24 hours in all provinces, with interprovincial circulation of people and goods being allowed
DP 120/20 (Extension of the State of Emergency). Published 24/04/2020. Extension of the State of Emergency for a period of 15 days, between 00:00 on 26 April 2020 and 23:59 on 10 May 2020
DP 125/20 (Social Protection Strengthening Program - Social Monetary Transfers). Published 04/05/2020. Approval of the Social Protection Strengthening Program - Social Monetary Transfers (KWENDA), which aims to implement a temporary social protection system
DP 128/20 (Extension of the State of Emergency and definition of Exceptional and Temporary measures aimed at the Prevention and Control of the Propagation of the Pandemic COVID-19). Published 08/05/2020. Extension of the State of Emergency for a period of 15 days, between 00: 00 on 11 May 2020 and 23: 59 on 25 May 2020

Source: Diaries of the Republic of the Government of Angola available at https://www.cdircovid19.gov.ao/

7-Diário da República, I SÉRIE – N.º 35 – de 25 de março de 2020
8-Diário da República, I SÉRIE – N.º 36 – de 26 de março de 2020

The first State of Emergency established mainly social distancing requirements and other restrictions on mobility and economic activity. Only public transport deemed essential to mobility during the validity of the State of Emergency remained in operation. Public central and local administration services were closed, with citizens directed to work from home for the period of the State of Emergency. In addition, all private commercial establishments were closed apart from establishments engaged in the following services:

a. Wholesale and retail of food goods
b. Banking and payments
c. Telecommunications and press, radio and television
d. Hospitality
e. Restaurants (only take-away and home delivery)
f. Stations and all services that make up the supply chain fuel supply
g. Funeral agencies and related services
h. Maintenance and repair of motor vehicles and urgent maintenance
i. Other services essential for collective life, subject to clearance by competent health entities.

Restrictions that had the most direct and negative impact on informal activities include:

- The hours of operation of public, formal and informal markets, food, drink, butane gas, hygiene products, cleaning and cosmetics was restricted to 6am to1pm daily
- Health authorities had the power to close formal or informal markets whenever they deemed the risk of contagion to be unacceptably elevated
- Social distancing requirements for individual street sales stipulating the observance of a two-metre distance between the seller and the buyer at the time of purchase
- Requirements that restaurants only operate takeaway and home delivery services
- Requirement for public transport to operate at 1/3 of normal transport capacity
- The blanket prohibition on motorcycle taxi (mototaxi) services.

Presidential Decree no. 97/20, of April 9th Introduced licensing for the import of essential goods and was complemented by Presidential Decree No. 98/20 on Immediate Measures to Relieve Economic and Financial Negative Effects[9]. Some of the immediate measures were the:

- Extension until 29 May and 30 June 2020 of the deadline for settlement of the Industrial Tax declaratory obligations for Group B and Group A companies, respectively
- Allocation of a 12-month tax credit for companies on the VAT amount payable on imports of goods and raw materials that are used to produce 54 products identified in Presidential Decree No. 23/19, of 14 January
- Authorization to grant the payment of the contribution of 8percent of the total Social Security payroll for the 2nd quarter of 2020, for payment in six monthly instalments, from July to December 2020, without interest
- Suspension of statistical registration for companies
- Suspension of issuance of business permits except for food goods, live plant species, animals, birds and fisheries, medicines, sale of cars, fuels, lubricants and chemicals, with all other commercial activities and provision of services only required to request authorization to open an establishment in the respective Municipal Administration
- Suspension of the obligation on companies to terminate management contracts, provision of services and foreign technical assistance, with Presidential Decree 273/11, of 27 October being revoked
- Requirement for private sector employers to transfer the 3percent Social Security discount to workers' wages in April, May and June 2020, in order to improve family income from wages
- Prohibition of energy and water supply companies to cut supplies to customers having trouble paying bills in April
- Beginning May 2020, the planned launch of the first phase of the social cash transfers programme, aiming to benefit over 1.6 million households.

In addition, credit lines were made available by the Development Support Fund to the Agrarian, Development Bank of Angola's Active Venture Capital Fund for the agriculture, livestock and fisheries sectors. Additional measures were also defined by the Ministry of Commerce and Planning's Executive Decree No. 143/20, of 9 April.

9 -https://www.cisp.gov.ao:10443/en/governo-adopta-21-medidas-para-aliviar-o-impacto-da-covid-19-sobre-as-familias-e-as-empresas-fonte-mep/
10-https://leap.unep.org/countries/ao/national-legislation/presidential-decree-no-12520-establishing-social-protection

The operating hours for all commercial outlets and service network providers (large, were fixed at 8:00 am to 4:00 pm daily, while the State of Emergency was in force. The new rules restricted street commerce and market stalls operations to three days a week - Tuesday, Thursday and Saturday, with opening hours fixed at 6 am to 1 pm.

Presidential Decree 125/20 (Social Protection Strengthening Programme - Monetary Social Transfers) of 04 May 2020 provided for the accelerated creation of the World Bank supported Kwenda Programme[10] with the plan to provide over 1.6 million households[11] with a fixed monthly income of Kz8,500 over a period of three years, in four distinct phases. The first phase (pilot) was launched in May 2020 with subsequent phases running from June to December 2020, through 2021 and 2022. The European Union supported "Valor Criança" programme, launched in 2019 to benefit households with children under five years of age in the Catabola and Chinguar municipalities of the Province of Bié, was prolonged for a second phase in response to the pandemic crisis[12]. The second phase targets 8,499 children from 4,468 households. The first phase targeted 20,000 children from 14,000 households in six municipalities, with each to receive Kz5,000 per month per child by the end of December 2020. In line with the priorities established by the National Development Plan 2018-2022, the lessons learnt from the implementation of the Social Protection Strengthening Programme will inform the eventual rollout of social cash transfers nationwide. The Ministry of Social Action, Family and Women's Empowerment also distributed baskets of food (consisting of rice, beans, sugar, salt, pasta oil, including and hygiene products) to households in need.

Measures aimed at facilitating the continued operation and survival of the business sector through providing working capital and easing access credit were also implemented (box 2).

Box 2: Examples of support to economic actors

1 - credit line for family farmers

The Fund for Support to Agrarian Development (FADA), made available a credit line of 15 billion Kwanzas to finance family farms. Advantages include interest rates capped at 3percent, speedy processing with other terms negotiable on a case-by-case basis.

2 - credit line for small and medium-sized companies

To support the purchase of products, supplies and services for small and medium-sized companies (SMEs), the Development Bank of Angola (BDA), made available a credit line of 17.6 billion Kwanzas for loans for the purchase by commercial operators of the following products: corn, wheat, rice, sugar, sugar cane, massambala, massango, matata reindeer, sweet potato, manioc, beans, ginguba, sunflower, soy, table banana, banana bread, mango, avocado, citrus, papaya, pineapple, tomato. onion garlic, carrot, eggplant, cabbage, cucumber, cabbage, beef, goat meat, sheep meat and pork meat, poultry, eggs (chicken), honey, horse mackerel, sardinella, sardines, tuna, cashews, groupers, grouper, hake, roncadore, sole, swordfish, lobster, coastal gamba, shrimp, enlisted fish, crab, cuttlefish, squid and octopus, cacusso (species of the genera oreochromis and tilapia) and catfish (darias gariepinus). The loans subject to interest at 9 percent have a capital grace period of 180 days and maturity of 2 years.

3 - credit line for product purchases by family cooperatives

BDA made available a credit line of 8.8 billion Kwanzas on the same terms as the facility for SME commercial retailers to finance the purchases by producer cooperatives and small and medium-sized agricultural entrepreneurs from suppliers of improved seeds for cereals, vegetables and tubers, fertilizers, pesticides, vaccines, and the provision of agricultural soil preparation and correction services.

Source: https://prodesi.ao/financiamento/medidas-de-alivio-economico

social-protection
11- These households were identified in the 2018 by the survey on multidimensional poverty undertaken across national municipalities.
12- https://www.unicef.org/angola/comunicados-de-imprensa/programa-valor-crian%C3%A7a-realiza-segunda-fase-de-pagamentos-no-bi%C3%A9

The Angolan authorities accelerated the implementation of other initiatives launched in 2019, such as the Employability Promotion Action Plan (PAPE), under the auspices of the Ministry of Public Administration, Labour and Social Security, aimed at addressing poverty and social exclusion, and the Integrated Plan of Intervention in Municipalities (PIIM), coordinated by the Ministry of Territorial Administration and oriented towards investments in a variety of socio-economic services such as schools, health units, infrastructure in 164 municipalities.

The extension of the State of Emergency by Presidential Decree DP 128/20 heralded the loosening of some pandemic restrictions. Public services were kept in operation with 50 percent of the workforce working in shifts alternating between reporting to work and working from home. Trade in goods and services was authorized between 8 am and 3 pm, with a maximum workforce of 50 percent physically present and a maximum number of customers per establishment. Food retail benefited from an additional hour of operation per day. Public, formal and informal markets, as well as street vending operators were permitted to operate from Tuesday to Saturday, between 6:00 am and 1:00 pm, with mandatory use of face masks by sellers and customers. Subject to compliance with biosafety requirements, industrial activity was also authorized between 6:00 am and 1:00 pm, including public works considered to have strategic importance and priority, as well as domestic work. The provision of urban and interprovincial public transport services was authorized with a maximum capacity of 50 percent, with urban transportation services permitted between 5:00 am and 6:00 pm.
Following the approval of the new Civil Protection Law and for as long as the risks of COVID-19 remain, the period after 26 May 2020 is governed by Presidential Decree No. 142/20 of 25 May 2020 as a situation of public calamity. In the period since 25 May 2020 up to March 2021, eleven decrees have been issued (box 3).

Box 3: Presidential Decrees (DP) - Post Civil Protection Law
DP 142/20 (Declaration of the Situation of Public Disaster). Published 25/05/2020. Declares the situation of Public Calamity from 0:00 on 26 May 2020 covering the entire national territory
DP 184/20 (Exceptional and Temporary Measures to be Effective in Cases of Declaration of Provincial or Municipal Sanitary Fence). Published 07/08/2020. Maintains the sanitary fence in the Province of Luanda until 23:59 on 9 August 2020 and defines the sanitary fence in the Municipality of Cazengo (Province of Cuanza-Norte)
DP 212/20 of 7 August 2020. Published on 9/08/2020. Update on the exceptional and temporary measures to be applied during the public calamity situation declared by the Pandemic COVID-19
DP 229/20 of 8 September 2020 (Exceptional and temporary measures in force during the situation of Public Disaster declared under Covid-19). Published 08/09/2020. Updating of measures to prevent and control the spread of the SARS-CoV-2 and COVID-19 viruses and the operating rules for public and private services and social facilities
DP 256/20 (Update of exceptional and temporary measures to be in force during the situation of Public Disaster declared under COVID-19). Published 08/10/2020. Updating of measures to prevent and control the spread of the SARS-COV-2 and COVID-19 viruses, as well as the operating rules for public and private services and social facilities
DP 276/20 (Measures for the Prevention and Control of the Spread of the SARS-COV-2 and COVID-19 viruses). Published 23/10/2020. Updating of measures to prevent and control the spread of the SARS-COV-2 and COVID-19 viruses, as well as the operating rules for public and private services, social facilities
DP 298/20 (Measures to prevent and control the spread of the SARS-CoV-2 and COVID-19 virus). Published 20/11/2020. Updating of measures to prevent and control the spread of the SARS-CoV-2 and COVID-19 virus, as well as the rules for the functioning of public and private services, social facilities
DP 314/20 (Measures to prevent and control the spread of the SARS-COV-2 and COVID-19 viruses) (Repealed). Published 11/12/2020. Updating of measures to prevent and control the spread of the SARS-COV-2 and COVID-19 viruses, as well as the operating rules for public and private services, social facilities
DP 10/21 (Exceptional and temporary measures to be applied during the public calamity situation declared under COVID-19). Published 08/01/2021. Updating of exceptional measures to prevent and control the spread of the SARS-CoV-2 and COVID-19 viruses, as well as the operating rules for public and private services, social facilities
DP 39/21 (Exceptional and Temporary Measures to be applied during the Public Disaster situation under COVID-19). Published 09/02/2021. Updating of measures to prevent and control the spread of the SARS-CoV-2 and COVID-19 viruses, as well as the rules for the operation of public and private services, social equipment
DP 62/21 (Exceptional and temporary measures in force during the situation of Public Disaster declared under COVID-19). Published 11/03/2021. Updating of measures to prevent and control the spread of the SARS-CoV-2 and COVID-19 viruses, as well as the rules for the operation of public and private services, social equipment
DP 82/21, published in 09/04/2021. Updating of measures to prevent and control the spread of the SARS-CoV-2 and COVID-19 viruses, as well as the rules for the operation of public and private services, social equipment until 10 May 2021

Source: Diaries of the Republic of the Government of Angola

Presidential Decree DP 142/20 on the public calamity established a sanitary fence at the borders of the Luanda Province from midnight on 26 May 2020 up to 11:59 pm on June 9, 2020. It also established a timetable for the resumption of physical presence by public sector workers at their place of work.

Sanitary controls and safeguards defined by the competent authorities only permitted entry and exit into the Province of Luanda of:

a. essential goods and services
b. humanitarian aid
c. patients
d. Others to be determined by the competent authorities.

Public services were authorized to operate during from 8 am to 3 pm, with the physical presence of workforces permitted:

a. From the 26th of May: 50 percent of the workforce
b. From 8 June: 75 percent of the workforce
c. From 29 June: full restoration of the workforce.

Measures such as the mandatory use of face masks and observance of mandatory physical distance, temperature control of the employees and users, the installation of hand hygiene points at the entrance and inside the facilities, as well as such as compliance with biosafety measures were implemented by all public services establishments. Hotel and similar establishments were authorized to operate with the adoption of internal biosafety operational plans. Public and private educational establishments remained closed. A phased resumption of teaching activities from 13 July 2020, with upper secondary and higher education establishment set to resume first. Lower secondary and primary education establishments were authorized to resume from 27 July 2020.

Commercial activities were authorized to operate from 7 am to 7 pm, in accordance with the already established limits on the presence of the workforce, biosafety and physical distancing rules.
The operation of restaurants, similar establishments and public passenger transport was permitted:

a. From the 26th of May: Monday to Saturday, between 6 am and 3 pm
b. From the 8th of June: every day until at 10:30 pm.

The occupancy of establishments was fixed at 50 percent. Food retail services were not allowed to offer self-service buffet. Counter, take-away and home delivery services were allowed every day between midnight and 22:00 hours. The public and craft markets were allowed to operate five days a week, namely from Tuesday to Saturday, between 6 am and 3 pm. The provision of domestic work was subject to the obligation on employers to make individual face masks available to their domestic staff.

Public passenger transport operators were permitted to circulate at the following rate of capacity:

a. From the 26th of May: 50 percent
b. From 8 June: up to 75 percent.

The activity of motorcycle taxis continued to be subject to special regulations.

Presidential Decree 62/21 maintained the sanitary fence for the Province of Luanda and public services hours of operation throughout the country. their increased allowable workforce presence to 75 percent of the workforce. Administrative services in the private sector were extended to between 6:00 am and 4:00 pm, with the presence of 75 percent of the work. Similarly, the operations of the commercial activity in goods and services, including canteens and the like, was permitted between 7:00 am and 10:00 pm. On-site service by restaurants and the like establishments, was permitted between 6:00 am and 9:00 pm, on the following terms:

a. occupancy not exceeding 50 percent of capacity
b. Maximum limit of four people per table
c. Prohibition on counter service; all service made at tables
d. Prohibition of self-service (buffet)
e. Compliance with biosafety rules and physical distance between customers.

Public and craft markets, as well as street vending was permitted from Tuesday to Saturday, between 6:00 am and 3:00 pm.

Permitted capacity of urban and intercity public transport of passengers, public and private, was permitted up to 75 percent with employers under obligation to take measures to guarantee the continuity of services, and to effect regular cleaning and disinfection of vehicles. The use of face masks became mandatory for passengers and the drivers of motorcycle taxi services.

Presidential Decree 82/21 approved on 9 April 2021 maintains the essence of the measures that previous decrees established. It entered into force on 11 April 2021, effective for a period of 30 days and recommends, in particular, the immunization of professionals in the health education sectors, and the defense and security forces. It emphasized the reopening of all teaching activities, including international schools operating in Angola.

COVID-19 impact

Macroeconomic impacts

During the 51 weeks of 2020, the Angolan economy registered an income of US$ 37 million from exports of clinker, beer, sugar, disposable diapers, juices and soft drinks, cement, bananas, glass containers, wheat flour and napkins. In contrast, imports amounted to US $ 1,420 million, with imports of rice, palm oil and chicken representing 21 percent, 14 percent and 12 percent, respectively. The first two quarters of 2020 saw a decline in GDP in the order of 0.5 percent and 8.8 percent, respectively, compared to in 2019 (BAI, 2021). The Angolan economy had already registered consecutive contractions since the third quarter of 2019 and between January and June 2020 the cumulative retreat was 4.5 percent, with the economy heading for the fifth year of economic recession. The fall in GDP in the second quarter was the deepest since that recorded in the final quarter of 2015, when the economy shrank by more than 11 percent.

In March 2020, Angola was battered by the 'perfect storm' combining the fall in oil prices and with the drastic reduction in international trade and demand for oil following the widespread closure of international borders that, in turn, unleashed drastic cuts in local economic activity as restrictions in response to the COVID-19 crisis tightened. The largest producers of crude oil in Africa, Angola and Nigeria, were projected to lose up to US $ 65 billion in revenue just due to COVID-19 impacts on the demand for the transportation of cargo, passengers or as a source of energy generation (CEIC-UCAN, 2020)

The sharp retraction in the demand for petroleum products was projected to cost Africa's largest producers of crude oil (Angola and Nigeria), up to US $ 65 billion in revenue as demand for fuels for the transportation of cargo, passengers or as a source of energy generation nosedived as a consequence of COVID-19 (CEIC-UCAN, 2020).

The impact of the pandemic was predictably especially severe for the Angolan economy because hydrocarbons account for 96 percent of exports, equivalent to around 33 percent of national GDP and 60 percent of government revenue. In dollar terms, Government oil revenues fell almost 30 percent compared to 2019. Oil taxes (which normally generate two thirds of total revenue) were expected to yield around USD 6.7MM, a drop of about 40 percent compared to USD 11.1 million in 2019 and USD 3.4 million below the amount forecast by the initial 2020 budget (BAI, 2021).

The drop in oil revenues also implied sharp exchange rate adjustments. The United States dollar appreciated 66.2 percent against the Kwanza, with a basket of imports valued at Kz10,000 (31.8 dollars) in the first half of 2019 valued at Kz16,620 in the first 6 months of 2020 (BNA, 2020a). Between July 2019 and September 2020, the Kwanza experienced a devaluation of 40 percent, from 363.2 kwanzas per dollar to 605.1 kwanzas per dollar. The depreciation of the local currency significantly dampened imports. According to data from INE, during the first 9 months of 2020 imports stood at USD 6,657 million against USD 14,962 million of exports, corresponding to a 40 percent and 42 percent drop, respectively, compared to the same period in 2019. In the third quarter of 2020, exports totalled USD 2,229 million while exports reached USD 5,160 million, 97 percent of which were exports of crude oil.

The economic impact of these developments includes the decrease in purchasing power and the decrease in public spending, which greatly affected economic activity. Real GDP was projected by the IMF to fall by 4.0 percent in 2020, due to a 6.8 percent drop in the oil economy and 2.8 percent deceleration in the non-oil economy. Under this scenario, the country faces a very serious payment crisis, with subsequent more pronounced currency depreciations likely and heralding prolonged recession (BAI, 2021; UNDP and World Bank, 2020).

Between January and September 2020, international ratings agencies downgraded Angola to non-investment levels (BAI, 2021). Fitch and Standard & Poor's, twice downgraded Angola's long-term rating to CCC+ and CCC, respectively. For its part, Moody's, lowered its rating to Caa1 and placed Angola under surveillance. Thus, the oil price shock significantly increased Angola's net financing needs, while cutting access to financing from international markets (BAI, 2021).

Inflation is forecast to rise to 21 percent in 2020 falling slightly to 20.6 percent in 2021, while public debt is expected to increase to 120.3 percent in 2020 dropping to 107.5 percent of the GDP in 2021. Contrary to the performance in2018 and 2019, Angola's budget balance is expected to be negative in 2020, with the IMF forecasting an imbalance of 2.8 percent, improving in 2021 to 0.1 percent.

The risks to fiscal projections and public debt sustainability are high and depend mainly on the depth and duration of the COVID-19 pandemic and the future of global oil markets. The prospect of extended closure of international borders with key trade and technical assistance partner countries (e.g. Germany, South Africa, and the United Kingdom) raises additional problems for the recovery of the Angolan economy. For example, South Africa, the largest economy in SADC, is also one of Angola's leading source of imports and the impact of the pandemic in that country has implications for the entire southern African region (AfDB, 2020a). Developments in other countries, such as Germany, have economic consequences for Angola. For instance, Siemens, a German company, is the technological partner for the construction of the Luanda light rail network. Progress of the first phase of construction of this key urban infrastructure in 2021 is consequently subject to heightened uncertainty.

The IMF issued a negative growth forecast for Angola of 4 percent for 2020, but the economy is expected to register 3.2 percent growth in 2021, supported by rising oil prices and measures taken to support the economy (IMF, 2020a). This projection assumes a recovery in global economic activity in 2021 supporting a modest rise in oil prices. During the final days of 2020 and into the beginning of 2021, brent crude oil prices already exceeded USD 50 per barrel, showing an upward trend.

Sectorial performance and enterprise resilience

This section explores the evolution of the INE's Industrial Production Index (IPI), which registers the main variations that occurred in the different sectors of activity (INE, 2021) and the Economic Climate Indicator (ECI), which signals entrepreneurs' degree of confidence in the economy following the COVID-19 crisis (INE, 2020a). It also presents the findings of monthly surveys undertaken by the central bank (Banco Nacional de Angola - BNA), which monitor the extent to which small and medium-sized companies are surviving the pandemic.

The IPI registered, for the first quarter of 2020, a variation of 2.8 percent, compared to the same period in 2019 (INE, 2021). The variation is explained by an 8.6 percent increase in production in the manufacturing industry accounted for mainly by the production and distribution of electricity, gas and steam (5.5 percent) and the extractive industry (3.4 percent). Similarly, compared to the final quarter of 2019, industrial activity registered a variation of 3.8 percent, explained by a 3 percent increase in production by the extractive industry. The transport sector led the drop in performance during the second quarter of 2020, falling more than 78 percent, which reflects domestic restrictions on the movement of persons and goods imposed to contain the spread of the pandemic. Other segments similarly hard hit were real estate (-17.6 percent) and fisheries (-27.8 percent). The oil sector dropped 1.7 percent in the first and 8.2 percent in the second quarter of 2020, representing 20 consecutive quarters of decline.

During the second quarter of 2020, the restrictions imposed by COVID-19 benefitted the telecommunications sector, which registered an improvement of 7.3 percent, the biggest increase since the final quarter of 2018. The agriculture, energy and water sectors also fared positively, registering performance at 2.3 percent and 4.4 percent, respectively.

However, the IPI records negative performance for the fourth quarter of 2020 for the manufacturing industry (-3.9 percent), the production and distribution of electricity (-23.7 percent) and the capture, treatment and distribution of water and sanitation (-12.9 percent). The ECI (INE, 2020a) shows that the indicator evolved negatively during the second quarter of 2020 compared to the same period in 2019, signalling a decrease in the confidence of domestic economic actors but, according to the INE, this belies the general decrease in the prices of goods and services. In the manufacturing sector, the negative evolution in relation to the same period of 2019 is explained by factors such as the lack of raw materials, insufficient equipment and frequent mechanical damage of the equipment were the main constraints. The lack of water, energy and financial difficulties also limited the activities of companies in the sector.

Financial difficulties and insufficient equipment were the main difficulties, with frequent equipment breakdowns, the lack of specialized labour, and regulatory interference and difficulties cited among constraints experienced by the extractive industry. The indicator for the sector evolved negatively in relation to the same period in 2019.

Despite the favourable evolution of the indicator for the tourism industry compared to the same period in 2019, the indicator maintained a downward trend and remained below the series average in 2020. Insufficient demand and financial difficulties were the main constraints, with excessive bureaucracy, insufficient supply capacity and the high absenteeism among staff cited as additional constraints.

During the third quarter of 2020, entrepreneurs' and managers expectations are generally more pessimistic in the seven sectors covered by the ECI. Among 1,638 companies consulted, 55 percent of which were from the trade sector, public servants had the highest level of negative expectations (-47), followed by workers in transportation services (-42), the manufacturing industry (-41), tourism (-29), trade (-20) and the extractive industry (-17). Only communication registered a positive confidence indicator, although low (+7).

In a country like Angola, micro, small and medium-sized companies play an important role in generating jobs and in the production and marketing of market services. Due to their lower financial capacity, compared to large and very large companies, their vulnerability to crisis, is generally more accentuated.

During 2020, the BNA instituted monthly surveys of the impact of COVID-19 on micro, small and medium-sized enterprises across a range of activities[13] in the country's 18 provinces, with the majority of enterprise respondents located in the province of Luanda. Table 2 provides a snapshot of selected indicators based on surveys undertaken over the period June-December 2020. The surveys attest to a steadily worsening liquidity situation among enterprises as the pandemic crisis dragged on, with some enterprises maintaining arrears regarding employee

13- Agriculture and fisheries, extractive industries, manufacturing, electricity, gas and water, water abstraction, distribution and sanitation, construction, wholesale and retail trade, transport and storage, accommodation, restaurants and the like, information and communication activities, real estate activities, scientific and technical consultancy, administrative activities, education, human health and social work, sports, artistic and recreational activities, and other services provision activities.

Table 2: Selected results from BNA surveys on the impact of COVID-19 on MSMEs (June - December 2020)

Month	Enterprises maintaining pre-COVID levels of operation	Enterprises temporarily closed	Enterprises permanently going out of business	Enterprises with workers who telework	Enterprises optimistic about time needed to achieve full recovery (up to 1 year)	Enterprises pessimistic about time needed to achieve full recovery (more than 1 year)	Enterprises experiencing liquidity shortages	Enterprises with staff salaries in arrears	Enterprises reporting lack of access to support from the government or bank
June	12.2 %	24.0 %	1.4 %	56.6 %	47.6 %	12.5 %	24.6 %	11.4 %	86.1 %
July	14.6 %	21.1 %	0.9%	50.0 %	47. 3%	15.2 %	25.7 %	11.4 %	83.7 %
August	18.3 %	15.4 %	0.6 %	43.8 %	44.6 %	19.8 %	28.7 %	8.4 %	86.5 %
September	19.0 %	13.9 %	0.7 %	44.7%	45.9 %	19.4 %	24.8%	9.0 %	86.2 %
October	20.2 %	14.2 %	0.7 %	56.4 %	38.1 %	22.5 %	26.6 %	10.3 %	86.5 %
November	22.6 %	12.2 %	0.2 %	53.4 %	40.9 %	21.9 %	27.7 %	9.5 %	84.0 %
December	20.9 %	16.4 %	0.4 %	50.7 %	47.9 %	17.4%	28.3 %	9.4%	84.3 %

On a positive note, the number of enterprises maintaining pre-COVID-19 levels of activity was generally on the uptick since July 2020 although it peaked at 22 percent in November. From July 2020, the number of enterprises declaring definitive closure remained below 1 percent and by December 2020 had fallen to 0.4 percent of survey respondents. However, after an extended trend of decline, the number of enterprises effecting temporary closures rose in December 2020. salaries.

According to (BNA, 2020b), the end of the confinement on 27 May 2020 resulted in a 3.8 percent growth in the average level of invoicing; higher in micro and small companies (13.4 percent) than in medium companies (1.7 percent). This positive development continued through December 2020. In general, the surveys variously highlighted the education (June, July, August) hotels and tourism and artistic, cultural and sports activities (August) as showing the most worrying signs of distress and thus warranting special attention at certain points in time.

Jobs / Employment

Existing social disparities and a large informal sector meant expectations were for the effects of unemployment generated by social confinement to affect more severely the poorest and the most vulnerable and a generalized shift to informal activities as a survival strategy. An increase in child labour rates, driven by the closure of educational establishments and the increasing difficulties in accessing any income in the case of the most vulnerable households were also predicted. By September 2020, unemployment was 34 percent higher than in the same period in 2019 (INE, 2020b). Of the 15.3 million people considered economically active, around 5.2 million were unemployed mainly because of job losses. The highest rate of unemployment was among the youth (15 to 24 years old), at around 56.4 percent.

Unemployment among men increased at a higher rate (31,7 percent), although overall women registered higher unemployment (36.1 percent). At 44.8 percent, the rate of urban unemployment was 25.6 percentage points lower than in rural areas (INE, 2020b).
Predictions in May 2020 cited enormous difficulties in maintaining jobs, particularly in sectors such as hotels, restaurants, general commerce, construction and education as significant contributory factors to reductions in consumption and growth, which were expected to result in increased levels of poverty. Moreover, the increased likelihood of small and medium-sized companies experiencing difficulties in fulfilling their tax obligations or going out of business posed an additional threat to fiscal stability and would likely hamper capacity to support businesses and households survive the pandemic crisis (CEIC-UCAN, 2020). Consequently,

The same report cites the incidence rate of monetary poverty at 40.6 percent and the depth and severity of poverty at 10.1 percent and 4.4 percent, respectively, noting a Multidimensional Poverty Index of 51.1 percent in 2019 (CEIC-UCAN, 2020).

Inflation

The rate of inflation registered a 0,15 percentage points increase over the period December 2019 to December 2020 (INE, 2020d). Annual inflation, already on an upward trend at the end of 2019, registered 23.82 percent at the end of September 2020, an acceleration of 5.9 percentage points since the start of the year and 7.7 percentage points compared to September 2019. The largest price increase was seen in the education sector, about 36 percent, an increase of 34 percentage points compared to the same period in 2019 explained mainly by general increases in the cost of goods and services. Schools were authorized to increase tuition fees following the rise of prices for food and non-alcoholic beverages (19.1 percent) and alcohol and tobacco (15.5 percent) categories. Communications and housing, water, electricity and fuel categories registered the smallest price increases. According to INE, price developments have been influenced by the following factors:

- monetary policy reforms
- exchange rate depreciation
- The application of VAT on products in the basic basket
- Supply side restrictions
- Stagnation of the local economy.

In December 2020, the Wholesale Price Index (IPG) registered 26.85 percent, representing an increase of 7.93 percentage points compared to the same period in 2019 (INE, 2020c).

The greatest acceleration was seen in the prices of imported products, having risen, year-on-year, 25.55 percent, with the greatest variation seen in the class of agriculture, animal production, hunting and forestry. For domestic goods, the variation of 31.51 percent was also influenced by the evolution of agricultural goods prices.

However, (CEIC-UCAN, 2020) identified family farming and the food trade as potential beneficiaries of a reduction of imports and projected that the sector could contribute to food security and the mitigation of extreme poverty, albeit mainly in urban centres.

Consumer behaviour

Very few studies have been carried out in Angola on changes in consumer behaviour in response to the COVID-19 crisis. However, 81 percent of 1211 respondents to an online survey undertaken between 20 April and 4 May 2020 claimed to have made changes to their consumption practices on account of the restrictions imposed by the State of Emergency (Lopes and Van-Dunem, 2020).

Respondents reportedly adopted the mandatory/recommended prevention and hygiene habits (97 percent); reduced the number of times they went out shopping (93 percent), bought in bulk (55 percent); changed their usual sources of supplies (54 percent); and switched a greater share of their budgets to the acquisition of essential goods (73 percent). However, only 50 percent of respondents declared to have reduced their overall expenditure on goods and services.

Table 3 - changes in consumer behaviour

Consumer practice	Decreased frequency of going out shopping	Reduction in expenditure	Purchase of larger quantities	Increased share of budget allocated to essential goods	Change in source of supplies	Adopted mandatory/recommended prevention and hygiene measures
Respondent declaration	93%	50%	55%	73%	54%	93%

Source: (Lopes and Van-Dunem, 2020)

Structural and institutional capacity weaknesses complicating pandemic crisis and response
Public sector

Out of 54 African countries ranked by the Ibrahim African Governance Index (IIAG) in 2019, Angola ranked 43rd, registering a score of 40 points (IIAG, 2020). This represents an overall improvement by +5.4 points for the decade 2010-2019. For the period 2015-2020, the country is the third most improved country. However, Angola records the worst score among regional peers in Southern Africa, far behind top scorer Botswana (66.9 points). Southern Africa is the best performing sub-region overall, but Angola scores below the continental average (48.8). In terms of the capacity of the public administration to confront and manage the economic and social fallout from the pandemic, the country ranks 46th on the quality and efficiency of public administration (30.8 points). Of additional concern is the trend of deterioration, over the period 2010-2019, of Angola's performance in the sub-categories of tax and revenue mobilization (-1.8 points) and professional administration (-8.3 points). Angola ranks 50th and 48th, respectively, on these sub-categories in 2019.

Health sector

In addition to the negative repercussions on employment and poverty, the pandemic crisis heavily impacts health systems with the majority of the low-income population having access only to a compromised public health service. The national health system, a priority of the National Development Plan 2018-2018, has benefited from a gradual increase in public investment, which has allowed the expansion of access to services. However, it remains weak and fragmented with specialized services and doctors concentrated in the main urban centre (Luanda) and is generally unable to guarantee the levels of access and coverage that are essential to mitigate a pandemic situation. Up until the first quarter of 2021, 60 percent of the population had access to health services (Government of Angola, 2021). The sector has 77,419 professionals, of which 4,133 are doctors (of which 1,623 are specialists), 32,980 are nurses, 7,534 are diagnostic and therapeutic technicians, and 32,772 are general and hospital support technicians (Government of Angola, 2021). The shortage of qualified labour in the sector led national authorities to seek technical assistance to manage the pandemic from Cuban authorities[14]. A minority of the population is covered health insurance and thus guaranteed access to better equipped private sector health infrastructure and services.

Education sector

The closure of educational establishments was among the containment and prevention measures implemented by the authorities. This negatively affected learning outcomes in a context of elevated retention in the Upper Secondary Education due to the high number of repeats and already worrying levels of high school dropouts (Government of Angola, 2021). Most educational institutions do not have adequate digital infrastructure to ensure the effectiveness of distance learning, nor do most teachers have adequate training in digital modes of delivery (box. Additionally, a large number of students and educators neither have access to the Internet nor to the devices needed to participate in this learning modality. These disparities are present among urban populations of different income levels, between urban and rural populations, between genders and for students with disabilities. School closures also had the unintended consequence of compromising nutritional outcomes for low-income households whose children rely on school feeding programmes further compounded by the constrained ability of parents to fully participate in the labour market due to children not being at school.

14- https://reliefweb.int/report/angola/cuban-doctors-due-angola-friday

Box 5: Multi-dimensional impacts of school closures
Before the pandemic 73 per cent of the school age population was enrolled in school. Only secondary school students and primary school Grade 6 students returned to school since October 2020. School closure has immediate adverse effects on children's safety, wellbeing, and learning, as well as longer term, negative consequences for socio-economic development. To some extent, this impact was offset by the Ministry of Education's efforts to roll out distance learning through radio and television. However, only 51 percent of households own a TV or a radio (INE, 2017), hence many children do not have access to these learning platforms. Of additional concern with children out of school is the heightened risk of their being victims of gender-based violence. In 2020, 7,283 girls reported having experienced physical, sexual or psychological violence. Based on combined data of all children, 15,000 cases of different forms of violence were reported to the National Children's Institute in 2020. Source: INE (2017); UNICEF (2020)

Business environment

Angola's business environment still presents many weaknesses that constrain the possibilities for industrial growth and the development of the private sector. Out of 190 countries surveyed, the 2020 World Bank Doing Business report ranks Angola 177th and assigns 41.3 points to the country on the ease of doing business. For the latter indicator, Angola ranks below the Sub-Saharan Africa average 51, 8 (World Bank, 2020).

(IIAG, 2020) assigns Angola 34.3 points for the cluster of indicators on the fundamentals for economic opportunities, corresponding to 45th position in Africa. Within this cluster, the country ranks 49th on the business environment, registering 28.8 points.
Under the security and rule of law cluster, Angola occupies 34th position, scoring 39.9 points for the sub-category on the rule of law and justice. The score attained for the accountability and transparency sub-category is 29.2 points, corresponding to position 34. With respect to the sub-category on the fight against corruption, the country scored 26.0 points and sat at 43rd position among the 54 countries analyzed.

A 2020 study by Delloite on corporate fraud reveals that 50 percent of companies surveyed perceived fraud to have increased in 2020, compared to 2019, with 61 percent of respondents of the view that it would increase further in the future (Delloite, 2020). It is notable that perceptions of increased incidence of fraud is concentrated among large companies (57 percent) compared to SMEs (39 percent). According to (Delloite, 2020) the surveyed companies judged the most common forms of fraud in the domestic business market to be corruption (59 percent), embezzlement (53 percent) and influence peddling (52 percent). According to the respondents, inefficient control systems (45 percent) and the lack of ethical values (32 percent) are the main contributory factors that explain the incidence of fraud. Overall, financial services and consumer goods sectors respondents registered greater perceptions of increased fraud (54 percent and 43 percent, respectively), although it is also notable that 57 percent of respondents in the consumer goods sector were of the view that the incidence of fraud had decreased. According to the respondents, corporate (43 percent) and procurement activities (37 percent) are most susceptible to incidences of fraud. Respondents consider middle management (37 percent) most likely to have and act on opportunities to perpetuate fraud, followed by senior or executive management staff (32 percent), with the incidence of fraud at board level the lowest at 19 percent (Delloite, 2020).

Impacts on informal activities and poverty implications

The contraction of economic activities can be expected to be affecting the poorest and most vulnerable strata of the population more severely. With most informal sector workers excluded from the traditional support and security networks accessible to formal sector workers, including sick leave and pensions, the situation remains grave. A significant number of informal sector workers are active in survivalist activities and, being illegible for social protection, are exposed to a variety of risks. They mostly depend on savings and revolving credit groups (kixiquila) or neighbourhood savings and support associations (including burial associations) in the event of idiosyncratic shocks. Such ad-hoc social protection mechanisms are likely to have limited effectiveness under systemic shocks like the COVID-19 pandemic.

The vast majority of the self-employed, as well as a significant part of the employed, earn their income from informal activities with 77 percent of the Angolan population active in the informal economy (ILO, 2018). Other studies[15] also confirm the preponderance of informal sector semi-wholesale and retail commercial activity, practiced in public markets, on the street or on an itinerant basis, as well as the provision of transportation and other personal services as being the segments in which most individuals ply their trade within the broad spectrum of informal activities.

One of the most significant examples was the total stoppage of mototaxi activities, which is a productive occupation for the youth and a vital transportation service for those engaged in cross-border trade. Many were also unable to relocate their trade to other locations following the closure of some of the public markets. It is notable that some informal operators such as tailors and seamstresses, were able to safeguard income streams by switching to the production of face masks, while others in close proximity to sources of supply and agglomeration were able to capitalize on the rise in consumption of sanitary products such as alcohol gels or hand soap.

In addition, most businesses in the informal sector, even those that continued to operate, faced a reduction in trade as customers chose to avoid public markets given their association with crowds and difficulty to maintain social distancing. In some cases, informal traders suffered additional losses because some of their wares eventually got spoiled. Consequently, companies supplying the informal sector also experienced difficulties and higher costs, reflected in increased consumer prices.

In global terms, the most evident immediate effect was the generalized reduction of income and, in some cases, the total deprivation of income (mototaxi drivers), associated with an accelerated loss of purchasing power compounded by the local currency depreciation and increased prices. It is likely that speculative processes have also contributed to the increase of prices affecting a wide range of consumer goods, from food products, pharmaceuticals, gas, water to public transportation. In the absence of controls, some informal operators have taken advantage of the crisis to generate extraordinary profits, contributing to aggravated levels of inequality.

COVID-19-related limitations strained the sustainability of peri-urban food supply systems. Data from a survey administered during the last week of November and the first week of December 2021 of 48 informal sector operators in 8 different types of activities[16] in two public markets in Luanda (Kifica and Golf markets) confirms that 60 percent of the operators suffered medium to very high negative impacts from the pandemic crisis (detailed survey results provided in the Annex). Of major concern is that over 40 percent of respondents reported that they reduced expenditure on food.

Measures implemented to mitigate the spread of the pandemic present acute difficulties for these vulnerable segments of the population, and in the short to medium term, an increase in the levels of poverty can be expected. This can be expected to translate into a rise in informal activities, a fall in income among the most vulnerable households and an increase in the incidence of child labour, compounded by the closure of educational establishments. Anecdotal evidence points to a switch to informal activities among teachers faced with situations of lost or overdue wages.

Prior to 2014, economic performance driven by the high revenues generated by the capital-intensive oil industry with few interlinkages with the rest of the economy, did not produce significant gains in social and human development (AfDB, 2020b). Poverty remains high, especially among the youth and the rural population. Significant social inequality is expressed by a Gini coefficient of 51.3 in 2018 considered high in the region and reflective of modest social progress and high social inequality. Despite the country's enormous oil wealth and relatively high GDP per capita, the 2019 Human Development Index ranks Angola 149th out of 189 countries. The Index also reveals exceptionally low outcomes for education and health indicators, particularly in rural areas with average adult life

15- https://reliefweb.int/report/angola/cuban-doctors-due-angola-friday
16-The activities include trade in agricultural products, processed food products, secondhand clothing, household goods, repair of electrical/electronic devices, goods transport (roboteiros), passenger transport (kupapatas) and the currency trade (kinguilas/doleiros).

expectancy estimated at 60.9 years (UNDP, 2019). The adult literacy rate stood at 66 percent, with less than 30.2 percent of the population having attained secondary school level education (38.1 percent men and 23 percent woman) in 2018 (UNDP, 2020).

National data on poverty and inequality in Angola was updated by INE surveys undertaken from March 2018 to February 2019. The national poverty incidence rate is 40.6 percent, the depth of poverty is 10.1 percent, and the severity of poverty is 4.4 percent (INE, 2020b). In rural areas, the poverty indicators are 57.2 percent, 14.3 percent and 6.2 percent, respectively –almost double that of urban areas (29.8 percent, 7.3 percent and 3.3 percent, respectively). Luanda records the lowest indicators of the extent, depth and severity of poverty (20.1 percent, 3.9 percent and 1.4 percent, respectively), in contrast to the rural South region, (which encompasses the provinces of Huila, Namibe and Cunene) at 60,2 percent, 16.2 percent, 7.3 percent, respectively (INE, 2020b).

Income constrained informal workers and urban informal settlement dwellers, who work and live in high population density areas of commerce and housing with minimal levels of basic sanitation infrastructure, are also least able to take many of the precautions recommended by health authorities–such as social distancing, frequent hand washing, and the wearing of protective face masks or self-isolation. Working from home is also difficult in conditions where most do not have enough space to work and live.

Social distancing requirements are particularly difficult to comply with in informal public markets due to high degrees of agglomeration. Both market leaders and municipal authorities experienced compliance difficulties due to institutional, logistics and financial weaknesses in that. Similarly, public transport operators (candongueiros), often did not adhere to the pandemic restriction of one third of the capacity for each vehicle set by the State of Emergency. Due to the restrictions imposed, access to public transport declined, with consequent delays and increased transport costs.

At the end of 2020, the European Union provided €20 million budget support for a new phase of the Informal Economy Conversion Programme (PREI), a programme first launched under the National Development Plan 2013-2017, with the objective to transition informal enterprises to the formal economy and thus achieve an increased formalization of informal workers to enhance access to social services, credit, and business development services[17].

Government fiscal stabilisation measures

Pandemic-related contractions in global aggregate demand had negative consequences for Angolan exports. These effects were amplified by social isolation measures that discouraged domestic consumption, with perverse effects on the profitability of domestic business and the supply of goods and services, while also raising the spectre of large-scale redundancies. The continuous fall in oil prices and additional spending needs resulting from the pandemic crisis placed a severe strain on fiscal revenues, prompting the National Assembly to approve the revision of the 2020 budget on 15 July 2020[18]. The budget revision was considered an essential measure for aligning public investment decisions, expenditures and revenue projections to the constraints imposed by the global health and economic context (Ministério das Finanças, 2020a).

The pandemic largely overturned the initial assumptions that underpinned the macroeconomic projections for the 2020 budget. Crucially, the authorities needed to mitigate the budgetary imbalances created by the shortfall in oil revenues. They opted to partially offset the loss in fiscal revenue through cutting public expenditures by 8.6 percent. Excluding interest payments on government loans, this represented an overall 3.4 percent fall in public expenditures, which involved a 1.6 percent reduction of spending on salaries, including a freeze on new non-essential staff hires. Expenditure on goods and services was slashed by 14.3 percent and current transfers by 13.4 percent. Reflecting debt relief granted by external creditors, expenditure on debt service was reduced to Kz7,525 billion, equivalent to 23.6 percent of GDP, down from the initial budgeted figure of Kz9.699 billion (54 percent of GDP).

The breakdown by function (table 1) reveals an increase in social expenses, fundamentally associated with the increase in funds for the health sector, which benefited from a 1.08 percent increase in subventions, and additional amounts allocated to economic affairs (table 1). Approximately 70 percent of the budget allocated to the health sector was directed at COVID-19 and other epidemiological concerns, namely malaria.

17-https://gazettes.africa/archive/ao/2014/ao-government-gazette-dated-2014-04-24-no-77.pdf
18-https://www.ucm.minfin.gov.ao/cs/groups/public/documents/document/aw4x/mjcw/~edisp/minfin1270871

TABLE 1 - General State Budget by Function (percent)		
Function	Percent of budget	
	2020 Original budget	2020 Revised budget
General Public Services	11,36	10,39
Defense, Safety, Security and Public Order	7,53 t	8,74
Social Expenses (Education, Health, Social Protection, Housing and community services)	15,77	17,49
Entertainment, Culture and Religion	0,18	0,35
Economic Issues	4,32	7,01
Environmental Protection	0,10	0,10
Public Debt Service	60,73	55,93
Total	100	100

Source: (Ministério das Finanças, 2019, 2020a)

Taxation-related changes were also approved in March 2020, which are expected to result in an increase of annual fiscal revenue equivalent to 0.36 percent of GDP. The full impact of the reforms is not expected to be realized in 2020, due to their implementation being applicable for only part of the year and offset by other pandemic-related relief measures extended to citizens and the private sector (IMF, 2020b). The authorities announced a fiscal package in late March 2020 to tackle the impact of the pandemic and lower oil prices (box 4). Notable tax reforms implemented were the increase in personal income tax and the reduction in corporate income tax. A tax exemption was introduced for incomes below Kz70,000 per month (compared to the previous threshold of Kz34,450) and higher rates became applicable for higher earning brackets. Corporate income tax was reduced from 30 to 25 percent. Tax on agriculture, fishing, forestry and livestock activities was reduced to 10 percent, with an exemption applicable to the wood industry. Activities in the banking and insurance sector and on telecommunications operators, increased from 30 to 35 percent and for Angolan oil companies it decreased from 50/65.75 percent to a flat rate of 35 percent. Consumption taxes on imported luxury cars and cigarettes also increased. Reforms aimed at broadening the property tax base were also introduced.

Box 4: The main elements of the fiscal package
The authorities announced a fiscal package in late March to tackle the impact of the pandemic and lower oil prices. The main revenue measures include: (i) extension of the corporate income tax deadline by up to 60 days for selected companies; (ii) exemption of value-added tax (VAT) and customs duties on goods imported under humanitarian aid and donations, and these goods, including those produced locally, and their associated services, are tax-deductible; (iii) a 12-month VAT tax credit for imported capital goods and raw materials used in the production of 54 essential goods in the basic basket; (iv) an interest-free, deferred payment option for social security contributions into the second half of 2020; and (v) deferred payment of the urban property tax until October 2020. The main spending measures include : (i) a 30 percent freeze on goods and services, except for essential health expenditure; (ii) reduction in the number of ministries from 28 to 21; (iii) suspension of selected capital expenditure; (iv) suspension of non-priority social support programs; (v) suspension of “additional credits” with few exceptions; (vi) hiring freeze in the civil service, except for essential staff; (vii) enhanced expenditure processing and reporting; (viii) reduced travel and real estate investments; (ix) reclassification of vehicles for senior officials’ business transportation; (x) suspension of purchase of new vehicles for personal use and reprioritization of vehicles whose acquisition has started; (xi) suspension of exports of essential goods for 30 days; (xii) regulated prices for an approved list of medical goods related to COVID-19. Source: (IMF, 2020)

(UNDP and World Bank, 2020) estimated public debt to rise from 109.2 percent of GDP in 2019 to 120.3 percent of GDP in 2020 but projected a decline to 107.5 percent of GDP in 2021. However, Ministry of Finance data indicate that debt to GDP rose from 114 percent in the first quarter to 131 percent in the third quarter. According to the Ministry of Finance, debt service to revenue peaked at 88 percent in the second quarter of 2020, having risen from 48 percent in the first quarter before dropping to 71 percent in the third quarter of 2020 (Ministério das Finanças, 2020b, 2020c).

Paris Club Creditor Countries deemed Angola eligible for a suspension of debt service under the Debt service suspension Initiative (DSSI) endorsed by the G20. The Initiative provided for short-term debt relief and made it also possible for Angola to reach agreements on restructuring its debt with some of its largest creditors outside of the DSSI. In addition, the International Monetary Fund (IMF) completed the third assessment under the Extended Financing Line (EFF)[19] and agreed to increase disbursements to enable Angola to cope with the impacts of COVID-19[20]. The three-year agreement with Angola was initially approved by the IMF Board of Directors on December 7, 2018, in the amount of SDR 2.673 billion (about USD 3.7 billion at the date of approval)[21]. Its aim is to restore external and fiscal sustainability, improve governance and diversify the economy, to promote sustainable economic growth led by the private sector. The completion of the third assessment allowed for the additional release of SDR 731.7 million.

Examples of other project-related financing and credit lines secured include, $1.5 billion provided by the German KFW IPEX Bank GmbH and $1.1 billion from the Government of Germany for the purchase of turbines, locks, alternators and other equipment for the Caculo Cabaça dam. In addition, the Standard Chartered Bank of Hong Kong-led consortium of banks granted $1.1 billion for the Luanda Bita Water Supply Project. The Production Support, Export Diversification and Import Replacement Programme (PRODESI) allocated Kz14.3 billion to mitigate the economic impacts of COVID-19, including the prioritization of credit to small and medium-sized companies[23]. The Programme reports a total of 661 projects approved and financed in 2020 corresponding to 52,88% of the total number of requests for financing submitted during the year (Prodesi, 2020). Financing provided in 2020 amounted to more than Kz470 billion, up Kz20 billion from 2019. The main beneficiaries were enterprises in the agriculture sector (304 projects) followed by commerce and distribution (180 projects) and manufacturing (69 projects).

The privatization programme (PROPRIV), implemented with the support of International Finance Corporation (IFC), under which the privatization of 195 public companies is targeted by 2022, continued to be executed, albeit at a decelerated pace. The national oil company, Sonangol, issued a public tender for the sale of its stakes in nine private companies. The privatizations of the State insurance company (ENSA) and the Bank of Commerce and Industry (BCI), were announced (UNDP and World Bank, 2020). The sale of State 36 assets in 2020 yielded Kz355 billion, of which Kz30 billion is associated with contracts signed for 13 economic units located in the Luanda-Bengo Special Economic Zone.

Conclusion

The implications of the pandemic and the speed of recovery can only be fully ascertained in the medium to longer term. Confinement measures have dampened productivity and business activity, with most micro, small and medium-sized companies more acutely affected on account of their structural and resources limitations.

As a consequence of the COVID-19 pandemic, the Angolan economy has experienced a contraction in GDP, exchange rate devaluation, a rise in the public deficit. The country faces several risk factors, the most important being high external economic dependence and the very large informal economy. Social impacts are equally serious as reflected by the rise in inflation and increase in the levels of unemployment and precarity of work.

Constrained fiscal space hampers the State's ability to implement mitigating measures. While Government efforts to contain COVID-19 health impacts and support economic sectors are laudable, there is a need to redouble efforts on expanding the domestic production base and the promotion of more secure types of employment.
(BNA, 2020b, 2020c, 2020d, 2020e, 2020f, 2020g, 2020g)

19- https://www.imf.org/pt/News/Articles/2020/09/16/pr20294-angola-imf-execboard-complete-3rdrev-ea-under-eff-augment-disbursement-address-covid19
20- Angolan authorities requested access to around 72 percent of Angola's quota (SDR 540 million or about USD 765 million) under the EFF agreement, in support of efforts to control the spread of the COVID-19 pandemic, mitigate its economic impact and move forward with the implementation of structural reforms.
21- https://www.imf.org/en/News/Articles/2018/12/07/pr18463imf-executive-board-approves-extended-arrangement-under-the-extended-fund-facility-for-angola
22- The consortium includes French BNI Paribas and Credit Agricole among other corporate and investment financial institutions.
23- https://prodesi.ao/financiamento/medidas-de-alivio-economico

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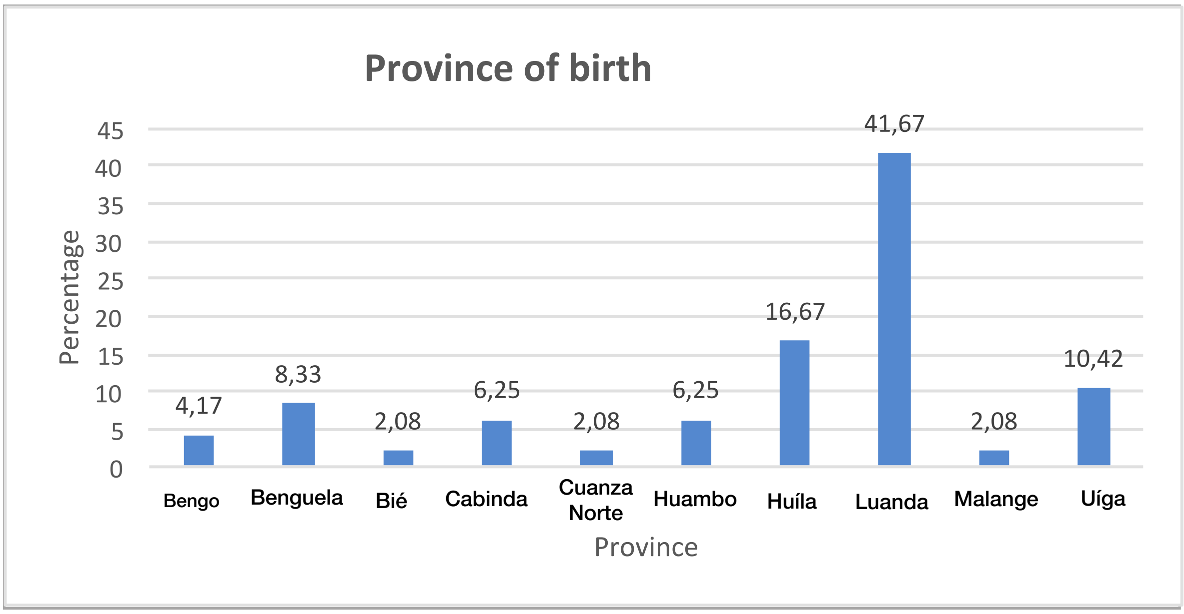
ANNEX

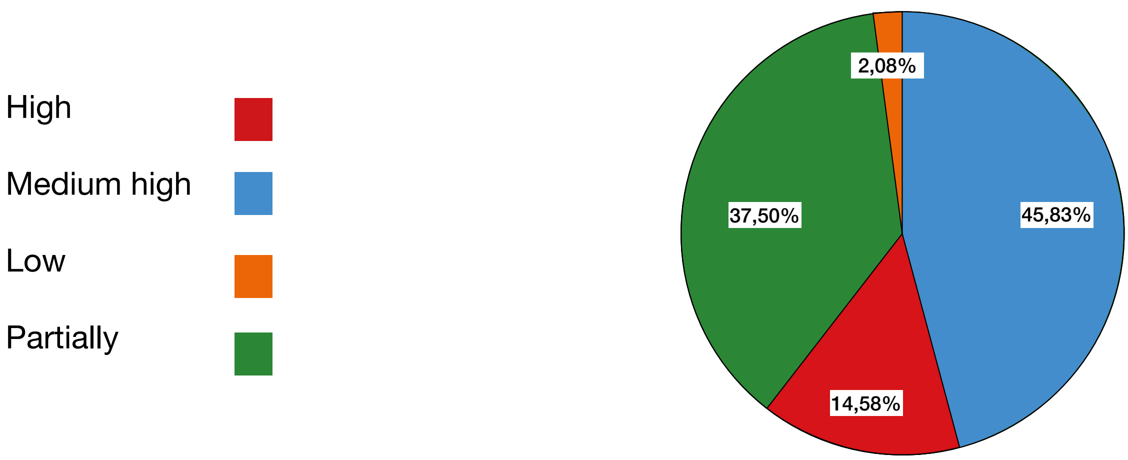
62.5 percent of respondents were women and 37.5 percent were men, most aged between 18 and 36 years (66.7 percent). Most respondents were of low schooling (33.3 percent able to read and write and 29.2 percent illiterate). Most respondents were born in the province of Luanda (41.67 percent), with a significant presence of natives from the provinces of Huíla (16.67 percent) and Uíge (10.42 percent) in the sample.

CHART I –BIRTH PROVINCE (percentage)



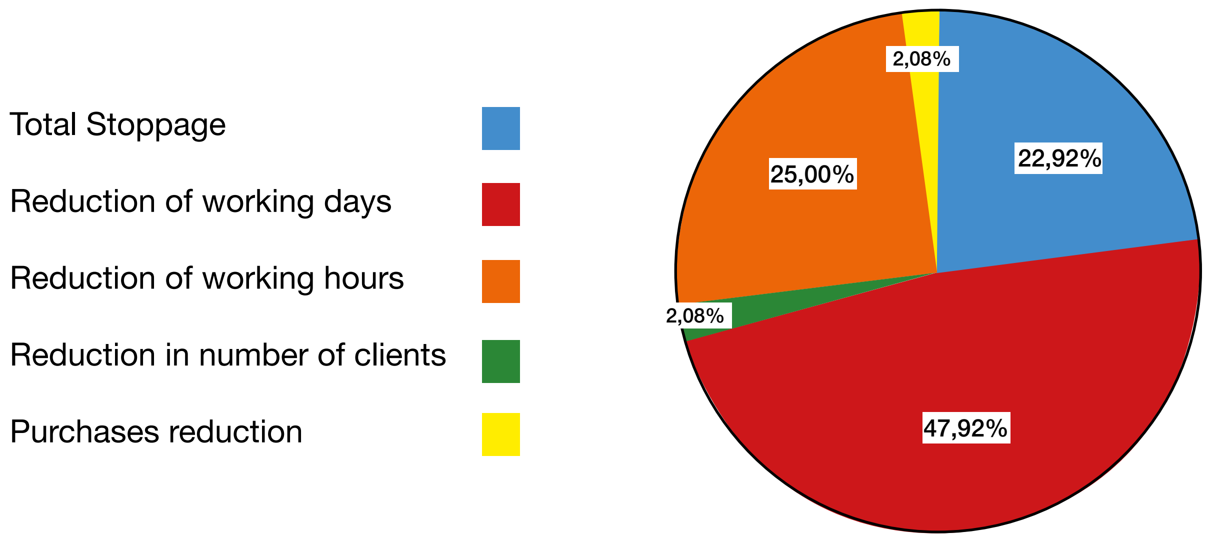
87.5 percent started their activity before the age of 25 and 77.1 percent have plied the activity for between 1 and 13 years. Less than half (41.7 percent) pay no fees for exercising their activity. Household support and children's education (39.6 percent), survival (35.4 percent) and assistance to family (16.7 percent) are the main expenses to which the income is used.

CHART II - SEVERITY OF IMPACT OF CONFINEMENT ON ACTIVITIES (percentage)



62.5 percent respondents reported that the confinement had a “high/ medium high or low” impact on their activities, while 37,5 percent reported that their activities were “partially” affected by the measures implemented because of COVID-19.

CHART III - NATURE OF CONFINEMENT IMPACT ON ACTIVITIES (percentage)



The reduction in workdays (47.92 percent), decrease in number of customers (25 percent) and the total stoppage of the activity (22.92 percent) were factors most cited by respondents as responsible for losses.

CHART IV - IMPACT ON INCOME (percentage)

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Increased a lot	1	2,1	2,1	2,1
	Marginally increased	1	2,1	2,1	4,2
	Decreased a lot	24	50,0	50,0	54,2
	Marginally decreased	22	45,8	45,8	100,0
	Total	48	100,0	100,0	

45.8 percent reported that their income had fallen significantly, while 50 percent considered that their income had only slightly decreased.

Some activities were more affected than others:
- in trade in agricultural products, 50 percent of respondents reported marginal drops in income and 50 percent drastic drops
- in trade in processed food products, 100 percent of respondents considered reported marginal falls in income
- in trade in used clothing, -66.67 percent reported marginal decreases while 33.33 percent declared drastic income losses

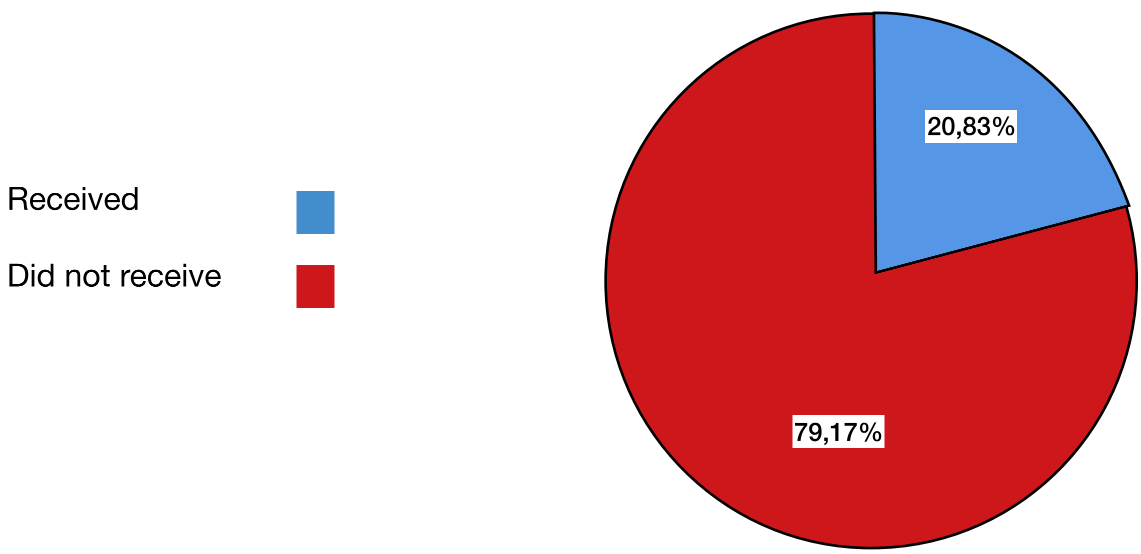
• in trade in goods of domestic utility, 83.34 percent declared marginal falls in income compared to 16.67 percent that reported drastic losses
• in repair of electrical and electronic devices, 66.67 percent stated that incomes decreased slightly, and 33.37 percent reported drastic decreases
• in transport of goods by hand, 100 percent declared drastic income decreases);
• in mototaxi passenger transport, 50 percent considered that their income had drastically decreased, and 16.67 percent considered that their income decreased marginally, marginally increased or increased dramatically and
• in foreign exchange trade, 83.34 percent stated that their income decreased dramatically, and 16.67 percent marginally decreased.

TABLE V – IMPACT ON LIVING CONDITIONS (percentage)

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	None	4	8,3	8,3	8,3
	Required assistance from family	11	22,9	22,9	31,3
	Incurred debt (kilapi)	8	16,7	16,7	47,9
	Reduced expenditure on non-essential expenses	5	10,4	10,4	58,3
	Reduced expenditure on food	20	41,7	41,7	100,0
	Total	48	100,0	100,0	

Regarding the consequences on the households' conditions, 41.7 percent said they had reduced expenses on food, 22.9 percent requested family aid, 16.7 percent incurred debt while 10.4 percent reduced non-essential expenses.

CHART IV – SUPPORT RECEIVED DURING THE PANDEMIC (percentage)



Of the 48 respondents, only 20.83 percent stated that they received some type of support from formal assistance programmes (mainly in the form of food items) during the pandemic.

TABLE VI – SUPPORT PROVIDERS (percentage)

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Government	4	8,3	36,4	36,4
	NGOs	3	6,3	27,3	63,6
	Trade associations	4	8,3	36,4	100,0
	Stated	11	22,9	100,0	
	Not stated	37	77.1		

Support was mostly provided by informal operator organizations and associations and by NGOs (63.6 percent). Only 36.4 percent respondents reported having received support from the State.