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Economic and social impact of COVID-19 in Angola 2021

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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,