

Angola Social Protection Public Expenditure Review (PER)

Main Report

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ACRONYMS

ADECOS	Community Health Development Agents (<i>Agentes de Desenvolvimento Comunitário de Saúde</i>)
APROSOC	Social Assistance and Assistance Intervention Support Project
BNA	National Bank of Angola (<i>Banco Nacional de Angola</i>)
CINFOTEC	Integrated Technological Training Centers
CNAC	National Council for Children
CSS-FAA	Social Security Fund of the Armed Forces of Angola (<i>Caixa de Segurança Social das Forças Armadas De Angola</i>)
DB	Defined Benefit
DNACA	National Directorate for Children and Adolescents
DNARS	National Directorate for Assistance and Social Reintegration (<i>Direcção Nacional de Assistência e Reintegração Social</i>)
DNEG	National Directorate for General Education (<i>Direcção Nacional para o Ensino General</i>)
DPARS	Directorates for Assistance and Social Reinsertion
ECD	Early Childhood Development
EU	European Union
FAOSTAT	Food and Agriculture Organization Corporate Statistical Database
FAS	<i>Fundo de Apoio Social</i>
FUGEM	Municipal Management Support Fund
FX	Foreign Exchange
GDP	Gross Domestic Product
GEPE	Office of Studies, Planning and Statistics
GIZ	German Agency for International Cooperation (<i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i>)
GOA	Government of Angola
HDI	Human Development Index
IIMS	Multiple Indicator and Health Survey (<i>Inquérito de Indicadores Múltiplos e de Saúde</i>)
IMF	International Monetary Fund
IMS	<i>Instituto Medio de Saúde</i>
IMSS	<i>Instituto Medio de Saúde</i>
INABE	National Institute of Scholarship (<i>Instituto Nacional de Bolsas de Estudo</i>)
INAD	National Demining Institute (<i>Instituto Nacional de Desminagem</i>)
INAFOP	National Institute of Vocational Training (<i>Instituto Nacional de Formação Profissional</i>)
INEE	National Institute for Special Education (<i>Instituto Nacional para a Educação Especial</i>)
INEFOP	National Institute of Employment and Vocational Training (<i>Instituto Nacional do Emprego e de Formação Profissional</i>)
INSS	National Social Security Institute (<i>Instituto Nacional de Segurança Social</i>)
IT	Information Technology
IRSEM	Institute of Socio-Professional Reintegration of the Former Military (<i>Instituto de Reintegração Socio-Profissional dos Ex-Militares</i>)
PMIDCP	Integrated Municipal Rural Development Program and Poverty Reduction
JICA	Japan International Cooperation Agency
LCU	Angola's official exchange rate

LIAP	Local Industry Action Plan
LM	Labor Market
LMIC	Low- and Middle-Income Country
LNG	Liquified Natural Gas
LPG	Liquified Petroleum Gas
MACVP	Ministry of Ex-Combatants and Veterans of the Motherland (<i>Ministério dos Antigos Combatentes e Veteranos da Pátria</i>)
MAPTSS	Ministry of Public Administration, Labor and Social Security (<i>Ministério da Administração Pública, Trabalho e Segurança Social</i>) (earlier called MAPESS)
MASFAMU	Ministry of Social Action, Family and Women's Promotion (<i>Ministério da Acção Social, Família e Promoção da Mulher</i>)
MAT	Ministry of Territorial Administration (<i>Ministério da Administração do Território</i>)
MDG	Millennium Development Goal
ME	<i>Merienda Escolar</i>
MED	Ministry of Education (<i>Ministério da Educação</i>)
MHSS	Ministry of Health and Social Security
MICS	Multiple Indicator Cluster Survey
MINFIN	Ministry of Finance (<i>Ministério das Finanças</i>)
MINARS	Ministry of Social Assistance and Reinsertion (<i>Ministério da Assistência e Reinserção Social</i>)
MINCO	Ministry of Commerce (<i>Ministério do Comércio</i>)
MINDEN	Ministry of National Defense (<i>Ministério da Defesa Nacional</i>)
MINED	Ministry of Education (<i>Ministério da Educação</i>)
MINFAMU	Ministry of Family and Promotion of Women (<i>Ministério da Família e Promoção da Mulher</i>)
MINSA	Ministry of Health (<i>Ministério da Saúde</i>)
MOH	Ministry of Health
NGO	Nongovernmental Organization
OECD	Organization for Economic Co-operation and Development
PAAE	Literacy and Accelerated Schooling Program (<i>Programa da Alfabetização e Aceleração Escolar</i>)
PAYG	Pay-as-you-go
PER	Public Expenditure Review
PDN	Plano de Desenvolvimento Nacional
PIDLCP	Integrated Municipal Rural Development and Fight Against Poverty Program (<i>Programa Integrado de Desenvolvimento Local e Combate a Pobreza</i>)
PLHIV	People Living with HIV
PMDRCP	Integrated Municipal Rural Development and Fight Against Poverty Program
PROST	Pension Reform Options Simulation Toolkit
SCD	Systematic Country Diagnostic
SIG	Management Information System
SIGAS	Information System and Social Action Management (<i>Sistema de Informação e Gestão da Acção Social</i>)
SIGFE	Integrated Financial Management Information System (<i>Sistema Integrado de Gestão das Finanças do Estado</i>)
SOE	State-owned Enterprise
SP	Social Protection
UCP	Unit Combating Poverty

UMIC	Upper Middle-Income Country
UNICEF	United Nations Children's Fund
WDI	World Development Indicators
WEO	World Economic Outlook
WFP	World Food Programme
WTO	World Trade Organization

EXECUTIVE SUMMARY

1. **This Social Protection Public Expenditure Review (PER) focuses on the social protection (SP) sector at the request of the Government of Angola.** It is part of a body of analytical expenditure work carried out by the World Bank in collaboration with the Ministry of Finance (MINFIN) as well as relevant sector ministries. It complements and extends the 2017 *Angola Health and Education PER*, which examined the adequacy, efficiency, and equity of education and health spending, along with the respective sector policies and institutions. The *Health and Education PER* notably recommended sector-specific policy reforms to help the Government of Angola (GOA) make continued progress in human development indicators, while pursuing sustainable fiscal consolidation.

2. **Well-functioning Social Protection policies and programs promote resilience, equity and opportunity for all, and are important drivers of human capital development.** The sector seeks to mitigate the adverse effects of poverty on human capital formation by contributing from the very early years throughout the entire life-cycle to promote the cognitive and non-cognitive foundations of the poorest and more vulnerable to become healthy and productive members of society. Social protection programs operate through direct and indirect channels to improve human and productive development outcomes. Decisions on human capital investment take place at the household level where parents play a crucial role on shaping the development of their children. Cash Transfer programs generate an income (money) and substitution (time) effect. Increased incomes allow households to increase purchasing power and invest more on the human capital of family members. Furthermore, parents and other caregivers can reallocate their time to invest more (or less) in nurturing care of family members, for instance, spending more time on parenting, on using prenatal care services, exclusive breastfeeding, growth monitoring visits, reading books to children or telling stories, etc., or investing more time on developing their own skills.

3. **The SP PER analyzes Angola's social protection expenditure efficiency and effectiveness including social insurance (the civil servants and private sector workers' pension schemes), social assistance, active labor market programs, social care services, and subsidies.** The assessment is expected to inform the new government's social protection policy and programs. The report is organized as follows: Chapter 1 briefly describes the context of the review, including the current macro and sector contexts, the fiscal challenges the Government of Angola is facing and identifies the major sources of vulnerability for Angolan households, the most vulnerable groups (the potential target groups of social protection programs), and the principal risks they face; Chapter 2 assesses the public expenditures for social protection; Chapter 3 zooms in on pensions and addresses the civil servant and private sector workers' schemes financing, coverage and sustainability; Chapter 4 evaluates the effectiveness and efficiency of selected social safety net programs considering targeting, generosity, unit costs, institutional and implementation arrangements and other key performance indicators. The chapter includes an operational assessment of key programs.

4. **Social Protection expenditures have been excessively high in the past since subsidies were counted as SP expenditures.** In 2011, the GOA spent 8.7% of GDP on Social Protection¹ (see Table 0.1) while it only spent about 3% of GDP on education and even less on the health sector². Subsidies have historically represented the largest share of the social protection budget. However, comparatively better-off households consume a larger share of fuel products: in 2014, roughly 80 percent of refined fuels was

¹ This report was written with revenue figures available until 2017. Before printing, the team will update and extend the data until 2017 whenever possible.

² World Bank (2017b)

consumed by the richest 40 percent of households, while only 7 percent was consumed by the poorest 40 percent.³

5. **Falling oil prices and the fuel subsidy reforms of 2015 provided much needed fiscal space, but did not translate into increased funding for targeted poverty programs.** The Government implemented a fuel subsidy reform, which eliminated subsidies on most fuels by end-December 2015 – with only residual and targeted subsidies remaining in place. Energy subsidy spending declined from a peak of 7.1 percent of GDP in 2011 to 0.6 percent in 2017. At the same time, spending on pro-poor programs through social assistance stayed at comparatively low levels of 0.1-0.2% of GDP, while falling in absolute terms. Apart from being small in scale, scattered across many projects and several ministries, social assistance also prioritized ex-combatants to a large extent.

6. **Some of the savings from the subsidy reforms were used to increase spending on pensions for the elderly and ex-militaries.** These expenditures increased from 1% of GDP in 2011 to 1.5% in 2016. The pension system benefits from favorable demographic data, so it currently generates a fiscal surplus despite generous benefits that would otherwise be unsustainable.

Table 0. 1: Social Protection Spending in Angola (as % of GDP)

Social Protection Spending (% of GDP)	2010	2011	2012	2013	2014	2015	2016
Subsidies	6.2	7.1	4.0	4.6	4.5	1.6	0.4
Social Insurance	0.9	1.0	1.2	1.6	1.7	2.1	1.5
Social Assistance	0.4	0.4	0.4	0.6	0.5	0.4	0.2
Other	0.2	0.1	0.2	0.2	0.2	0.1	0.1
Total	7.8	8.7	5.8	6.9	6.9	4.3	2.2

7. **Aligned with the findings of the *Angola Health and Education Expenditure Review*, the Social Protection PER also finds that very limited resources are targeted to the poor, of which even less reach the needy directly.** The country’s human development indicators (see Annex 1) are among the worst in the world. While infant and child mortality rates are the highest in the world, Angola invests extremely little in the human development of its population. The SP PER shows that the poor and the young are largely outside the scope of the social protection system.

8. **The new government has a unique opportunity to combat poverty and invest in the productive and human development of the poor through reallocation of SP expenditures to well-designed social safety nets, and a strong focus on the young and the poor.** The elimination of fuel-based subsidies as well as other subsidies in conjunction with a restructuring of Ministries and fiscal consolidation offer an opportunity to increase the funding for targeted social safety net programs with direct impact on the poor. It also provides an opportunity to reassess the pension system (regardless of focus on the poor) and to think through the continuation of veteran benefits.

9. **The government should gradually move from food-in-kind programs to money transfer programs, as cash transfers are cheaper, more efficient and transparent.** In addition, monetary benefits provide a platform to support families in an integrated way, increasing access to education and health services, and promoting behavioral change and the productive inclusion of families in extreme poverty. Social assistance programs should also be sustained longer, rather than punctual and short-lived, and provide families with a medium-term perspective to lift them out of poverty. The transformation of

³ Fabrizio et al. (2015).

programs of goods into programs of monetary and necessary change. Programs such as the Kikuia Card remained small and ineffective and thus did not deliver on the promise of alleviating poverty.

10. **There are promising developments in the Social Protection sector based on which a reorientation of expenditures towards the poor and vulnerable can be achieved.** This includes the merger of two related ministries (Social Assistance and Family) into the new Ministry of Social Assistance and Family (MASFAMU) based on which the number of social projects was reduced from 44 to 12, as well as the decision of the government to introduce cash transfer programs, including the planned Child Grant program supported by UNICEF (financed by the EU), and the implementation of a Productive Safety Net program by the Social Action Fund (FAS). Furthermore, the MASFAMU envisions to gradually shift targeting of social assistance programs from categorical (e.g. war-related) to poverty criteria, bearing the potential to increasingly focus on extreme poor families and their children. To this end, poverty maps as well as poverty related household targeting instruments have already been developed.

11. **The National Development Plan 2018-2022 addresses the key priorities of the social protection policy in Angola.** The plan aims to

- promote the social and productive reintegration of the most vulnerable and excluded groups;
- contribute to equitable and sustainable development, promoting the reduction of social, economic, cultural and territorial asymmetries;
- re-adapt the institutional architecture of support of the social action of the state, in accordance with the sustainable development goals; and
- support initiatives that provide support services for people with disabilities and their familie

The Social Protection policy includes priorities to former Combatants and Veterans of the Motherland and victims of domestic violence and human trafficking. The remaining vulnerable groups are addressed in the context of the Population Policy. Although the preparation of the Population Policy is a task of the Ministry of Economy and Planning (MEP), its implementation involves the articulation of the efforts of several ministerial departments - especially the Ministry of Social Action, Family and Promotion of Women (MASFAMU), the Ministry of Youth and Sports (MINJUD) and the Local Administration.

Chapter 1 Country Context

Macro and Fiscal Performance

12. **The Republic of Angola is the seventh-largest country in size, the third-largest economy in Sub-Saharan Africa, and the second largest oil producer in Africa.** Angola has a population of about 26 million, with over 27 percent living in the Luanda Province that is home to Angola's capital city, Luanda. About 37 percent of the population live in rural areas. A low population density (20 people per square kilometer) makes rural service delivery especially difficult. Angola is also the second largest oil exporter and has the ninth largest GDP per capita in the African region⁴. .. Angola's economy remains highly dependent on oil. Angola has 9.5 billion barrels of proven oil reserves. It is the second biggest crude oil reserve in the Sub-Saharan Africa, after Nigeria with 37 billion barrels. Diamond mine reserves are

estimated between 60 million and 110 million carats comparing well to the first and second largest reserves in Australia (220 million carat) and Democratic Republic of Congo (150 million carat).

13. **Higher oil prices and oil production allowed for an almost uninterrupted increase in expenditures from 2004 to 2014 with budget surpluses and declining debt ratios.** From 2004 to 2008, Angola's current revenues increased from 32.5 percent of GDP to 44.9 percent of GDP fueled by oil revenues that went from 24.3 percent of GDP in 2004 to 35.2 percent of GDP in 2008. With an overall buoyant economy, non-oil revenues also increased (from 8.1 percent of GDP in 2004 to 9.4 percent in 2008), albeit not at the same pace as oil revenues. During this period, oil revenues accounted for close to 80 percent of current revenues. Current expenditures and investments increased significantly on the back of booming oil revenues: current expenditures increased from 19.2 in 2004 to 22.9 percent of GDP in 2008, while investments grew by more than six-fold from 2.2 to 14.1 percent of GDP. At the same time, debt to GDP ratios declined from 52 to 16.6 percent of GDP; this virtuous fiscal cycle was only possible due to the substantial oil windfall.

14. **The instability brought by excessive oil dependence became evident with falling oil prices in 2008/9.** From July to December 2008, oil prices dropped by 69 percent, shrinking Angola's current revenues almost to a third: from 44.9 percent of GDP in 2008 to 16.4 percent of GDP in 2009. The primary budget surplus of 10 percent of GDP turned into a deficit of 7 percent over the same period. Falling oil prices also affected growth – GDP growth rates dropped from 11.2 percent in 2008 to 3.4 percent in 2009, and the current account balance, which went from a surplus of 8.1 percent of GDP to a deficit of 11.7 in the same period. The nominal exchange rate devalued 18 percent in nominal terms in 2009 and inflation increased moderately.

15. **Between 2010 and 2014 Angola experienced a second period of oil-fueled growth.** GDP growth rates averaged 5.1 percent while current revenue and public investment, as a share of GDP, averaged 38.3 and 10 percent respectively. During this period, Angola built several macroeconomic buffers: international reserves reached USD 32.2 billion in 2012, debt-to-GDP declined and was kept below 40 percent, and several oil funds were set-up as fiscal stabilizers. The exchange rate was also tightly managed and inflation dropped to single digits for the first time in modern history.

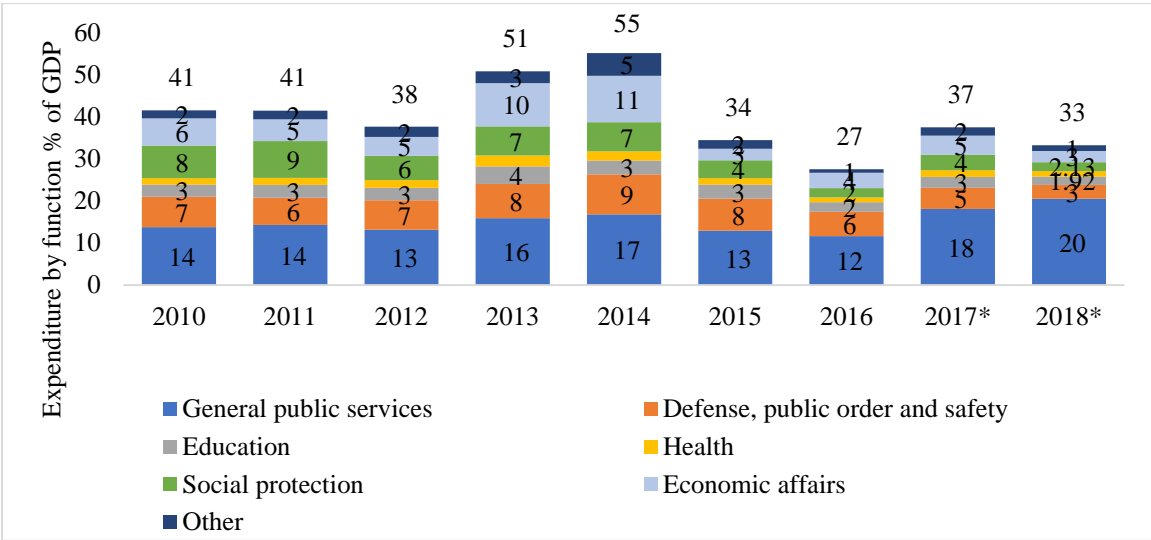
16. **Despite the buffers that were accumulated since 2010, the sustained decline in oil prices since 2014 has had a much stronger impact.** Oil prices declined rapidly from July to December of 2014, dropping by 42.3 percent. In contrast to the earlier decline in 2008/09, prices declined further and remained low for a prolonged time, causing a stronger impact in the Angolan economy. GDP growth slowed from 4 percent in 2014 to zero in 2016. The central bank pursued a policy mix of exchange rate devaluations and quantity controls, that ended up hurting business and was not very efficient in taming inflation, which peaked at 42 percent in 2016.

17. **The fiscal impact of the oil price collapse was also substantial and prompted significant fiscal adjustment.** Oil revenues more than halved from 2014 (24 percent of GDP) to 2015 (9.4 percent of GDP). Non-oil revenues also declined with slower economic growth. Faced with a primary budget deficit of 10.8 percent of GDP in 2014, the government cut expenditures in goods and services and public investments. Current expenditures were cut from 31.7 percent of GDP in 2014 to 23.4 in 2015, while investments dropped from 15.3 to 4.6 percent of GDP. In the past two years, the reduction in current expenditures continued mainly through a reduction in payroll and subsidies, with current expenditures estimated at 16.4 percent of GDP in 2017. The government also reformed fuel subsidies partially and increased taxes. Despite

fiscal consolidation efforts, budget equilibrium has not been achieved as revenues continued to decline – current revenues dropped to 15.2 percent of GDP in 2017 - and Angola had to contract more debt to close the financing gap.

18. **Historically, general government services and economic issues have been the two largest expenditure categories by government function.** The former includes central government agencies such as the Ministries of Finance and Planning, as well as general administrative overhead and support services. The latter covers infrastructure investment, including much of the government’s public investment program. Social protection and national defense are the third- and the fourth-largest expenditure categories, though their relative position changes from year to year.

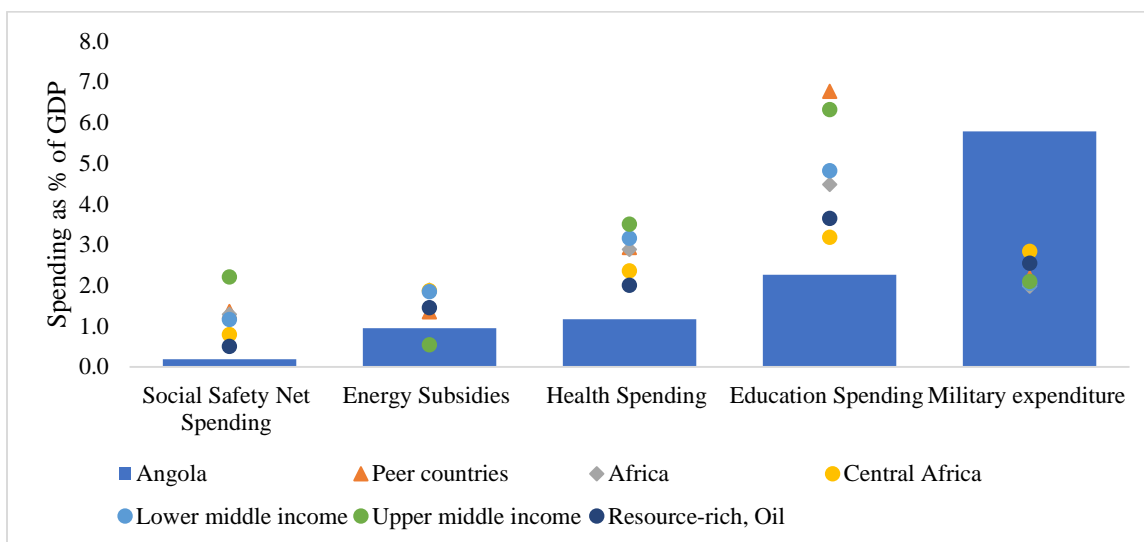
Figure 0. 1: General public services, economic affairs, defense and social protection take up the bulk of total government spending



Source: MINFIN.
 Note: 2017 and 2018 data are budget figures.

19. **Angola’s public spending on social sectors as a share of GDP is below other country group averages except for military expenditures.** Social Safety Net Spending is 0.2 percent of GDP and well below the average spending in Africa of 1.2 percent of GDP (**Error! Reference source not found.**). Health spending is 1.2 percent of GDP and less than half the average amount spent in the Africa region (2.9 percent of GDP). Education spending is 2.3 percent of GDP and compares low to 4.5 percent of GDP in Africa and 6.8 percent of GDP in its peer countries. Despite decreased energy subsidy spending, the amount spent in 2016 is still above the amount spent in upper middle-income countries (1 percent of GDP in Angola vs 0.5 percent of GDP in Upper middle-income countries). Military spending in Angola is important, accounting for 5 percent of GDP and is well above military spending in other comparable countries.

Figure 0. 2: Angola’s public spending as % of GDP below other country comparator groups (2016)



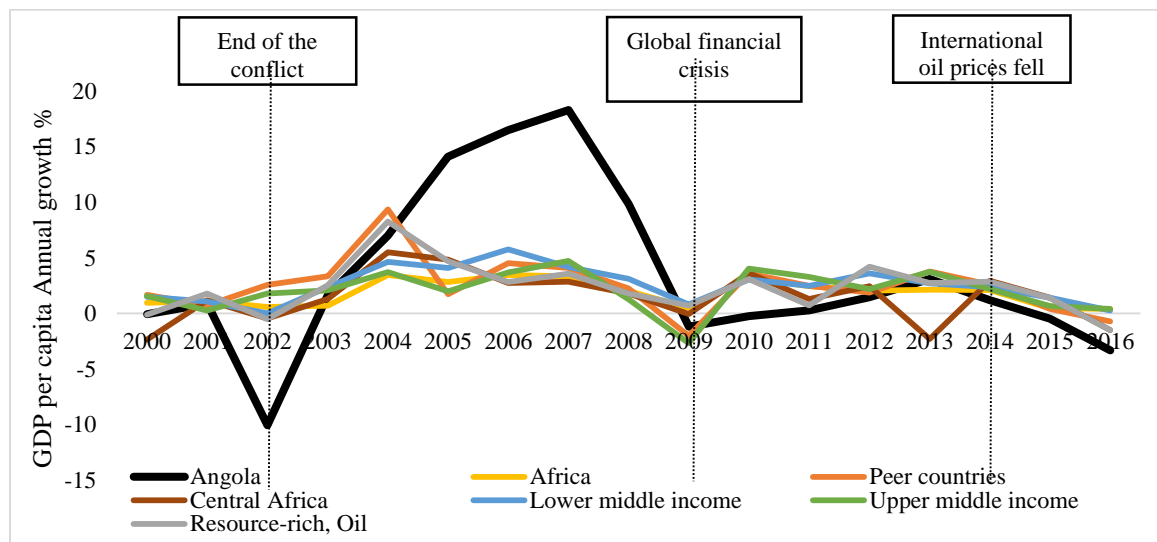
Source: MINFIN and Beegle et al. (2018)

20. **Public debt has increased rapidly since 2014 and debt sustainability is now a challenge.** The debt to GDP ratio reached 65.3 percent in 2017, almost doubling from 2013. The average tenure of the domestic debt has declined and the service of oil-backed loans consumed around 60 percent of all oil revenues in 2016. Debt has not only reached high levels by emerging markets standards, but the speed of accumulation and the deteriorating composition have become a challenge. Angola faces additional debt challenges, as government arrears have increased and are being paid partially through debt issuance; the government had to take on debt from Sonangol in 2017.

21. **The new administration has started to implement economic reforms to correct macroeconomic imbalances and to lay the foundations for sustained growth and diversification.** After delaying significant adjustments to lower oil prices, the new administration has embarked on much needed reforms whose objective is to achieve macroeconomic stability, to create an environment conducive to economic growth, economic diversification and job creation, and to address the most pressing social problems. The GOA has shifted to greater exchange rate flexibility, tightened the monetary policy stance and resumed fiscal consolidation. Revisions to the private investment law, antitrust law, and visa requirements were made to ease the cost of doing business in Angola.

22. **While persistent fiscal consolidation is unavoidable, the need to improve social outcomes are also pressing.** The GOA has to pursue a combination of increasing expenditure levels in the social sectors and improve its efficiency to achieve its ambitious targets of universal primary education and social protection. Experience from fiscal consolidation during 2015 and 2016 shows that cutting expenditures across the board can run counter-productive to longer-term development. The government should direct part of the savings obtained with subsidies and from other efficiency gains as well from windfall revenues to increase education, health and social protection expenditures, while ensuring overall expenditures are kept in line with the resource envelope and the medium-term fiscal framework. Fiscal consolidation should not only be mindful of longer-term development objectives, but also ensure that social protection policies and programs are in place to mitigate the impact of macroeconomic adjustment on the population, in particular the poor.

Figure 0. 3: Rapid GDP per capita annual growth which slowed down after the global crisis

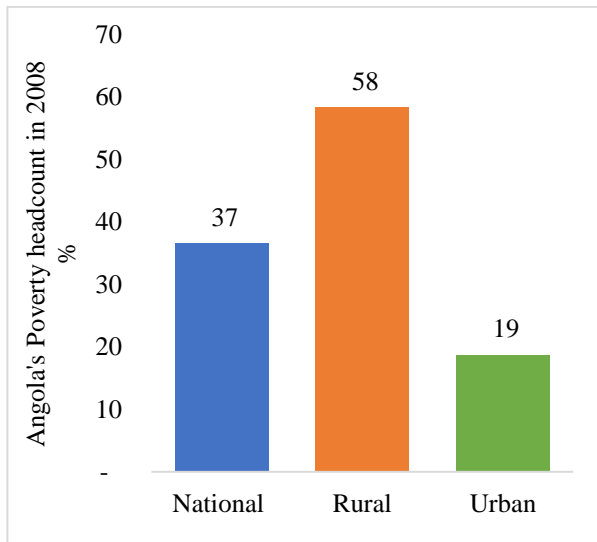


Source: World Development Indicators.

Social Outcomes

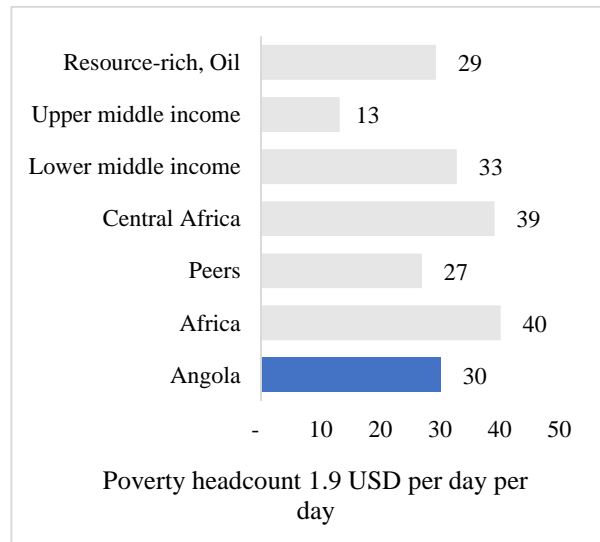
1. **Economic growth contributed to poverty reduction but stagnated in recent years and poverty is still comparatively high.** Angola's official national poverty rate almost halved from 62 percent in 2001 to 37 percent in 2008 (Figure 0. 4). Extreme poverty —defined internationally as per capita income under US\$1.9 per day-- was 30 percent in 2008, higher than its peer countries, and upper middle-income countries (Figure 0. 5). Poverty is expected to remain high in 2018, with 30.1 percent of the population living on less than US\$1.9 a day. Inequality among individuals is high: on average, the richest 20% have an income 18 times higher and a consumption 9 times higher than the poorest 20%. The Gini coefficient only declined marginally between 2008 and 2015, from 43 percent to 42 percent.

Figure 0. 4: Angola’s national poverty rate is significantly higher in rural areas



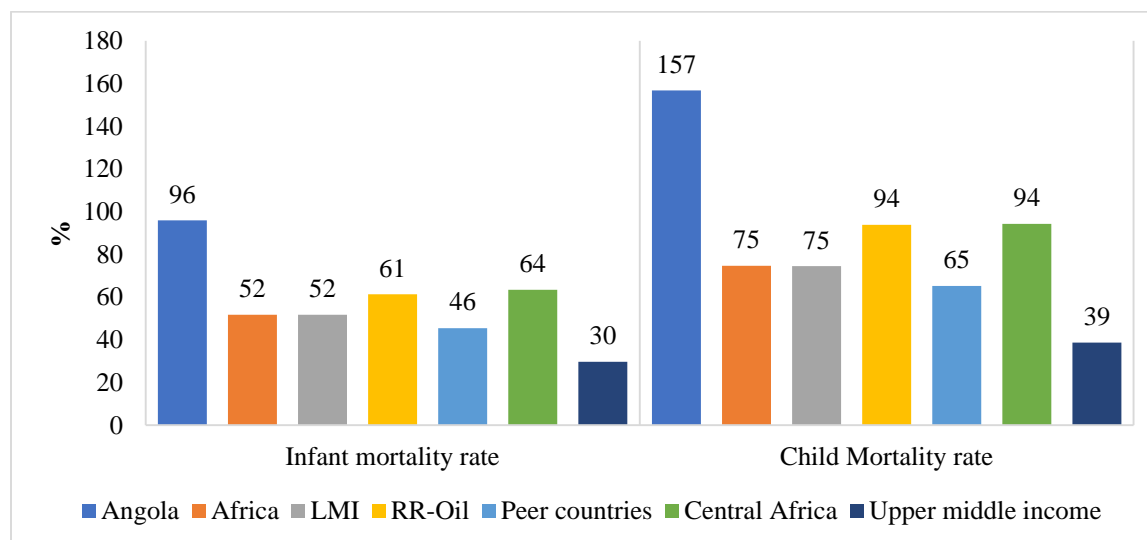
Source: World Development Indicators.

Figure 0. 5: Angola’s international poverty headcount is high and above several country comparators



2. **Aside from an important reduction in poverty, many of Angola’s human development indicators are among the worst in the world.** Angola’s share of population aged 0-14 ranks fifth in the world: almost half (48%) of the population is less than 15 years old and only 2% are 65 years or older (elderly). Life expectancy at birth was at 53 years in 2016, making it the seventh lowest in the world. Angola has the highest infant and child mortality rates in the world. Additionally, the gaps in infant and child mortality between Angola and the comparison groups’ averages have increased. Infant mortality rate (96 per 1,000 live births) and child mortality rate (156.9 per 1,000 live birth) double the average of its comparable countries’ average (Figure 0. 6). At 477 *per 100,000 live births*, maternal mortality rate improved over the past few years but is still significantly high. It is, almost four times the average in upper middle-income countries (175 per 100,000 live births) and slightly above lower middle-income countries’ average (430 per 100,000 live births). For other selected Human Development Indicators, please see Annex 1.

Figure 0. 6: Angola has the highest infant and child mortality rates in the world



Source: World Development Indicators.

3. **Attendance of school-age children is low and so are secondary school enrollment and completion rates; coverage is also a challenge.** Primary enrollment rate has grown significantly with 84 percent of school -age children attending school. However, secondary net enrollment rate is well below its country peer comparators and is the 7th lowest in the world. Primary completion and secondary completion rates lag far behind those of its peers.

4. **In the past 25 years, Angola’s employment growth was not responsive to economic growth.** No correlation has been observed between economic growth and employment growth⁵. Although real value added increased by 229 percent in 1992–2015, employment increased by 116 percent. The relatively low elasticity of employment growth to economic growth means that in Angola improved economic performance had little effect on employment. Economic growth derived from more productive labor and less labor overall—particularly in the mining sector.

5. **There is strong evidence on the impacts of social safety nets on promoting poverty reduction, increasing resilience, and expanding opportunities in Africa.** The depth of recent evidence serves to make a case for investment in social safety nets, for the effective design of programs, and for bringing programs to scale. If they are brought to scale, social safety nets have the potential to affect the overall macroeconomy (Ralston et al. 2017).

6. **Numerous studies have demonstrated that social safety nets boost consumption, reduce poverty and improve the resilience and well-being of the poorest or most vulnerable.** On average, total consumption increases by an average \$0.74 for each \$1.00 transferred and the programs with the largest impact on consumption per dollar targeted poor households on the basis of indicators of household welfare, such as the SCTP in Malawi and the Zambia Child Grant Program (Ralston et al. 2017). Social safety net programs affect not only beneficiary households but, through local economy effects and spillovers, also non-beneficiary households, as shown in programs in Ethiopia, Ghana, Lesotho, Zambia and Zimbabwe.

⁵ World Bank. Angola: Jobs Diagnostic

7. **Social safety nets also help build household resilience to economic shocks through increased savings and investments in productive assets, especially livestock holdings (such as chickens, ducks, and goats).** They also limit adverse coping strategies among households, including the use of child labor (Burkina Faso Take-Home Rations Program among girls, the Kenya OVC program, and the Lesotho Child Grants Program) and the withdrawal of children from school during crises.

8. **Social safety nets foster opportunities through investment in human capital.** Conditional and unconditional cash transfer programs have been shown to improve school enrollment and attendance in education which are especially pronounced in upper-primary and secondary school, where dropout rates rise. Adolescents ages 15–19 were 15 percent more likely to complete higher education in Tanzania, and enrollment rates among children ages 13–17 were 10 percent higher in the Lesotho Child Grants Program (Evans et al. 2014; Pellerano et al. 2014). Their impact on health care is more limited and reflects the demand-side and supply-side constraints of health services and the speed at which program impacts can be realized. Social safety nets also foster opportunities through investments in productive activities: they lead to the launch or expansion of business activities and more time spent on household farms.

Chapter 2: Social protection spending trends and composition

Overview of Angola's Social Protection System

9. **The GOA has made important progress in establishing a social protection system in the country.** The Social Protection System is based on Law 7/04 which establishes the legal and institutional framework of Social Protection of Angola. In its Article 2, the law organizes the system into three pillars or components: Basic Social Protection, Compulsory Social Protection, and Complementary Social Protection. Fuel and utility price subsidies are not part of the statutory social protection system, but expenditure on such subsidies fall under the social protection budget rather than the energy budget as in most countries. A significant portion of non-contributory social assistance falls under the Angolan education and health sector budgets for school feeding programs, the school kits, uniforms, and others.

10. **However, the system remains highly fragmented, with a variety of small-scale programs and activities, and involves a wide range of actors/institutions.** Several governmental institutions participate in the implementation of social protection programs but without little coordination or a joint strategy. Social protection spending is highly concentrated in two ministries: The Ministry of Public Administration, Labor and Social Security (MAPTSS) and the Ministry of Defense (MINDEN) which apply the funds mainly for contributory social protection. Other ministries, including the Ministry of Social Action, Family and Women's Promotion (MASFAMU), the Ministry of Health (MINSÁ), the Ministry of Ex-Combatants and Veterans of the Motherland (MACVP) and the Ministry of Territorial Administration (MAT) received very limited budget allocation, barely 2 percent of total social protection spending which is allocated to non-contributory social assistance. The Ministry of Education (MED), implements several educational programs such as school feeding and tertiary scholarships but its budget allocation is not included as social protection.

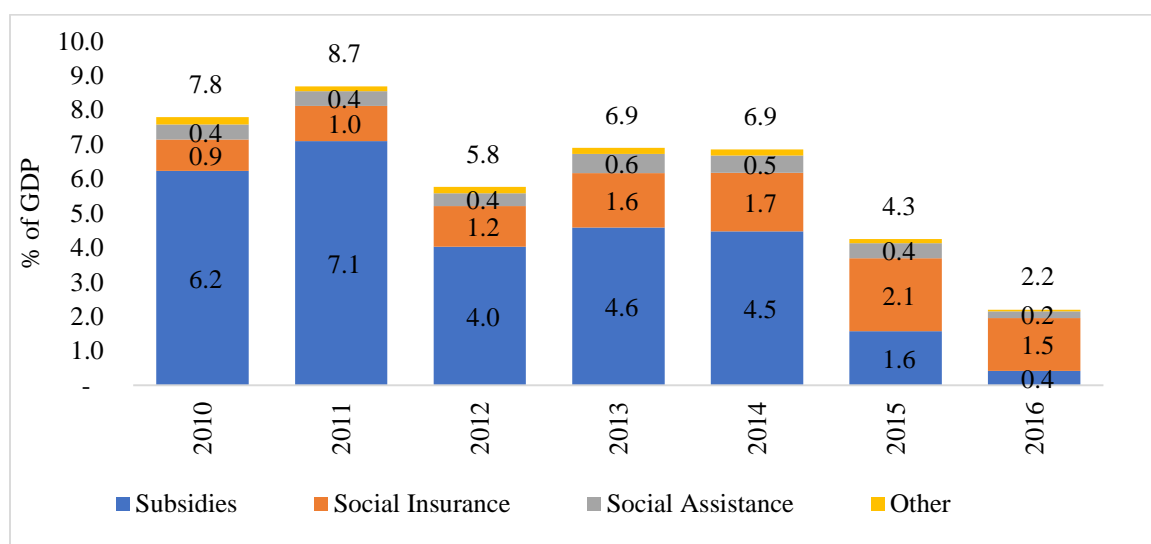
Overall Social Protection Spending and its Evolution

11. **Public spending in social protection have been excessively high but has decreased over the last few years as a share of GDP, in real per capita terms, and as a share of total government spending.** Government spent a total of Kz 371.5 billion (approx. US\$2.256 billion, 2.2 percent of GDP and 8 percent of total expenditures) on social protection benefits in 2016. Social protection spending as share of GDP

⁶ Using the BNA's LCU 165.098 for a US\$ rate

decreased on average 20 percent per year, from 7.8 percent of GDP in 2010 to 2.2 percent in 2016 (Figure 0. 7). The social protection sector in Angola accounts for less than 10 percent of the total government spending and its share has decreased over time on average 13% per annum (8% in 2016 vs 19% in 2010). Social protection expenditures are expected to rise in 2018, at 3.7 percent of GDP and 10 percent of total government spending.

Figure 0. 7: Social protection spending as % of GDP decreased mainly due to reduced energy subsidies



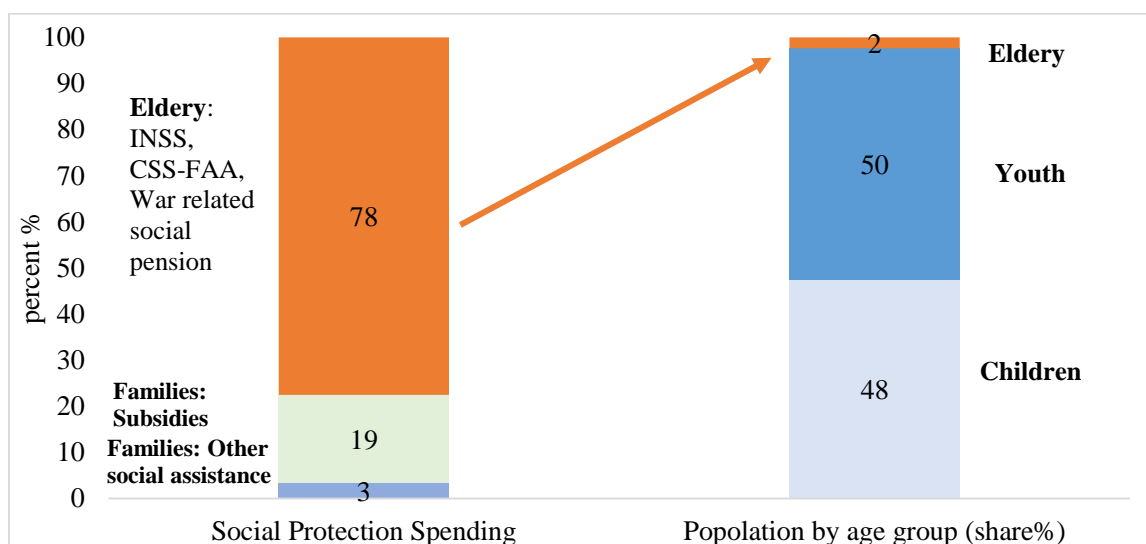
Source: MINFIN.

Composition of Social Protection Spending

12. **Energy subsidies have historically represented the largest share of social protection budget but since 2015, social insurance accounts for the bulk of social protection spending.** Subsidies were the largest category of social protection spending and as high as 7.1 percent of GDP in 2011, but fell to 0.4 percent of GDP in 2016 thus becoming the third highest category of spending (Figure 0. 7). In 2016, 70 percent of social protection public expenditures were on contributory pensions (and other social insurance), 19 percent on energy subsidies, 8 percent on social assistance; the remaining 2 percent covered expenditures on reconstruction and rehabilitation of basic social infrastructure, as well as on demining (Figure 0. 7).

13. **Social protection spending disproportionately benefit the elderly which represent only 2 percent of the total population.** The share of social protection spending targeting the elderly accounts for 78 percent of the total social protection spending (Figure 0. 8) with contributory pensions accounting for 70 percent of total SP spending and war-related social pension for 8 percent . This contrasts with the demographic composition of Angola where the population aged 65 years or more represents only 2 percent of the total population. The remaining social protection spending (22 percent of total social protection spending) targets either families or specific vulnerable groups such as children.

Figure 0. 8: Social protection spending disproportionately benefited the elderly in 2016



Source: MINFIN.

Energy Subsidies: Fuel and Utility Price Subsidies

14. **Energy subsidies have historically represented a large share of the budget, but a combination of policy reforms - including the implementation of a fuel subsidy reform at the end of 2014⁷ - and falling oil prices have reduced their budgetary impact since 2015.** The Government has embarked on a bold subsidy reform since September 2014, reducing spending on (price and State-owned Enterprise-SOE) subsidies from 5.9 percent of GDP in 2013 to 1 percent of GDP in 2016.⁸ Subsidies to SOE were reduced from 1.3 percent of GDP in 2013 to 0.5 percent of GDP in 2016 as part of the government’s efforts to rationalize expenditures (Figure 0. 9). While reducing operational subsidies to these firms could narrow the fiscal deficit, while privatization proceeds could reduce the debt burden, it may be suboptimal from a social protection perspective. Lower oil international prices together with the elimination of asphalt, light and heavy fuel oil and gasoline subsidies helped expenditure on price subsidies fall from 4.6 percent of GDP in 2013 to 0.4 percent in 2016. Liquefied Petroleum Gas (LPG), and kerosene are still subsidized, though at much lower levels than in recent years. Subsidies to LPG now cover 38.6 percent instead of 79 percent of the price; those to kerosene absorb 11.4 percent of the cost rather than 74 previously⁹. Actual expenditure on price subsidies has exceeded budget estimates in several years, and more recently also direct transfers¹⁰.

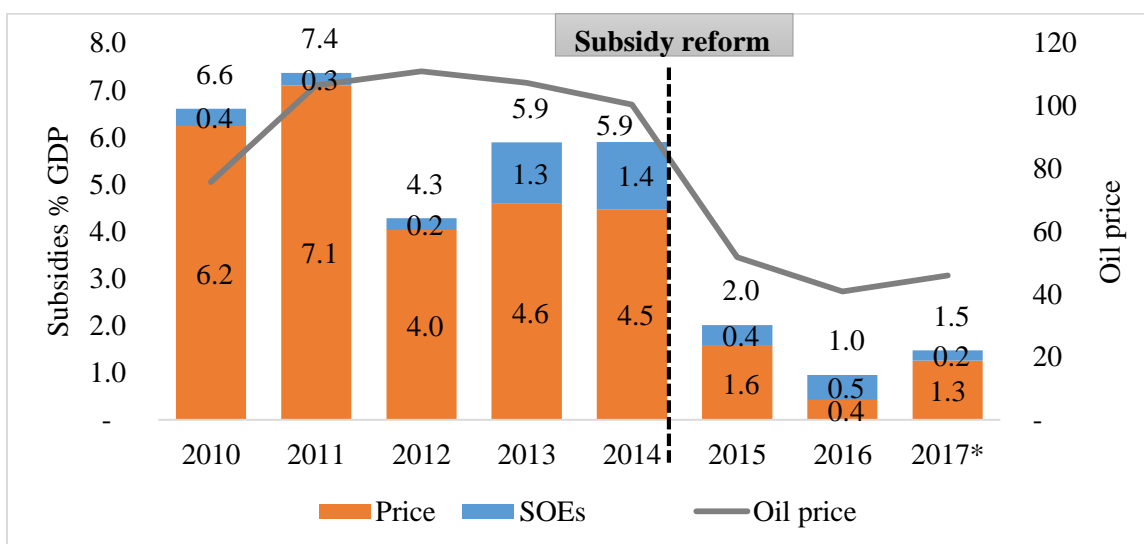
⁷ IMF (2016)/replace. The Government has been implementing a well-designed fuel subsidy reform. On December 31, 2015, domestic fuel prices were increased for the fourth time since September 2014. With this latest increase, subsidies on diesel were fully eliminated and the price of diesel liberalized, adding this product to already liberalized gasoline, asphalt, and light and heavy fuel oil prices. LPG and kerosene domestic prices were also increased on the occasion, but remain subsidized at about 40 percent and 10 percent, respectively.

⁸ Because Angola is an oil exporter that subsidizes domestic fuel prices, subsidy spending is structurally procyclical: rising oil prices boost exports and GDP growth, but they also increase the amount of subsidy spending necessary to keep domestic fuel prices low.

⁹ World Bank (2016)

¹⁰ Boost (2017). Price subsidies were above budgeted estimates for the years 2010 to 2014 (with an average of 79%). For direct transfers, executed amounts were higher in 2012, 2013 and 2016 (77% above budgeted amounts).

Figure 0. 9: Declining energy subsidies as % of GDP and oil price



Source: MINFIN.

Note: 2017 data are budget figures.

15. **The subsidy reform had both a direct and an indirect welfare impact, the indirect impact of the subsidy reform being about twice as large as the direct impact.** The reform had a direct impact on fuel prices affecting household budgets. The increase in fuel prices also affected the production and transportation costs of other goods and thus indirectly increased the prices of those goods. The direct impact of the fuel subsidy reform mainly affected wealthier households (up to 2.5 percent of household consumption), but only marginally affected the poor (below 1 percent reduction in household consumption). The indirect impact on the other hand reduced household consumption by an additional 5 and 3 percentage points for wealthier and poor households, respectively. All in all, Bank staff calculations and simulations based on 2008 IBEP data suggest the elimination of the subsidies only marginally increased the poverty headcount rate by 2 percentage points from 26 to 28 percent¹¹

Social Insurance: Contributory Pensions (and Other Social Insurance)

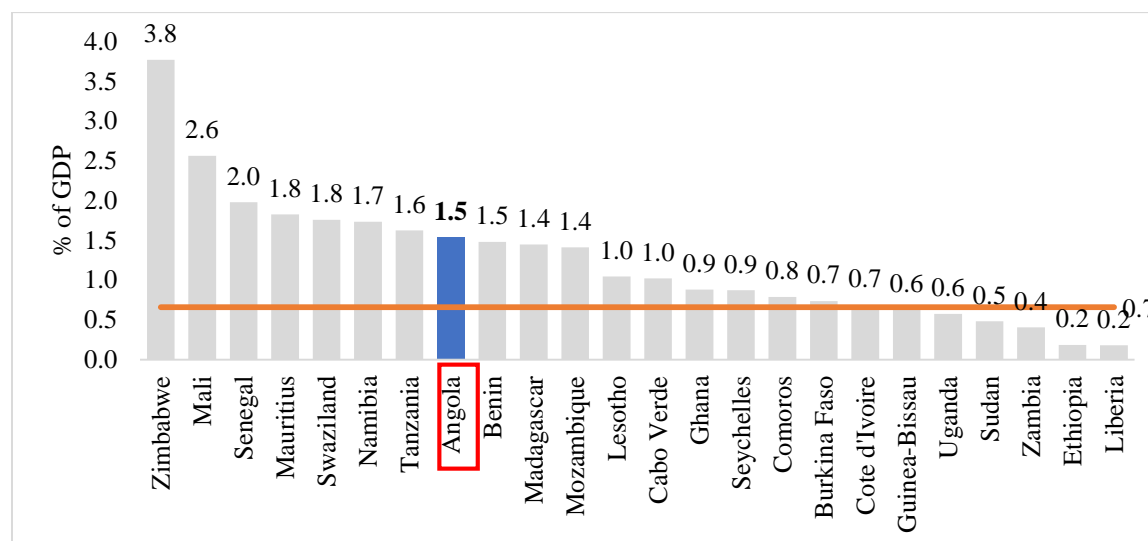
16. **Social insurance includes contributory pay-as-you-go (PAYG) defined-benefit pensions and other social insurance benefits and allowances.** It comprises old age, early retirement, survivor and occupational/work injury pensions, along with survivor, maternity, breastfeeding, death, funeral, old-age and family grants, benefits and allowances. MAPTSS's National Social Security Institute (Instituto Nacional de Segurança Social, INSS) administered formal private sector workers (including the self-employed) and civil servants' social insurance schemes. Military personnel pension benefits are administered by the Social Security Fund of the Angolan Armed Forces (Caixa de Segurança Social das Forças Armadas De Angola, CSS-FAA).

17. **Spending on contributory pensions in Angola doubles the African regional average.** Social insurance spending in Angola is 1.5 percent of GDP which is more than twice the average spending in the Africa region of 0.7 percent of GDP. Among the selected countries, Angola ranks in the top ten countries with the highest social insurance spending, only surpassed by Zimbabwe (3.8 percent), Mali (2.6 percent),

¹¹ Ibid.

Senegal (2 percent), Mauritius and Swaziland (1.8 percent), Namibia (1.7 percent), and Tanzania (1.6 percent) (Figure 0. 10).

Figure 0. 10: Social insurance spending in Angola is above the Afr. regional average



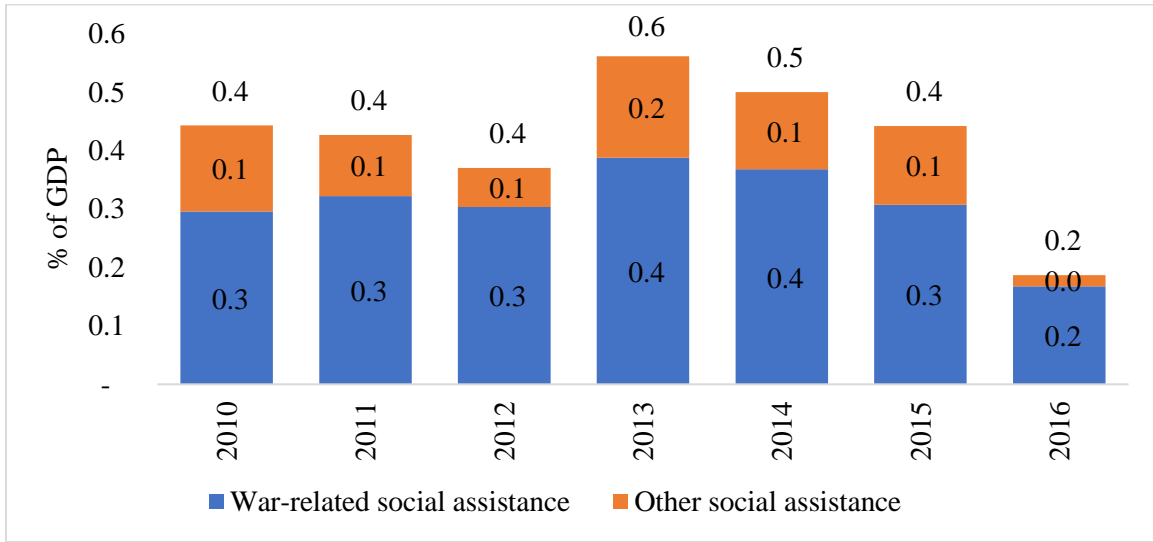
Source: MINFIN and Beegle et al. (2018).

Social Assistance

18. **The social assistance financing envelope covers war-related non-contributory benefits, and other non-contributory transfers targeted to the poor and vulnerable.** War-related non-contributory assistance benefits civilians and soldiers who became disabled during the civil war, as well as surviving relatives of fallen soldiers and civilians, and the families of those missing. Other non-contributory transfers targeted to the poor and vulnerable include people with disabilities and/or at risk of social exclusion, as part of food security, natural disaster preparedness and mitigation, nutrition, and other small-scale programs overseen by MASFAMU.

19. **Social assistance spending has decreased between 2015 and 2016, and non-war social assistance has decreased the most.** The share of war-related spending on social assistance as a share of total SP spending has increased more than the share of social assistance targeted to the poor and vulnerable (Figure 0. 11). As a share of GDP, social assistance spending decreased from 0.6 percent of GDP in 2013 to 0.2 percent of GDP in 2016. While war-related benefit expenditure has decreased by 43 percent in real terms between 2015 and 2016, non-war social assistance fell by a whopping 85 percent in real terms between 2015 and 2016 (Figure 0. 11). In 2016, 90 percent of total social assistance spending was allocated to war-related social programs.

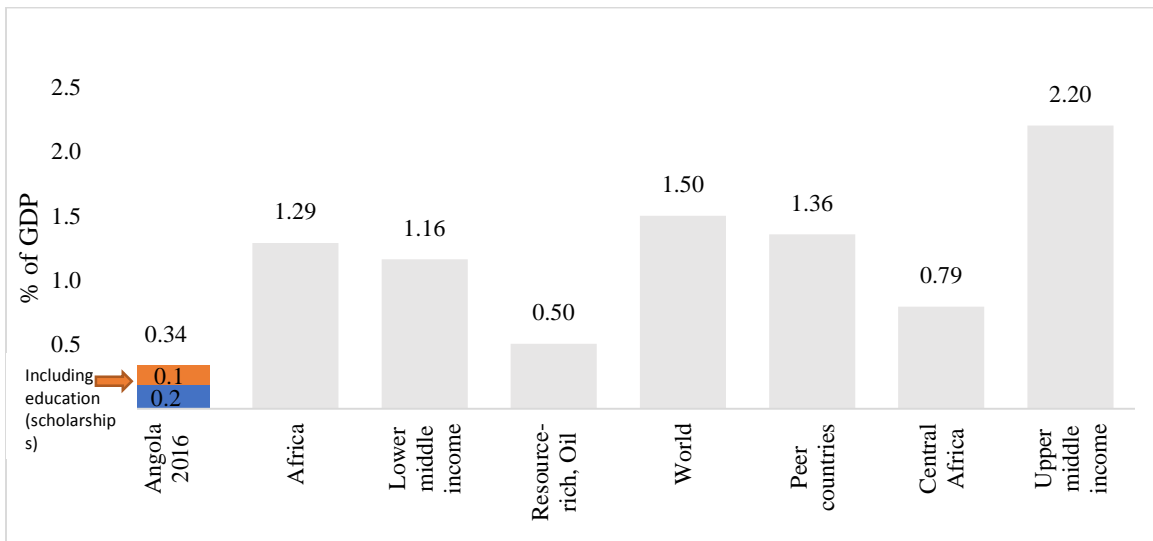
Figure 0. 11: Social assistance spending decreased with non-war related assistance decreasing the most in 2010-2016 (% of GDP)



Source: MINFIN.

20. **As a share of GDP, social assistance spending in Angola is low and well below levels in other country group comparators.** Including the amount spend on scholarships (0.1 percent of GDP - as in other countries) social assistance spending in Angola is 0.3 percent of GDP and below all similar country groups (Figure 0. 12). Upper-middle income countries spend on social assistance on average more than 6 times the amount spent in Angola as a share of GDP. Social assistance spending in the world (1.5 percent of GDP), in Africa (1.3 percent of GDP), Lower-middle income countries (1.2 percent of GDP), and Angola’s country peers (1.4 percent of GDP) is on average four times higher than the amount spent in Angola. Central Africa spends on average more than twice than Angola (0.8 percent of GDP). Social assistance spending in Angola is comparable to the amount allocated in resource rich oil economies (0.5) but still the country’s spending is lower.

Figure 0. 12: Social assistance spending as % of GDP in Angola well below other country group’s spending



Source: MINFIN and Beegle et al. (2018).

Note: A non-negligible portion of social safety net spending falls under the Angolan education and health budgets.

Conclusions

21. **Angola's SP expenditures have historically been high compared to other African countries, and mostly benefitted the better-off, through general subsidies and pensions.** The Government has been spending large parts of its social protection envelope on the better-off (e.g. universal fuel subsidies) and on the elderly (public sector pensions). The recent subsidy reforms were a step in the right direction – away from general subsidies towards targeted programs - but the savings were not used for poverty targeted social assistance programs.

22. **The distribution and the evolution of spending in the SP sector do not match the risks and demographic profile of the population.** Contributory pensions (and other social insurance schemes) spending makes up the better part of non-subsidy social protection spending, and nominal and real increases in non-subsidy spending between 2010 and 2015 were absorbed almost entirely by government contributions to contributory pensions. Yet, 47 percent of Angolans are aged 0-14 (2016), life expectancy at birth is 61.2 years and only 2 percent of the population is 65+ years old (also in 2016). The recent increase in spending on pensions for the elderly and veterans hence benefited a small portion of the population, largely targeted the better-off, and does not necessarily enhance human development of the next generation.

23. **The GOA should review its pension schemes and reassess the social protection expenditures of the military to generate savings that could be allocated to social assistance mechanisms.** The current macro-fiscal context (discussed in chapter 1) is dire and fiscal space for additional social protection spending is tight. An intended increase in non-war related social assistance will have to be (at least partially) funded through savings on other social protection spending. Categorical social assistance spending could be phased out and replaced by poverty targeted programs which may well include war-veterans.

Chapter 3: Pensions

Overview of Angola's Social Insurance System

24. **INSS administers Angola's social insurance schemes for formal private sector workers (including the self-employed) and civil servants', domestic service, and members of the Clergy and Religious.** The regime of domestic service workers was first introduced in August 2016 by Presidential decree no155/16. The system is funded by a mix of workers' and employers' contributions. Private sector workers contribute 3 percent of their monthly salaries and employers contribute 8 percent of their workers' earnings for a total contribution rate of 11 percent. The government contributes as an employer of civil servants. The self-employed contribute 11 percent of declared monthly earnings for full benefits, and 8 percent for partial benefits.¹²

25. **Insurance benefits comprise old age and survivor's pensions as well as subsidies.** Benefits include old age, early retirement, survivor pensions, along with maternity, breastfeeding, death, funeral, old-age and family grants, benefits and allowances. There are no disability or unemployment benefits. In 2011, pre-maternity benefits were introduced to protect insured women in situations of risk pregnancy.

¹² INSS website (<http://www.inss.gv.ao/contribuicoes/Paginas/Taxas-de-Contribuicao.aspx>), accessed December 22, 2017

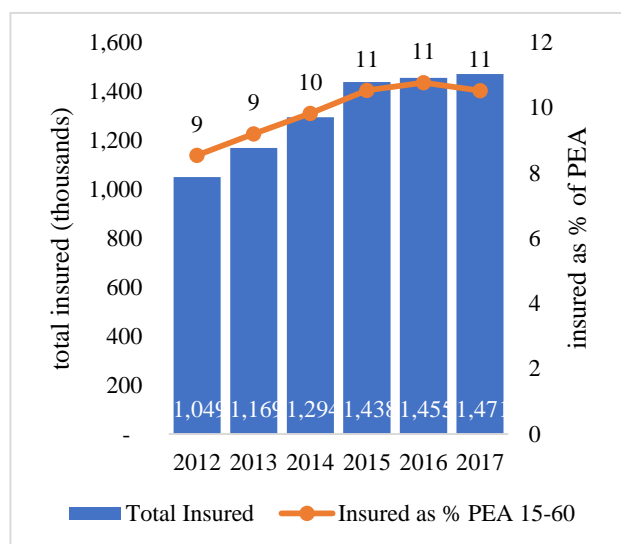
Between January 2014 and March 2014, more than 67,000 social benefits were granted, of which 62% corresponded to pensions and 38% to subsidies.

Demographics and Coverage

26. **The pension system benefits from favorable demographics and system immaturity.** The INSS pension system in Angola is sustained by very low system dependency rates which mirror very low overall population old-age dependency rates. Angola has one of the youngest populations in the world. Population projections show that current demographic trends characterized by high fertility rates and gains in life expectancy are expected to continue. In addition to very low old-age dependency rate, the INSS pension scheme is also still quite young – having only been introduced in 1990. When pensions systems are first introduced, there are many more contributors than the pensioners resulting in pension system surpluses. As the schemes mature and more and more contributors become pensioners, pension expenditures increase proportionately. Given that it has now been 27 years since the introduction of the INSS pension system, it is expected that the number of pensioners will begin to increase as members who joined in the early 1990s begin to meet the eligibility conditions for an old age pension. This effect of pension system maturation is already becoming visible through the doubling of spending on old age pensions between 2013 and 2016 (**Error! Reference source not found.7**).

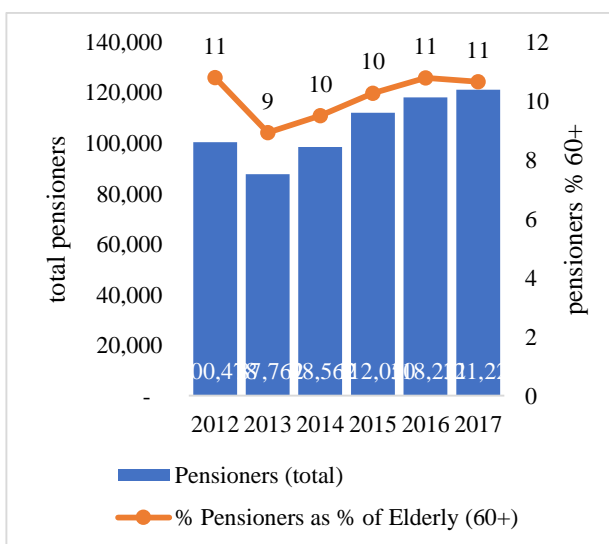
27. **Coverage of the working-age population is low, though generally in line with Sub-Saharan average of about 10 percent.** Though the numbers of insured workers and the number of eligible pensioners have increased over the past few years, INSS scheme coverage remains low (Figure 0. 13). Between 2012 and the first quarter of 2017, there was a growth in the number of contributors and insured: from 43,210 taxpayers in 2012 to 127,947 in 2017, from 1,049,264 insured in 2012 to 1,470,727 in 2017. Yet, the INSS collected contributions from only about 11 percent of the active population.

Figure 0. 13: Slow growth of number of insured



Source: INSS.

Figure 0. 14: Growing number of pensioners



Source: INSS.

Note: The reduction of the pensioners in the year 2013 is due to deputation of the database of the system that for more than 3 years did not perform maintenance of the rights of benefits and life test.

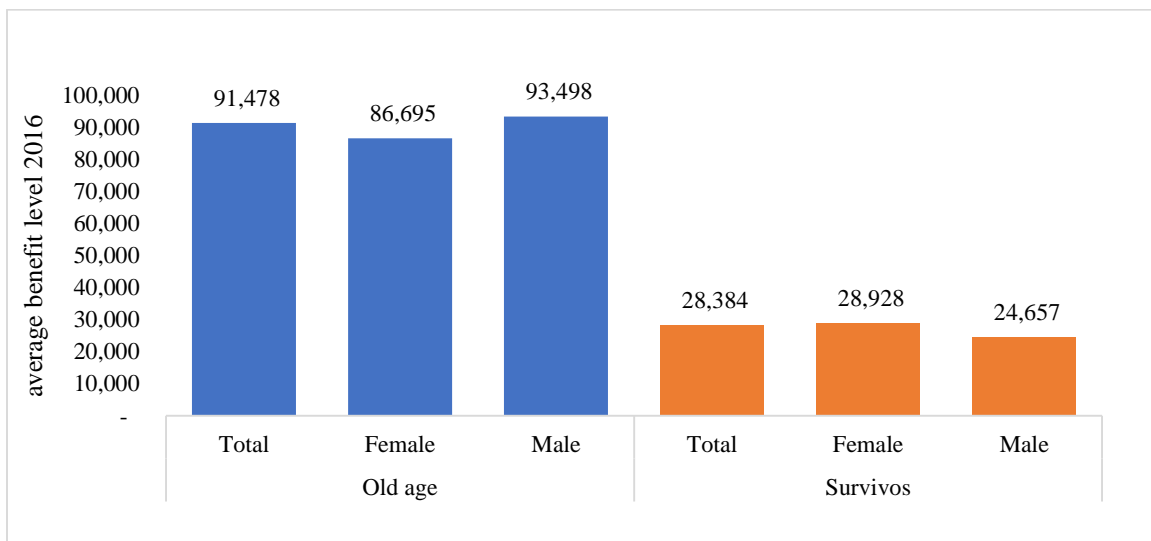
28. **Around one tenth of the population above age 60 is covered by the INSS pension system.** The total number of pensioners increased from 100,478 in 2012 to 121,221 in 2016 which represents only about 11 percent of the elderly population in 2016 (**Error! Reference source not found.**). In 2016,

old age pensioners accounted for 76 percent and survivors for 24 percent of all pensions. 74 percent of all pensioners were men suggesting a significant gender imbalance. 1.7 percent of total old age beneficiaries received the minimum old age allowance of Kz 15,003. and 1.6 percent of pensioners received the minimum old age retirement pension of Kz 18,922 per month, which amounts to a combined 3.3 percent of old age pensioners receiving some type of a minimum pension. This is surprising given that almost 50 percent of contributors are presently insured at the minimum wage.

Benefit Levels

29. **Pension benefits have increased in the past few years while subsidy benefit levels have remained unchanged since 2011.** In 2011, the government increased the value of pensions and subsidy benefits. The minimum value of old age benefit increased above the minimum salary and old age allowance benefit levels increased to the minimum salary. In 2017, there was a readjustment of social benefits introducing new criteria: the minimum and maximum values became fixed values and the adjustments are made based on the estimated inflation of the government's economic program. In 2016, the average value of old-age pensions was Kz 91,477.83 and Kz 28,383.5 for survivors' pensions (Figure 0. 15Figure 46). Subsidy benefits increased in 2011¹³ but their values have remained unchanged since then.

Figure 0. 15: Old Age benefit level is three times that of survivors



Source: INSS.

30. **The old age benefits provided by the INSS pension scheme are very generous by international standards.** A common measure of generosity is the internal rate of return which is calculated by adding the (negative) stream of a worker's contributions and the (positive) stream of expected old age payments to the worker for the duration of his retirement. INSS pays 12 percent real "interest" on contributions "deposited" by a typical¹⁴ worker (defined as a person with an average life expectancy, who starts his career at age 20 and is experiencing real wage growth equal to the average economy-wide wage growth of 1.4 percent per year). Assuming an annual inflation rate of 2 percent, this is equivalent to 14 percent. It would be extremely

¹³ Before 2011: Funeral subsidies was Kz 7,000; breastfeeding allowance was Kz 3,000 monthly for 12 months, and Family allowance was Kz 120 per month.

¹⁴ The worker is assumed to contribute for 30 years and receive a pension for 15 years.

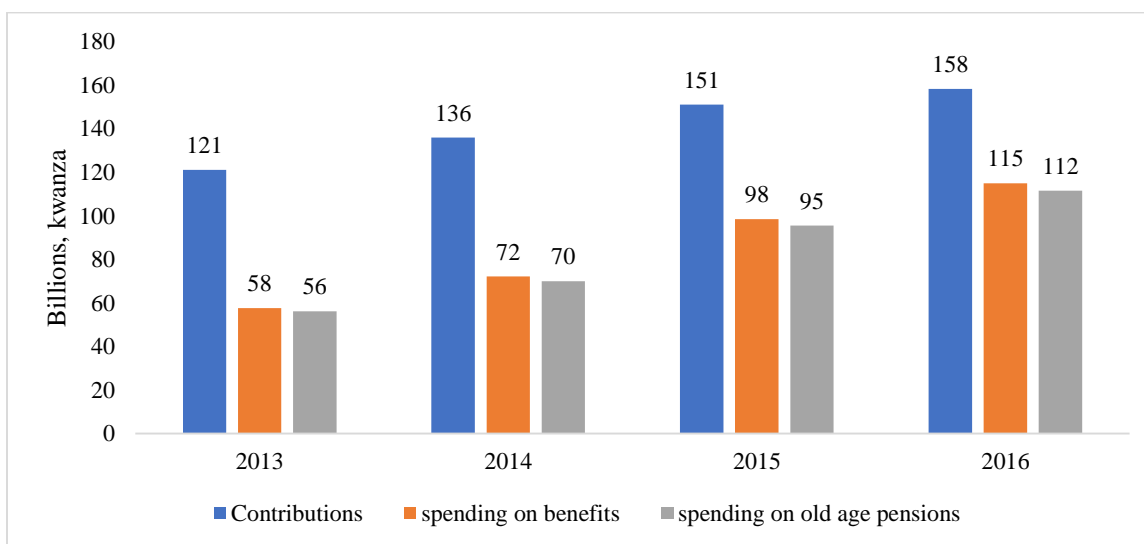
difficult to earn such a high return from any investments in commercial banks, which suggests high subsidies inherent in INSS for those enjoying formal employment in the public and private sector.

31. **INSS pension benefit formula provides for one of the highest implied accrual rates in the region¹⁵.** The INSS benefit formula provides on average 2.9 percent of an individual’s last annual wage (public sector) or average wage during the last 3 years of employment (private sector) per year of contributions. This number is also known as an accrual rate and is very high by international stands (OECD average is 1.1 percent per year). Considering average length of service of 30-35 years, which is common in medium to high income countries, results in over 90 percent replacement rate which is very generous and may become unsustainable in the future.

Financial Performance

32. **Spending on contributory pension is in line with regional experience, though it is high relative to the number of people covered by the scheme.** The total expenditure of the INSS pension scheme reached 1.1 percent of GDP in 2016 while covering only 11 percent of the working-age population and providing pensions to under 120,000 individuals (Figure 0. 16). The vast majority of this spending was attributed to old age pensions. Spending on survivor pensions represented a meager 0.4 percent of total spending which is much lower than levels observed in other countries, and especially in countries where women aren’t equally represented in formal employment.

Figure 0. 16: Total contributions are greater than spending on benefits but the gap is reducing



Source: INSS.

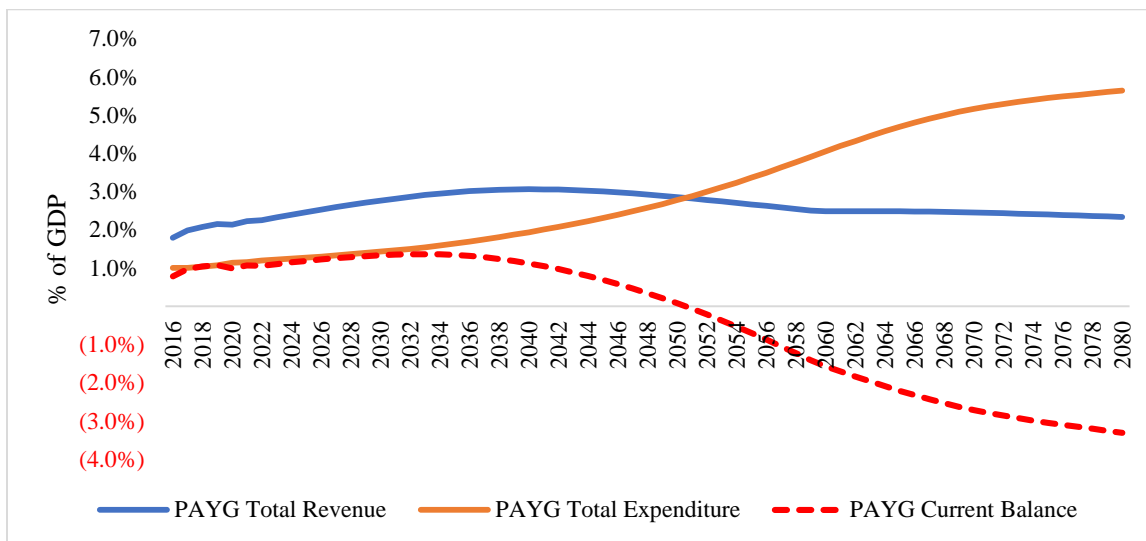
Projections of Fiscal Sustainability and Benefit Levels of the INSS Pension Scheme under Existing Parameters

33. **Under current rules and demographic and macroeconomic assumptions, total INSS revenues are projected to exceed pension expenditures until about 2050, at which point the pension system begins to register a deficit which is projected to gradually reach 3.5 percent of GDP by end of the simulation horizon.** Assuming contribution revenue is the sole source of financing, the pension system is projected to register a deficit as early as 2050 (Figure 0. 17). Key assumptions used in these simulations are

¹⁵ For a glossary of pension terms, please see Annex 3.

that (1) pensions, once assigned, are indexed to wage growth, (2) the investment returns of INSS are assumed to match inflation, and that (3) the pension coverage of the working-age population remains constant over the simulation period.

Figure 0. 17: Projected INSS deficit is expected by 2050



Source: PROST projections.

Conclusions

34. **Favorable demographics and system immaturity enable the pension system to currently generate a fiscal surplus despite very generous parameters that would otherwise be unsustainable.** Old age pension spending has almost doubled just in the last 3 years. An increase in old age expenditures over the coming years is expected due to pension system maturation. Projections show that around 2050 pension expenditures will exceed contribution revenues.

35. **The pension system features a very generous benefit formula,** including one of the highest accrual rates in the world, resulting in replacement rates around 100% or more. In addition, the pension system has a very high pension ceiling which permits a small segment of the pensioner pool, previously earning high salaries, to draw sizeable pensions, potentially exacerbating inequality of the system if it runs into fiscal deficits and requires general revenue support. INSS pays 12 percent real “interest” on contributions “deposited” by a typical worker (defined as a person with an average life expectancy, who starts his career at age 20 and is experiencing real wage growth equal to the average economy-wide wage growth of 1.4 percent per year). Assuming an annual inflation rate of 2 percent, this is equivalent to 14 percent. It would be extremely difficult to earn such a high return from any investments in commercial banks, which suggests high subsidies inherent in INSS for those enjoying formal employment in the public and private sector.

36. **Angola’s INSS pension scheme is anticipated to require state budget support to meet pension obligations around year 2050.** Expenditures might even exceed member pension contributions much sooner than 2050 if the growth in active contributors turns out to be slower than the figure assumed in the PROST projections of the system (projections assume that the share of contributors in working-age population will remain constant in the future). This is concerning because of the low pension coverage of the elderly population. The moment that state budget revenues are used to subsidize the pensions of a very narrow segment of the elderly population, the pensions paid by the system become regressive, reaching

only the typically wealthier segments of society with prior access to formal employment and pension system coverage and excluding the overwhelming share of elderly in the population with informal sector employment histories and no pension rights.

37. **The pension system covers only a tenth of the working-age population which is very low compared to developed economies but generally in line with Sub-Saharan Africa.** Growth of insured workers has been limited due to the large informal sector, increased unemployment, the links to the system of only small and medium-sized enterprises, high failure of taxpayers to link workers, and the need to expand the agricultural sector, livestock, fisheries and commercial sectors. As a result, the percentage of future elderly with rights to the contributory pension system will also be low, leaving a substantial segment of the elderly without a pension and exposed to an increased risk to old age poverty. One could argue that the traditional defined-benefit (DB) pension system financed on a pay-as-you-go (PAYG) basis from employer and employee contributions currently in place in Angola doesn't sufficiently address the risk of old age poverty and income smoothing for much of the population in the context of a large informal sector.

38. **There may be little incentive for a large share of the contributor population to contribute beyond the minimum required period of 15 years.** Angola's INSS pension scheme has two minimum pensions – old age allowance and old age pension - paid from age 60 with either 10 or 15 years of contributions. The amount of the old age allowance is linked to the minimum wage of the agricultural sector whereas the minimum old age pension is linked to the lowest civil service salary. Currently less than 4% of the pensioners receive the minimum pension. However, over 50% contributors are insured at the minimum wage which means that even if they contribute beyond the 15 years, they would still only receive the minimum pension.

39. **Currently there is no disability insurance.** If disability pensions are introduced, that would further add to the projected increase in expenditures.

Chapter 4: Social safety net programs

Overview of Angola's Social Safety Net System

ANGOLA IMPLEMENTS 28 SOCIAL SAFETY NET PROGRAMS WHICH IS WELL ABOVE OTHER COUNTRY GROUPS' AVERAGE. ANNEX 4ANNEXES

Annex 1: Selected human development indicators, Angola and country comparator groups, 2016 or latest

Indicators	Angola	Peer countries	Africa	Central Africa	Lower middle income	Upper middle income	Resource-rich, Oil
Overall							
Population Growth (2000-2016)	3	2	3	3	2	2	3
Population 0-14 (%)	48	37	41	43	41	31	43
Population 15-64 (%)	50	60	56	54	56	64	54
Population +64 (%)	2	4	3	3	3	5	3

Urban population (%)	44	25	35	41	34	33	38
Population in Slums (%)	56	36	60	65	57	31	58
GDP growth 2016	-3	-1	0	-1	0	0	-1
Poverty, 1.9	30	27	40	39	33	13	29
Poverty 3.1	55	47	62	61	55	29	52
GINI index	43	55	44	44	44	53	43
Health							
Fertility rate	6	4	5	5	4	3	5
Life expectancy	53	59	60	58	59	65	57
Maternal Mortality rate	477	388	485	549	430	175	554
Undernourishment	14	18	20	21	16	16	16
Malnutrition rate	29	29	32	30	28	24	30
Child Mortality rate	157	65	75	94	75	39	94
HIV prevalence	2	12	5	3	7	12	3
Improved Sanitation	52	48	34	31	37	60	30
Improved water	49	85	74	70	73	95	69
Education							
Pre-primary school enrolment (% gross)	79	39	36	29	47	52	32
Primary school enrolment (% net)	84	84	81	85	82	90	78
Secondary school enrolment (% net)	12	55	38	30	44	64	22
Tertiary school enrolment (% gross)	9	16	9	9	11	19	10
Primary completion rate (%)	50	86	71	63	78	91	63
Secondary completion rate (%)	23	63	46	39	53	76	39
Pupil-teacher ratio	43	33	39	45	36	26	42
Adult Literacy rate	71	82	66	69	73	89	64
Social Protection and Labor							
Rural poverty	58	50	56	60	59	46	57
Urban poverty	19	22	31	37	29	24	27
Dependency ratio %	99	69	81	87	79	57	86
Employment	64	55	63	62	57	49	58
Labor force participation	68	65	70	68	64	60	63
Labor force participation female	45	46	44	45	42	44	41
Unemployment rate	7	16	10	9	12	19	9
Unemployment rate female	7	18	12	10	14	22	11
Unemployment rate youth	11	30	17	16	20	40	16

Source: WDI.

Annex 2: General Description of Prost Methodology

1. PROST is a computer-based pension model designed to simulate the behavior of pension systems and assess their financial sustainability under different economic and demographic assumptions over a long-time frame. The model can be adapted to a wide range of country circumstances and allows modelling of various types of pension reform options.

2. The model consists of an input workbook and five output modules. On the input side, the user provides country specific data on demographic, economic and pension system related parameters and assumptions about their behavior in the future. This information is entered in the **input file** with six embedded worksheets:

General	Economic variables (GDP and wage growth, inflation, interest rate), non-age-specific pension system parameters (pension fund balance and benefit expenditure in the base year, retirement age, contribution rate, pension indexation rules, and so on) and some demographic variables;
Population	Base year population by age and gender along with age-specific fertility and mortality rates and immigration information.
Labor	Age and gender specific labor force participation and unemployment rates as well as distribution of wages and old-age pensions across age and gender cohorts.
Pension	Age and gender specific information about pension system contributors, beneficiaries, coverage and retirement rates, average years of service at retirement and replacement rates for new beneficiaries.
Profiles	Information on representative individuals, such as gender, career path, individual wages, life expectancy, and so on.
Reform	Parameters relevant to systemic reforms to be simulated (any combination of conventional PAYG, fully funded DC and notional DC pillars), including switching pattern, how the acquired rights will be paid, contribution rates, rules for annuitization and pension pay-out under DC schemes and replacement rates/benefit formula in a PAYG pillar, indexation, and so on.

3. In the most simplified way the **general calculation scheme** can be summarized in the figure below.

4. PROST follows single age/gender cohorts over time and generates population projections, which, combined with labor market assumptions, are used to forecast future numbers of contributors and beneficiaries. These in turn generate flows of revenues and expenditure. The model then projects fiscal balances and calculates the implicit pension debt. The required contribution rates and affordable replacement rates for zero pension fund balance in each year of the simulation period are also calculated. Finally, PROST produces outputs related to individuals – what an individual would contribute to the system and what he/she obtain under PAYG DB and multi-pillar schemes. This allows both intra- and intergenerational analysis.

5. Depending on the characteristics of the pension system and data availability, the user can choose the method for calculation of some of the variables. In particular, the number of contributors and beneficiaries can be computed in either “Stock” or “Flow” method. With the “Stock” method, for each year the stocks of contributors/beneficiaries are calculated first and then inflows (new contributors/beneficiaries) are derived as the changes of the stocks:

$$Inflow(a,t,g) = stock(a,t,g) - stock(a-1,t-1,g) + outflow(a,t,g),$$

6. With the “Flow” method, inflows are calculated first and then stocks are derived as previous year’s stocks in each age/gender cohort adjusted for the net inflow (inflow-outflow):

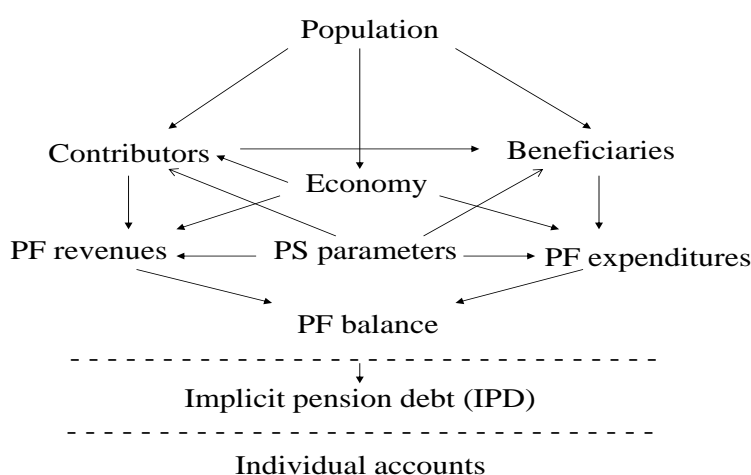
$$Stock(a,t,g) = stock(a-1,t-1,g) - outflow(a,t,g) + inflow(a,t,g),$$

Where a = age, t = year, g = gender.

7. As PROST keeps track of contribution years of service accrued by each cohort, the calculated number of new retirees – whatever method is used – is then adjusted so that the total length of service accrued by the cohort is equal to the total length of service claimed by the cohort at the time of retirement. After the number of new retirees is adjusted, the stock is recalculated using the “Flow” method.

8. The user can also choose how the benefit of new beneficiaries is specified—via benefit formula or via age and gender specific replacement rates.

Figure A2.1: General calculation scheme



9. As mentioned above, output produced by PROST is organized in five output modules. Each of the modules contains a number of Excel worksheets and a graphical summary on key output indicators:

Population Projection	Population projections and pyramids, life tables, life expectancy changes, population dependency rates, and so on.
Demographic Structure	Labor force and employment projections, projections of contributors and beneficiaries, demographic structure of the pension system, and system dependency rates.
Finances of Single pillar PAYG	Macroeconomic trends, wage projections, pension benefit projections for the existing and new pensioners, revenue and expenditure of the pension system, required adjustments to contribution rates and replacement rates for zero current balance, and the implicit pension debt.
Finances of Multi-pillar System	Pension benefit projections for new and existing pensioners under each of the three pillars (conventional PAYG, notional PAYG, and funded DC), revenues and expenditure of both PAYG and funded pillars, implicit pension debt of the PAYG system after the reform, and results of the reform (compares benefit projections and financial standing under the single pillar PAYG and multi-pillar scenarios).

Individual accounts

Lifetime contributions and benefits and individual related summary statistics for up to six different individuals specified in the “Profiles” input sheet under PAYG system (statutory, with adjusted contribution rates and with adjusted benefits) and multi-pillar system (for those who switched to the multi-pillar system and those who remained in the PAYG system).

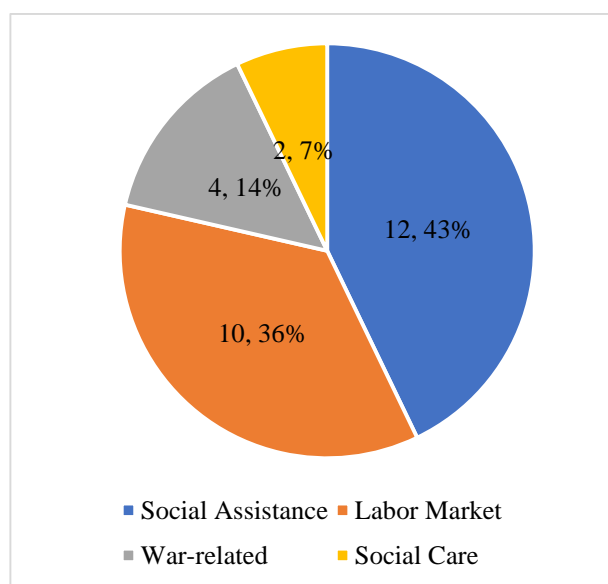
Annex 3: Glossary of pension terms

Accrual rate	The rate at which pension entitlement is built up relative to earnings per year of service in earnings-related schemes—for example, one-sixtieth of final salary.
Benefit rate	The ratio of the average pension to the average wage, which could be expressed as relative to the economy wide average wage or to the individual's specific average or final wage.
Commutation	Exchange of part of the annuity component of a pension for an immediate lump sum.
Defined benefit	A pension plan with a guarantee by the insurer or pension agency that a benefit based on a prescribed formula will be paid. Can be fully funded or unfunded and notional.
Defined contribution	A pension plan in which the periodic contribution is prescribed and the benefit depends on the contribution plus the investment return. Can be fully funded or notional and nonfinancial.
Full funding	The accumulation of pension reserves that total 100 percent of the present value of all pension liabilities owed to current members.
Funding	Accumulation of assets in advance to meet future pension liabilities.
Indexation	Increases in benefits by reference to an index, usually of prices, although in some cases of average earnings.
Means-tested benefit	A benefit that is paid only if the recipient's income falls below a certain level.
Occupational pension scheme	An arrangement by which an employer provides retirement benefits to employees.
Old-age dependency ratio	The ratio of older persons to working-age individuals. The old-age dependency ratio may refer to the number of persons over 60 divided by, for example, the number of persons ages 15–59, the number of persons over 60 divided by the number of persons ages 20–59, and so forth.
Pay-as-you-go	In its strictest sense, a method of financing whereby current outlays on pension benefits are paid out of current revenues from an earmarked tax, often a payroll tax.
Pension coverage rate	The number of workers actively contributing to a publicly mandated contributory or retirement scheme, divided by the estimated labour force or by the working age population.
Pensionable earnings	The portion of remuneration on which pension benefits and contributions are calculated.
Portability	The ability to transfer accrued pension rights between plans.
Provident fund	A fully funded, defined contribution scheme in which funds are managed by the public sector.
Replacement rate	The value of a pension as a proportion of a worker's wage during a base period, such as the last year or two before retirement or more, or the entire lifetime average wage. Also denotes the average pension of a group of pensioners as a proportion of the average wage of the group.
System dependency ratio	The ratio of persons receiving pensions from a certain pension scheme divided by the number of workers contributing to the same scheme in the same period.
System maturation	The process by which a pension system moves from being immature, with young workers contributing to the system, but with few benefits being paid out since the initial elderly have not contributed and thus are not eligible for benefits, to being mature, with the proportion of elderly receiving pensions relatively equivalent to their proportion of the population.
Universal flat pension	Pensions paid solely on the basis of age and citizenship, without regard to work or contribution records.
Valorization of earnings	A method of revaluing earnings by predetermined factors such as total or average wage growth to adjust for changes in prices, wage levels, or economic growth. In pay-as-you-go systems, pensions are usually based on some percentage of average wage. This average wage is calculated over some period of time, ranging from full-career average to last salary. If the period for which earnings history enters into the benefit formula is longer than the last salary, the actual wages earned are usually revalued to adjust for these types of changes.

Vesting period	The minimum amount of time required to qualify for full and irrevocable ownership of pension benefits.
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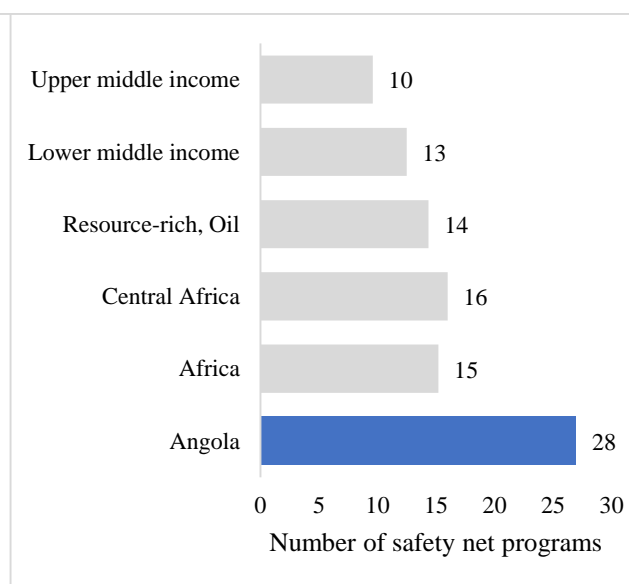
40. presents the inventory of social safety net programs in Angola. Social safety net includes social assistance, social care services, labor market programs and non-contributory war-related programs. Social assistance includes non-contributory benefits in cash and food/in-kind distribution programs; Social care services includes basic and specialized social care services for families, children, the elderly and vulnerable populations; Labor market includes training, job rotation, job sharing, entrepreneurship support, labor market services, and unemployment benefits. Non-contributory war-related programs includes programs aimed at ex-military and combatants. Social assistance represents the largest share of number of programs, followed by labor market interventions, and war-related benefits (Figure 0. 18). The total number of safety net programs is well above the average number in the Africa region (Figure 0. 19).

Figure 0. 18: Angola has 28 social safety net programs



Source: MASFAMU, and other official sources.

Figure 0. 19: The total number of programs is well above the Africa region average.



Source: Beegle et al. (2018).

41. **MAFAMU is the ministry implementing more social safety net programs.** Several governmental institutions participate in the implementation of social safety net programs in Angola (see Annex 5). Social assistance, social care service and some war-related programs are mainly implemented by MASFAMU which implements 11 programs (41% of total). MAPTSS implements 7 labor market programs (26% of total), MED implements several educational programs such as school feeding, scholarships, kits and others and account for (15% of total). Other ministries/institutions implementing social safety net interventions are the National Institute of Employment and Vocational Training (INEFOP), the National Institute of Scholarship (INABE), the National Institute for Special Education (INEE), MACVP and MINSA.

42. **Almost 90 percent of MASFAMU 2018 budget goes to war-related social assistance spending.** The Program for Socioeconomic and Productive Reintegration of ex-military represents more than 70 percent of MASFAMU budget for 2018 (Table 0. 2). The second largest program is the National Demining program accounting for 14 percent of 2018 MASFAMU budget. The largest non-war related program is the Cartão Social Kikuia, representing 7.2 percent of total budget. The rest of the programs have limited budget allocation.

Table 0. 2: MASFAMU prioritize war-related social assistance spending in 2018

MASFAMU Programs	Budget 2018 (million)	Share %
Program for Socioeconomic and Productive Reintegration of Ex-military	32,860	76.8
National Demining Program	6,000	14.0
Cartão Social Kikua	3,091	7.2
Protection and Promotion of Child Rights	229	0.5
Economic and Productive Structuring of Rural Communities	188	0.4
Support to Rural Women	127	0.3
Program for the Municipalization of Social Action (new program)	110	0.3
Support for Victims of Violence	68	0.2
Support for Gender Issues and Promotion of Women	61	0.1
Family Strengthening and Protection Program and Strengthening of Family Competencies	49	0.1
Requalification of rural villages		0.0

Source: MASFAMU and PDN 2018-2022

43. **The Integrated Local Development and Poverty Alleviation Program (PIDLCP) program (2018-22) is the flagship program of the new GOA’s country strategy to fight poverty.** This program, which is overseen by the Office of the President and implemented by MASFAMU, builds on the experience obtained with the implementation of the Integrated Rural Development and Poverty Alleviation Program (PMIDCP) (2010-2015). It aims to lift out of poverty 3 Million Angolans by 2022 and reduce poverty incidence from 36.6% to 25%, by 2022 through social transfers of various kinds. MASFAMU’s Information System and Social Action Management (*Sistema de Informação e Gestão da Acção Social*, SIGAS) and IRSEM’s Management Information System (SIG) (IRSEM) are tools that ensure beneficiary registration and control and impact monitoring. The technical follow-up will be done by the Secretariat of the President of the Republic for Productive Affairs. The PIDLCP interventions prioritize ex-Military (70%) and vulnerable groups (30%). Specific objectives include: Complete the reintegration process of the 80,537 former military personnel; Extend access of the population to basic social services; Reduce the rural migration of youth to urban areas; Reverse the sense of the migration from urban to rural areas, through the dynamization of local development; Promoting citizens' access to production factors: land, capital, equipment, and knowledge. PIDLCP involves several economic sectors such as agriculture and forestry, fisheries, commerce, construction and public works, industry, health, education, environment, water energies and social protection.

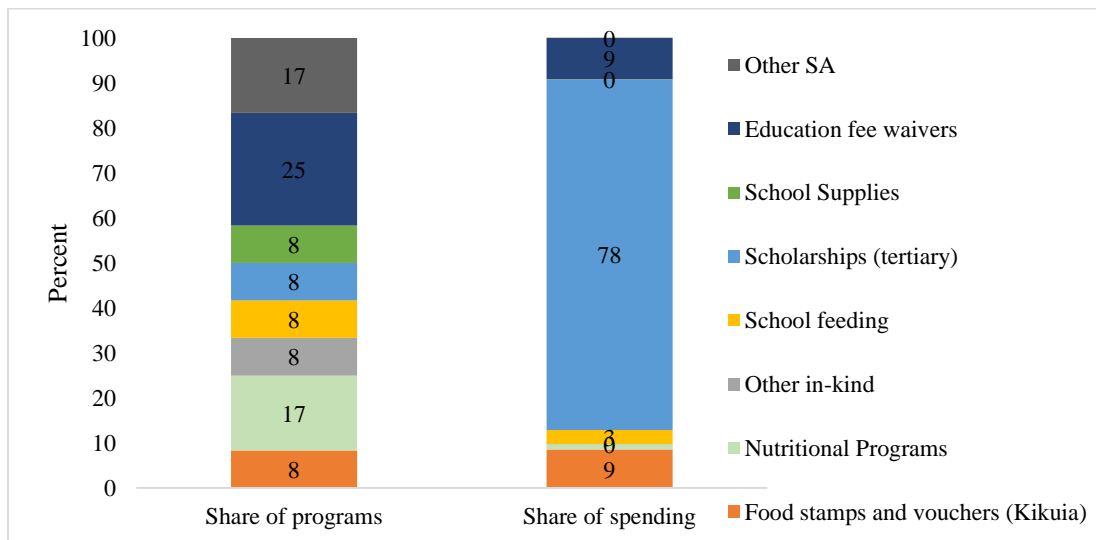
44. **The Municipalization of Social Action (Municipalização da Accção Social) promotes a decentralized operational model of social action, with social services that are closer to citizens and promotes of social inclusion.** It brings the services closest to the populations and makes them active participants in their own development process and their communities. It involves: Elaboration of participatory social diagnosis on vulnerability in the community / community municipality; Registration of SIGAS beneficiaries for reference to community services and projects; Elaboration of the Municipal Social Charters (contain the list of different services / state, private, social facilities and opportunities); Elaboration of Plans Municipalities of Social Action to promote and offer Services designed / adapted to the diagnosis of vulnerability; Continuous follow-up; Evaluation. The pilot project APROSOC, funded by the European Union (EU), aims to ensure the scientific methodology for implementing the Municipalization of Social Action and thus ensure gradual expansion with uniform modalities of intent throughout the Country.

45. **A strategic alliance and collaboration between MASFAMU and MAT / FAS in relation to decentralized social assistance, productive inclusion, municipal strengthening, Community Health Development Agents (ADECOS), etc. is advisable.** The FAS already implements a municipal support program under the World Bank-funded Local Development Project (PDL) and can help advance the implementation of the PIDLCP. In this sense, the World Bank will work with MASFAMU and the FAS in order to outline potential synergies in the area of local development.

Social Assistance Programs

46. **Twelve social assistance programs were identified.** These are mostly food and nutrition programs, and education programs (Figure 0. 20Error! Not a valid bookmark self-reference.). Tertiary scholarships are the only cash transfer programs identified while the rest are food, in-kind and near cash transfers including food and stamp vouchers such as Cartao Kikuia. The largest spending goes to educational programs and the Cartao Kikuia program. Excluding scholarships, the Cartao Kikuia Programs is the program with the largest share in total spending.

Figure 0. 20: Several small social assistance programs but little budget allocation (2016)



47. **MASFAMU and MED implement most of the social assistance programs.** MASFAMU implements: Cartao Kikuia (Food stamps and vouchers), Protecção e promoção dos direitos da criança (nutrition program), Programa de Valorização e Protecção da Família e Reforço das Competências Familiares (other in-kind), and other social assistance programs such as the Programa de Municipalização da Acção Social (new program), and Recualificação de as aldeas rurales. MED implements Merenda Escolar (school feeding), Kits escolar, Bata escolar, Sandálias para Crianças (shool supplies), Desenvolvimento Ensino Especial, INEE, and Alfabetização e Aceleração Escolar (targeted education fee waivers). INABE is responsible for tertiary scholarships.

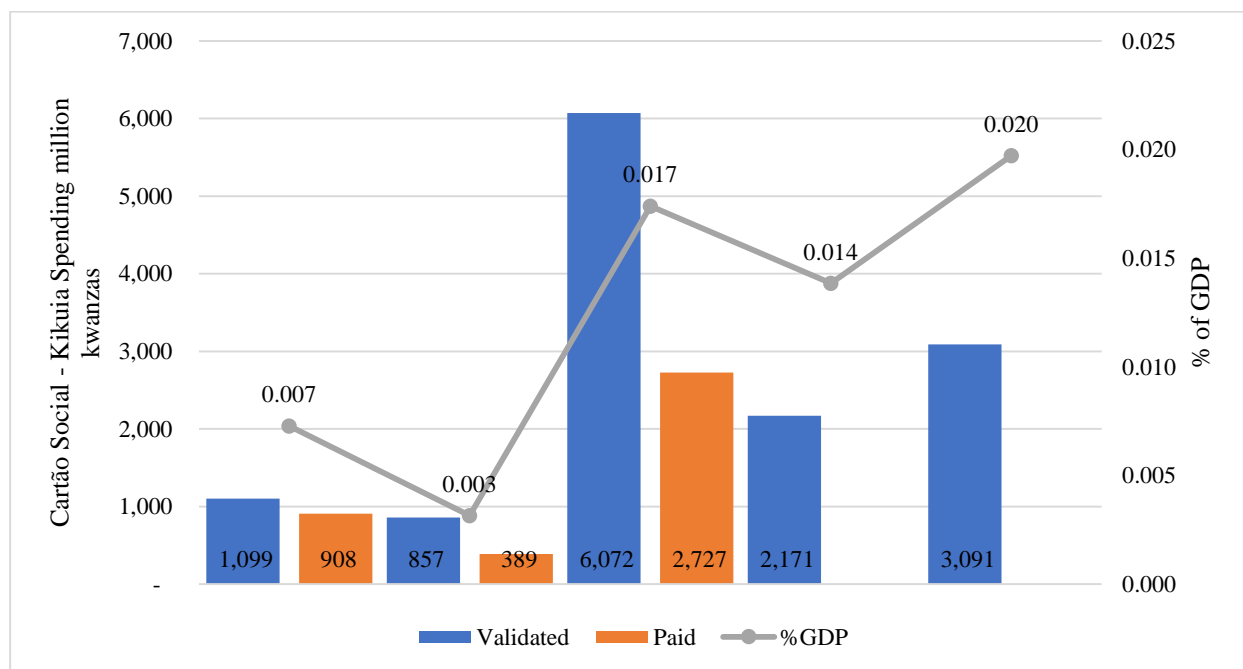
48. **Social assistance programs are small in scale and budget.** The largest spending is on tertiary scholarships followed by the Kikuia Card. Overall, the number of beneficiaries for these programs reduced over the past few years and coverage remained low.

49. **The Government of Angola created the Kikuia Card Program (CK) in October 2014 in response to the financial and economic crisis of the time.** The program aims to provide basic consumer

items for the poorest households in the country, in the form of specific electronic cards for exchanging products at specific stores selected by the government. The value of the benefit is Kz 5,000. The targeting mechanism was not rigorously implemented though it combined geographic, categorical and poverty. Additionally, these criteria are not based on available data or poverty maps, and the decision and selection processes of the provinces were not documented.

50. **Financial data for 2014/2015 and data provided by stores show that there has been a low disbursement rate.** For the entire program, less than 40,000 beneficiaries have received at least one monthly benefit since the program began. All the other 60,000 received no benefit at all. Of the 40,000 beneficiary families, the majority received one or a maximum of two monthly benefits - in any case, far from the 12 monthly benefits that were communicated to them at the time of enrollment. Spending execution was in fact very low, with less than 50 percent been executed in 2015 and 2016 (Figure 0. 21).

Figure 0. 21: Low disbursement rate of Cartão Kikuia 2014-2018



Source: MINFIN.

Note: 2017 and 2018 are budgets.

Social Care Services

51. **Two MASFAMU programs are included in social care services.** Support for Victims of Violence (Apoio a Vítimas de Violência) seeks to prevent domestic violence and support the victims of domestic violence through sensitization actions, and the creation of new shelters and care centers. Support for Gender Issues and Promotion of Women (Promoção do género e empoderamento da mulher), aims to sensitize and mainstream gender issues with lectures, meetings and seminars.

Labor Market Programs

52. **Labor market programs in Angola fall into two main categories: labor market policy measures which include entrepreneurship support programs and training, and labor market policy services which refer to intermediation.** The first represents the bulk of all labor market programs and

spending. There is only one program that falls under labor market policy services and it represents 0.1% of all spending in this SP area. 86% of all spending corresponds to training programs and the other 13.9% to entrepreneurship support. Most of these programs are implemented by either MASFAMU or MAPTSS.

War-related Programs (Non-contributory)

53. **The largest war-related programs (non-contributory) are:** The social assistance programs Programa de Reintegração Sócio Económica e Produtiva dos Ex-militares and Programa Nacional de Desminagem (MASFAMU), Prog.De Reint.Sócio-Econ.Dos Ant.Combatentes E V.De Guerra (MACVP), and Labor Market program Estamos Contigo (MAPTSS)

54. **The Program for Socioeconomic and Productive Reintegration of Ex-military (Programa de Reintegração Sócio Económica e Produtiva dos Ex-militares) aims to complete the process of socioeconomic and productive reintegration of ex-military personnel by 2022 under the Angolan Peace Agreements, granting them integration, employment and health facilities for them and their dependents.** Program benefits include: Improved social housing; Placement in formal employment; Assistance to war-disabled former military personnel; Assistance to former military personnel over 60 (without productive capacity) with basic food baskets; Assistance to widows and dependents of former soldiers. The total budget allocated for this program in 2018 is 32 billion kwanzas (32,860,180,394.37) or 143 million USD. The estimated cost for the period 2018-2022 (Akz) is 122 billion kwanzas or 543 million USD.

55. **The Assistance to Ex-Combatants With Disabilities of War (Programa De Reintegração Sócio-Económica Dos Antigos Combatentes E V.De Guerra).** This program includes a series of activities by the Ministry of Ex Combatants and the Nation's Veterans (MACVP) including social assistance to the ex-combatants with disabilities, reintegration of ex-combatants, the registry of ex-combatants and transfers to association of ex-combatant

56. **Most of the non-contributory social protection spending goes to programs targeting either ex-veterans or ex-militaries.** MASFAMU has indicated that programs targeting former combatants should still benefit 80,000 people but will be discontinued by 2020. The envisioned shift from programs for ex-combatants to programs promoting the social and economic development of extreme poor families is a step in the right direction.

Conclusion

1. **Angola's social safety net programs tend to be small and scattered.** Angola implements 28 social safety net programs, with little funding. The number of beneficiaries and thus coverage is low. Even when the programs reached their highest coverage, coverage was still small. For instance, the school feeding program has one of the largest number of beneficiaries, but coverage of children enrolled in primary school is less than 5 percent.

2. **Programs are erratic, and the number of beneficiaries and expenditures has overall declined in recent years.** All programs experienced a significantly decrease in the number of beneficiaries in the last few years. For instance, The Milk and Porridge (Leite e Papa), ex-MINARS (Ministry of Social Assistance and Reinsertion) was one of the programs that experience the largest decreased from 28,436 children in 2013 to 2,188 in 2017. The Support to Rural Women (Programa de Apoio e promoção de a Mulher Rural) is one of the most important social assistance program but also one of the most unstable: From 55,693 beneficiary families in 2013 it declined to 6,406 families in 2014 and increased to 62,259 families in 2015 and further decreased to 344 families in 2016 and 0 families in 2017.

3. **Despite the consolidation of programs, there is still duplication of benefits.** For instance, Protection Program and Strengthening of Family Competencies (Programa de Valorização e Proteção da Família e Reforço das Competências Familiares) give food basket to vulnerable families while the Cartao Kikuia gives a credit card to access to buy a food basket. Both the Support to Rural Women (Programa de Apoio e promoção de a Mulher Rural) and the Economic and Productive Structuring of Rural Communities (Estruturação Económica e produtiva das Comunidades Rurais) provide professional kits.

4. **The benefits offered by programs are generally training, services, work and food basket and professional kits.** None of the programs analyzed here provides cash benefits, except for the tertiary scholarship. Several implementation failures have been found. For instance, under the Milk and Porridge (Leite e Papa) program, ex-MINARS staff indicate that there was a difference between what was planned and what arrives in the provinces and that some products arrive after their expiration date or when they are about to expire.¹⁶ The difficulties mentioned are: the delays and failures in delivery of the goods; the distance to the place of delivery of goods, and generally a lack of accountability and transparency of service delivery. Similar problems were found in the school feeding program: An evaluation of the program found disparities in the number of meals distributed to students by school and municipality. Beneficiaries from the Cartao Kikuia program found that their cards were not reloaded as expected, goods were often not available, and choice of goods was limited.

5. **The target population of the social assistance programs is unclear and some programs cover at the same time different vulnerable groups.** The same program can be directed toward children, the elderly, people with disabilities, women, and/or all at the same time. For instance, the Family Strengthening and Protection Program and Strengthening of Family Competencies (Programa de Valorização e Proteção da Família e Reforço das Competências Familiares) targets at the same time: the elderly through “food, clothing, and medical assistance and home cares”, the disabled through “locomotion and technical aids” victims of calamities through “emergency Support the victims of disaster”, vulnerable families and the youth through “sensitization”. Therefore, it is unclear what the objective of this program is, which benefits can be expected and who is the target population which makes it even more difficult to monitor and evaluate the program’s effectiveness.

6. **Targeting criteria are not clear and are mostly based on categorical groups.** Most programs target a category of beneficiaries that is so broad that coverage remains low. The Cartao Kikuia program is the only program that introduced poverty criteria. However, the criteria were never based on available data or poverty maps, and the decision and selection processes were not documented.

7. **Program impacts have not been rigorously assessed.** Administrative data are difficult to get and usually don’t allow to accurately monitor and account for activities, beneficiaries and costs. There has also been significant program fragmentation and duplication, and delimitation of functions and responsibilities among implementing agencies has not been clearly established, which has resulted in a lack of accountability for resource management and results.

8. **Institutions have been involved in programs for which they have no comparative advantage and duplicate areas of expertise of other existing institutions.** Several institutions were implementing the same type of programs and targeting the same groups, as well as duplicating management and operational structures and diluting responsibilities for program results and accountability. There were no clear lines of responsibility for program areas, programs and results within and between the institutions, as well as between levels of governments. Procurement of good and services was overly concentrated in

¹⁶ Information provided on the program questionnaire (No. 9.1, page 10).

Luanda diluting provincial and local government participation and accountability for resource management and results. Additionally, there were important program and information gaps.

9. **The creation of the Ministry of Social Action, Family and Women Promotion (MASFAMU) is an opportunity to prioritize key social safety net programs and bring them to scale.** To reduce program fragmentation and duplication Angola has, over the last year, reorganized its social safety net interventions by consolidating and unifying programs that accomplish similar objectives. The Ministry of Social Assistance and Reinsertion (Ministério da Assistência e Reinserção Social, MINARS) which was the government institution with the primary responsibility for social protection programs, and the Ministry of Family and Promotion of Women (Ministério da Família e Promoção da Mulher, MINFAMU) were merged into the new Ministry of Social Action, Family and Women Promotion (MASFAMU). Programs that used to be implemented by these ministries as well as other government institutions were also merged into larger, less fragmented programs. MASFAMU consolidated a total of 44 programs and projects into 12 programs. However, an additional effort needs to be made to consolidate activities in two of the three major programs with the greatest impact. Such consolidation should be based on a rigorous evaluation of the programs.

10. **At present there are at least two parallel efforts in the area of building a basic Social Protection System that should mutually reinforce each other.** The MASFAMU is spearheading the Integrated Local Development and Poverty Alleviation Program (PIDLCP), which although it is not exclusively an SP program, but contains SP components discussed in this review, and which is overseen by the Office of the President. Additionally, the Social Action Fund (FAS) is implementing a series of interventions at the local level that should be articulated with other SP programs. In view of its close ties with municipal governments and experience in financing local basic infrastructure, the FAS has a strong comparative advantage in the implementation of labor-intensive public works programs that would provide temporary employment for the poorest as well as necessary financing for building local basic infrastructure. FAS can also help link social assistance programs to income-generating activities through its local economic development program.

11. **A unified household targeting instrument should be introduced (based on objective and transparent criteria) and operationalized through a social registry.** The social registry (*Cadastro Unico*) would be the tool supporting outreach, intake, registration, and determination of potential eligibility for social programs. The social registry would be populated with information from potential beneficiary households and, in addition to administrative data, collect data on indicators with a direct correlation to poverty and constituting a Proxy Means Test that would allow to determine eligibility of beneficiaries for poverty reduction programs.

12. **In the mid-term, the Government should consider re-channeling part of the savings from the energy subsidy reform to well targeted social safety net programs and reassess the social protection expenditures of the military.** By using 10 percent of the 2014-2015 savings from the fuel subsidy reforms, the Government could double the spending on non-war related social assistance and scale up rapidly the coverage of the safety net programs.

13. **MASFAMU should consider transform the *Cartão Kikuia* program (in-kind program) into a poverty-targeted safety net program with national coverage, based on cash transfers.** Evidence from both within the region and internationally has shown that the distribution of cash transfers can reduce poverty, improve welfare and promote development outcomes. The transformation of the *Cartão Kikuia* program into a poverty-targeted cash transfer program would enhance the effectiveness of the Program by allowing beneficiaries to use the cash to cover their basic needs and the efficiency by reducing the operational costs related to the purchase and distribution of food items. In order to approximate international standards and have some impact on beneficiaries, the cash transfer program should include the following

features in its design: (i) a rigorous and transparent selection process based on a survey using the PMT (Proxy Means Test) method, (ii) the provision of regular and predictable cash transfers to beneficiaries, (iii) strong communication on program objectives; (iv) complementary measures to improve the provision of cash transfers with productive or human development activities; and (v) continuous monitoring and evaluation of the program.

14. **The cash transfer program should be enhanced with productive inclusion activities to promote self-employment, entrepreneurship and increase local productivity.** These interventions would be aligned with the government's diversification strategy and would link to other initiatives on youth productive inclusion (e.g. the new commercial agriculture initiative, farmer field schools).

CHAPTER 1 COUNTRY CONTEXT

Macro and Fiscal Performance

15. **The Republic of Angola is the seventh-largest country in size, the third-largest economy in Sub-Saharan Africa, and the second largest oil producer in Africa.** Angola has a population of about 26 million, with over 27 percent living in the Luanda Province that is home to Angola's capital city, Luanda. About 37 percent of the population live in rural areas. A low population density (20 people per square kilometer) makes rural service delivery especially difficult and not very cost effective. Angola has 9.5 billion barrels of proven oil reserves. It is the second biggest crude oil reserve in the Sub-Saharan Africa, after Nigeria with 37 billion barrels. Diamond mine reserves are estimated between 60 million and 110 million carats comparing well to the first and second largest reserves in Australia (220 million carat) and Democratic Republic of Congo (150 million carat).

16. **Angola's independency was granted without sufficient planning, which contributed to the follow-up civil conflict.** Angola gained independency from Portugal in 1975 after the Carnation Revolution, when the new Portuguese government decided to extinguish all its colonies. As a result, not much thought was put into a transitioning policy. Power was relinquished to a unity government - composed of the three main factions fighting for independency – which soon fell apart and derailed into a civil conflict that lasted until 2002.

17. **The cost of the civil conflict was large, long-lasting, leaving the country's institutions in shatters.** Some 80 percent of the road network was left in extremely poor condition, the rail network barely functioned, electricity distribution was limited and unreliable, and water and sanitation services were poor in both urban and rural areas. Consequently, rural population migrated to the cities – an estimated 3.7 million people were internally displaced or refugees - and Portuguese expats, who were in charge of the majority of technical, managerial and government jobs, fled immediately. In 1993, after a failed peace agreement and general elections, conflict re-erupted at a larger and more brutal scale, affecting cities and regions that were previously spared, such as Luanda. The costs to maintain such a long conflict were humongous. They were not restricted to the budget costs of maintaining armies and weapons, but also materialized into casualties, loss of agricultural crops and lands (due to landmines), destruction of infrastructure, a generation of Angolans, which did not have proper schooling and health, and ultimately a lack of trust. Overall, Angolan institutions became very fragile, and this happened when they were most needed to support the management of the immense oil wealth that started to flow.

18. **Higher oil prices and oil production allowed for an almost uninterrupted increase in expenditures from 2004 to 2014 with budget surpluses and declining debt ratios.** From 2004 to 2008, Angola's current revenues increased from 32.5 percent of GDP to 44.9 percent of GDP fueled by oil revenues that went from 24.3 percent of GDP in 2004 to 35.2 percent of GDP in 2008. With an overall buoyant economy, non-oil revenues also increased (from 8.1 percent of GDP in 2004 to 9.4 percent in 2008), albeit not at the same pace as oil revenues. During this period, oil revenues accounted for close to 80 percent of current revenues. Current expenditures and investments increased significantly on the back of booming oil revenues: current expenditures increased from 19.2 in 2004 to 22.9 percent of GDP in 2008, while investments grew by more than six-fold from 2.2 to 14.1 percent of GDP. At the same time, debt to GDP ratios declined from 52 to 16.6 percent of GDP; this virtuous fiscal cycle was only possible due to the substantial oil windfall.

19. **The instability brought by excessive oil dependence became evident with falling oil prices in 2008/9.** From July to December 2008, oil prices dropped by 69 percent, shrinking Angola's current revenues almost to a third: from 44.9 percent of GDP in 2008 to 16.4 percent of GDP in 2009. The primary budget surplus of 10 percent of GDP turned into a deficit of 7 percent over the same period. Falling oil prices also affected growth – GDP growth rates dropped from 11.2 percent in 2008 to 3.4 percent in 2009,

and the current account balance, which went from a surplus of 8.1 percent of GDP to a deficit of 11.7 in the same period. The nominal exchange rate devalued 18 percent in nominal terms in 2009 and inflation increased moderately.

20. **Between 2010 and 2014 Angola experienced a second period of oil-fueled growth.** GDP growth rates averaged 5.1 percent while current revenue and public investment, as a share of GDP, averaged 38.3 and 10 percent respectively. During this period, Angola built several macroeconomic buffers: international reserves reached USD 32.2 billion in 2012, debt-to-GDP declined and was kept below 40 percent, and several oil funds were set-up as fiscal stabilizers. The exchange rate was also tightly managed and inflation dropped to single digits for the first time in modern history.

21. **Despite the buffers that were accumulated since 2010, the sustained decline in oil prices since 2014 has had a much stronger impact.** Oil prices declined rapidly from July to December of 2014, dropping by 42.3 percent. In contrast to the earlier decline in 2008/09, prices declined further and remained low for a prolonged time, causing a stronger impact in the Angolan economy. GDP growth slowed from 4 percent in 2014 to zero in 2016. The central bank pursued a policy mix of exchange rate devaluations and quantity controls, that ended up hurting business and was not very efficient in taming inflation, which peaked at 42 percent in 2016.

22. **The fiscal impact of the oil price collapse was also substantial and prompted significant fiscal adjustment.** Oil revenues more than halved from 2014 (24 percent of GDP) to 2015 (9.4 percent of GDP). Non-oil revenues also declined with slower economic growth. Faced with a primary budget deficit of 10.8 percent of GDP in 2014, the government cut expenditures in goods and services and public investments. Current expenditures were cut from 31.7 percent of GDP in 2014 to 23.4 in 2015, while investments dropped from 15.3 to 4.6 percent of GDP. In the past two years, the reduction in current expenditures continued mainly through a reduction in payroll and subsidies, with current expenditures estimated at 16.4 percent of GDP in 2017. The government also reformed fuel subsidies partially and increased taxes. Despite fiscal consolidation efforts, budget equilibrium has not been achieved as revenues continued to decline – current revenues dropped to 15.2 percent of GDP in 2017 - and Angola had to contract more debt to close the financing gap.

23. **Public debt has increased rapidly since 2014 and debt sustainability is now a challenge.** The debt to GDP ratio reached 65.3 percent in 2017, almost doubling from 2013. The average tenure of the domestic debt has declined and the service of oil-backed loans consumed around 60 percent of all oil revenues in 2016. Debt has not only reached high levels by emerging markets standards, but the speed of accumulation and the deteriorating composition have become a challenge. Angola faces additional debt challenges, as government arrears have increased and are being paid partially through debt issuance; the government had to take on debt from Sonangol in 2017.

24. **Elections took place in 2017 and the new administration has started to implement economic reforms to correct macroeconomic imbalances and to lay the foundations for sustained growth and diversification.** After delaying significant adjustments to lower oil prices, the new administration has embarked on much needed reforms whose objective is to achieve macroeconomic stability, to create an environment conducive to economic growth, economic diversification and job creation, and to address the most pressing social problems. The Government of Angola (GOA) has shifted to greater exchange rate flexibility, tightened the monetary policy stance and resumed fiscal consolidation. Revisions to the private investment law, antitrust law, and visa requirements were made to ease the cost of doing business in Angola. The full agenda of reforms is embodied in the new National Development Plan.

25. **Economic perspectives for the Angolan economy are improving with the announcement and implementation of the reforms.** Business sentiments have picked up, but companies are still reporting access to foreign exchange (FX) to be the main hindrance to economic activity. After some initial large devaluations, the central bank is gradually cleaning the backlog of foreign exchange request and devaluing the currency. Higher oil prices are helping to smooth the fiscal consolidation and inject more FX in the

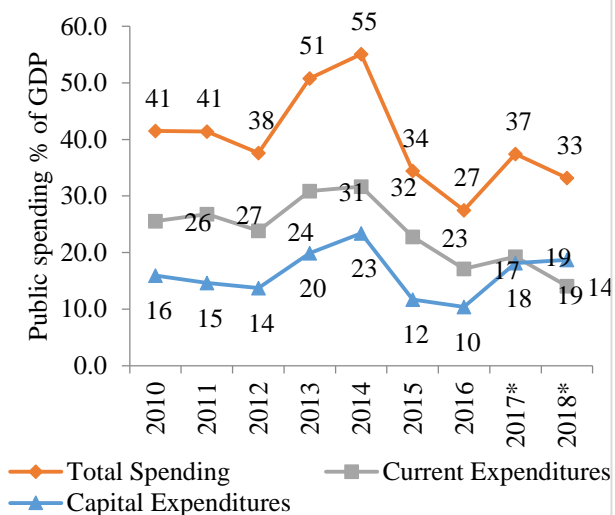
market, but high external debt has reduced this positive impact. Measures to revive investment in the oil sector were put in place and new investment announcements followed suit. The main challenge for the government is to reduce as much as possible the impact of the economic and fiscal adjustment, while ensuring that investment towards a more diversified economy takes place quickly.

Fiscal Context

Spending

26. **Angola's total public spending increased from 2010 to 2014 but has been decreasing since 2015.** Angola's total public spending rose from 41.5 percent of GDP in 2010 to 55.1 percent in 2014 (**Error! Reference source not found.**). It then fell to 34.4 percent of GDP in 2015, and decreased further to an estimated 27.5 percent of GDP in 2016. Current expenditures, which accounted for just about 60 percent of total spending in the past few years, halved between 2014 to 2016 (from 32 percent of GDP in 2014 to 17 percent of GDP in 2016) (**Error! Reference source not found.**). Public sector wage bill and goods and services expenditures make up the lion's share of current expenditures, subsidies (most of which fall under the social protection budget) have historically represented a large share of the (recurrent) budget, but since 2014 a combination of policy reforms and falling oil prices has reduced their budgetary impact, even as transfers were rising.

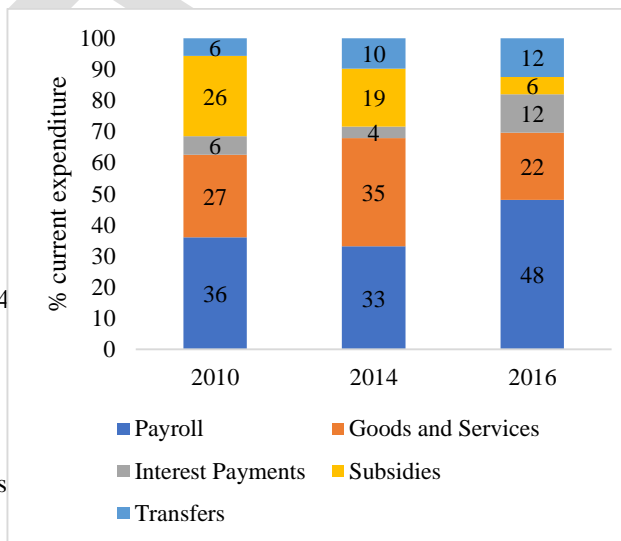
Figure 1: Decreasing trend in total government spending with current expenditures decreasing the most



Source: MINFIN.

Note: 2017 and 2018 data are budget figures.

Figure 2: Payroll spending makes up the lion's share of current expenditures

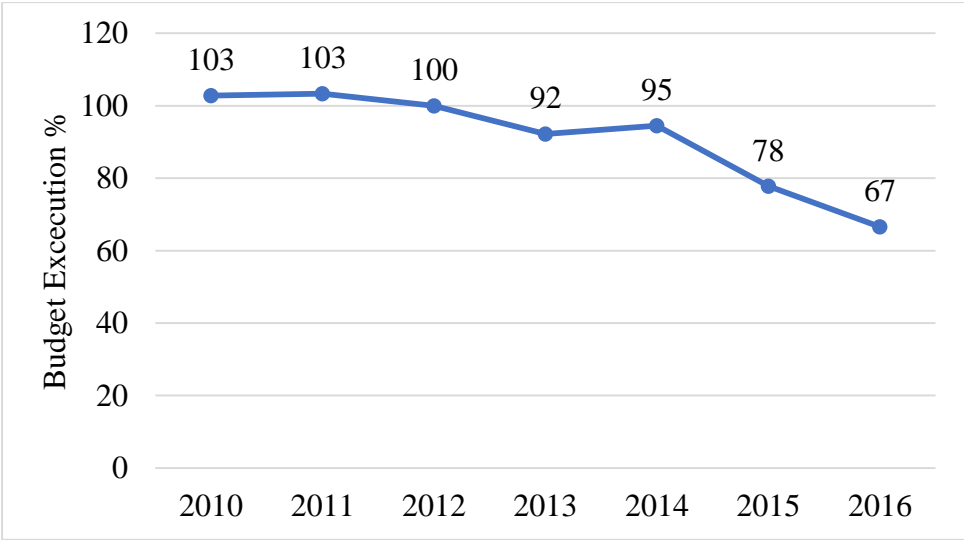


Source: MINFIN.

27. **Angola generally has a relatively high rate of budget execution; the crisis has however negatively affected budget credibility as the government struggled to fully integrate oil price movements' impact on expenditures.** 95.7 percent of all budgeted expenditures were executed in 2014, but only 78 percent and 67 percent of revised budget amounts were executed in 2015 and 2016 (**Error!**

Reference source not found.). For 2018, preliminary estimations show that total budget increased but not as share of GDP.

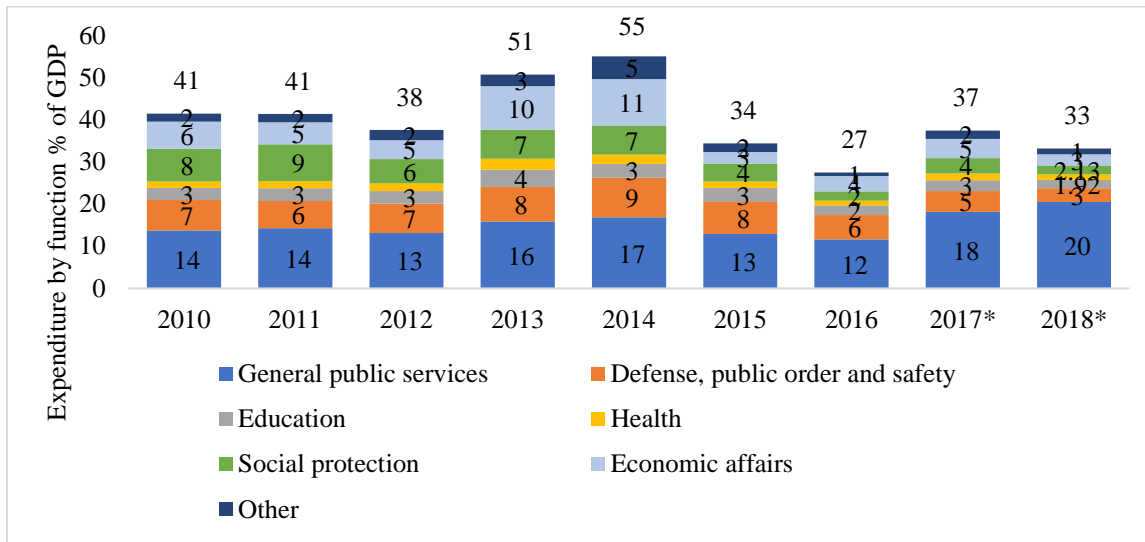
Figure 3: Budget execution decreased after the oil price fell



Source: MINFIN.

28. **General government services and economic affairs have historically been the two largest expenditure categories by government function; defense (and public order and safety) and social protection followed.** General government service spending includes expenditures from central government agencies such as the ministries of Finance and Planning, as well as general administrative overhead and support service costs. Economic affairs outlays include infrastructure investment, including much of the government’s public investment program spending. Social protection and national defense are the third- and the fourth-largest expenditure categories, though their relative position changes from year to year (Error! Reference source not found.).

Figure 4: General public services, economic affairs, defense and social protection take up the bulk of total government spending



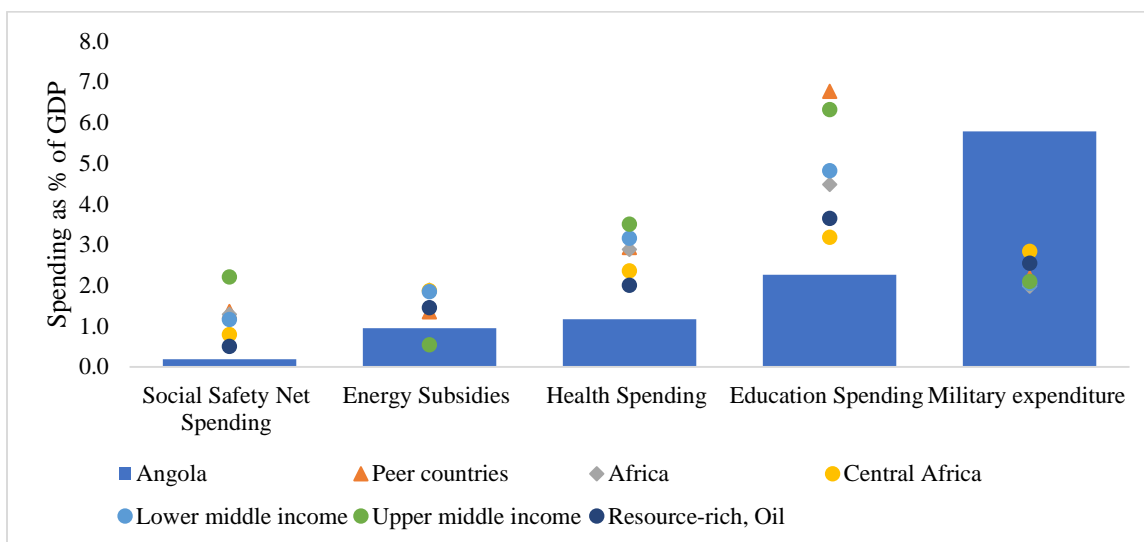
Source: MINFIN.

Note: 2017 and 2018 data are budget figures.

29. **Social spending (education, health, and social protection) represented on average 30 percent of total government spending but its share has reduced in the past few years.** Among the social sectors, social protection receives the largest budget allocation followed by education and health. In 2018, the largest budget allocation among social sector is for social protection with 2.1 percent of GDP (Kz 621,209,781,077) compared to 1.9 percent of GDP for education and 1.3 percent of GDP for health (**Error! Reference source not found.**).

30. **Angola’s public spending as a share of GDP in 2016 is below other country group averages except for military expenditure.** Social Safety Net Spending is 0.2 percent of GDP and well below the average spending in Africa, 1.2 percent of GDP (**Error! Reference source not found.**). Health spending is 1.2 percent of GDP and less than half the average amount spent in the Africa region (2.9 percent of GDP). Education spending is 2.3 percent of GDP and compared to 4.5 percent of GDP in Africa and 6.8 percent of GDP in its peer countries. Despite decreased energy subsidy spending, the amount spent in 2016 is still above the amount spent in upper middle-income countries (1 percent of GDP in Angola vs 0.5 percent of GDP in Upper middle-income countries) and slightly below other country groups (however these numbers do not consider subsidy reduction in other countries). Military spending in Angola is important, accounting for 5 percent of GDP and is well above military spending in other comparable countries.

Figure 5: Angola's public spending as % of GDP below other country comparator groups



Source: MINFIN and Beegle et al. (2018)

31. **Falling oil prices have forced the authorities to cut spending on all government functions, but some were more affected than others.** General public services and economic affairs took the brunt of the initial adjustment, as spending on goods and services and public investment were significantly cut in 2014-15. They were cut by 9.6 percent and 15.6 percent respectively in real terms between 2014 and 2015. Social protection outlay reduction (mostly because of lower subsidy spending) was comparatively low at -5.5 percent, but still significantly higher than education's (-0.4 percent). Social protection spending was further cut by another -5.7 percent in 2016, even as public investment spending was increased and economic affairs expenditures rose by 3 percent in real terms.

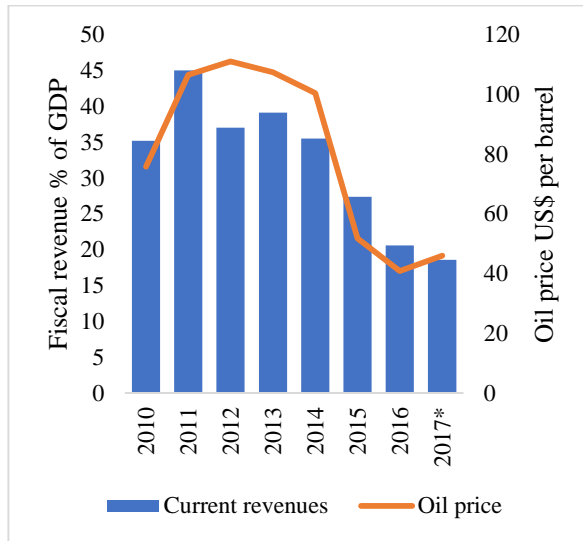
Revenues

32. **From 2010 to 2014, oil revenue accounted for three-quarters of current revenue, however from 2015 to 2017, this ratio declined to 52 percent.** The decline in global oil prices that began in late 2014 and continued through 2016 permanently altered the level and composition of Angola's fiscal revenue. By 2017, the revenue-to-GDP ratio had fallen to 15.2 percent, with oil accounting for 61 percent of total current revenue. In 2015, when oil price was at its lowest, oil revenues accounted for 44 percent of revenues.

33. **Nonoil revenue increased in absolute terms and as a share of revenues until 2015, after when it declined significantly as an effect of the weakening economic activity.** Nonoil revenue rose from 30 percent of total current revenue in 2010 to 66 percent in 2015. Nonoil revenue also increased relative to the size of the economy, rising from an average of 8.9 percent of GDP between 2010 and 2014 to 11.3 percent in 2015. The three major sources of nonoil tax revenue are income taxes, sales taxes, and customs duties. While the decline in oil revenues contributed to this trend, the government also accelerated efforts to boost nonoil revenues. The authorities reformed key tax laws, raised tax rates, and created a new unified tax agency. However, economic activity weakening in a context of low oil prices reverted the growth of nonoil tax revenue, which are estimated at 6.7 percent of GDP in 2017.

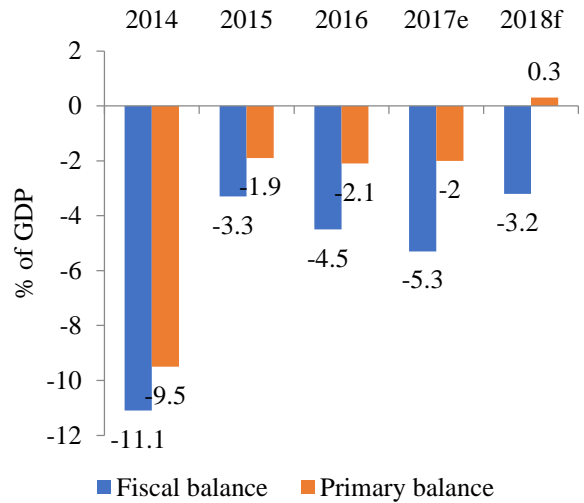
34.

Figure 6: Fiscal revenue (percent of GDP, RHS) and oil price (US\$ per barrel, LHS), 2010-2016



Source: OGE.
Note: 2017 budget data.

Figure 72: Fiscal balances deteriorate (2014-2018)



Source: Angolan authorities and Bank staff forecasts.

Social Outcomes

Poverty

35. **Economic growth contributed to poverty reduction, but stagnated in recent years and is still comparatively high.** Official national poverty rate almost halved from 62 percent in 2001 to 37 percent in 2008 (Figure). However, Angola’s poverty headcount is above its peer countries and resource rich oil countries and upper middle-income average (Figure). Extreme poverty —defined internationally as per capita income under US\$1.9 per day-- was 30 percent in 2008, higher than its peer countries 27 percent, resource rich oil countries 29 percent, and upper middle-income countries 13 percent. World Bank estimations suggest that 28 percent of the population lived below the international poverty line of US\$ 1.90 (PPP 2011) in 2014 (down from 30 percent in 2008).¹⁷ Poverty is expected to remain high in 2018, with 30.1 percent of the population living on less than US\$1.9 a day.

¹⁷ Bank staff estimated based on 2000 HBS, 2008/09 IBEP and population growth projection data.

Figure 24: Angola's national poverty rate is significantly higher in rural areas

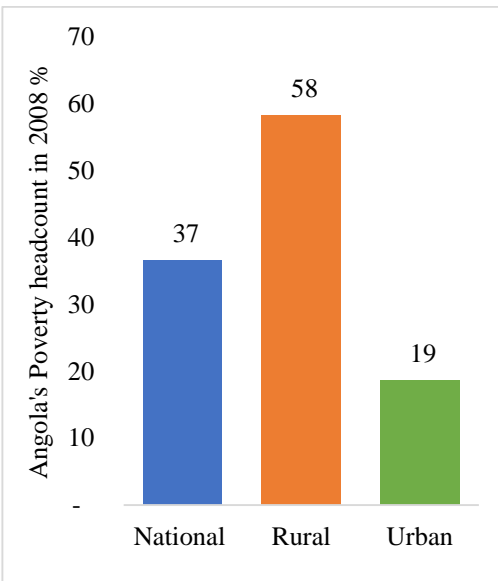
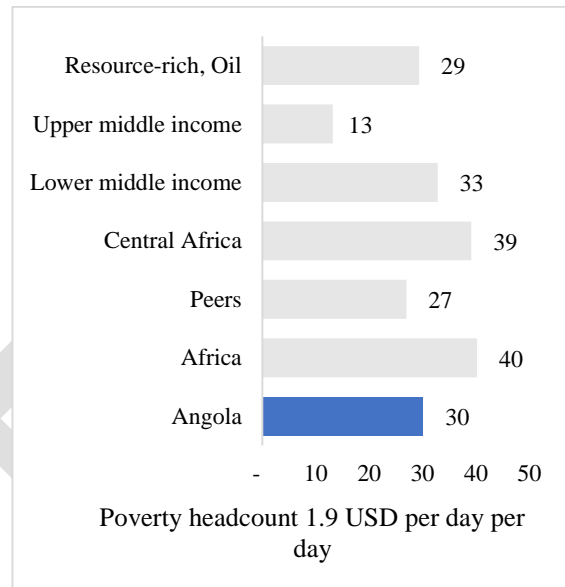


Figure 25: Angola's international poverty headcount is high and above several country comparators



Source: World Development Indicators.

36. **There are significant differences in poverty incidence within the country.** Poverty is significantly higher in rural areas, with 58 percent of incidence compared to 19 percent in urban areas in 2008 (Figure). The capital, Luanda, has the lowest poverty incidence. Poverty is higher in the Central and Southern regions. These regions are also those vulnerable to periodic droughts and floods. Most of the poor in rural areas subsistence farmers, increasing agricultural productivity, resilience to agricultural risks and access to markets are therefore critical to boosting food production and agricultural growth and to reducing rural poverty.

37. **The main poverty covariates are education, household size, gender, and employment type and status, and old age.** Poorer households have less educated heads and are larger. Male-headed households tend to be poorer than female-headed households. Households whose heads work in the agriculture sector are poorer than those whose heads work in services or industry. Households whose heads are self-employed, including those in agriculture or in the informal market, are among the poorest. Households headed by public and formal private sector workers are generally better off.¹⁸ Most of the elderly have no pension and must depend on family, social assistance programs, or charity for survival.

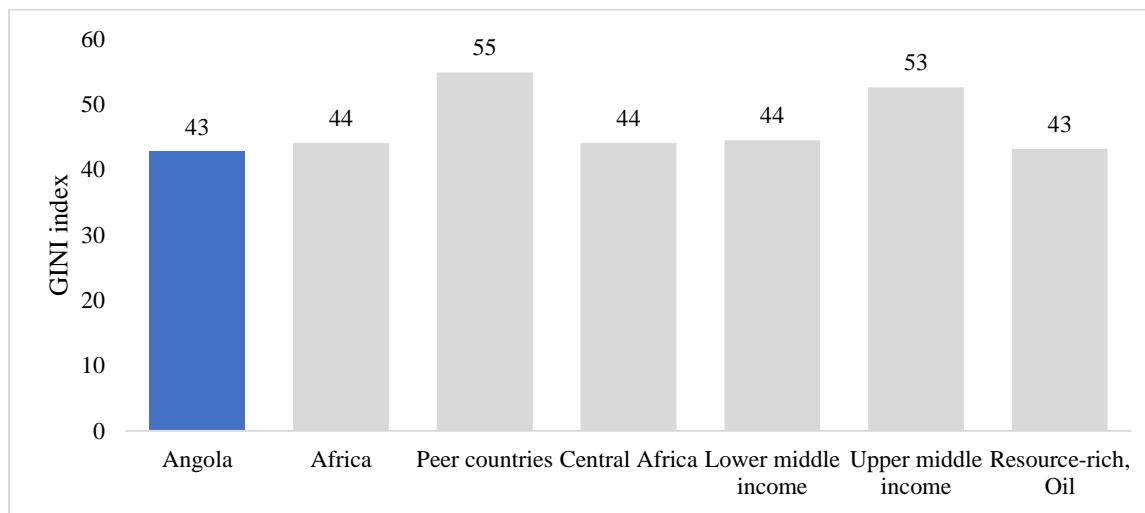
38. **Inequality (though declining) has also proved persistent.** Inequality among individuals is high: on average, the richest 20% have an income 18 times higher and a consumption 9 times higher than the poorest 20%. The Gini coefficient decreased from 52 percent in 2001 to 42.7 percent in 2008.¹⁹ The Gini coefficient only declined marginally between 2008 and 2015, from 43 percent to 42 percent.²⁰ The coefficient is in line with resource rich economies and compares well with the other countries in the region (Figure 8).

¹⁸ INE (2011)

¹⁹ World Bank, Poverty and Equity Databank

²⁰ Ibid.

Figure 8: Inequality in line with other country group's average



Source: World Development Indicators.

39. **Aside from an important reduction in poverty, other human development indicators improved as well but still perform comparatively poorly.** There have been significant long-term achievements in improving human development outcomes in Angola. However, the country's human development indicators not only consistently underperform against its neighbors and peers in a range of areas, but are among the worst in the world including life expectancy, mortality rates, and secondary education enrollment. Angola was ranked 150th out of 188 countries on the Human Development Index (HDI) in 2016. Annex 1 compares key education, health and social protection and labor indicators with several comparator groups: i) a set of 5 countries around the world that can be considered "peer countries" ii) Africa; iii) Central Africa Region; iv) Lower middle-income countries in Africa; v) Upper middle-income countries; vi) Resource rich oil countries in Africa; vii) Non-fragile states in Africa. Angola performs comparatively poorly on several social indicators.²¹

Demographics

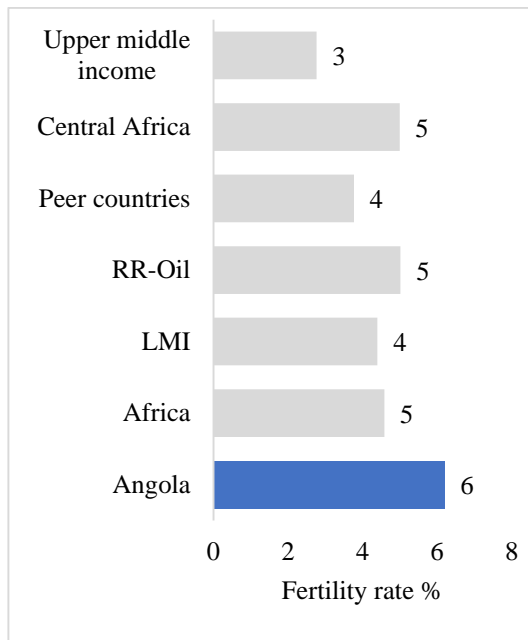
40. **Angola has one of the largest share of young population in the world.** Total population in 2016 was 28.8 million ranking 10th in Africa. Fertility rate is 6.2 and ranks 4th in the world (Figure 9), being higher in the (8.2) than in urban areas (5.3) and is higher among women without schooling, women of the first socioeconomic quintile²². Among women aged 25-49 years, one in three women (33%) had the first childbirth before the age of 18 and more than half (55%) had the first childbirth before the age of 20. Angola's share of population aged 0-14 ranks fifth in the world. Almost half (48%) of the population has less than 15 years and only 2% are 65 years or older (elderly) (Figure 10). Angola is the only country where the share of the working-age population (WAP) – those between 15-64 years-old – has shrunk over time. The under-15 working population ratio was 93 percent in 2016. The population grew by an annual average of 3.5 percent between 2000 and 2016, higher than the African regional average, 2.5 percent, almost two times its peer countries (2 percent) and upper-middle-income (1.6 percent) country average. At 6.35 percent, Angola is one of the top 5 countries in the world with the highest average year-on-year growth of number of people living in urban areas over the past 15 years. Yet, less than half of its population (44

²¹ Angola was ranked 150th out of 188 countries on the HDI in 2016.

²² IMSS 2015-2017

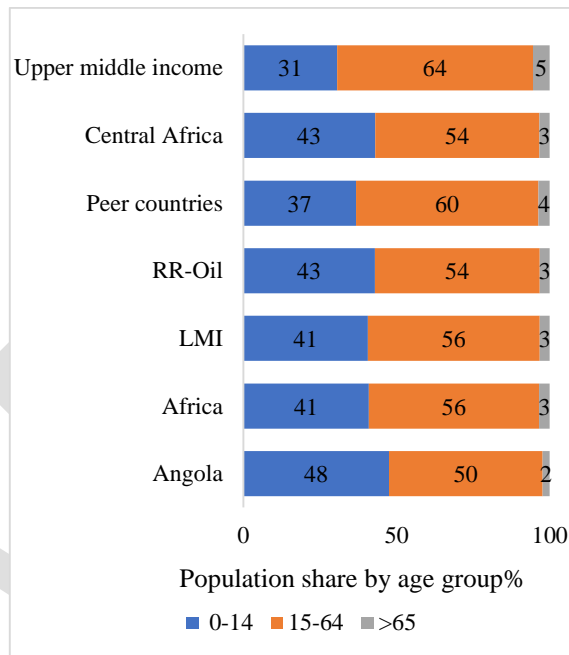
percent in 2016) resides in urban zones and roughly half of the urban population (56 percent in 2014) lives in slums.

Figure 9: Angola has the 4th largest fertility rate in the world



Source: World Development Indicators.

Figure 10: Angola has the 5th largest share of young population in the world



Source: World Development Indicators.

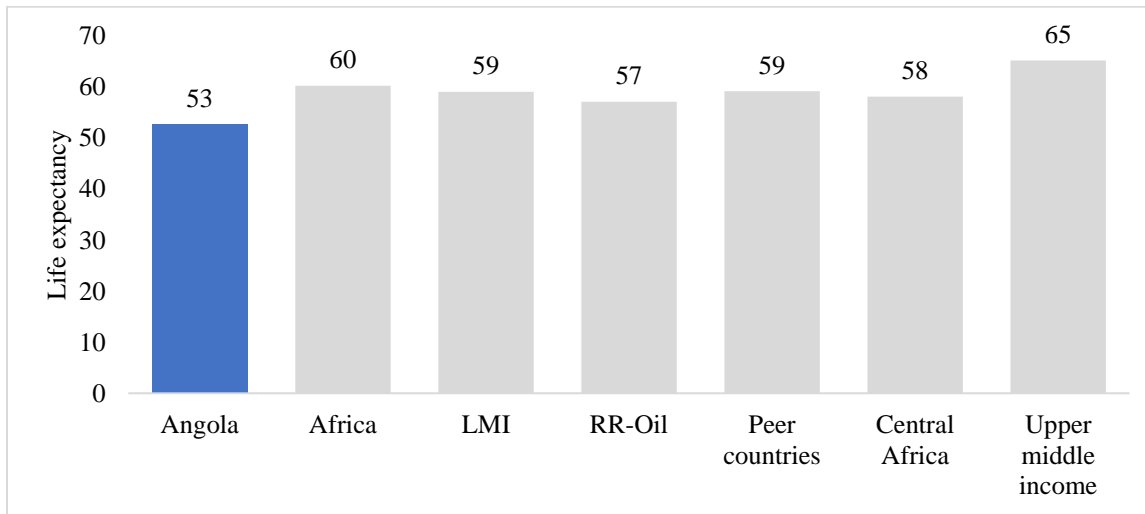
41. **An estimated 10 percent of Angolan children are orphans of one or both parents and roughly 12 percent do not live with their parents.** Children who live outside their biological parents' households and are not fostered are left to their own devices and are street children, or are in prison, and are among the most vulnerable to violence, abuse, exploitation, discrimination and social exclusion.²³ The substantial number of orphans and children in conflict with the law is yet another civil war legacy.

Health

42. **Life expectancy at birth, at 53 years in 2016 is the seventh lowest in the world** and only higher than 48 years in Swaziland, 49 in Lesotho, and 51 in Sierra Leone, Central African Republic, Chad and Cote d'Ivoire (Figure 11). This number is well below the average years of life expectancy in other country groups: Africa's regional average life expectancy is 60 years, Angola's peer countries' is 59 years, Central Africa's is 58, lower and upper middle-income economies' is 59 and 65 years respectively, and in resource rich oil countries 57 years.

²³ Ibid.

Figure 11: Angola has the 7st lowest life expectancy in the World

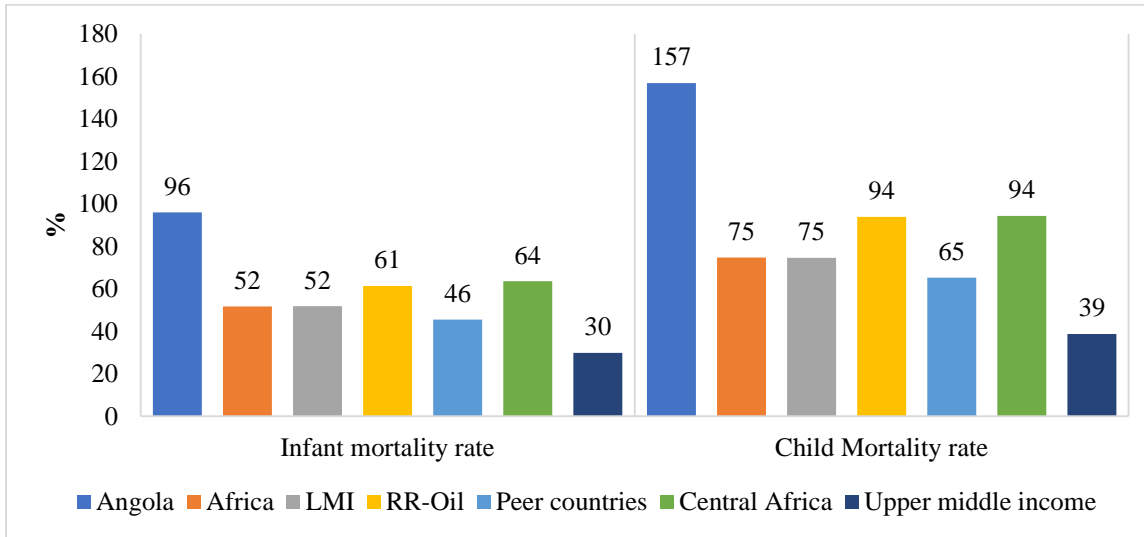


Source: World Development Indicators.

43. **Angola has the highest infant and child mortality rates in the world.** The gaps in infant and child mortality between Angola and the comparison groups' averages have increased. Infant mortality rate (96 per 1,000 live births) and child mortality rate (156.9 per 1,000 live birth) double the average of its comparable countries' average (Figure 12). While in Angola, infant mortality declined from 134 per 1,000 live births in 1990 to 96 per 1,000 live births in 2015 (a 28 percent reduction), during the same period, the decline experienced in Sub-Saharan Africa was on average 48 percent, in Low- and Middle-Income Countries (LMICs) 52 percent, and in Upper Middle-Income Countries (UMICs) 65 percent. A similar pattern is observed in relation to under-5 mortality.

44. **It is important to highlight that initial data from the 2015-2016. Multiple Indicator Cluster Survey (MICS) show much lower infant and under-five mortality rates.** However, given the methodological differences in estimation, this data is not strictly comparable to previous ones. Still, these rates are much higher than the LMIC average. According to the *Instituto Medio de Saúde* (IIMS) between 2001-2005 and 2011-2015, infant mortality (*mortality rate, under-5, per 1,000 live births*) reduced from 81 to 44 deaths per 1,000 live births. Child mortality rate (*mortality rate, under-5, per 1,000 live births*) reduced from 145 deaths per 1,000 live births in 2001-2005 to 68 deaths per 1,000 live births in 2011-2015. Child mortality rates tend to be lower in urban areas than in rural areas. Despite this progress, child mortality rate in Angola is higher than its country peers' average and almost 2 times the UMIC average.

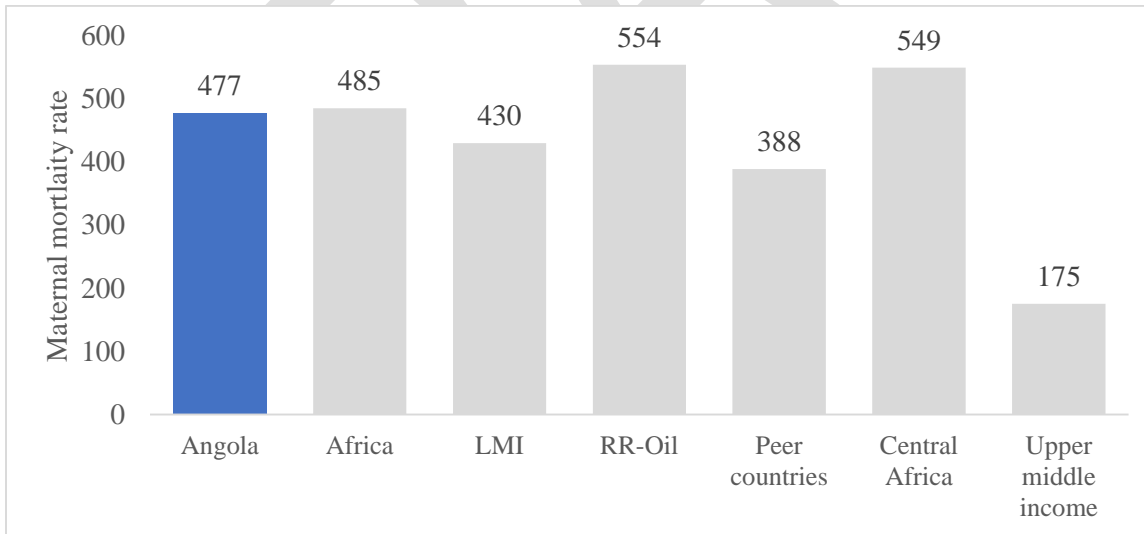
Figure 12: Angola has the highest infant and child mortality rates in the world



Source: World Development Indicators.

45. **Maternal mortality rate improved over the past few years but is still significantly high.** Maternal mortality rate is 477 per 100,000 live births almost four times the average in upper middle-income countries (175 per 100,000 live births) and slightly above lower middle-income countries' average (430 per 100,000 live births) (Figure 13). According to IIMS 2016, the maternal mortality rate is much lower, 239 per 100,000 live births but this number is still high and above the upper middle-income average.

Figure 13: Maternal mortality rate high but in line with the AFR region



Source: World Development Indicators.

46. **Poor pregnant women and young children still face significant health risks.** Pre-natal consultation rates have increased and so have immunization rates. In 2001, the coverage of prenatal consultations for women aged 12-49 was 66%. In the Multiple Indicator and Health Survey (IIMS) 2015-2016, the coverage of prenatal consultations for women aged 15-49 was 82%. The estimated average food consumption has increased steadily since the end of the war and now exceeds the minimum dietary

requirement of 1750 kcal/person/day. Undernourishment is however still a concern, with 14 percent of Angolans under-nourished in 2015, and 38 percent of children under five suffer from moderate-to-severe stunting.²⁴ Diarrheal diseases, respiratory infections, and malaria (all preventable) account for half of under-5 deaths. 82 percent of pregnant women had at least one prenatal care visit in 2014, up from 45 percent in 2006. Though roughly half of deliveries are now attended by trained staff, most are supervised by less qualified personnel, who may not be as able to handle emergencies and complex cases.

47. **The provision of health services in Angola is uneven: wealthier households spend more and are more likely to use private facilities, while poor households often forgo treatment for lack of resources.** 90 percent of women in the highest income quintile were examined by a trained health personnel, compared to just 45 percent of women in the poorest quintile. Only 34 percent of women in the poorest quintile reported four or more prenatal visits, compared to 88 percent of women in the wealthiest quintile in 2015/16. 74 percent of urban women reported four or more consultations, versus only 39 percent of women in rural areas. Roughly 75 percent of births in urban areas were attended by a skilled professional compared to just 25 percent in rural areas. The Kakwani index for healthcare in Angola is 0.176, indicating that health expenditures are moderately progressive.²⁵ Out-of-pocket payments accounted for 6.8 percent of spending among households in the wealthiest quintile, compared to just 2 percent among households in the lowest quintile.²⁶ This likely reflects a combination of self-rationing by poor households, the inequitable distribution of healthcare services, and the tendency of wealthier households to use more expensive private facilities. The incidence of catastrophic spending is relatively high overall and more common among wealthier households, suggesting that poor patients are more likely to forgo treatment even in extreme circumstances. The high rate of catastrophic health spending puts all households at risk of impoverishment, and healthcare costs have driven a significant share of middle- and upper-income household below the poverty line.²⁷

48. **Access to improved water sources is among the ten lowest in the world. Access to services is low and much better in urban than in rural areas** (Figure 14). Between 2008-2009 and 2015-2016, access to improved water sources increased by 12 percentage points (from 42% to 53%)²⁸, but is the seventh country with the lowest access in the world and still significantly lower than all country groups comparators average, around 80 percent (Figure 15). Access to improved water is lower in rural areas (32 percent) than in urban areas (67 percent). Though the share of the Angolan population with access to improved sanitation facilities²⁹ (at 47 percent) is higher than most country groups, it is extremely low in rural areas (14 percent) and well below the upper-middle income average of 60 percent. At national level, 42% of households have access to electricity which is above the African regional average (18 percent) but well below upper-middle income average (98 percent). Access to electricity is higher in urban areas than in rural areas (64% and 7%, respectively).

²⁴ MICS 2015-16

²⁵ The Kakwani index measures expenditure progressivity by comparing the concentration of spending among households at different income levels to the Gini coefficient. In this case, the index value is the difference between the Gini coefficient for income and the Gini concentration index for out-of-pocket healthcare spending. Index values range from -1 to 1, with positive values indicating a progressive distribution.

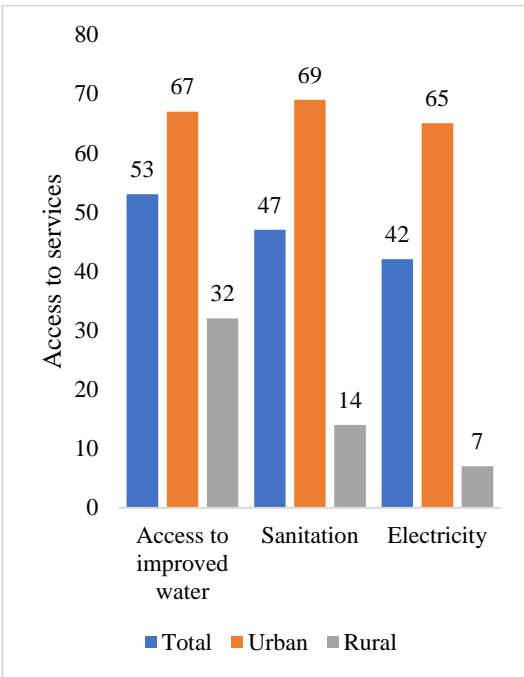
²⁶ Bank staff calculations based on IBEP 2008/09 data.

²⁷ Ibid.

²⁸ Improved water sources include inside pipes, water vendors, neighbor/private or public standpipes, boreholes, and wells.

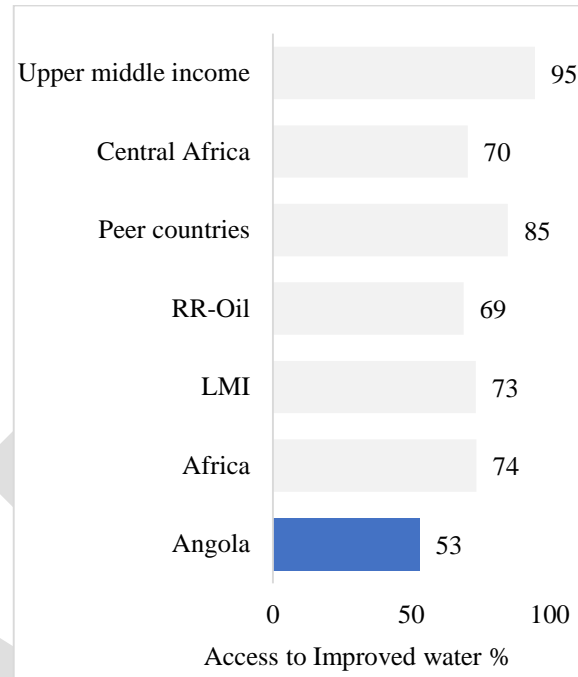
²⁹ Improved sanitation facilities include flush toilets, pit latrines, connection to sewer or septic system, ventilated improved pit latrines and composting toilets.

Figure 14: Access to services is lower in rural than urban areas



Source: IIMS 2016.

Figure 15: 7th Lowest Access to improved water in the World



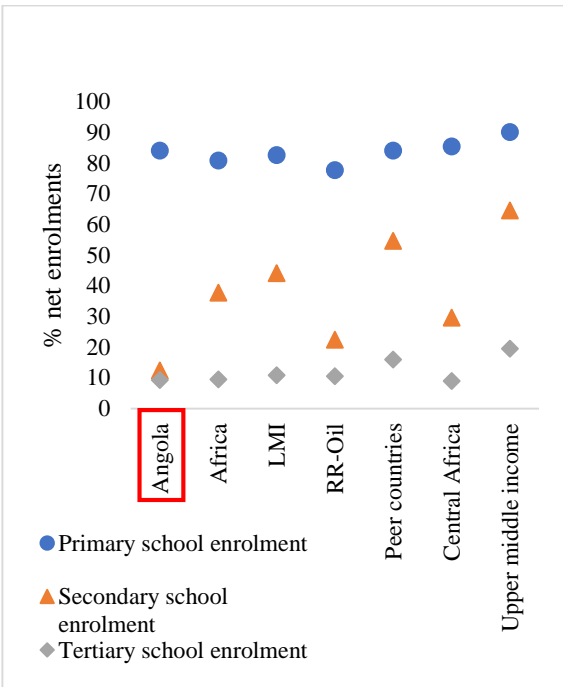
Source: World Development Indicators and IIMS 2016.

Education

49. **Attendance of school-age children is low and so are secondary school enrollment and completion rates; overage is also a challenge.** Primary enrollment rate has grown significantly with 84 percent of school -age children attending school (Figure 16). However, secondary net enrollment rate is well below its country peer comparators and is the 7th lowest in the world. Primary completion and secondary completion rates lag far behind those of its peers (Figure 17). Primary school pupils' median and mean ages are 11 and 12, respectively, when the formal maximum age for primary school is 11.³⁰ A quarter of all primary school-goers are 15 or older. A combination of delayed entry (above the standard entry age) and repetition explain overage. 13 percent of primary school and 11 percent of lower-secondary school pupils dropped out in 2014. The adult literacy rate is also comparatively low.

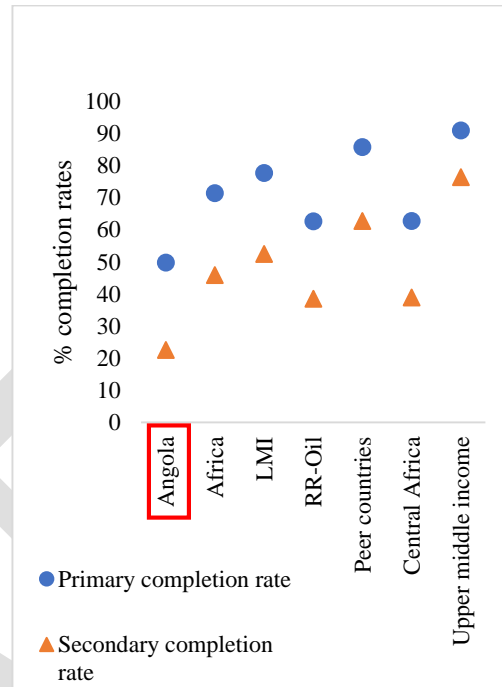
³⁰ QUIBB 2011

Figure 16: 7th lowest secondary enrolment rate in the world



Source: World Development Indicators.

Figure 17: 6th lowest primary completion rate in the world



Source: World Development Indicators.

50. **Reasons for low attendance vary considerably by quintile as well as for the rural and urban populations.** The insufficient number of schools and classrooms (supply limits) is cited as a constraint to enrollment by about one-third of young people in rural areas and from poor households. Urban and wealthier households, whose children are more likely to attend private schools, are more likely to find school costs prohibitive. The opportunity cost of school attendance is also a non-negligible obstacle for young people from low-income households. 16-year-olds from poorer households are more likely to still be enrolled in primary school. Less than 10 percent of young people from the poorest households are enrolled in post-primary schools, versus 76 percent of those from households in the top income quintile. Dropout rates are higher for children from rural and poorer households, and for girls than boys. Early pregnancy is also a concern, as it often leads teenage mothers to stop their education and negatively affects prospects for future employment. 7 percent of girls aged 12-14 and 55 percent of Angolan girls aged 15-19 have already delivered their first baby.³¹

51. **Juvenile delinquency is on the rise in both urban and rural areas, but with higher incidence in towns and surrounding suburbs.** Offences committed by adolescents or the involvement of children by adults in criminal activities is unfortunately commonplace in Angola.³² The war inflicted tremendous physical and emotional damage on the country, breaking down social and family structures and leaving many young people without support. It essentially created a generation of disaffected children, poorly educated and living in crime-infested urban neighborhoods.

³¹ Ibid.

³² UNICEF(2014).

Labor Markets

52. **In the past 25 years, Angola’s employment growth was less responsive to economic growth.** No correlation has been observed between economic growth and employment growth³³. Although real value added increased by 229 percent in 1992–2015, employment increased by 116 percent. The relatively low elasticity of employment growth to economic growth means that in Angola improved economic performance had little effect on employment. Economic growth derived from more productive labor and less labor overall—particularly in the mining sector.

53. **Unemployment is comparatively low, though higher for women and the youth.** A large proportion of the workforce is however involved in low-productivity sectors and self-employed. 6.6 percent of the Angolan workforce was unemployed in 2016 (6.2 percent for men and 7.1 percent for women). Youth unemployment was significantly higher, at 11.2 percent.³⁴ Yet, Angolan unemployment and youth unemployment were substantially lower than in most comparator countries.³⁵

Table 1: Unemployment rate is higher for women and in urban areas

Categories	WAP (% pop tot)	Participation rate (%)	Employment rate (% WAP)	Unemployment rate (%WAP)	Inactive rate (% WAP)	Wage worker (% of tot employed)
Male	45	88	72	16	12	
Female	49	87	68	19	13	
Urban		86	65	22	14	
Rural		90	81	8	10	
Total	47	87.0	70.0	17.4	13	61

Source: World Bank. Angola: Jobs Diagnostic based on 2015 IIMS.

54. **Most of the workforce is uneducated and self-employed.** 25.5 percent of the employed people never went to school, and 59.4 percent reached some level of primary school without completing it. Shares from labor force participation by education demonstrate that Angolans with no education are the most likely to be working with 92.2 percent. Every second Angolan is working as self-employed in 2008, 29.9 percent are in paid employment and only 1.9 percent work as employer. Male are a little less than 3 times more likely to be in paid employment than women and very unlikely to be in unpaid jobs compared to women where 26.3 percent are working in unpaid jobs. If younger workers do find work, they are more often working in unpaid jobs and less often in paid jobs compared to older workers. Agriculture is the largest sector and most of the workers are female and self-employed. Subsistence farmers often rely on their own crop and livestock production for consumption and are therefore vulnerable to agricultural risks (including adverse climatic events), and their food security is at risk should their crops fail (**Error! Reference source not found.**)

57. **There is strong evidence on the impacts of social safety nets on promoting poverty reduction, increasing resilience, and expanding opportunities in Africa.** The depth of recent evidence serves to make a case for investment in social safety nets, for the effective design of programs, and for bringing programs to scale. If they are brought to scale, social safety nets have the potential to affect the overall macroeconomy (Ralston et al. 2017).

³³ World Bank. Angola: Jobs Diagnostic

³⁴ WDI

³⁵ 2014 housing and population census

58. **Numerous studies have demonstrated that social safety nets boost consumption, reduce poverty and improve the well-being of the poorest or most vulnerable.** On average, total consumption increases by an average \$0.74 for each \$1.00 transferred and the programs with the largest impact on consumption per dollar targeted poor households on the basis of indicators of household welfare, such as the SCTP in Malawi and the Zambia Child Grant Program (Ralston et al. 2017). Social safety net programs affect not only beneficiary households but, through local economy effects and spillovers, also nonbeneficiary households such as programs in Ethiopia, Ghana, Lesotho, Zambia and Zimbabwe.

59. **Social safety nets also help build household resilience to economic shocks through increased savings and investments in productive assets, especially livestock holdings (such as chickens, ducks, and goats).** They also limit adverse coping strategies among households, including the use of child labor (Burkina Faso Take-Home Rations Program among girls, the Kenya OVC program, and the Lesotho Child Grants Program).

60. **Social safety nets foster opportunities through investment in human capital.** Conditional and unconditional cash transfer programs have been shown to improve school enrollment and attendance gains in education are especially pronounced in upper-primary and secondary school, where dropout rates rise. Adolescents ages 15–19 were 15 percent more likely to complete higher education in Tanzania, and enrollment rates among children ages 13–17 were 10 percent higher in the Lesotho Child Grants Program (Evans et al. 2014; Pellerano et al. 2014). Their impact on health care is more limited and reflects the demand-side and supply-side constraints to improved health and the speed at which program impacts can be realized. Social safety nets also foster opportunities through investments in productive activities: they lead to the launch or expansion of business activities and more time spent on household farms.

CHAPTER 2: SOCIAL PROTECTION SPENDING TRENDS AND COMPOSITION

55. **This chapter describes the Government of Angola’s social protection spending patterns between 2010 and 2017, and zeros in on trends in spending on subsidies, as well as on contributory and non-contributory (income and in-kind) transfers under the social protection budget (including pensions). It also briefly discusses expenditures on social safety net programs that fall under the health and education portions of the national public budget.** The Angolan social protection system is highly fragmented, with a variety of small-scale programs and activities, and involves a wide range of actors and institutions. All efforts are made here to account for all public spending classified as social protection spending, at both central and local (provincial and municipal) government levels, as well as for the main social safety nets classified within the Angolan budget as other sector (for example, education and health) spending.

56. **Expenditure amounts are actuals/validated amounts (verified liabilities) as recorded within the Ministry of Finance’s integrated financial management information system (SIGFE), not budgeted amounts, unless otherwise indicated.** Social protection interventions may be funded by international aid, nongovernmental organizations (NGOs), and private mechanisms. This chapter however analyses only the public provision and financing of social protection. Expenditure figures presented here only account for funds transiting through Treasury and do not reflect loans and grants negotiated bilaterally between donors and line ministries, if any.

Overview of Angola's Social Protection System and Institutional Arrangements

57. **The GOA has made important progress in establishing a social protection system in the country.** Law 7/04 on the Basis of the Social Protection System establishes the legal and institutional framework of Social Protection of Angola. In its Article 2, it organizes the system into three pillars or components: Basic Social Protection, Compulsory Social Protection, and Complementary Social Protection (The law also stipulates (arts. 31 and 32) that the programs of the Basic Social Protection system are mostly funded by public resources and that multiannual plans and basic social protection budgets must be approved by the ministry responsible by the sector. It contemplates (Art. 43) the creation of the National Council of Social Protection, as an advisory body of Social Protection, which would include representatives of the State, development partners, and other interested institutions. The Council would have the following powers (Art. 43): (i) be the public consultation and information body on Social Protection; (ii) follow the Social Protection policy to verify that the objectives and targets are being met and in this scope issue pertinent recommendations; and (iii) elaborate the social accounts of the State for the periodic evaluation of the status of Social Protection, with reference to revenues and expenses, their origins and manner of interventions. The Law indicates that the Council will work with the institution responsible for Compulsory Social Protection (Article 43). The proposal of composition and competences of the National Council of Social Protection proposed by Law 07/04 does not seem adequate to assume the direction of Social Protection because it would have an advisory role instead of the executive function that would be necessary. Nevertheless, a Social Protection Advisory Board could play an important role in helping to coordinate the system in any selected institutional model.

58. **Table 2).** Fuel and utility price subsidies are not part of the statutory social protection system, but expenditure on such subsidies falls under the social protection budget rather than the energy budget as in most countries. A non-negligible portion of non-contributory transfers falls under the Angolan education and health budget (school feeding program; the school kits, uniforms, and so on). The law also stipulates (arts. 31 and 32) that the programs of the Basic Social Protection system are mostly funded by public resources and that multiannual plans and basic social protection budgets must be approved by the ministry responsible by the sector. It contemplates (Art. 43) the creation of the National Council of Social Protection, as an advisory body of Social Protection, which would include representatives of the State, development partners, and other interested institutions. The Council would have the following powers (Art. 43): (i) be the public consultation and information body on Social Protection; (ii) follow the Social Protection policy to verify that the objectives and targets are being met and in this scope issue pertinent recommendations; and (iii) elaborate the social accounts of the State for the periodic evaluation of the status of Social Protection, with reference to revenues and expenses, their origins and manner of interventions. The Law indicates that the Council will work with the institution responsible for Compulsory Social Protection (Article 43). The proposal of composition and competences of the National Council of Social Protection proposed by Law 07/04 does not seem adequate to assume the direction of Social Protection because it would have an advisory role instead of the executive function that would be necessary. Nevertheless, a Social Protection Advisory Board could play an important role in helping to coordinate the system in any selected institutional model.

Table 2: Social protection budget in Angola includes basic and compulsory social protection and fuel and utility subsidies

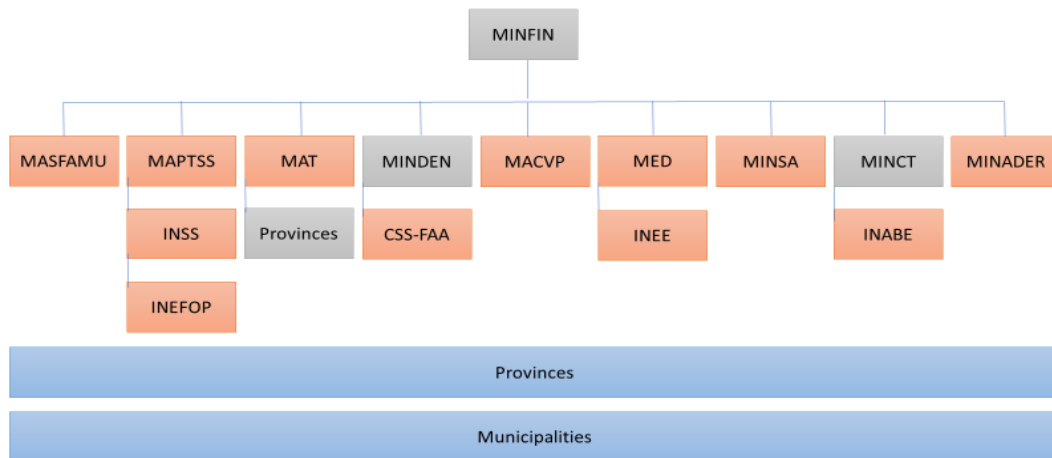
Components	Description	Social protection system in Angola	Social protection budget in Angola	Social protection (broad definition)
Basic Social Protection	Non-contributory transfers and other welfare services targeted either to the poor and vulnerable, or specifically to war veterans, surviving relatives of fallen soldiers and civilian victims of the civil war	X	X	X
Compulsory Social Protection	Contributory pensions (and other social insurance) schemes for formal workers, public servants and the military.	X	X	X
Complementary Social Protection	An additional voluntary (and private) pillar for those enrolled in public social insurance schemes, but is funded out-of-pocket, not from the government's budget, and is therefore not discussed here.	X		X
Fuel and utility price subsidies	Are not part of the statutory social protection system, but expenditure on such subsidies falls under the social protection budget rather than the energy budget as in most countries		X	X
Education and Health Programs	A non-negligible portion of non-contributory transfers falls under the Angolan education and health (school feeding program; the school kits, uniforms, and so on)			X

59. **Efforts have been made to unify the system.** A new Ministry, the Ministry of Family and Promotion of Women (*Ministério da Família e Promoção da Mulher, MASFAMU*) was created to harmonize programs and reduce duplication. The Ministry brings together what was the main institution responsible for coordinating the implementation of social policies in Angola, in accordance with its organic status, MINARS, and that responsible for family enhancement and family empowerment programs, support for gender issues and promotion of women, support for victims of violence, and promotion of rural women MINFAMU. In the process various programs related to social assistance and to combat poverty were transferred and consolidated in this ministry, allowing MASFAMU to have direct control over these programs and reducing duplication of efforts and coordination problems.

60. **However, the system remains highly fragmented, with a variety of small-scale programs and activities, and continues to involve a wide range of actors/institutions.** Several governmental institutions participate in the implementation of social protection programs but without little coordination or a joint strategy. Social protection spending is highly concentrated in two ministries (Figure 18 and Annex 5) MAPTSS and MINDEN which apply the funds mainly for contributory social protection. Other ministries, including MASFAMU, MINSA, MACVP and MAT received very limited budget allocation, barely 2 percent of total social protection spending which is allocated to non-contributory social assistance spending. MED, implements several educational programs such as school feeding and tertiary scholarships but its budget allocation is not included as social protection. MINFIN has a decisive role to play in helping to strengthen social protection as it is instrumental in establishing adequate funding for the sector and plays a

key role in the transfer of resources to provincial and local levels of government to support the implementation of programs with communities. To further the progress made the GOA needs to take into account the comparative advantage of each of its Ministries and institutions, the need to capitalize on available capacity, to avoid creating new institutions, and the need to avoid duplication and overlapping of functions and programs.

Figure 18: Ministries and institutions participating in social protection programs



61. **At present there are at least two parallel efforts in the area of Basic Social Protection System: that spearheaded by MASFAMU and the Integrated Municipal Rural Development Program and Poverty Reduction (PMIDCP), which while implemented by MASFAMU is overseen by the Office of the President.** Although the latter not exclusively an SP program, contains SP components which are discussed in this review. Additionally, the Social Action Fund (FAS) is implementing a series of interventions at the local level that should be articulated with other SP programs. In view of its close ties with municipal governments and their experience in financing local basic infrastructure, the FAS has a strong comparative advantage in the implementation of labor-intensive public works programs that would provide temporary employment for the poorest as well as necessary financing for building local basic infrastructure. FAS can also help link social assistance programs to income-generating activities through its local economic development program. Finally, MAPTSS is responsible for the compulsory Social Security system and active labor market programs.

62. **To further the progress made until now, it will be important to clearly define the policy and regulatory and operational framework for the sector.** It means, at the sector level, to have clear policies, operational plans and budgets, and at the level of programs, operations manuals, annual activity plans, and budgets. Policies and action plans should be prepared with the participation of key sector actors. Social assistance policy should include a clear definition of the institutional model to be adopted. The policy should include the roles and responsibilities of all major actors involved in the sector, the definition of the main programs that make up the country's Basic Social Protection network, coordination mechanisms between institutions at different levels of government (central, provincial, municipal, and communal), system financing mechanisms, performance incentives, accountability mechanisms, and the administrative tools that need to be developed. Existing legislation should be revised to incorporate the new policy guidelines. The institutional architecture should clearly establish roles, responsibilities, and performance

incentives. Each actor involved in the implementation of policies and programs should have a clearly defined mandate. Indicators should be established to measure the performance of each participant. At the same time, incentives should be available to motivate participants to perform their roles well in the implementation of the policy or programs, as well as a system of accountability to hold them accountable for the results achieved. These incentives can take many forms, including monetary rewards or simple political and social recognition.

63. **Coordination agreements between institutions should be formalized.** In order to ensure the clear allocation of roles and responsibilities, formal agreements could be drawn up between participating institutions, such as memoranda of understanding or cooperation agreements. The implementation of SP programs requires the participation of many public and civil society actors and their effective participation in achieving the desired results. Informality in these relationships often translate into poor service delivery and lack of accountability for results. Coordination should take place in various areas and levels. The first is in the area of policy formulation, priority setting, and OGE funding. Secondly, it is the area planning, where the plans, programs, and budgets are prepared. And third, it is the area of implementation, where programs are implemented and "case management" is carried out. Coordination in the area of policy formulation, priority setting, and financing of the EMB is done at the level of the Central Government; the operational work is done by the ministries and institutions responsible for implementing each program. Provincial governments and municipal administrations have several responsibilities, including setting priorities for their provinces or municipalities, preparing the budget, funding programs, monitoring programs, and preparing progress reports on their implementation.

64. **Efforts should not be duplicated at the provincial and municipal level.** In this regard, PMIDCP, FAS and MASFAMU should coordinate to ensure that executive technical committees being set up at the provincial and municipal levels do not duplicate efforts and that subcommittees or similar arrangements are needed to capitalize on the limited human resources available at the decentralized level. Each of these institutions / programs have specific needs and need to have their roles and responsibilities well delimited, but also have common needs. In the case of FAS, whether it is decided to establish a technical committee or a provincial-level delegation or a technical or municipal committee, this should be in coordination with the other institutions in order not to duplicate efforts.

65. **SP programs could have incentives to ensure that institutional or individual participants perform in order to achieve the desired results.** The incentive system requires that the roles and responsibilities of each participant are clearly defined and that these participants have the resources (training, material and financial) required to perform the tasks entrusted to them. These incentives can take many forms, including public recognition or monetary rewards. There is a growing tendency to establish performance agreements with institutions (including municipalities and communes), which may include subsidies or bonuses for good performance (and technical assistance when performance is poor), or extension or renewal of contracts. Individuals can also be rewarded for good performance through bonuses, salary increases, or promotion.

66. **SP programs must be adequately funded to ensure that the amount of the benefits is in line with the objectives to be achieved and the beneficiaries can receive them in a predictable way.** One of the objectives of the social transfer programs is to help the poorest and most vulnerable families to smooth the variations in their level of consumption and, if possible, to make some small savings. If the benefits are not delivered in a predictable way, the beneficiaries cannot plan and may incur onerous debts while waiting for the benefits to be delivered. At the sector level, there is also a need to know how many resources can be counted to plan program coverage or the level of benefits. The most efficient means of distributing benefits should also be used, wherever possible the delivery of benefits in kind for cash benefits. It should

be ensured that benefits reach the target group. Finally, the industry should be accountable for what it needs to account for the resources used and the results achieved. To do this, it needs to develop and put into practice budgeting and sectoral information systems at different levels of government. Budgets should be based on a realistic assessment of the cost of the programs, including the cost of generating information and monitoring reports, and should clearly indicate what would be funded at central, provincial, municipal and communal level and their sources of funding. Article 3 of Law 7/04 explicitly states that Basic Social Protection programs must be multi-annual and that "they can be financed through a National Solidarity and Assistance Fund, consisting of transfers from the General Budget of the State, resulting from appropriate fiscal measures".

67. **It should be clearly established which services should be delivered and funded centrally and those which should be financed in a decentralized manner.** Angola's intergovernmental financial transfer system continues to evolve positively but needs more predictability. The country is divided into 18 provinces, 164 municipalities and 532 communes. The Provincial Governors are appointed by the President of the Republic and the Municipal Administrators by the Provincial Governor with the agreement of the Minister of Territory Administration. Until the beginning of 2008, intergovernmental transfers were not made in a predictable way, making it difficult to plan municipal spending and implement programs and investment. In 2008, the 8/08 presidential decree established the Municipal Management Support Fund (FUGEM) with transfers of US \$ 5 million for each of the municipalities of Angola, regardless of their size, demography, poverty levels, or existing services.

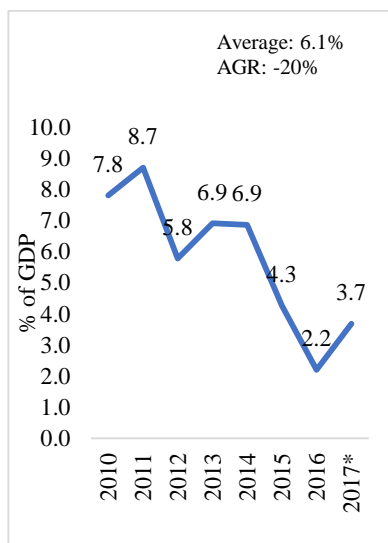
68. **The GOA should consider further developing SP system tools at the operational level and at the institutional level.** At the operational level these could include policy, strategy and sectoral action plans defining the objectives and targets, action plans, programs and budget to achieve the agreed objectives. Similarly, at the institutional level it would be important to develop the administrative tools that help coordinate the formulation and implementation of programs. These include a database of potential beneficiaries of social programs or social registry, beneficiary selection / targeting system, appropriate benefit delivery mechanism that ensure that the benefits provided reach the corresponding beneficiaries in the time provided and a Monitoring and evaluation (M & E) system to better understand how a program is operating and help improve the design and impact of programs. Improving Information management systems such as SIG and SIGAS facilitates the collection, processing, management and dissemination of data essential for the elaboration of policies, operations, and accountability of the programs. It should be noted that many of the operational responsibilities could be outsourced to specialized organizations and NGOs, which would reduce the demand for human resources at the institution level, but would make greater demands on supervision and M&E.

69. **Although the analysis of the human resources of the sector is outside the scope of this PER, the commitment and the capacity of the RAS workers are the most important determinant of the performance of the sector.** Social assistance is an intensive human resource sector. All the institutional and operational architecture and the tools discussed would be useless if the sector does not have a well-trained and committed staff. From leading the industry to the front-line social workers along with the people, there should be staff with vision, ability, and dedication. At present, there is a shortage of qualified personnel at each level of the current system. The career of social worker is not recognized below the provincial level. For the proper functioning of social services and the management of social transfers, sufficient and properly trained staff would be needed. Careers of the social worker should be established at all levels of government, staff recruited, trained, and supported with appropriate means and incentives. In this context, it should be mentioned that ex-MINARS, with the support of the EU program (Social Assistance and Assistance Intervention Support Project, APROSOC) has been training social workers in its training institute.

Overall Social Protection Spending and its Evolution

70. **Public spending in social protection have been excessively high but has decreased over the last few years as a share of GDP, real per capita terms, and as a share of total government spending.** Government spent a total of Kz 371.5 billion (approx. US\$2.25³⁶ billion, 2.2 percent of GDP and 8 percent of total expenditures) on social protection benefits in 2016. Social protection spending as share of GDP decreased on average 20 percent per year, from 7.8 percent of GDP in 2010 to 2.2 percent in 2016 (Figure 19). In real per capita terms, social protection spending also decreased importantly during that same period, (Figure 20). The social protection sector in Angola accounts for less than 10 percent of the total government spending and its share has decreased over time on average 13% per annum (8% in 2016 vs 19% in 2010) (Figure 21). Among the social sectors, social protection received the largest budget allocation for 2018. Social protection expenditures are expected to rise in 2018, at 3.7 percent of GDP and 10 percent of total government spending.

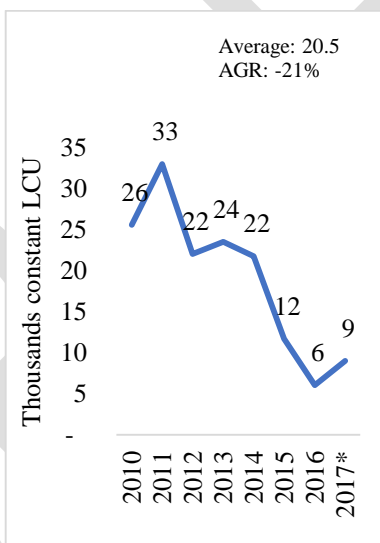
Figure 19: Social protection spending % of GDP is 2.2 percent in 2016



Source: MINFIN.

Note: 2017 data are budget figures.

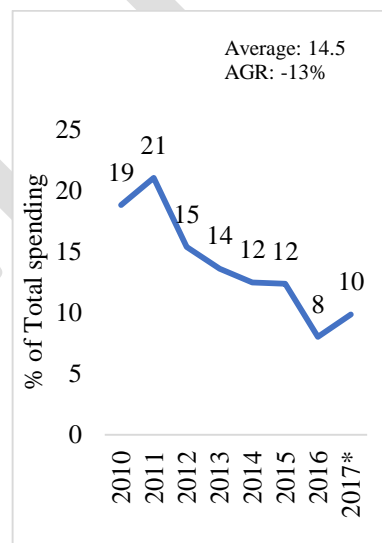
Figure 20: Social protection spending per capita (constant LCU) is 6 kwanzas in 2016



Source: MINFIN.

Note: 2017 data are budget figures.

Figure 21: Social protection spending as a share of total spending is 8 percent.



Source: MINFIN.

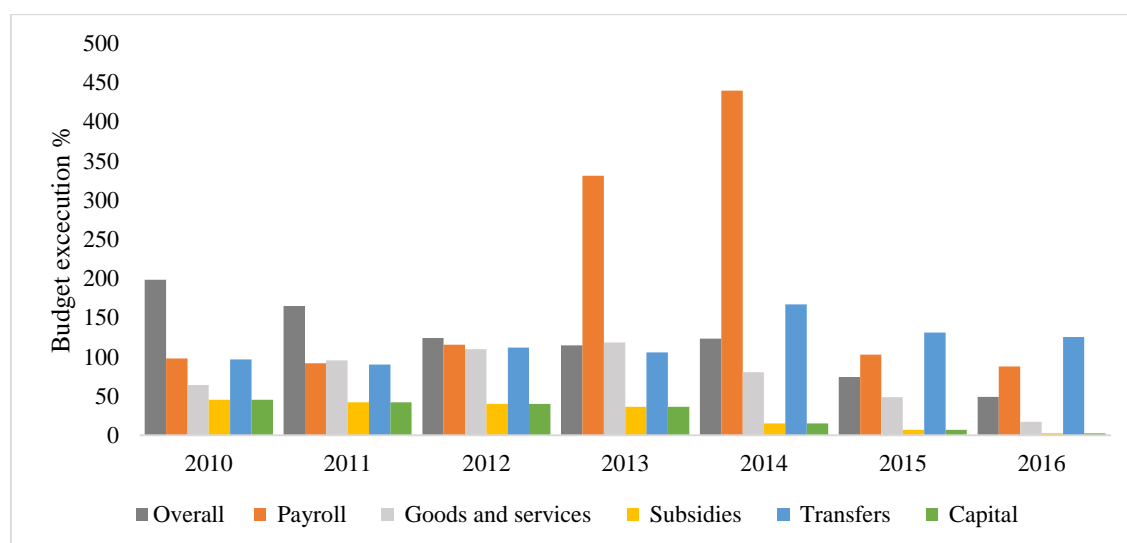
Note: 2017 data are budget figures.

71. **The social protection budget was systematically over-executed by a wide margin over 2010-14; approved budget figures are therefore a very poor indicator of the resources expended on the sector.** The social protection budget was over-executed by half on average over 2010-2014 with a peak in 2010 when the sector's executed expenditures/ actuals (at Kz 597 billion) were nearly twice the budgeted amount (the amount planned/approved by Parliament) of Kz 300 billion (Figure 22). Social protection budget execution has deteriorated along with the rest of the budget's execution in 2015-16. Roughly half of budgeted spending was validated in 2016. Budget execution for transfers has improved in recent years and been markedly better than that of social protection sector capital, subsidies, and goods and services. Transfer spending was over-executed by 25 percent in 2016 while only 3 percent of initially budgeted expenditures on subsidies and capital were executed. Payroll's execution rate of 88 percent was high, but

³⁶ Using the BNA's LCU 165.098 for a US\$ rate.

relatively normal after the extremely high and uncharacteristic payroll expenditure levels of 2013 and 2014 in the sector (Figure 22).

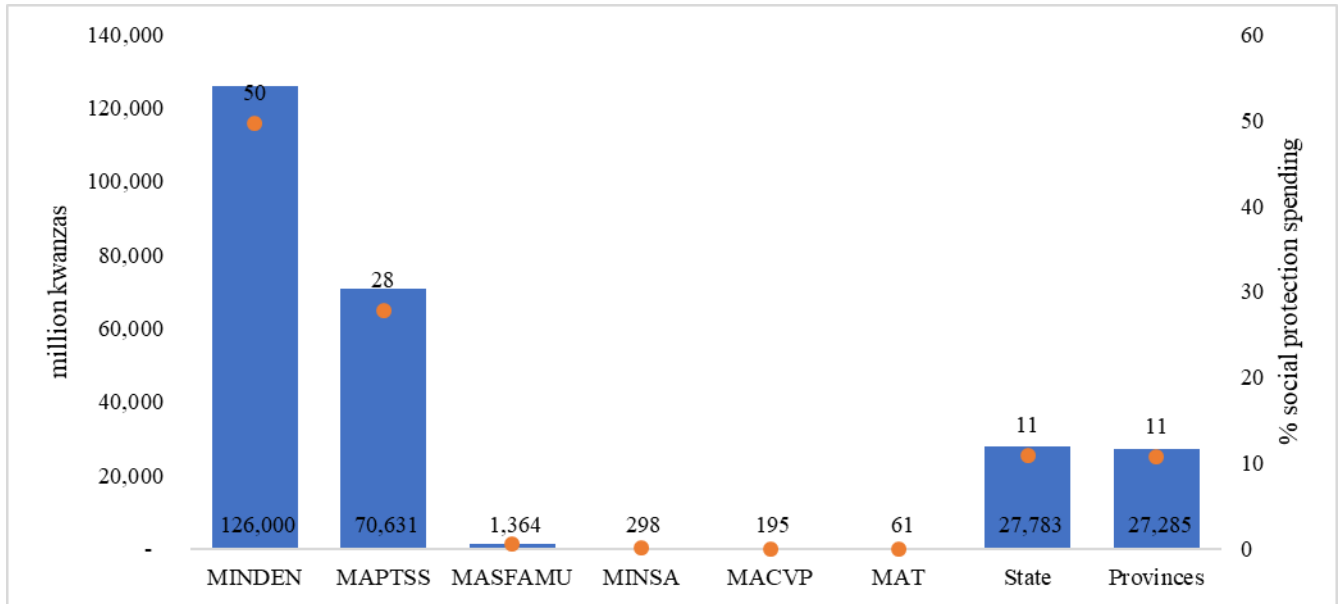
Figure 22: Social protection budget under-executed since 2015



Source: MINFIN.

72. **Social protection spending is highly concentrated in two ministries MAPTSS and MINDEN which apply the funds for contributory social protection.** Social protection spending is highly centralized, with only 11 percent of spending executed locally in 2016 (Figure 23). Most of the spending is executed by ministries. MINDEN and MAPTSS take up the bulk of social protection spending which is used in contributory social protection benefits. Other ministries, including MASFAMU, MINSA, MACVP and MAT received very limited budget allocation, barely 2 percent of total social protection spending which is allocated to non-contributory social assistance spending (Figure 23). For 2018, the budget allocation for both MINDEN and MAPTSS continues to be the largest in the total social protection budget – almost half of total spending (Kz 127 and 179 billion respectively) while MASFAMU is expected to increase its budget allocation to Kz 12 billion.

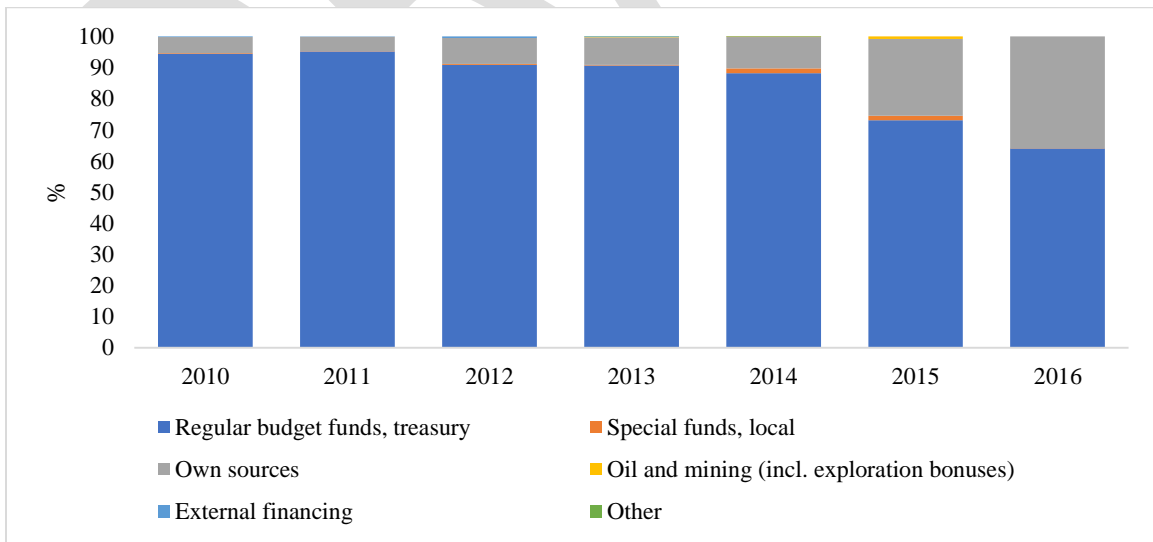
Figure 23: Social protection spending in 2016 is concentrated in MINDEN and MAPTSS



Source: MINFIN.

73. **Social protection spending is mostly financed by Treasury budgetary resources.** Treasury regular budget funds covered 85 percent of spending on average over 2010-16. 14 percent came from employer and employee contributions (mostly to the INSS scheme). The rest came from a mix of external financing (0.1 percent of total spending), and revenue from oil and mining including oil exploration bonuses. Though the CSS-FAA is in principle financed by a mix of contributions and budget appropriations, all CSS-FAA expenditures are recorded within MINFIN’s financial management system as funded via budget funds.

Figure 24: Main financing source of social protection expenditures is the treasury budget

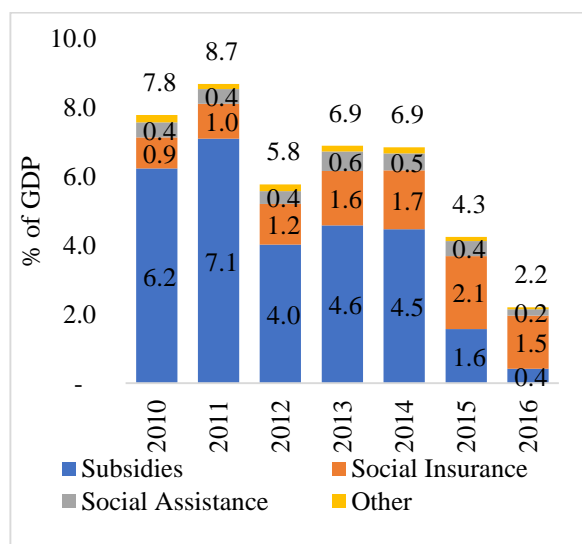


Source: MINFIN.

Composition of Social Protection Spending

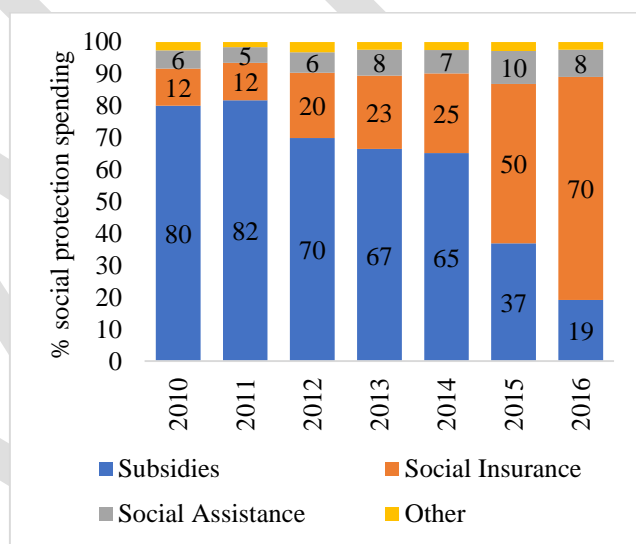
74. **Subsidies have historically represented the largest share of social protection budget but since 2015, social insurance accounts for the bulk of social protection spending.** Subsidies were the largest category of social protection spending and as high as 7.1 percent of GDP in 2011, but have fallen to 0.4 percent of GDP in 2016 thus becoming the third highest category of spending (Figure 25). In 2016, 70 percent of social protection public expenditures were on contributory pensions (and other social insurance), 19 percent on energy subsidies, 8 percent on social assistance; the remaining 2 percent covered expenditures on reconstruction and rehabilitation of basic social infrastructure, as well as on demining (Figure 25 and Figure 26). Social insurance now dwarfs other social protection spending: social insurance spending has increased in recent years, from 0.9 percent of GDP in 2010 to 1.5 percent and accounts for 70 percent of expenditure in the social protection sector in 2016. Social assistance spending increased from 0.4 percent of GDP in 2010 to 0.6 percent of GDP in 2013 but decreased to 0.2 percent of GDP in 2016.

Figure 25: Social protection spending as % of GDP decreased mainly due to reduced energy subsidies



Source: MINFIN.

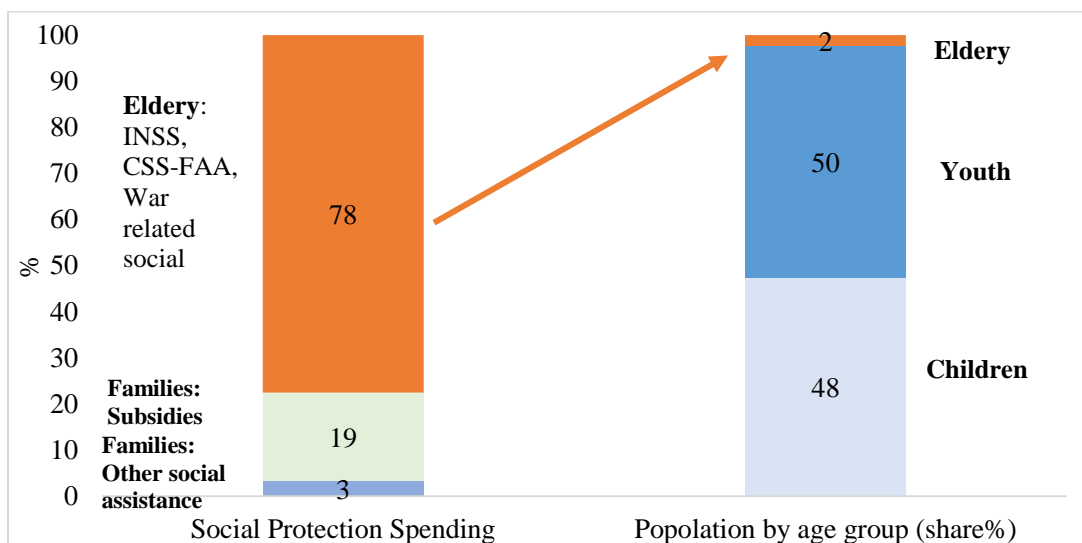
Figure 26: In 2016, 70 percent of social protection public expenditures were on contributory pensions



Source: MINFIN.

75. **Social protection spending disproportionately benefit the elderly which represent only 2 percent of the total population.** The share of social protection spending targeting the elderly accounts for 78 percent of the total social protection spending. Contributory pensions represent 70 percent of this spending while 8 percent corresponds to war-related social pension. This contrasts with the demographic composition in Angola where the population aged 65 years or more represents only 2 percent of the total population. The remaining social protection spending (22 percent of total social protection spending) targets either families or specific vulnerable groups such as the children.

Figure 27: Social protection spending disproportionately benefit the elderly in 2016



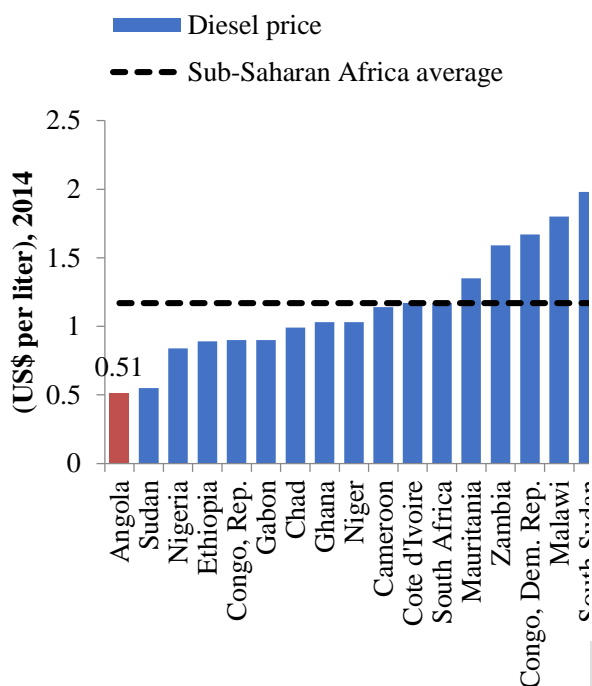
Source: MINFIN.

Energy Subsidies: Fuel and Utility Price Subsidies

76. **Social protection spending on energy subsidies includes fuel and utility price subsidies. Fuel and utility price subsidies (including diesel subsidies for electricity generation) help keep domestic fuel prices among the lowest in the region (and the world).** The price of gasoline and diesel were 58 and 44 percent below the average price for Sub-Saharan Africa in 2014 (Figure 28 and Figure 29).³⁷ Diesel, gasoline and liquid petroleum gas subsidies accounted for 94 percent of total consumer subsidies on average in Angola in 2014 (IMF 2015). Though subsidies to SOEs are not included in the social protection budget, they may benefit the poorest and most vulnerable households if they facilitate improvement in the quality of water, power and sanitation public services. Angola has 90 SOEs and is a minority shareholder in 26 other firms' activities.

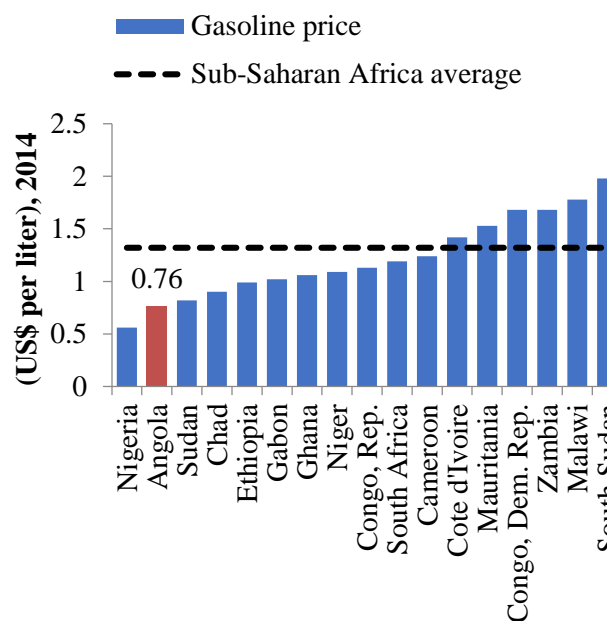
³⁷ WDI.

Figure 28: Angola has the lowest retail diesel price in oil producing in Sub-Saharan African countries (US\$ per liter), 2014



Source: WDI.

Figure 29: Angola has the second retail gasoline price in oil producing Sub-Saharan African countries (US\$ per liter), 2014



Source: WDI.

77. **Energy subsidies disproportionately benefit Angolan higher-income households.** Fuel price subsidies are regressive as the bulk of the benefits accrue to those with the highest levels of consumption. The top 40 percent households consumed 90 percent of refined fuels, while the bottom 40 percent consumed only 7 percent (also in 2014). Well-off households also consumed most of the goods and services that use fuel products as production inputs. Overall, 77 percent of fuel price subsidies went to top 40 percent households, while only 10 percent accrued to those in the bottom 40 percent. For every kwana in benefits received by households in the bottom 20 percent of the distribution, Kz 19 was received by the richest 20 percent. In the case of gasoline, the distribution was even more skewed—for each kwana received by the poorest 20 percent, Kz 74 was received by the richest 20 percent.

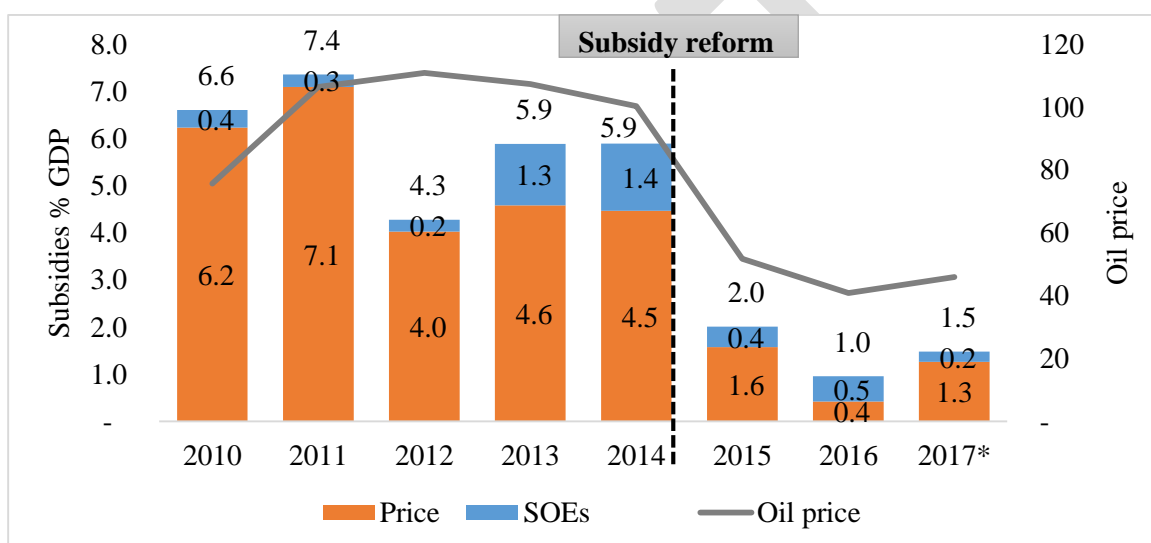
78. **Subsidies have historically represented a large share of the budget, but a combination of policy reforms - including the implementation of a fuel subsidy reform at end 2014³⁸ - and falling oil prices have reduced their budgetary impact since 2015.** Government has embarked on a bold subsidy reform since September 2014, reducing spending on (price and SOE) subsidies from 5.9 percent of GDP in 2013 to 1 percent of GDP in 2016.³⁹ Subsidies to SOE were reduced from 1.3 percent of GDP in 2013 to

³⁸ IMF (2016). The Government has been implementing a well-designed fuel subsidy reform. On December 31, 2015, domestic fuel prices were increased for the fourth time since September 2014. With this latest increase, subsidies on diesel were fully eliminated and the price of diesel liberalized, adding this product to already liberalized gasoline, asphalt, and light and heavy fuel oil prices. LPG and kerosene domestic prices were also increased on the occasion, but remain subsidized at about 40 percent and 10 percent, respectively.

³⁹ Because Angola is an oil exporter that subsidizes domestic fuel prices, subsidy spending is structurally procyclical: rising oil prices boost exports and GDP growth, but they also increase the amount of subsidy spending necessary to keep domestic fuel prices low.

0.5 percent of GDP in 2016 as part of the government's efforts to rationalize expenditures (Figure 30). While reducing operational subsidies to these firms could narrow the fiscal deficit, while privatization proceeds could reduce the debt burden, it may be suboptimal from a social protection perspective. Lower oil international prices together with the elimination of asphalt, light and heavy fuel oil and gasoline subsidies helped expenditure on price subsidies fall from 4.6 percent of GDP in 2013 to 0.4 percent in 2016 (Figure 30). LPG, and kerosene are still subsidized, though at much lower levels than in recent years. Subsidies to LPG now cover 38.6 percent instead of 79 percent of the price; those to kerosene absorb 11.4 percent of the cost rather than 74 previously.⁴⁰ Actual expenditure on price subsidies has exceeded budget estimates in several years, and more recently also direct transfers⁴¹.

Figure 30: Declining energy subsidies as % of GDP and oil price



Source: MINFIN.

Note: 2017 data are budget figures.

79. **The subsidy reform had both a direct and an indirect welfare impact, the indirect impact of the subsidy reform being about twice as large as the direct impact.** The reform had a direct impact on fuel prices affecting household budgets. The increase in fuel prices also affected the production and transportation costs of other goods and thus indirectly increased the prices of those goods. The direct impact of the fuel subsidy reform mainly affected wealthier households (up to 2.5 percent of household consumption), but only marginally affected the poor (below 1 percent reduction in household consumption). The indirect impact on the other hand reduced household consumption by an additional 5 and 3 percentage points for wealthier and poor households, respectively. All in all, Bank staff calculations and simulations based on 2008 IBEP data suggest the elimination of the subsidies only marginally increased the poverty headcount rate by 2 percentage points from 26 to 28 percent.⁴²

80. **Rural household were less affected than urban households.** Rural households (who largely consume what they produce) only lost about 4.5 percent of household consumption, while urban households that are more dependent on markets and prices lost on average almost 9 percent of consumption. The main

⁴⁰ World Bank, 2016, Republic of Angola Poverty and Social Impact Analysis: Subsidy Reform and Extension of Social Protection Program

⁴¹ Boost (2017). Price subsidies were above budgeted estimates for the years 2010 to 2014 (with an average of 79%). For direct transfers, executed amounts were higher in 2012, 2013 and 2016 (77% above budgeted amounts).

⁴² Ibid.

categories contributing to the loss in welfare were food and non-alcoholic beverages as well as housing, water, electricity, fuels and transportation.⁴³

81. **Oil international prices are on the rise and expenditure on subsidies is projected to increase in 2017 and 2018, testing the government’s commitment and policy efforts to keep subsidies’ spending low.** The Angolan oil price rose to an estimated US\$46 per barrel in 2017, up from US\$40.9 per barrel in 2016. Expenditure on price subsidies is therefore expected to rise in 2017 to 1.3 percent of GDP (Figure 30), The Angolan authorities plan to completely eliminate fuel subsidies by 2020, in line with IMF recommendations.

82. **The challenge is now to increase access to electricity for low-income families even as subsidies (for the connections and to ensure the reliability and quality of supply for those who already have access) are cut.** Access to electricity is higher in urban areas is 64 percent while in rural areas is only 7 percent (Figure 14). Disruptions in electricity supply adversely affect basic services and small-scale informal sector activities, which must rely on expansive alternative sources of energy (such as generators) or cease. Angola can ill afford any setback in expanding access to basic services, given the population’s (especially the rural population’s) current level of access to electricity, improved water sources and improved sanitation facilities.

83. **The country has initiated price subsidy reforms to bring prices of subsidized items closer to their market-clearing levels. These savings should be used for well-targeted social programs.** Government controlled prices of subsidized goods and services should be adjusted such that they are closer to world or cost recovery prices, or replaced by market determined prices. To be successful, price reforms should be accompanied by institutional reforms – for example, the removal of ad hoc government control over prices and shift to automatic price mechanism - and informational reforms to increase interest groups’ and citizens’ awareness of how a policy change would be beneficial to them (lower tax burdens and better-functioning markets). Thus, domestic fuel prices need to be adjusted to reflect changes in international oil prices and the exchange rate. An automatic fuel price adjustment mechanism should be implemented following the elimination of fuel subsidies to ensure that implicit subsidies do not re-emerge when international oil prices rise. As subsidy reforms can have adverse social effects (sudden drop in standards of living, especially for low-income households), the government is encouraged to redirect savings from subsidy reforms to existing social assistance programs (for example, conditional cash transfers) as well as health and education programs.

Social Insurance: Contributory Pensions (and Other Social Insurance)

84. **Social insurance includes contributory pay-as-you-go (PAYG) defined-benefit pensions and other social insurance benefits and allowances.** Comprises old age, early retirement, survivor and occupational/work injury pensions, along with survivor, maternity, breastfeeding, death, funeral, old-age and family grants, benefits and allowances. MAPTSS’s National Social Security Institute (*Instituto Nacional de Segurança Social - INSS*) administered formal private sector workers (including the self-employed) and civil servants’ social insurance schemes. Military personnel pension benefits are administered by the Social Security Fund of the Angolan Armed Forces (*Caixa de Segurança Social das Forças Armadas De Angola – CSS-FAA*).

85. **Formal private sector workers (including the self-employed) and civil servants’ social insurance schemes (INSS) and funded by a mix of workers’ and employers’ contributions.** Private sector workers contribute 3 percent of their monthly salaries, employers contribute to 8 percent of their

⁴³ Ibid.

workers' earnings for a total 11 percent contribution rate. Government contributes as an employer of civil servants. The self-employed contribute 11 percent of declared monthly earnings for full benefits, and 8 percent for partial benefits

86. **Military personnel receive pension benefits similar to (though more generous than) those extended to private sector workers and civil servants (plus medical insurance coverage) (CSS-FAA).** CSS-FAA expenditures are financed (by law⁴⁴) by a mix of contributions from military personnel (at the same rate as private sector workers and civil servants), general government budget appropriations, and income from government asset sales. Military personnel pension benefits are generally more generous than those of private sector workers and civil servants. Old age pension, for instance, is paid out to former military aged 55 or older (instead of 60 and older for private sector workers and civil servants), and with 30 years of service. Surviving relatives receive between 75 and 85 percent of the insured's last monthly wage (as opposed to 70 percent for private sector workers' surviving relatives).

87. **Contributory pension expenditure steadily rose in 2010-15, but fell in 2016 as the government's crisis exit strategy was put in place.** Most of the real term increases in social protection spending between 2010 and 2015 were absorbed by pensions. Contributory pensions spending rose from 0.9 percent of GDP in 2010 to 2.1 percent in 2015, but decreased in 2016 to an estimated 1.5 percent of GDP (Figure 31). INSS expenditures more than doubled between 2014 and 2015 (from 0.4 percent of GDP in 2014 to 1.0 percent of GDP in 2015). CSS-FAA followed the same pattern with spending increasing from 0.5 percent of GDP in 2010 to 1.1 percent of GDP in 2015. Pension (combined INSS and CSS-FAA) outlays are expected to further decrease to 0.9 percent of GDP in 2017, on the back of measures implemented as part of the country's crisis exit strategy (Box 3).

Figure 31: Social insurance spending on the rising between 2010-2016 (%GDP)



Source: MINFIN.

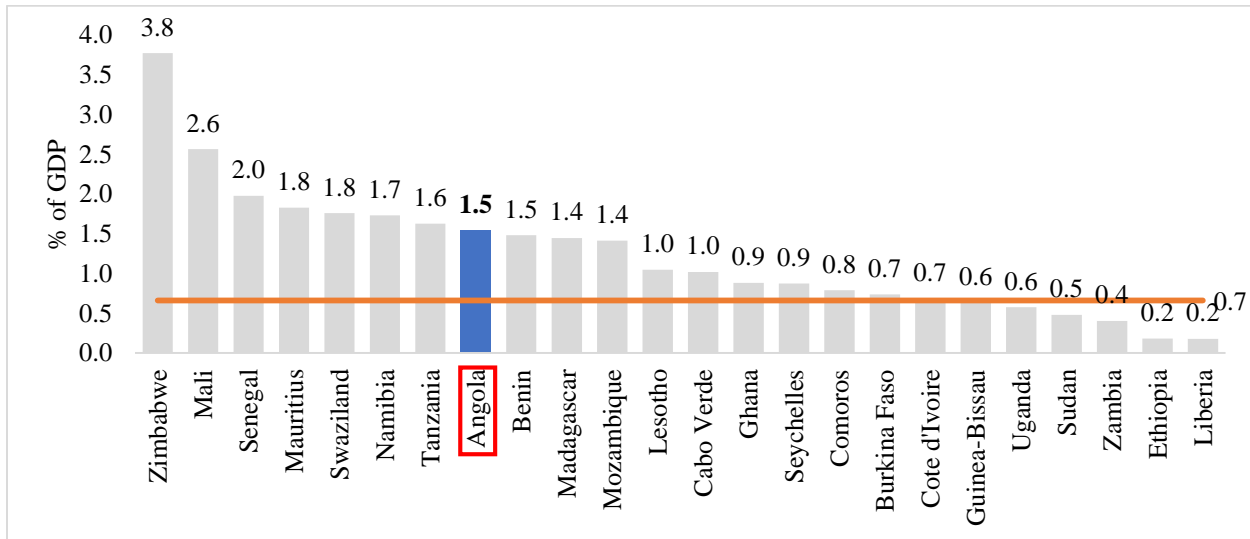
88. **Spending on contributory pensions in Angola doubles the African regional average.** Social insurance spending in Angola as a share of GDP is more than twice the average spending in the Africa region, 0.7 percent of GDP. Among the selected countries, Angola ranks in the top ten countries with the

⁴⁴ Law Decree 16/94 of August 1994 (law on armed forces' social security system).

highest social insurance spending, only surpassed by Zimbabwe (3.8 percent), Mali (2.6 percent), Senegal (2 percent), Mauritius and Swaziland (1.8 percent), Namibia (1.7 percent), and Tanzania (1.6 percent) (

89. Figure 32).

Figure 32: Social insurance spending in Angola is above the Afr. regional average



Source: MIFIN and Beegle et al. (2018).

90. **INSS and CSS-FAA benefits are very generous and expenditures increased too rapidly over 2008-15.** The annual average value-increase of old age pensions went from Kz 30,000 in 2008 to Kz 70,000 in 2015. The national minimum wage, in comparison, rose from Kz 10,000 in 2008 to Kz 15,000 in 2015. This increase in INSS expenditures between 2010 to 2015 could not be explained by the increase in the number of beneficiaries (+ 14 percent over 2008-15) and called for scrutiny.⁴⁵ The CSS/FAA spent 1.1 percent of GDP in 2015, more than the INSS, but for about half the number of beneficiaries (around 58,000 in 2012 instead of the INSS's 112,050 beneficiaries).⁴⁶

⁴⁵ ProSocial, 16/20 of March 2016.

⁴⁶ See chapter 3 for more on the INSS scheme's benefit level and fiscal sustainability.

91. **Though the number of insured workers and the number of eligible pensioners have both dramatically increased over 2008-15, INSS scheme coverage remains low.** The number of insured workers rose from 625,342 in 2008 to 1,437,524 in November 2015. More than 100,000 additional workers contributed to the scheme each year from 2007 onward. The number of eligible pensioners increased from 72,455 in 2008 to 112,050 in 2015. Yet, the INSS collected contributions from only about 20 percent of the active population and provided benefits to only about 12 percent of the elderly population in 2015.⁴⁷

Box 1: The crisis exit strategy and pension spending and financing

The government's crisis exit strategy was designed to respond to fall in all prices and included measures to boost non-oil revenue, increase public investment effectiveness and efficiency, promote national exports and reduce imports, increase credit to the private sector, lower inflation and stabilize the exchange, in addition to cost-containment measures. These expenditure rationalization policies included a number with direct impact on pension schemes' funding and expenditure levels, including:

- To allow the payment of salaries only in a book-entry form, through a bank account, information of which must be accompanied by the respective fiscal identification numbers and social security registration number for public officials and civil administrative agents;
- Require that face-to-face re-registration with biometric data be always accompanied by the publication of the appointment order of the respective beneficiary, whether in the civil or military courts;
- Accelerate the face-to-face registration, with biometric data, of civil servants and civil administrative agents;
- Initiate the re-registration of military and paramilitary personnel by their respective human resources bodies, and this process should be completed by the third quarter of 2016;
- Initiate the online re-registration, with biometric data, of the former combatants and traditional authorities;
- Recoup, with biometric data, the identity of all the beneficiaries of pensions of the Social Security Scheme of the Angolan Armed Forces;
- Computerize the processing of the subsidies of the traditional authorities in the first semester of 2016;
- Study and make feasible sources in addition to the OGE, to finance the payment of the pensions of the beneficiaries of the Social Security Scheme of the Armed Forces and National Police;
- Review the legislation on the financing and operation of the CSS-FAA;
- Suspend or cancel the payment of pensions to the beneficiaries of the CSS-FAA, who receive remunerations from the General State Budget;

The measures helped Government reduce payments out of the INSS scheme by 0.2 percent of GDP in 2016 and CSS-FAA payments by as much as 0.4 percent of GDP also in 2016. Further reduction in spending from both schemes is expected in 2017.

Source: Government of Angola crisis exit strategy (Decreto Presidencial No 40/16 de 24 Fevereiro).

Social Assistance

92. **The social assistance financing envelope covers war-related non-contributory pensions and benefits and other non-contributory transfers targeted to the poor and vulnerable.** This includes war-related non-contributory benefits for civilians and soldiers who became disabled during the civil war, as well as for protection of surviving relatives of fallen soldiers and civilians, and for the families of those missing. Other non-contributory transfers targeted to the poor and vulnerable include persons with

⁴⁷ ProSocial, 16/20 of March 2016.

disabilities and/or at risk of social exclusion, as part of food security, natural disaster preparedness and mitigation, nutrition, and other small-scale programs overseen by MASFAMU.

War-related non-contributory benefits

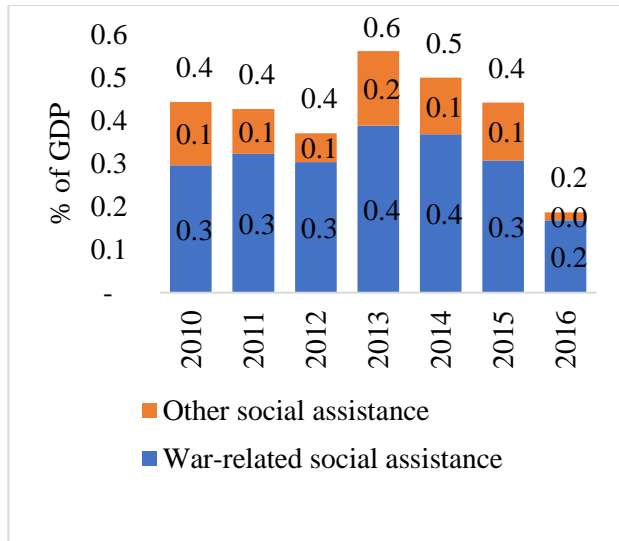
93. **Are administered/paid out by the MACVP (and its provincial delegations) and include several benefits for civilians and soldiers who became disabled during the civil war, as well as for protection of surviving relatives of fallen soldiers and civilians, and for the families of those missing.** These benefits include medical assistance and supply of foodstuffs and other commodities (for example, construction materials to support self-construction of housing in the outskirts of Luanda). MACVP also covers professional training centers' construction and operational costs, as well as tuition fees and housing for trainees enrolled in electricity, civil construction, sawing, mechanics, plumbing, carpentry, brick-laying, farming, and baking six-month courses (in Luanda).

Other social assistance

94. **Covers spending on (other) non-contributory transfers targeted to the poor and vulnerable.** Including persons with disabilities and/or at risk of social exclusion, as part of food security, natural disaster preparedness and mitigation, nutrition, and other small-scale programs overseen by MASFAMU (and managed operationally by the provincial directorates of social assistance and reinsertion in conjunction with municipal staff). Also includes expenditures on the social assistance program, *Cartão Kikuia*.

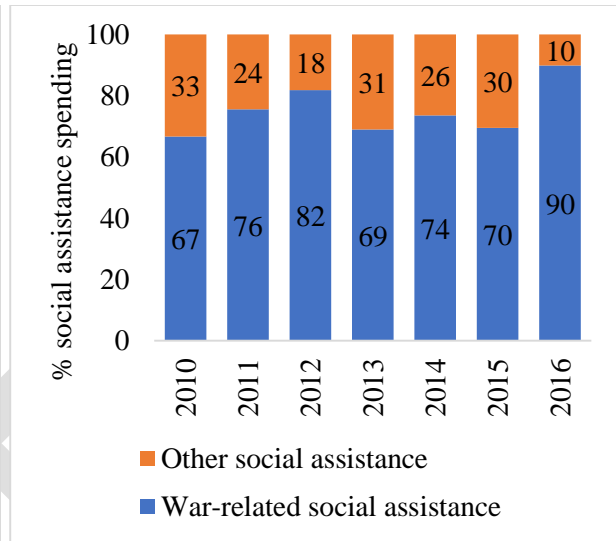
95. **Social assistance spending has decreased between 2015 and 2016, and non-war social assistance has decreased the most.** The share of war-related spending on social assistance as a share of total SP spending has increased more than the share of social assistance targeted to the poor and vulnerable (Figure 26). As a share of GDP, social assistance spending decreased from 0.6 percent of GDP in 2013 to 0.2 percent of GDP in 2016. While war-related benefit expenditure has decreased by 43 percent in real terms between 2015 and 2016, non-war social assistance fell by a whopping 85 percent in real terms between 2015 and 2016 (Figure 33). In 2016, 90 percent of total social assistance spending was allocated to war-related social spending (Figure 34).

Figure 33: Social assistance spending decreased with non-war related assistance decreasing the most in 2010-2016 (% of GDP)



Source: MINFIN.

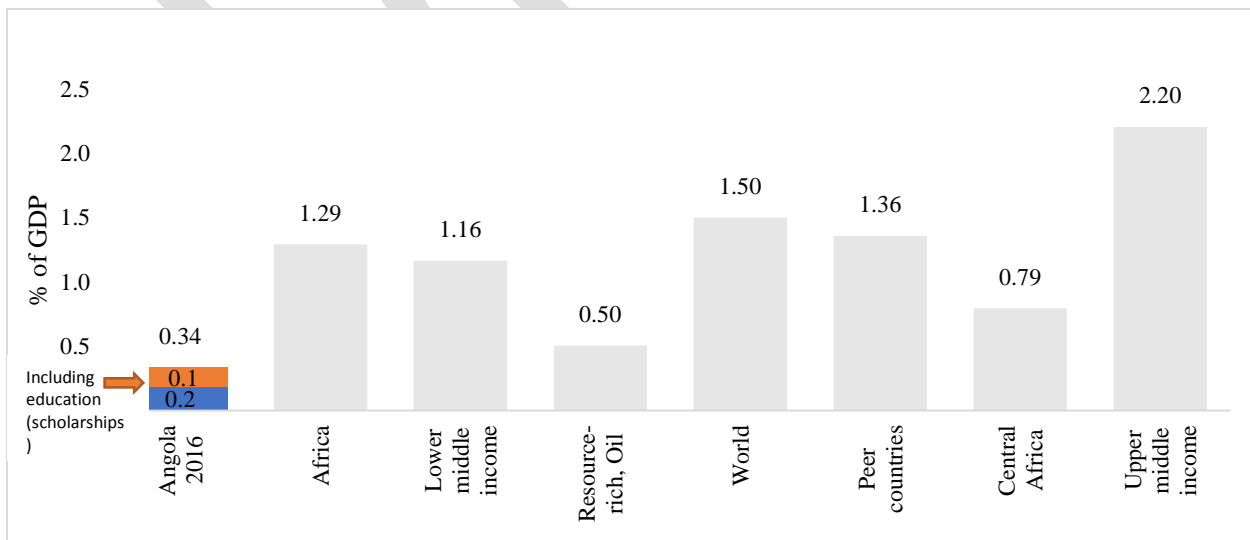
Figure 34: War-related social assistance accounts for 90 percent of total social assistance spending in 2016



Source: MINFIN.

96. **As a share of GDP, social assistance spending in Angola is low and well below levels in other country group comparators.** Including the amount spend on scholarships (0.1 percent of GDP - as in other countries) social assistance spending in Angola is 0.3 percent of GDP and below all similar country groups. Upper-middle income countries spend on social assistance on average more than 6 times higher than Angola. Social assistance spending in the world (1.5 percent of GDP), in Africa (1.3 percent of GDP), Lower-middle income countries (1.2 percent of GDP), and Angola’s country peers (1.4 percent of GDP) is on average four times higher than the amount spent in Angola. Central Africa spends on average more than twice than Angola (0.8 percent of GDP) is more than twice that of Angola. Social assistance spending in Angola is comparable to the amount allocated in resource rich oil economies (0.5) but still the country’s spending is below.

Figure 35: Social assistance spending as % of GDP in Angola well below other country group’s spending

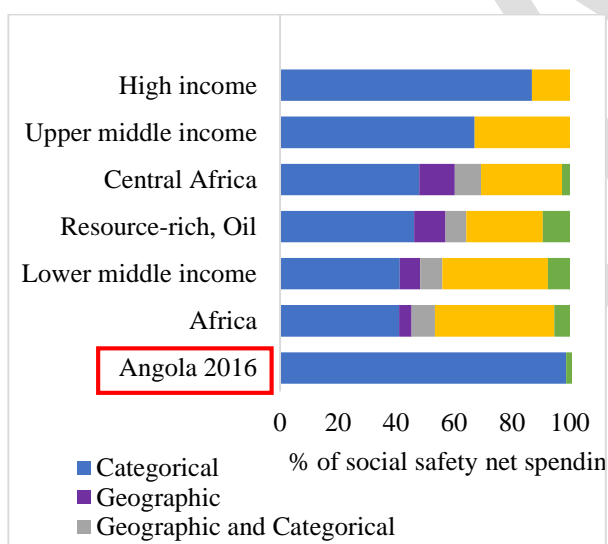


Source: MIFIN and Beegle et al. (2018).

Note: A non-negligible portion of social safety net spending falls under the Angolan education and health budgets.

97. **Social Assistance spending in Angola is targeted by category, not by poverty criteria.** While most safety net spending in Africa is on programs that include poverty, vulnerability or welfare as targeting criteria⁴⁸ (such as community targeting, proxy-means test, and so on), in Angola most of social safety net spending is based on categorical targeting (target individuals or households that belong to an easily identifiable and specific social or demographic group: such as age, sex, ethnicity, disability status, or land ownership) benefiting mostly the elderly and ex-veterans (Figure 36). If the main program objective is poverty reduction, targeting on the basis of poverty (using income, consumption, or welfare indicators) is often advocated as a cost-effective way to achieve poverty reduction and, more generally, as a way to prioritize among people in allocating scarce resources among too many applicants. Simulations based on data on Africa and Latin America suggest that income-targeted programs have greater poverty impacts than categorical programs, even if errors in targeting are taken into account⁴⁹. Moreover, in upper-middle income countries and more unequal countries, the need to transfer larger amounts to a smaller pool of poor beneficiaries makes an imperfect poverty targeted system more attractive than categorical targeting.⁵⁰

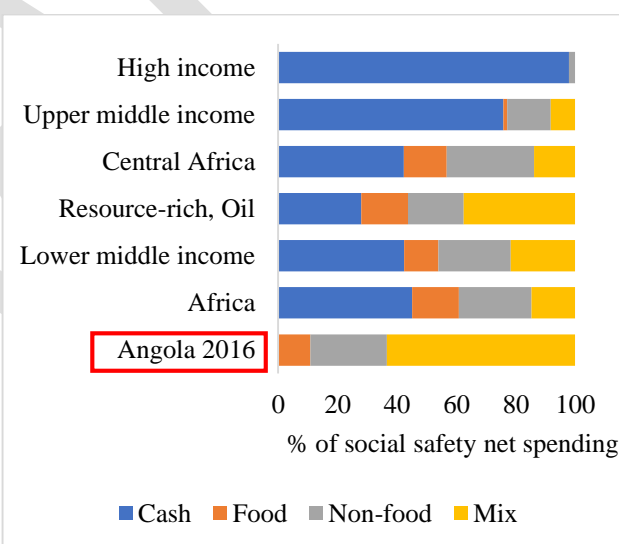
Figure 36: Social assistance spending in Angola is targeted by category



Source: MINFIN and Beegle et al. (2018).

Note: A non-negligible portion of social safety net spending falls under the Angolan education and health budgets.

Figure 37: Social assistance spending in Angola goes to in-kind or service benefits



Source: MINFIN and Beegle et al. (2018).

Note: A non-negligible portion of social safety net spending falls under the Angolan education and health budgets.

98. **Social assistance spending in Angola goes to in-kind or service benefits.** Angola is the only country in Africa not implementing a cash transfer program (apart from tertiary scholarships). Most of the

⁴⁸ Includes programs that only use targeting methods that approximate a potential beneficiary's poverty, welfare, or vulnerability status. These include various methods that are often combined, such as methods based on community targeting (whereby the communities identify their poorest or most vulnerable members); a measure of potential beneficiary consumption or income; indicators that proxy consumption or income (proxy-means test); receipt or level of pensions received by potential beneficiaries; or some form of self-targeting (such as transfers in public works programs designed to attract the poor).

⁴⁹ Acosta et al. (2011), Guven and Leite (2016).

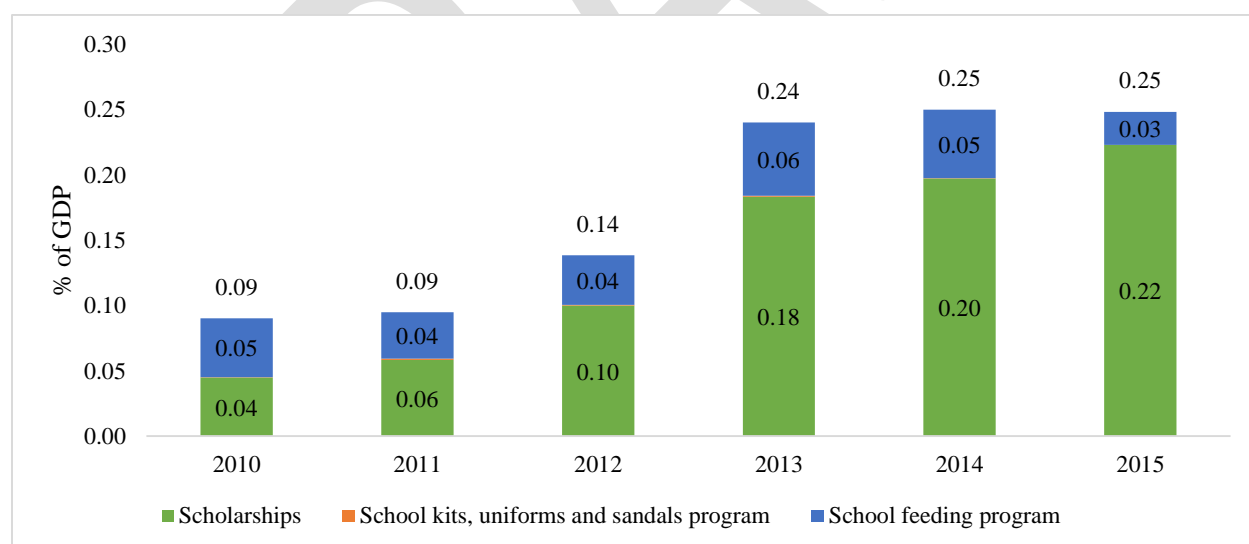
⁵⁰ Acosta et al. (2011).

social assistance spending in Angola goes to social care services and food benefits while cash transfer programs targeted on households on the basis of well-being are the most rapidly growing type of social safety net programs in Africa (Figure 37). In Africa, cash transfers account for almost 45 percent of all such spending, and this share is growing. The progressive shift away from food and in-kind transfers toward cash benefits likely reflects a mix of factors, among which greater perceived efficiency and less complexity in coordination across institutions⁵¹. Changes in technology, the greater concentration of people in urban areas, and greater market integration are likewise more conducive to the use of cash transfers.⁵² Cash benefits are becoming more common in long-running institutional programs, but also in emergency and crisis situations and in wider discussions on humanitarian assistance.⁵³ Cash transfers have become the primary response in support of disaster-affected populations and the preferred option if markets are functioning adequately.

99. **A non-negligible portion of social safety net spending falls under the Angolan education budget rather than the social protection budget** (see Annex 6). In education, such flagship programs include the school feeding, tertiary scholarships, the school kits, uniforms and sandals program, and others. While well intended, targeted to the largest share of the population (children) and theoretically likely to yield positive outcomes, they remain too small.

100. **The largest spending among selected education programs is the scholarship program.** Spending on scholarships has increased steadily despite the decline in oil prices, rising from 0.04 percent of GDP in 2010 to 0.22 percent of GDP in 2015 and now account for almost half of public spending on tertiary education.

Figure 38: Spending on selected education social safety net programs (%GDP)



Source: MINFIN.

Conclusions

101. **The distribution and the evolution of spending in the SP sector do not match the risks and demographic profile of the population.** The Government is spending large parts of its social protection

⁵¹ Beegle et al. (2018)

⁵² World Bank 2016a, 2016b; Garcia and Moore (2012).

⁵³ Bailey and Harvey (2017); ODI (2015); World Bank (2016b).

envelope (excluding spending on universal fuel subsidies) on better off elderly, instead of the poor and vulnerable younger population. 47 percent of Angolans were aged 0-14 in 2016, life expectancy at birth was 61.2 years and only 2 percent of the population was 65 or older (also in 2016). Yet, contributory pension (and other social insurance scheme) spending makes up the better part of non-subsidy social protection spending, and nominal and real increases in non-subsidy spending over 2010-2015 were absorbed almost entirely by contributory pensions.

102. **Social Protection spending should be much better aligned with Angola's social needs.** Government was encouraged to redirect savings from the subsidy reform it initiated in 2014 to rigorously targeted social assistance programs, but much of the savings from the subsidy reform were absorbed by higher debt interest costs. Redirecting just 10 percent of the 2014-2015 savings from the fuel reform could have helped double spending on non-war related social assistance. Institutional and administrative capacity for well-targeted and scalable social assistance programs for the poor, such as through direct cash transfers, still need to be built to enable the poor and vulnerable population to participate in the country's development and growth process.

103. **Government should review its pension schemes and reassess the social protection expenditures of the military to generate savings that could be allocated to social assistance mechanisms.** The current macro-fiscal context (discussed in chapter 1) is dire and fiscal space for additional social protection spending non-existent. The increase in non-war related (and well targeted) social assistance needed will have to be funded through savings on other social protection mechanisms, particularly military pensions. War-related social assistance may also be phased out and replace by better targeted programs.

CHAPTER 3: PENSIONS

Overall

104. **This chapter assessed the benefit adequacy, coverage and fiscal sustainability of Angola’s pension system.** This is very timely in view of the high spending share that pensions represent and the recommendation of the recent *Angola Health and Education Public Expenditure Review* to carefully consider and assess the sustainability of this expenditure, also as a way to address emerging imbalances and create more fiscal space for other expenditures in the budget.

105. **The mandatory pension sector in Angola is comprised of two contributory pension schemes.** The INSS (National Social Security Institute) scheme provides pension coverage to private and public-sector workers and the FAA (Social Security Fund of the Angolan Armed Forces) covers the military personnel. Both schemes are defined benefit schemes (DB), financed on a pay-as-you-go basis (PAYG).

106. **The analysis in this section pertains to the INSS pension scheme only.** The analysis of the INSS pension scheme includes a review of key system parameters and performance indicators and an assessment of the projected long-term performance of the INSS pension scheme using the World Bank’s Pension Reform Options Simulation Toolkit (PROST) model⁵⁴. The analysis also includes benchmarking of Angola’s pension system parameters and performance against international experience and best practice.

107. **MAPTSS’s INSS administers Angola’s social insurance schemes:** formal private sector workers (including the self-employed) and civil servants’, domestic service, and members of the Clergy and Religious (Table 3). The regime of domestic service workers was first introduced in August 2016 – Presidential decree n°155/16. The system is funded by a mix of workers’ and employers’ contributions. Private sector workers contribute 3 percent of their monthly salaries, employers contribute 8 percent of their workers’ earnings for a total 11 percent contribution rate. Government contributes as an employer of civil servants. The self-employed contribute 11 percent of declared monthly earnings for full benefits, and 8 percent for partial benefits⁵⁵.

Table 3: Most of insures are employees, (1st trimester of 2017)

Regimes	M	F	Total
Employees	1,065,515	403,406	1,468,921
Self-employed	1,204	555	1,759
Religious	27	20	47
Total	1,066,746	403,981	1,470,727

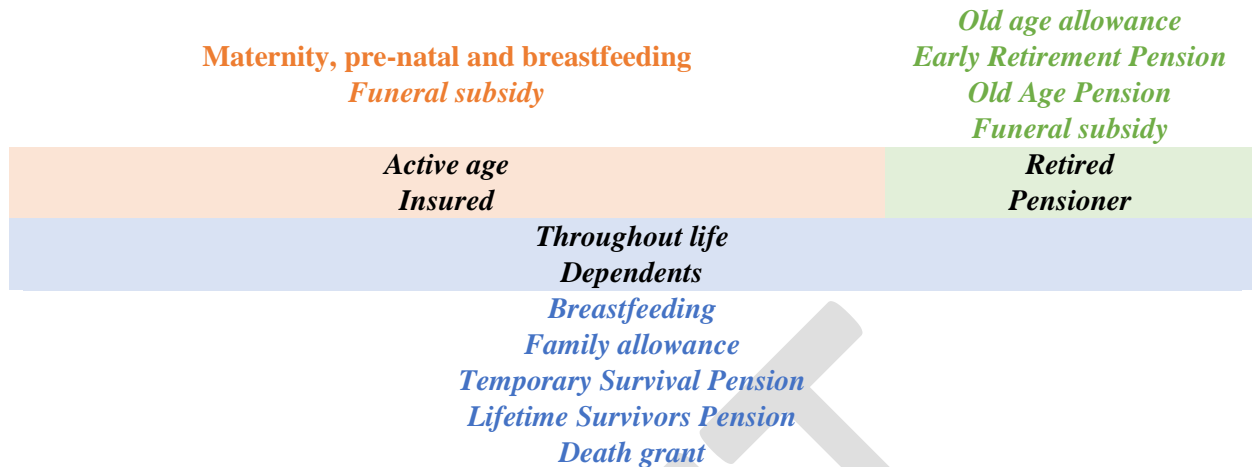
Source: MAPTSS/INSS.

108. **Insurance benefits comprises old age and survivor’s pensions as well as subsidies.** This includes old age, early retirement, survivor pensions, along with maternity, breastfeeding, death, funeral, old-age and family grants, benefits and allowances (Figure 39). There are no disability or unemployment benefits. In 2011, pre-maternity benefits were introduced to protect insured women in situations of risk pregnancy. Between January 2014 and March 2014, more than 67,000 social benefits were granted, of which 62% corresponded to pensions and 38% to subsidies.

⁵⁴ For a general description of the PROST methodology see Annex 2.

⁵⁵ INSS website (<http://www.inss.gv.ao/contribuicoes/Paginas/Taxas-de-Contribuicao.aspx>), accessed December 22, 2017.

Figure 39: INSS provides different type of subsidies and pensions



Source: Adapted from INSS.

Table 4: INSS subsidies and pensions

Benefits		Description
Subsidies	Pre-natal Benefit (Subsídio de Pré-Maternidade)	female worker on a pre-maternity leave, at a risk pregnancy, proportional to the duration of the pre-license, for a maximum of 180 days.
	Maternity allowance (Subsídio de Maternidade)	worker on maternity leave at the time of her child's birth, within a period of 90 days in case of simple birth and 120 days in case of multiple birth.
	Breastfeeding allowance (Subsídio de Aleitamento)	employees of the self-employed scheme and others, for the first 36 months (3 years) of their children's life to compensate for the increase of family burdens resulting from the diet.
	Family Allowance (Abono de Família)	Monthly amount paid to employees of the old-age regime and to old-age pensioners (old age, old-age and early retirement) up to 5 children, to compensate for the increase in family expenses due to the education of the children
	Funeral Subsidies (Subsídio de Funeral)	One-time payment intended to compensate for the funeral expenses of the deceased Insured or Pensioner who is a member of the Employees and Clergy and Religious Regime.
	Death Benefit (Subsídio por Morte)	One-time payment Aims to compensate for the increase in the death penalty of the Insured or Pensioner to allow the reorganization of family life.
Pensions	Old Age allowance (Abono de Velhice)	Monthly payment to retired individuals (60 years of age), unemployed, and a contributory career of 120 to 179 months of continuous or interpolated contributions to compensate for the loss of earnings. Eligibility: 60 years old. Have contributed followed or interpolate from 120 to 179 months, Have the contributions up to date, Being unemployed.
	Old-age retirement pension (Pensão de Reforma por Velhice)	Monthly payments to workers (insured) who have reached 60 years of age or 35 years of actual work. This benefit is intended to cover the permanent loss of income from wages as a result of the retirement. Eligibility: All Regimes: Have the contributions up to date, have at least 180 months of contributions followed or interpolated; Employees and self-employed workers: 60 years of age or 420 months of contributions entry followed or interpolated; For Worker with children, they obtain the reduction of age at the rate of 1 year for each child, up to a maximum of 5 children, ie 5 years; Members of the Clergy and Religious: 60 years of age, and this may be increased by the religious entity.

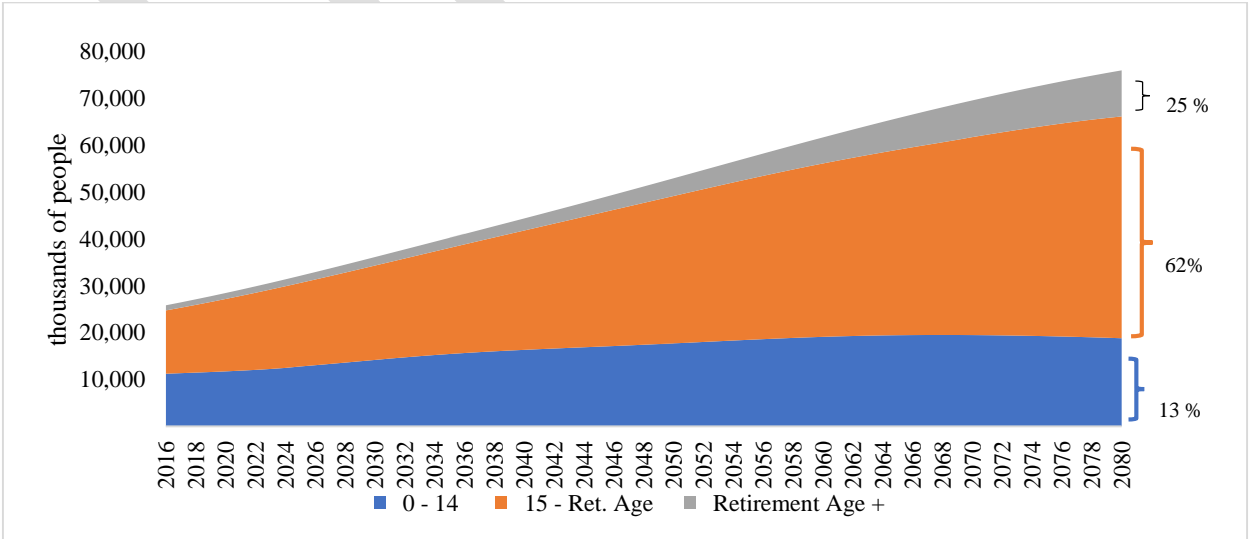
Benefits	Description
Early Retirement Pension (Pensão de Reforma Antecipada)	Monthly payment to Workers (Insured) who have applied for retirement before the age of 50 years and 35 years of actual work. Eligibility: Be at least 50 years of age or have contributed at least 180 months followed or interpolated, Have the contributions up to date., Have exercised difficult and exhausting professional activity, defined by law.
Temporary Survivors Pension (Pensão de Sobrevivência Temporária)	Monthly payment which aims to compensate the beneficiary's family for the loss of work income, determined by his death. Eligibility: The deceased is enrolled in the INSS and with contributions as of the date of death. Contribution Time: Employees and Own Employees: ≥ 36 months of contributions followed or interpolated, in the last 5 years. Members of the Clergy and Religious: 60 months of contributions followed or interpolated
Life Annuity Pension (Pensão de Sobrevivência Vitalícia)	Monthly payment intended to compensate the beneficiary's family members for the loss of income from work, which is determined by their death. Eligibility: The deceased is enrolled in the INSS and with contributions as of the date of death. Contribution Time: Employees and Own Employees: ≥ 36 months of contributions followed or interpolated, in the last 5 years. Members of the Clergy and Religious: 60 months of contributions followed or interpolated.

Source: INSS.

Demographics and Coverage

109. **The INSS pension system in Angola is sustained by very low system dependency rates which mirror very low overall population old-age dependency rates.** Angola has one of the youngest populations in the world. The population above age 60 accounts for only 4 percent of total population and 48 percent of the population is aged 0-14. Population projections show that current demographic trends characterized by high fertility rates and gains in life expectancy are expected to continue (Figure 40). Although the share of 60+ population is projected to more than double by 2060, the working-age population share is also projected to expand from 52 percent to 62 percent during the same time period. These characteristics are typically favorable to the fiscal position of contributory pension systems which are supported on a PAYG basis as they support a steady stream of increasing contribution revenues (under the assumption that the coverage rate of the working-age population remains the same or increases).

Figure 40: Projected age structure shows that current demographic trends are expected to continue



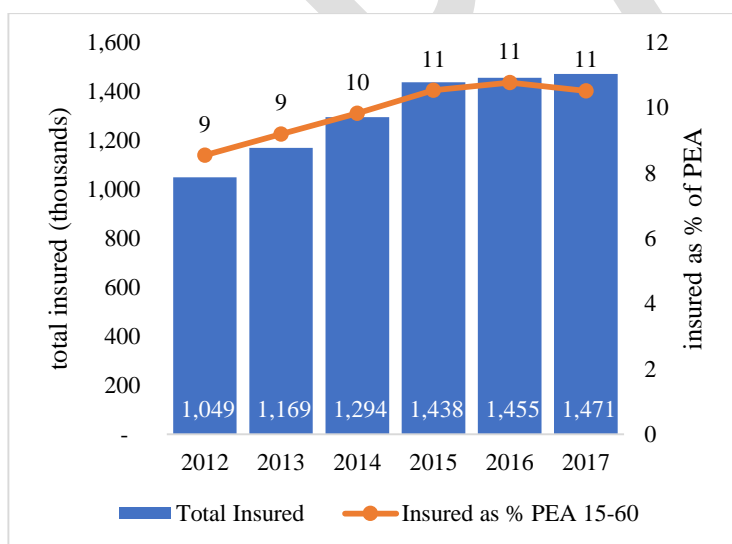
Source: PROST projections using UN Population Data.

110. **In addition to very low old-age dependency rate, the INSS pension scheme is also still quite young – having only been introduced in 1990.** When pensions systems are first introduced, there are many more contributors than the pensioners resulting in pension system surpluses. As the schemes mature and more and more contributors become pensioners, pension expenditures increase proportionately. Given that it has now been 27 years since the introduction of the INSS pension system, it is expected that the number of pensioners will begin to increase as members who joined in the early 1990s begin to meet the eligibility conditions for an old age pension. This effect of pension system maturation is already becoming visible through the doubling of spending on old age pensions between 2013 and 2016 (Figure 49).

111. **Coverage of the working-age population is low, though generally in line with Sub-Saharan average of about 10 percent.** Though the number of insured workers and the number of eligible pensioners have increased over the past few years, INSS scheme coverage remains low (Figure 41). Between 2012 and the first quarter of 2017, there was a growth in the number of contributors and insured: from 43,210 taxpayers in 2012 to 127,947 in 2017, from 1,049,264 insured in 2012 to 1,470,727 in 2017 (Figure 41). Yet, the INSS collected contributions from only about 11 percent of the active population (Figure 41). Growth of insured workers was limited due to the large informal sector, increased unemployment, the links to the system of only small and medium-sized enterprises, high failure of taxpayers to link workers, and the need to expand the agricultural sector, livestock, fisheries and commercial sectors.

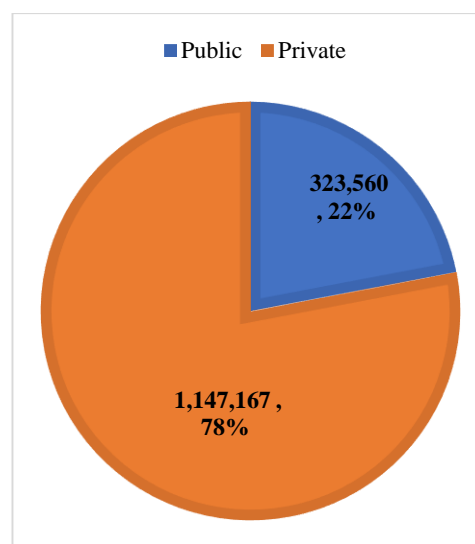
112. **There were more than twice as many males than female contributors pointing to a significant gender imbalance in the covered active population.** In 2017 there were 1,470,727 contributors, 78 percent of which employed in the private sector (Figure 42). Between 2014 and 2016, the average annual growth of active taxpayers and policyholders linked to the private sector was 16% and 15% per year. About 1/5th of all contributors are public sector workers – therefore decisions regarding expanding or contracting the civil service can have a visible impact of fiscal sustainability of the pension system.

Figure 41: Slow growth of number of insured



Source: INSS.

Figure 42: Most of insured belong to the private sector, 2017

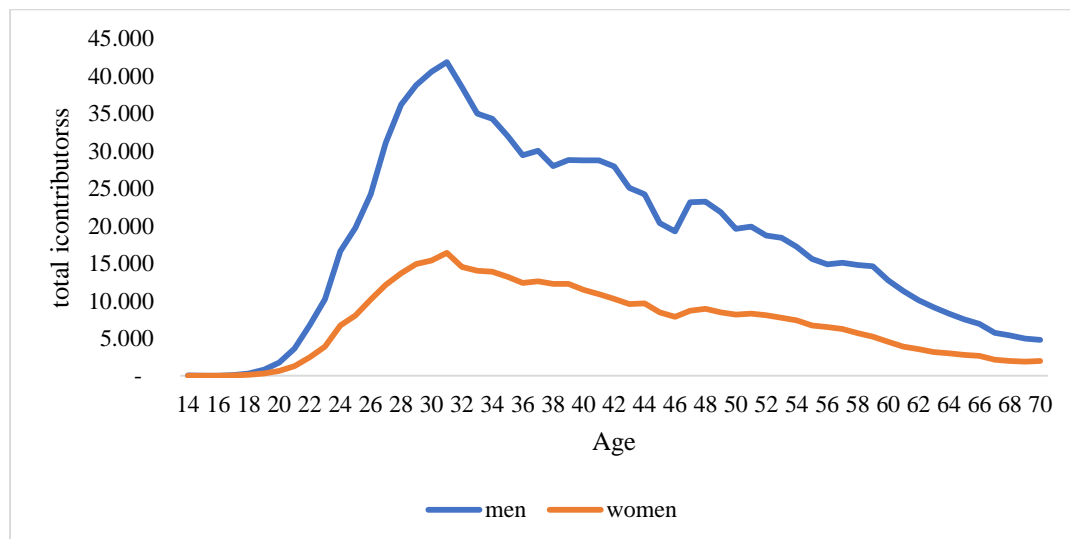


Source: INSS.

113. **The age structure of the contributor population suggests there may have been a spike in civil service hiring and coverage expansion among private sector workers about a decade ago as the number of 30-year-old contributors seems much higher as compared to other age cohorts (Figure**

43).⁵⁶ Understanding the forces behind this spike in coverage could help policy makers anticipate future developments in the covered population, specifically as it relates to civil service positions in the context of expanding population.

Figure 43: Age structure of INSS pension system contributors



Source: Administrative Data.

114. **Almost half of all contributors are insured at the minimum wage, which means a large share of future pensioners will rely on the minimum pension.** Angola’s INSS pension scheme has two minimum pensions – old age allowance and old age pension - paid from age 60 with either 10 or 15 years of contributions. The amount of the old age allowance is linked to the minimum wage of the agricultural sector, which means that any productivity growth in that sector is carried through to the pension system in the form of a higher minimum old age allowance. The level of the minimum old age pension⁵⁷ is linked to the lowest civil service salary. In 2016, about 50 percent⁵⁸ of contributors were insured at the minimum wage. Contributors insured at the minimum wage or at salaries below Kz 19,000 per month have no incentive to contribute to the pension system beyond the minimum required period of 15 years because any additional contributions will not translate into a higher pension. However, a 2017 readjustment of social benefits linked the minimum pension increases to inflation which should gradually resolve this problem.

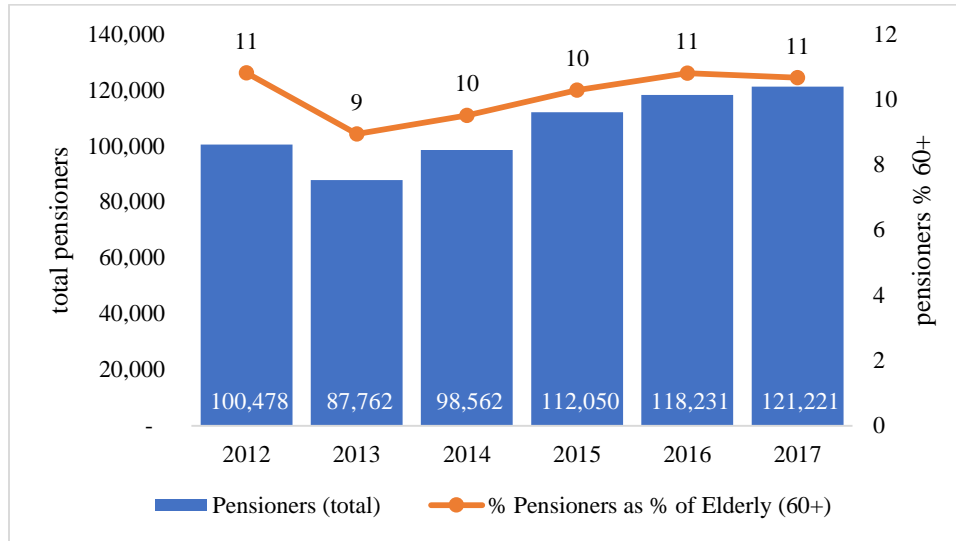
115. **Around one tenth of the population above age 60 is covered by the INSS pension system.** The total number of pensioners increased from and 100,478 in 2012 to 121,221 (Figure 44) and accounts for only about 11 percent of the elderly population in 2016 (Figure 44). In 2016, old age pensioners accounted for 76 percent and survivors for 24 percent. 74 percent of all pensioners are men suggesting a significant gender imbalance. 1.7 percent of total old age beneficiaries received the minimum old age allowance of 15,003 and 1.6 percent of pensioners received the minimum old age retirement pension of 18,922 per month, which amounts to a combined 3.3 percent of old age pensioner receiving some type of a minimum pension. This is surprising given that almost 50 percent of contributors are presently insured at the minimum wage.

⁵⁶ About 8.3 percent of all contributors (205,643) are above retirement age and 1.1 percent of total contributors (15,702) are of “unknown” age. 93 percent of the contributors of unknown age are men.

⁵⁷In 2016, the minimum old age allowance was Kz 15,003 whereas the minimum old age pension was Kz 18,999.

⁵⁸ Based on a sample of 150,770 contributors, corresponding to 10.4 percent of the insured population.

Figure 44: Growing number of pensioners



Source: INSS.

Note: The reduction of the pensioners in the year 2013 is due to depuration of the database of the system that for more than 3 years did not perform maintenance of the rights of benefits and life test.

Benefit Levels

116. **Pension benefits have increased in the past few years while subsidy benefit levels have remained unchanged since 2011.** In 2011, the government increased the value of pension and subsidy benefits. The minimum value of old age benefit increased above minimum salary and old age allowance benefit level to the minimum salary (Figure 45). Between 2015 to 2016, the government did not increase the value of pensions or the minimum wage. In 2017, there was a readjustment of social benefits introducing new criteria: the minimum and maximum values become fixed values and the adjustments are made based on the estimated inflation of the government's economic program (Table 5). In 2016, the average value of old-age pensions was 91,477.83 and 28,383.5 for survivors' pensions (Figure 46). Subsidy benefits increased in 2011⁵⁹ but their values have remained unchanged since then.

Table 5: Value of the benefits

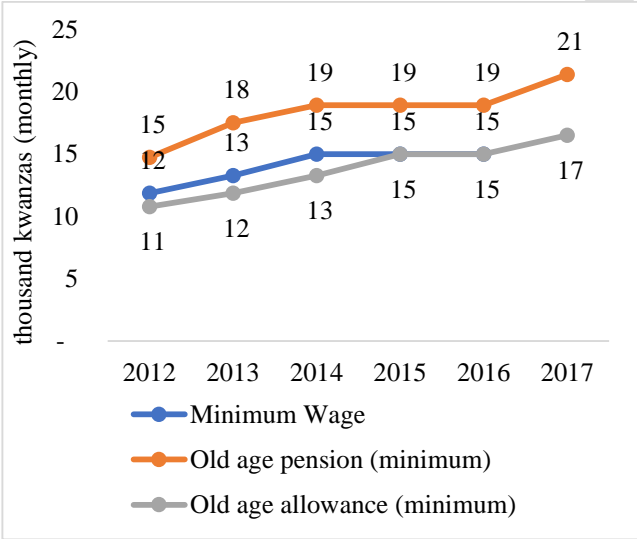
Pensions: Minimum values indexed to the minimum wage 2017				
Benefit	Formula	Minimum Value (2017)	Maximum Value (2017)	Periodicity
Old-age retirement pension	<i>Min:</i> minimum wage in the public sector. <i>Max:</i> 35 times the national minimum wage	21,380	551,360	Monthly
Early Retirement Pension		21,380		
Old Age allowance	16,503			
Temporary Survivors Pension	<i>Min:</i> minimum wage in the agricultural sector.	16,503	No limit	
Life Annuity Pension		16,003	551,360	

⁵⁹ Before 2011: Funeral subsidies was Kz 7,000; breastfeeding allowance was Kz 3,000 monthly for 12 months, and Family allowance was Kz 120 per month.

	Max: 35 times the national minimum wage (except survivors)		
Subsidies – Kept same values since 2011			
Benefit	Remuneration of the Insured or Pensioner	Value	Periodicity
Funeral		25,000	One-time payment
Breastfeeding allowance	≤ 5 minimum salaries	18,000	Monthly - For 36 months
	6-10 minimum salaries	12,000	
	≥ 11 minimum salaries	6,000	
Family allowance	≤ 5 minimum salaries	800	Monthly
	6-10 minimum salaries	500	
	≥ 11 minimum salaries	300	

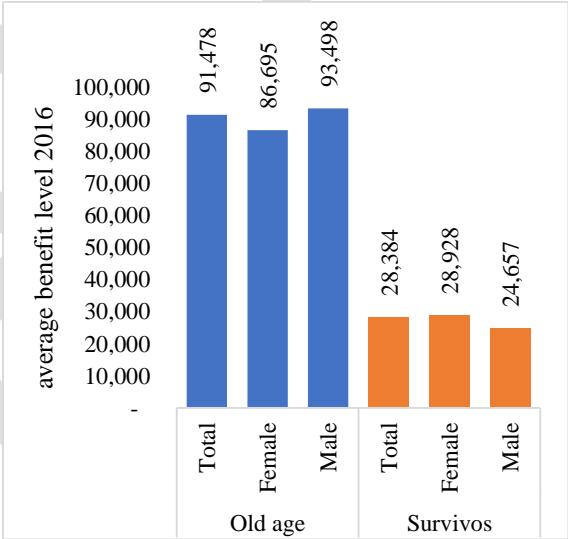
Source: INSS.

Figure 45: Minimum old age pension above the national minimum wage



Source: INSS.

Figure 46: Old Age benefit level three times that of survivors

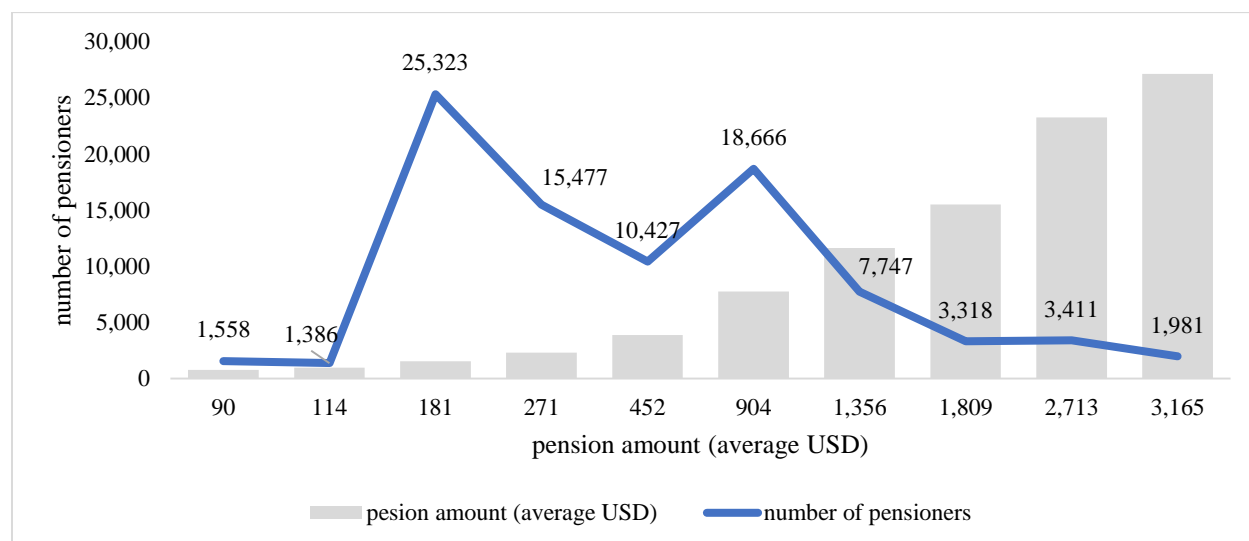


Source: INSS.

117. **The INSS pension system pays a wide variation of pension benefit amounts to its members which is reflective of the fact that the maximum pension equals 35 times the minimum pension.** For example, close to 2 thousand pensioners receive pensions upwards of US\$3,000 per month, an amount that equals 14 times the GDP per capita in the country (Figure 47). At the same time, about 30 percent of the Angolan population lives on less than \$60 per month. The wide variation in benefit amounts is possible because INSS has a very high “ceiling” on maximum pension amounts – the maximum pension is equal to 35 times the minimum pension (Table 5 and Table 6). While it might seem unfair that 2 thousand pensioners receive pensions upwards of 14 times the GDP per capita in the country, since the pension system is a contributory system, these pensioners have also paid in 2.9% of their salary in the form of pension contributions in order to finance and earn these pensions. As such, as long as the pension system is fiscally self-sustaining, the large pension amounts relative to GDP per capita aren’t necessarily unfair or inequitable. An element of inequity does arise from the different treatments of public and private sector workers with respect to the income base for the calculation of pensions – public sector workers benefit from

what is typically considered a more generous parameter choice of basing pensions on final salary whereas private sector worker pensions are based on the average salary during the last 3 years (Table 6).

Figure 47: Number of old age pensioners and average pension amounts in INSS scheme



Source: INSS.

118. **The old age benefits provided by the INSS pension scheme are very generous by international standards.** A common measure of generosity is the internal rate of return which is calculated by adding the (negative) stream of a worker’s contributions and the (positive) stream of expected old age payments to the worker for the duration of his retirement. INSS pays 12 percent real “interest” on contributions “deposited” by a typical⁶⁰ worker (defined as a person with an average life expectancy, who starts his career at age 20 and is experiencing real wage growth equal to the average economy-wide wage growth of 1.4 percent per year). Assuming an annual inflation rate of 2 percent, this is equivalent to 14 percent. It would be extremely difficult to earn such a high return from any investments in commercial banks, which suggests high subsidies inherent in INSS for those enjoying formal employment in the public and private sector.

119. **INSS pension benefit formula provides for one of the highest implied accrual rates in the region.** The INSS benefit formula provides on average 2.9 percent of an individual’s last annual wage (public sector) or average wage during the last 3 years of employment (private sector) per year of contributions (Table 6). This number is also known as an *accrual rate* and is very high by international stands (OECD average is 1.1 percent per year). Considering average length of service of 30-35 years, which is common in medium to high income countries, results in over 90 percent replacement rate which is very generous and may become unsustainable in the future.

⁶⁰ The worker is assumed to contribute for 30 years and receive a pension for 15 years.

Table 6: INSS pension system parameters

System parameters	Description
Vesting period (old age pension)	15 years
Vesting period (old age allowance)	10 years
Retirement age	60
Early retirement age	50
Income base for calculating the pension	Public sector workers – average salary during last 12 months Private sector workers – average salary during last 36 months
Benefit formula (old age pension)	$P = (R \times N / 420)$ P: Pension Value R: Average of the reference remuneration of the contribution base of the last 12 months with input of contributions N: Number of months with contributions input 420: Coefficient of the limit of contributory career months
Implied accrual rate	2.9 percent per year
Contribution rate (general regime)	11 percent (3 percent employee and 8 percent employer)
Benefit formula (old age allowance)	30 percent of average salary in the last 12 months
Pension indexation	Ad-hoc
Minimum pension	With 10 years of contributions – equal to national minimum wage in the agriculture sector With 15 years of contributions – equal to the lowest civil service salary
Maximum pension	35 times the national minimum wage

120. **In Angola, pension benefits are based on average salary during the last 12 months (public sector) or average of last three years (private sector) which is considered to be a relatively generous policy choice** (Table 6). Using the last salary as a basis for the calculation of pensions, as is the case for public sector workers, was very common in the past and is still prevalent across civil service pension schemes in particular in Sub-Saharan Africa. However, the tendency in recent years has been towards extending the time over which earnings are measured to calculate pension benefits. The rationale for this is that if a worker has paid contributions over the lifetime on the wages earned, then aligning benefits with contributions would imply basing the pension benefit on the average lifetime wage, since the average contribution was based on the lifetime average wage. This practice could effectively lower benefit levels by taking into account wages earned earlier in the one's career, when salaries are typically much lower. In addition, calculating pensions on the basis of final salary may create problems, including the manipulation of earnings just before retirement to secure a higher pension and disproportionately higher pensions accruing to high income workers as they tend to have steeper earnings profiles.

121. **The indexation of pensions in the INSS scheme does not follow a clearly prescribed set of rules which goes against international experience and best practice.** INSS pensions are indexed on an ad-hoc basis which creates uncertainties for system participants as well as for the economic outlook of the pension system. International best practice is to implement transparent inflation indexation rule for the adjustment of pensions in retirement; inflation indexation ensures the living standards of the pensioners are protected.

122. **INSS pension contribution rate ranks toward the low end of the regional average which is expected given the immaturity of the pension scheme.** To finance its expenditures, INSS collects contributions from participants. The total contribution rate (employer and employee) is 11 percent of wages which is below the Sub-Saharan average of about 14 percent. The relatively low contribution rate could be justified by the immaturity of the pension scheme that results in relatively low financing needs. Since it is

not clear how well pension reserves are invested, it might be a better approach to consider lowering the contribution rate to what is needed to pay pensions and only raise it gradually as needed over time.

123. **The statutory retirement age of 60 seems appropriate given current life expectancy, but it will likely need to be adjusted in the future in response to projected life expectancy increases.** Presently, the retirement age of 60, based on life expectancy, allow for the average expected duration of retirement of 15.3 years for men and 16.5 years for women. While the time spent in retirement is currently in line with international best practice of about 15 years, over time life expectancy at age 60 is projected to increase to 18 and 20 years for men and women which, in the absence of an increase to the retirement age, will result in a much longer period of retirement. It is also important to recognize that the life expectancy of the covered population – who typically have better access to healthcare – may be significantly higher than that of the overall population, which means that the actual duration of retirement may be longer than what national life expectancy statistics indicate⁶¹. Retirement age reforms are typically phased in over an extended period of time. As such, the Angolan Government could consider gradually increasing retirement ages to reflect gains in life expectancy.

Table 7: Life expectancy projections

Categories	2016	2020	2025	2030	2035	2040	2050	2060	2070	2080
Male										
Life Expectancy: At Birth	51	52	53	54	55	56	59	61	64	66
At Age 20	44	44	45	45	46	46	48	49	50	51
At Age 60	15	15	16	16	16	16	17	17	18	18
At Age 65	12	12	12	13	13	13	13	14	14	15
At Retirement	15	15	16	16	16	16	17	17	18	18
Female										
Life Expectancy: At Birth	54	55	56	57	59	60	62	65	68	71
At Age 20	46	47	47	48	48	49	50	51	53	54
At Age 60	16	17	17	17	17	18	18	19	19	20
At Age 65	13	13	13	14	14	14	14	15	15	16
At Retirement	16	17	17	17	17	18	18	19	19	20

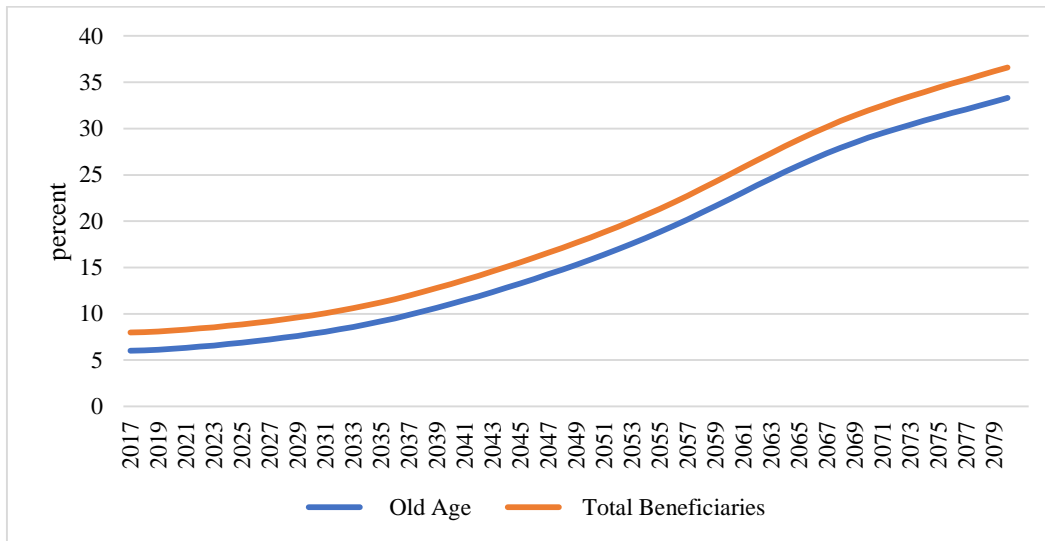
Source: PROST output using UN Population Projections, 2010 Revision.

124. **The combined effect of the generous accrual rate and the short averaging period for the calculation of pensions results in average old age pension amounts equal to roughly 100% of insured wages.** This level of generosity is only affordable because of favorable demographic environment, characterized by high fertility rates and expanding working-age population, which results in very low system dependency rates⁶². At present, there are over 100 contributors for every 10 old age pensioners; by the end of the projection horizon, there will be about 33 old age pensioners for every 100 contributors.

⁶¹Mortality projections of the overall population were used in producing the simulation results.

⁶² System dependency rate is the ratio between beneficiaries and contributors.

Figure 48: Projected INSS pension system dependency rates



Source: PROST projections.

Financial Performance

125. **Spending on contributory pension is in line with regional experience, though it is high relative to the number of people covered by the scheme.** The total expenditure of the INSS pension scheme reached 1.1 percent of GDP in 2016 while covering only 11 percent of the working-age population and providing pensions to under 120,000 individuals (Figure 44).

126. **The vast majority of this spending was attributed to old age pensions.** Table 8 presents the composition of INSS expenditures in 2016. Spending on survivor pensions represented a meager 0.4 percent of total spending which is much lower than levels observed in other countries, and especially in countries where women aren't equally represented in formal employment. According to administrative data provided by INSS, there were 28,937 survivor pensioners and the level of the monthly survivor pension is approximately Kz 25,000 and 30,000 for women and men respectively.⁶³ Spending on subsidies accounted for 2.2 percent of pension spending. Administrative costs accounted for 14 percent of total expenditures and 15 percent of contribution revenue which is on the high end compared to international experience.

⁶³ Simply multiplying the number of survivor beneficiaries by the average survivor pension amount to a figure more than 20 times higher than the reported spending on survivor pensions. This is a very significant discrepancy which requires a closer examination.

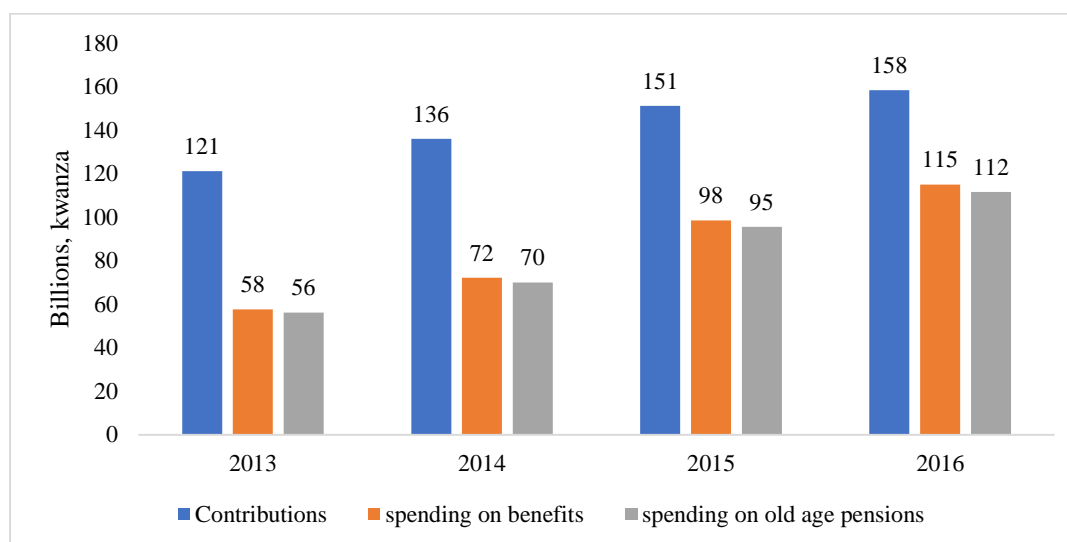
Table 8: Summary of INSS expenditures

Spending for 2016	(Millions LCU)	As shared of total spending (%)	As shared of GDP (%)
Total	133,498	100.0	1.12
Administrative	18,535	13.9	0.16
With staff	1,939	1.5	0.02
Goods and services	16,596	12.4	0.14
Benefits	114,963	86.1	0.96
Old Pensions	111,536	83.5	0.93
Survival Pensions	475	0.4	0.00
Subsidies	2,952	2.2	0.02
Revenues	200,856	150.5	1.68
of which Contributions	158,364	118.6	1.33
of which Others	42,492	31.8	0.36
GDP	11,941,732		

Source: INSS

127. **Progress in INSS' institutional capacity contributed to increased income and improved expenditure quality.** Reorganization of INSS - Decree No. 66-14- took place between 2015-2016 and several departments were created improving the technical capacity of the institution. The increase in income was partly due to: updated in the registry of more than 330 thousand of public officials; in Luanda, more than 6500 workers were linked to the system (whose employers do not comply with their obligations); debt collection of Kz 7,197,675,040.5 (contributions that were not paid and interest rated). In addition, several measures contributed: the creation of new regimes (such as domestic service), tax base expansion, change in the contributory term, reduction of interest on arrears, increased contributions to the system, introduction of various forms of payment, and the creation of a reserve and stabilization of social security fund. Since 2012, maternity and family subsidies were suspended automatically to those who do not update their rights annually: 9,941 subsidies were suspended and more than 60% were canceled in May 2013. In 2013, INSS operationalized the proof of life of pensioners covering 80 thousand beneficiaries and in 2015 40 thousand were covered. The electronic format of benefit payments was also introduced, which eliminates data entry errors and ensures greater control.

Figure 49: Total contributions are greater than spending on benefits but gap is reducing



Source: INSS.

128. **At present, the INSS pension scheme appears to be fiscally self-sustaining, though there are a number of uncertain factors which may place its longer-term sustainability at risk.** Between 2012 and 2016 revenues and expenses increased as expected from the system in the expansion phase (Figure 49). While the fiscal sustainability of the INSS pension scheme is not an immediate concern since it is currently running a surplus and building up pension reserves (in 2016 revenues exceeded pension expenditures in the order of 0.2 percent of GDP), the medium to long-term fiscal sustainability could be at risk if: 1) spending on survivor pensions increases, 2) disability pensions are introduced, 3) and even more importantly, on the revenue side - the current ratio of pension system contributors to working-age population is reduced. If the INSS pension scheme does not continue to bring in an increasing number of contributors that would ensure growing revenues to support growing pension expenditures due to system maturation, the system may run into fiscal deficits much sooner than PROST projections suggest.

Projections of Fiscal Sustainability and Benefit Levels of the INSS Pension Scheme under Existing Parameters

129. **This section presents the projections for the main financial indicators of INSS pension scheme.** The projections were conducted using World Bank’s PROST which has been used for pension system long-term projections in over 100 countries. The model projects the population, numbers of contributors and beneficiaries of the system, their annual contributions and benefits, and the overall financial outcome of the system. Data provided by INSS was used to calibrate the model. While most of the required data was available, certain assumptions about missing data needed to be made to conduct the projections. Projections depend heavily on assumptions. Table 9 below presents the macroeconomic assumptions used. Demographic projections were borrowed from the United Nations Population Division.

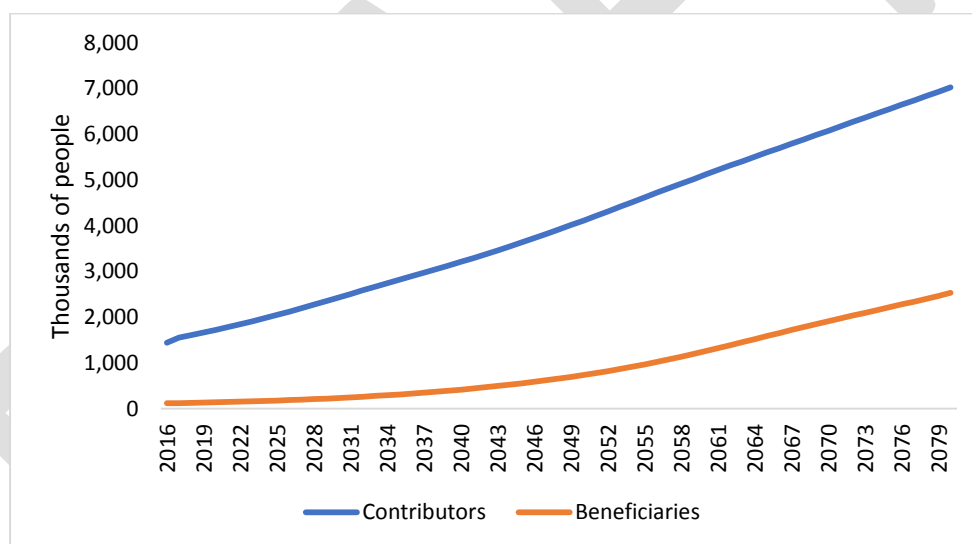
Table 9: Assumptions on key macroeconomic indicators

	2016	2017	2018	2019	2020	2021	2022	2060	2080
Real GDP Growth	0.0%	1.2%	1.7%	2.2%	2.4%	2.4%	2.4%	2.4%	2.4%
Wage Growth	-2.0%	-0.8%	-0.3%	0.2%	0.4%	0.4%	0.4%	0.4%	0.4%
Inflation Rate	32.4%	31.7%	24.7%	20.2%	13.9%	13.9%	12.0%	3.0%	2.0%

Source: World Bank staff calculations.

130. **INSS is expected to experience strong growth in the number of contributors throughout the projection horizon.** This rapid growth in the number of contributors in the future is driven by sustained high fertility rates (Figure 50). The projections assumed a constant proportion of the population formally working in the private and public sector over the simulation period, however, it is uncertain whether this proportion can be maintained for future cohorts. If the coverage rate of the working-age population decreases, then revenues would decrease as well – worsening the fiscal balance of the system. Since about 20% of all contributors are public sector employees (Figure 42), future coverage of the labor force also depends on decisions regarding civil service hiring. It is also important to note that the employer component of the pension contribution rate for civil servants is a direct cost to the Government, therefore any increase in pensionable civil service position will also result in increased expenditures for the Government in the form of pension contributions.

Figure 50: Projected rapid growth in the number of contributors



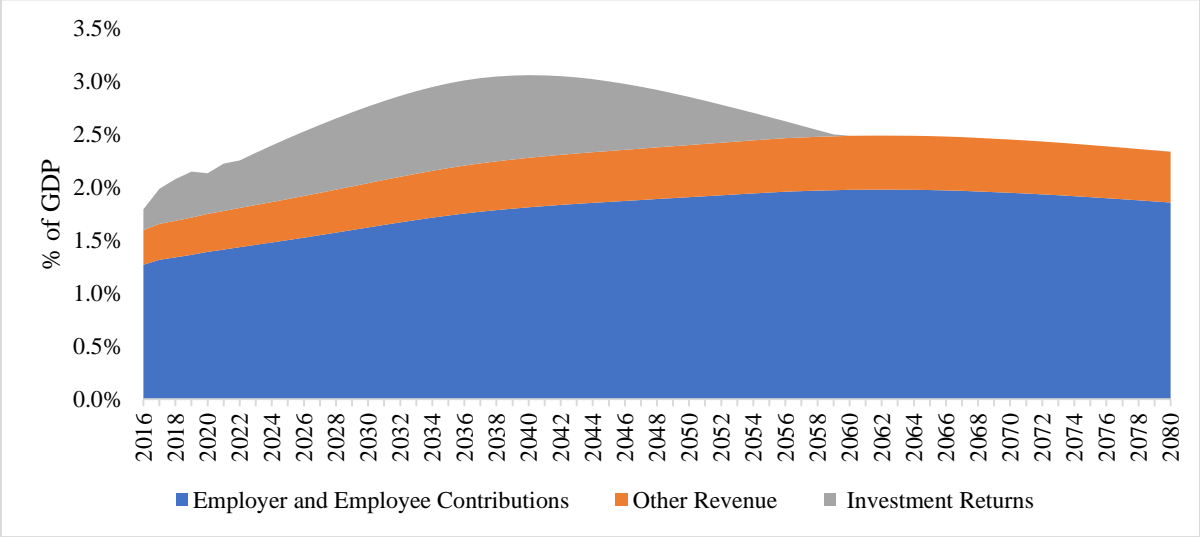
Source: PROST projections.

131. **The number of INSS beneficiaries drawing pensions is expected to increase 8 times during the projection period.** This growth is primarily driven by the pension scheme maturation and to a much lesser extent by the increase in the population above age 60. The expected growth in the beneficiary numbers, increasing from about 120,000 to close to 2,500,000 (Figure 50) is still easily overwhelmed by the contributor growth (assuming the proportion of working-age population contributing to the pension system remains constant).

132. **The leading source of financing for the INSS pension system comes from employee and employer contributions.** The total pension contribution rate is 11%, it is split between employees – who contribute 3% of covered wages and employers – responsible for the other 8%. As of 2016, which is the base year for the analysis, the INSS pension fund registered a surplus of Kz 72.6 million. In the absence of information on investment returns, the projected evolution of investment income from this initial balance

(Figure 51) assume a zero percent real return⁶⁴. In addition, INSS also has a third revenue source which accounts for about 18% of total revenues. However, in the absence of details regarding this source of revenue, the PROST projection of financial flows assumes “other revenues” to remain a constant share of total revenue.

Figure 51: Projected composition of INSS revenues

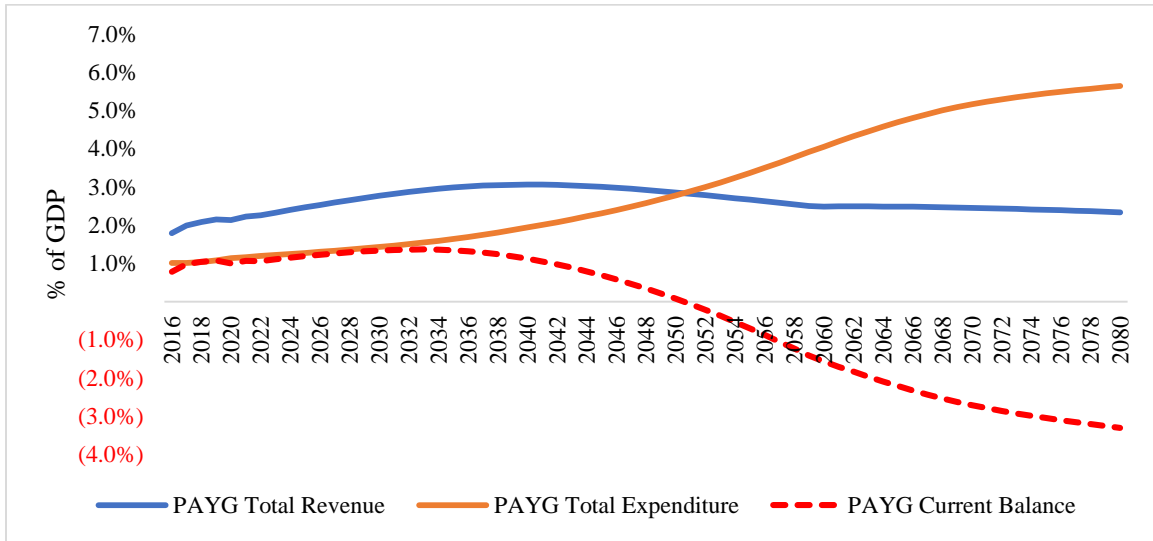


Source: PROST projections.

133. **Under current rules and demographic and macroeconomic assumptions, total INSS revenues are projected to exceed pension expenditures until about 2050, at which point the pension system begins to register a deficit which is projected to gradually reach 3.5 percent of GDP by end of the simulation horizon.** Assuming contribution revenue is the sole source of financing, the pension system is projected to register a deficit as early as 2050 (Figure 52). Key assumptions used in these simulations are that (1) pensions, once assigned, are indexed to wage growth, (2) the investment returns of INSS are assumed to match inflation, and that (3) the pension coverage of the working-age population remains constant over the simulation period.

⁶⁴ Macro-economic variables influence future projections tremendously.

Figure 52: Projected INSS deficit is expected by 2050

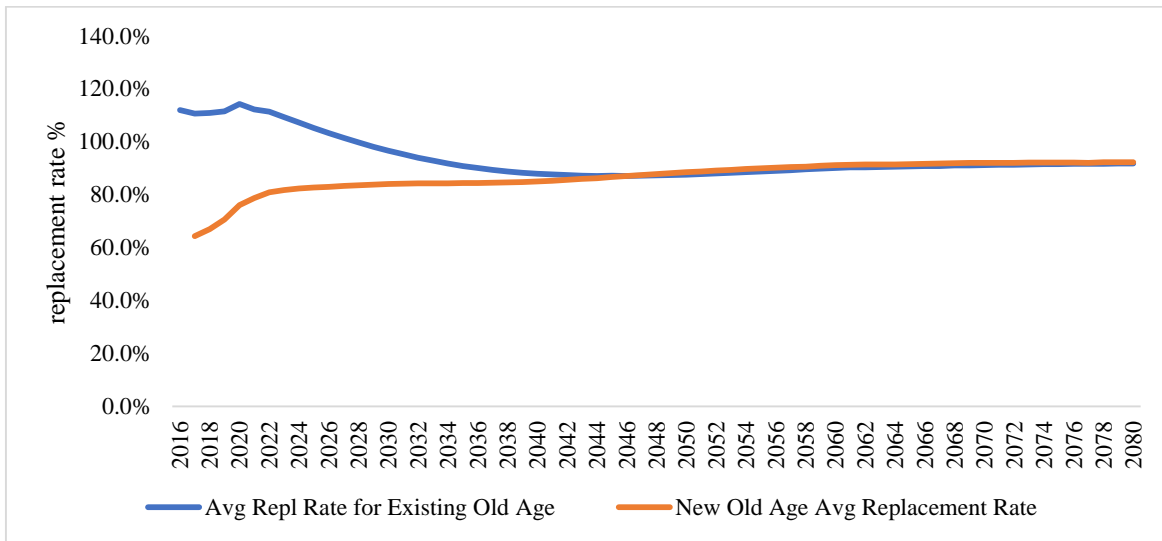


Source: PROST projections.

134. **The pension system in Angola under current parameters is not fiscally self-sustaining over the medium and long-term and will likely face an increasing deficit starting around 2050.** Deficits will most likely develop even sooner than that if contributor growth slows down, “other revenues” decrease, or additional expenditures arise (for example expenditures related to the introduction of disability benefits or higher spending on survivors). While the system does not yet generate deficits, and maintains a reserve fund, the generosity of the benefit package is leading to the rise in pension liabilities. If at some point in the future INSS requires additional financial support from general revenues to honor pension promises to its members, its operation will result in negative distributional impacts on the general population to the benefit of pensioners it currently covers.

135. **In 2016, the INSS pension system provided around 100% replacement rate.** The current benefit formula includes an implied annual accrual rate of 2.9% per year, which means that after 30 years of contributions, one can receive a pension equal to 90% of wage. Although the average length of service at retirement was not available for the PROST projections, the age distribution of contributions (combined with the fact that 27% of all contributors are public sector workers) suggest a relatively stable employment throughout the active years. Therefore, it is assumed that men and women contribute for an average of 32 and 30 years respectively. The current pension formula parameters yield a projected replacement rate of around 90% throughout the projection period (assuming both minimum and average pensions are indexed to nominal wage growth).

Figure 53: Projected average replacement rate for existing old age pensioners in INSS scheme



Source: PROST Projections.

Conclusions

61. **Favorable demographics and system immaturity enable the pension system to currently generate a fiscal surplus despite very generous parameters that would otherwise be unsustainable.**

Old age pension spending has almost doubled just in the last 3 years. An increase in old age expenditures over the coming years is expected due to pension system maturation. Projections show that around 2050 pension expenditures will exceed contribution revenues.

62. **The pension system features a very generous benefit formula,** including one of the highest accrual rates in the world, resulting in replacement rates around 100% or more. In addition, the pension system has a very high pension ceiling which permits a small segment of the pensioner pool, previously earning high salaries, to draw sizeable pensions, potentially exacerbating inequality of the system if it runs into fiscal deficits and requires general revenue support. INSS pays 12 percent real “interest” on contributions “deposited” by a typical worker (defined as a person with an average life expectancy, who starts his career at age 20 and is experiencing real wage growth equal to the average economy-wide wage growth of 1.4 percent per year). Assuming an annual inflation rate of 2 percent, this is equivalent to 14 percent. It would be extremely difficult to earn such a high return from any investments in commercial banks, which suggests high subsidies inherent in INSS for those enjoying formal employment in the public and private sector.

63. **Angola’s INSS pension scheme is anticipated to require state budget support to meet pension obligations around year 2050.** Expenditures might even exceed member pension contributions much sooner than 2050 if the growth in active contributors turns out to be slower than the figure assumed in the PROST projections of the system (projections assume that the share of contributors in working-age population will remain constant in the future). This is concerning because of the low pension coverage of the elderly population. The moment that state budget revenues are used to subsidize the pensions of a very narrow segment of the elderly population, the pensions paid by the system become regressive, reaching only the typically wealthier segments of society with prior access to formal employment and pension system coverage and excluding the overwhelming share of elderly in the population with informal sector employment histories and no pension rights.

64. **The pension system covers only a tenth of the working-age population which is very low compared to developed economies but generally in line with Sub-Saharan Africa.** Growth of insured workers has been limited due to the large informal sector, increased unemployment, the links to the system of only small and medium-sized enterprises, high failure of taxpayers to link workers, and the need to expand the agricultural sector, livestock, fisheries and commercial sectors. As a result, the percentage of future elderly with rights to the contributory pension system will also be low, leaving a substantial segment of the elderly without a pension and exposed to an increased risk to old age poverty. One could argue that the traditional defined-benefit (DB) pension system financed on a pay-as-you-go (PAYG) basis from employer and employee contributions currently in place in Angola doesn't sufficiently address the risk of old age poverty and income smoothing for much of the population in the context of a large informal sector.

65. **There may be little incentive for a large share of the contributor population to contribute beyond the minimum required period of 15 years.** Angola's INSS pension scheme has two minimum pensions – old age allowance and old age pension - paid from age 60 with either 10 or 15 years of contributions. The amount of the old age allowance is linked to the minimum wage of the agricultural sector whereas the minimum old age pension is linked to the lowest civil service salary. Currently less than 4% of the pensioners receive the minimum pension. However, over 50% contributors are insured at the minimum wage which means that even if they contribute beyond the 15 years, they would still only receive the minimum pension.

Currently there is no disability insurance. If disability pensions are introduced, that would further add to the projected increase in expenditures.

CHAPTER 4: SOCIAL SAFETY NET PROGRAMS

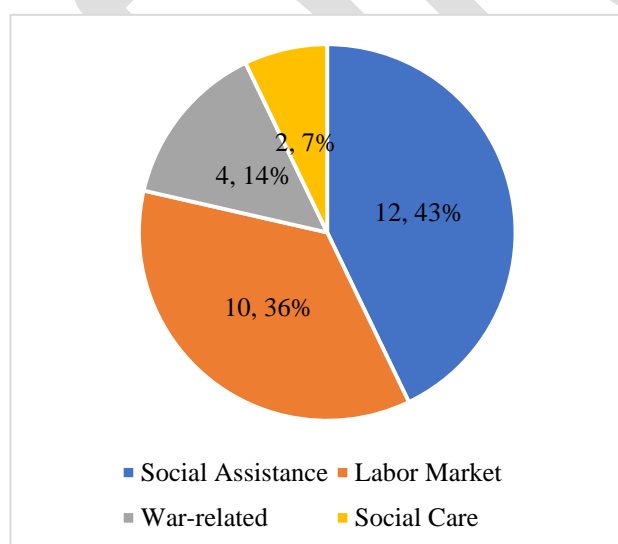
Overall

136. **This chapter identifies the main social safety net programs implemented in Angola.** The data included in the analysis is based largely on consultations undertaken with officials from sector ministries and government agencies. Basic information on programs (coverage, costs, targeting criteria, and so on) was not always available from the responsible institutions. To construct a reasonable picture of the main programs being implemented additional information was obtained from detailed desk review that took stock of and analyzed pertinent national level policies and programs related to social protection in Angola.

137. **We defined social safety nets as noncontributory programs targeting the poor or vulnerable.** Their distinctive feature is their noncontributory nature, that is, beneficiaries do not have to contribute financially to receive the benefits. We follow the World Bank ASPIRE classification and show programs by Social Assistance, Social Care Services, and Labor Market. Due to the importance of war-related programs, we classified them in a separate category.

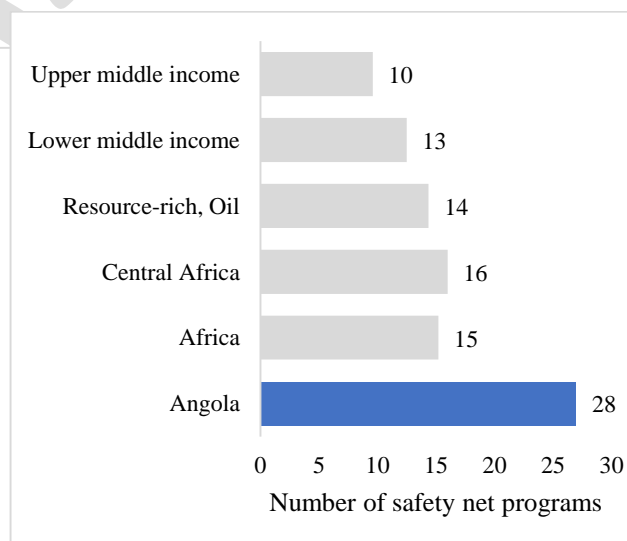
138. **Angola implements 28 social safety net programs which is well above other country groups' average.** Annex 4 presents the inventory of social safety net programs in Angola. Social safety net includes social assistance, social care services, labor market programs and non-contributory war-related programs. Social assistance includes non-contributory benefits in cash and food/in-kind distribution programs; Social care services includes basic and specialized social care services for families, children, the elderly and vulnerable populations; Labor market includes training, job rotation, job sharing, entrepreneurship support, labor market services, and unemployment benefits. Non-contributory war-related programs includes programs aimed at ex-military and combatants. Social assistance represents the largest share of programs, followed by labor market interventions, and war-related benefits (Figure 54). The total number of safety net programs is well above the average number in the Africa region (Figure 55).

Figure 54: Angola has 28 social safety net programs



Source: MASFAMU, and other official sources.

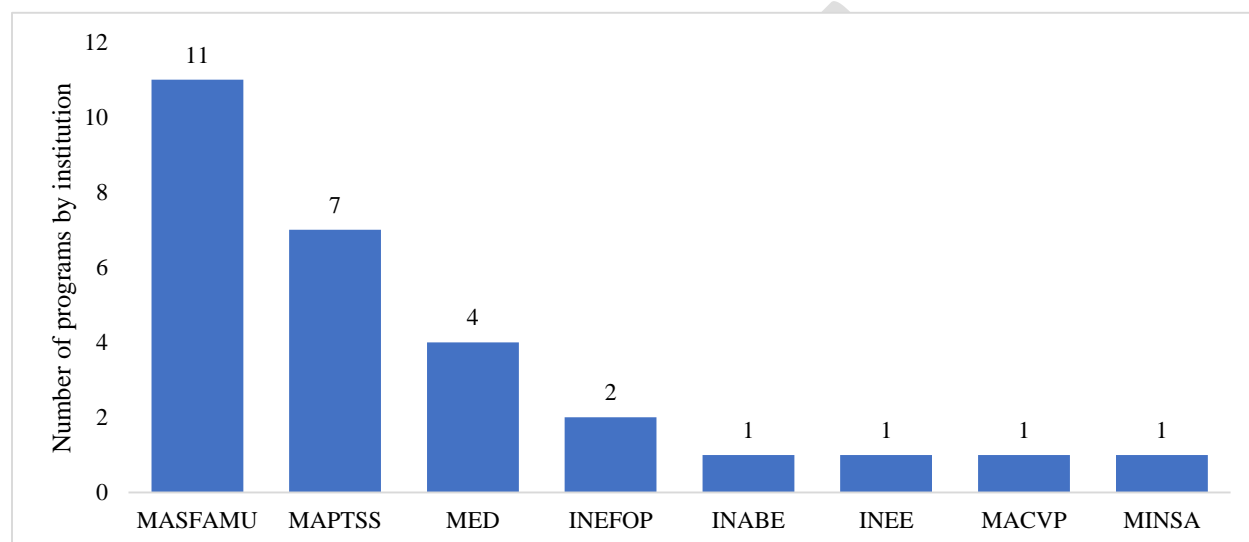
Figure 55: The total number of programs is well above the Africa region average.



Source: Beegle et al. (2018).

139. **MASFAMU is the ministry implementing more social safety net programs.** Several governmental institutions participate in the implementation of social safety net programs in Angola (Annex 5). Social assistance, social care service and some war-related programs are mainly implemented by MASFAMU which implements 11 programs (41% of total). MAPTSS implements 7 labor market programs (26% of total). MED implements several educational programs such as school feeding, scholarships, kits and others and account for (15% of total). Other ministries/institutions implementing social safety net interventions are INEFOP, INABE, INEE, MACVP and MINSA.

Figure 56: The bulk of social safety net programs is on MASFAMU followed by MAPTSS and MED



140. **Almost 90 percent of MASFAMU budget in 2018 goes to war-related social assistance spending.** The Program for Socioeconomic and Productive Reintegration of ex-military represent more than 70 percent of MASFAMU budget for 2018 (Table 10). The second largest program is the National Demining program accounting for 14 percent of 2018 MASFAMU budget. The largest non-war related program is the Cartão Social Kikuia, representing 7.2 percent of total budget. The rest of program have limited budget allocation.

Table 10: MASFAMU prioritize war-related social assistance spending in 2018

MASFAMU Programs	Budget 2018 (million)	Share %
Program for Socioeconomic and Productive Reintegration of Ex-military	32,860	76.8
National Demining Program	6,000	14.0
Cartão Social Kikuia	3,091	7.2
Protection and Promotion of Child Rights	229	0.5
Economic and Productive Structuring of Rural Communities	188	0.4
Support to Rural Women	127	0.3
Program for the Municipalization of Social Action (new program)	110	0.3
Support for Victims of Violence	68	0.2
Support for Gender Issues and Promotion of Women	61	0.1
Family Strengthening and Protection Program and Strengthening of Family Competencies	49	0.1

Requalification of rural villages		0.0
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Source: MASFAMU, MINFIN and PDN 2018-2022

Integrated Program for Local Development and Combating Poverty (Programa Integrado de Desenvolvimento Local e Combate à Pobreza, PIDLCP) 2018-2022.

141. **This program is the flagship program of the GOA's Country Strategy to Combat Poverty and is coordinated by the Office of the President.** While not exclusively an SP program it does include several SP components which are included in the review. The program builds on the experience obtained with the implementation of the Integrated Municipal Program for Rural Development and Combating Poverty (2010-2015). It Aims to reduce poverty incidence from 36.6% to 25% by 2022, through social transfers of various kinds. Considers local Development as a strategy to combat poverty, with a view to the Municipalization of Social Action. The program is overseen by the Office of the president and the executive through Office of the Minister of State for Economic and Social Development; Secretariat for Productive Affairs; Secretariat for Social Affairs; Secretariat for Regional and Local Affairs. MASFAMU is responsible for its operationalization. Other ministries involved include MAT, MINAGRIF, MIND, MINPESMAR, MINCO, MINEA, MINTRANS, MINCOP, MINAMB, MED, MINSA, MINCULT, MCS, MINOTH, MAPTSS, MJDH, Provincial Governments, Municipal Administrations, Communes. SIGAS (MASFAMU) and SIG (Institute of Socio-Professional Reintegration of the Former Military, IRSEM) are tools that ensure beneficiary registration and control and impact monitoring. The technical follow-up will be done by the Secretariat of the President of the Republic for Productive Affairs. At the Local level the Office of Studies, Planning and Statistics (GEPE) (provincial) through the Office of Support to Local Administrations

142. **PIDLCP interventions prioritize ex-Military (70%) and vulnerable groups (30%).** Specific objectives include: Complete the reintegration process of the 80,537 former military personnel; Extend access of the population to basic social services; Reduce the rural migration of youth to urban areas; Reverse the sense of the migration from urban to rural areas, through the dynamization of local development; Promoting citizens' access to production factors: land, capital, equipment, and knowledge.

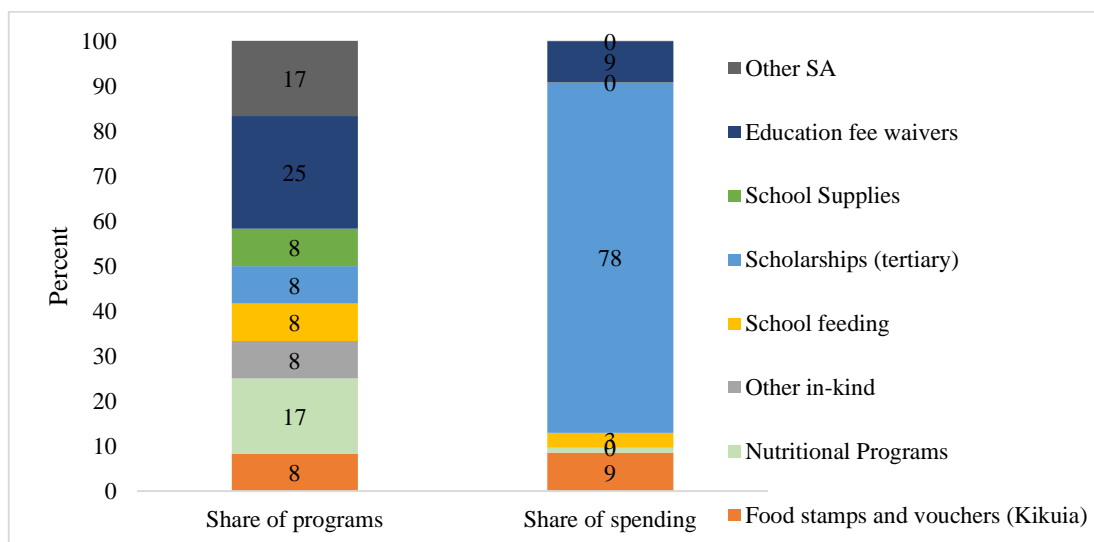
143. **PIDLCP involves several economic sectors such as agriculture and forestry, fisheries, commerce, construction and public works, industry, health, education, environment, water energies and social protection.** Social protection programs included in PIDLCP involves: Apoio as Vítimas de Sinistros e Calamidades, Cartao Kikuia (which will be included), Programa de Municipalização da Acção Social, Merenda Escolar, Programa de Reintegração Sócio Económica e Produtiva dos Ex-militares.

Non-War Related Programs

Social Assistance Programs

66. **Twelve social assistance programs were identified** (Annex 4). These are mostly food and nutrition programs, and education programs (Figure 57). Tertiary scholarships are the only cash transfer programs identified while the rest are food, in-kind and near cash transfers including food and stamp vouchers such as Carto Kikuia. The largest spending goes to educational programs and the Carto Kikuia program. Excluding scholarships, the Cartao Kikuia Program is the program with the largest share in total social assistance spending.

Figure 57: Several small social assistance programs but little budget allocation (2016)



Food stamps and vouchers

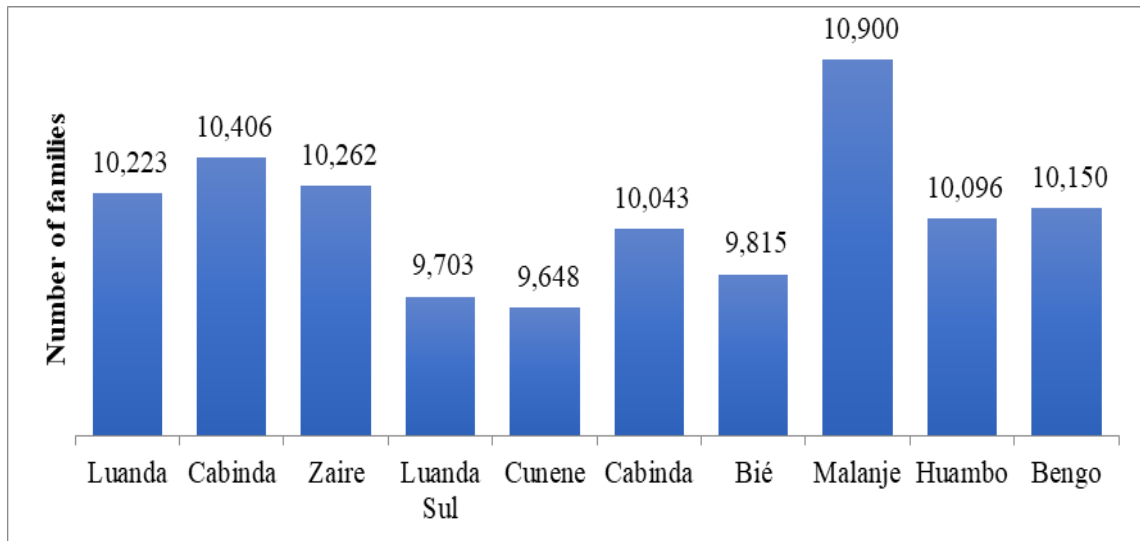
1. Program to Support Vulnerable Families - Kikuia Social Card (Programa de Apoio às Famílias Vulneráveis (Cartão Social Kikuia), MASFAMU

144. **The Government of Angola created the Kikuia Card Program (CK) in October 2014 in response to the financial and economic crisis of the time.** The program aims to provide basic consumer items for the poorest households in the country, in the form of specific electronic cards for exchanging products at specific stores selected by the government. The monthly installments amount was initially planned for Kz 10,000 per month (about US\$60 at the current exchange rate, and US\$100 at the end of 2014 exchange rate). This amount was reduced to Kz 5,000 from January 2016, due to budget constraints. Participation in the program was initially limited to one year (that is, 12 monthly benefits). The beneficiaries can obtain products only available in these stores. The program was first implemented by the Ministry of Commerce (MINCO), specifically by GEPE for budgeting and financial management and Unit Combating Poverty (UCP) for implementation. In 2016, MINFAMU continued implementation and the program is nowadays under MASFAMU.

145. **The targeting mechanism was not rigorously implemented though, it combined geographic, categorical and poverty.** The program officially, prioritized households with a female head, with people with disabilities, former combatants, chronic disease or elderly people, children with malnutrition and high levels of dependency. In May 2016, ten provinces (out of a total of 18 provinces) were included in the program. Each province has been allocated a quota of 10,000 beneficiary families (Figure 58). Officially, provinces with a higher poverty rate, higher levels of food insecurity or considered prone to calamities derived from climate change and other environmental factors have been prioritized. The registration was also based on the Survey of Goods of the Angolan population in 2008.⁶⁵ However, these criteria are not based on available data or poverty maps, and the decision and selection processes of the provinces were not documented.

⁶⁵ IBEP

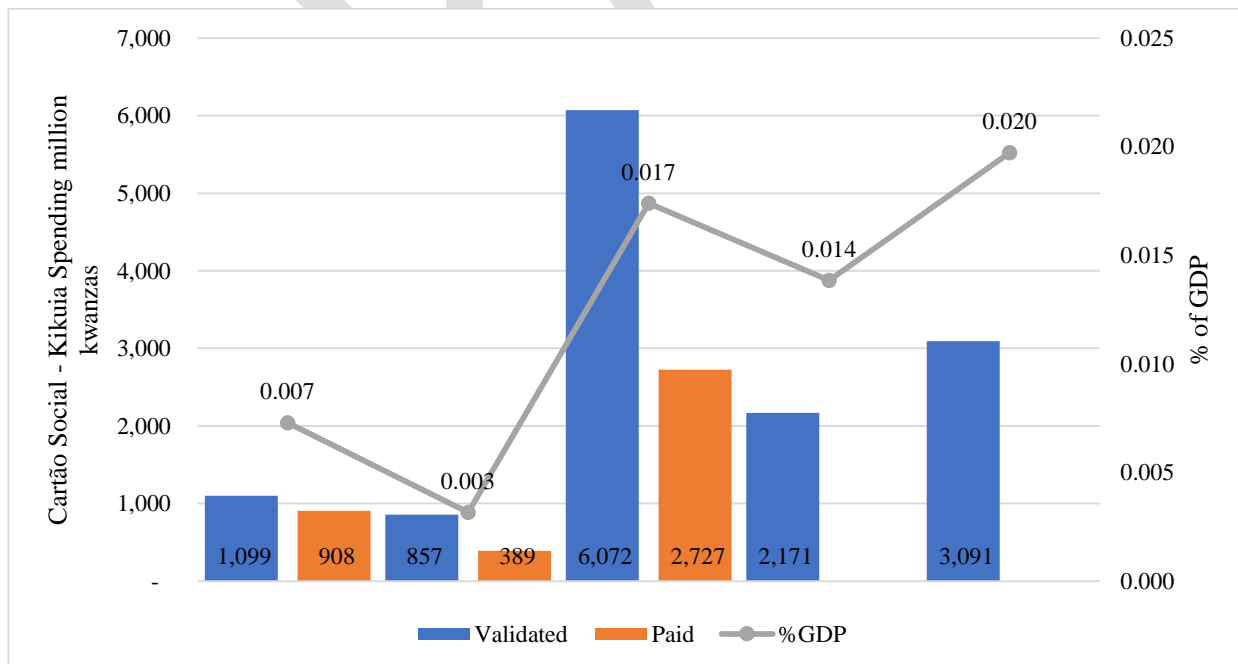
Figure 58 Number of beneficiary families – Cartao Kikuia 2016



Source: MINCO (April 2016).

146. **Financial data for 2014/2015 and data provided by stores show that there has been a low disbursement rate.** For the entire program, less than 40,000 beneficiaries have received at least one monthly benefit since the program began. All the other 60,000 received no benefit at all. Of the 40,000 beneficiary families, the majority received one or a maximum of two monthly benefits - in any case, far from the 12 monthly benefits that were communicated to them at the time of enrollment. Spending execution was in fact very low, with less than 50 percent been executed in 2015 and 2016 (Figure 59).

Figure 59: Low disbursement rate of Cartão Kikuia 2014-2018



Source: MINFIN.

Note: 2017 and 2018 are budgets.

147. **The program had several implementation failures and weak monitoring and evaluation.** Beneficiary cards were not reloaded each month with the monthly amount, goods were often not available, and choice of goods was limited. Beneficiaries spend large amounts of money (discussions with beneficiaries indicate up to Kz 1,000 or more) to pay for transportation to and from the store. Beneficiaries were also limited by the fact that each beneficiary can only use their own card, discouraging any kind of group arrangement to go and get goods in the stores. There was no up-to-date and efficient communication to beneficiaries about the availability of benefits. The beneficiaries, therefore, did not know the date on which they will be able to withdraw benefits. The program does not have mechanisms for grievances and complaints. There is no systematic data collection and calculation of indicators in the program. Program implementers are therefore not able to monitor the implementation of the program correctly. Monitoring appears to be limited to visits from the UCP team from time to time to a selected number of provinces.

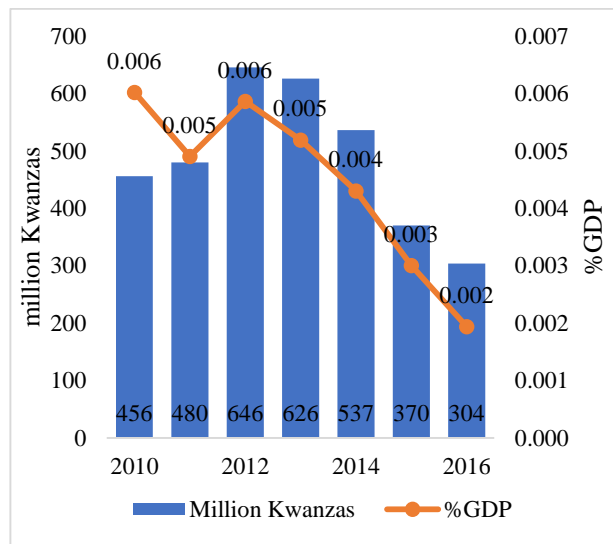
148. **The Kikuia Card program is the MASFAMU non-war related program with more financial resources in 2018.** The total budget for this program in 2018 is 3 billion Kz (18 million USD). In order to approximate international standards and have some impact on beneficiaries, the recommendation is to make some significant changes in program design. These include: (i) a rigorous and transparent selection process based on a survey using the PMT (Proxy Means Test) method, (ii) the provision of regular and predictable cash transfers to beneficiaries, (iii) strong communication on program objectives; (iv) complementary measures to improve the provision of cash transfers with productive or human development activities; (v) continuous monitoring and evaluation of the program; and (vi) predictable fiscal program.

Nutritional Programs (Therapeutic, Supplementary, and People Living with HIV PLHIV)

2. *Protecção e promoção dos direitos da criança, MASFAMU*

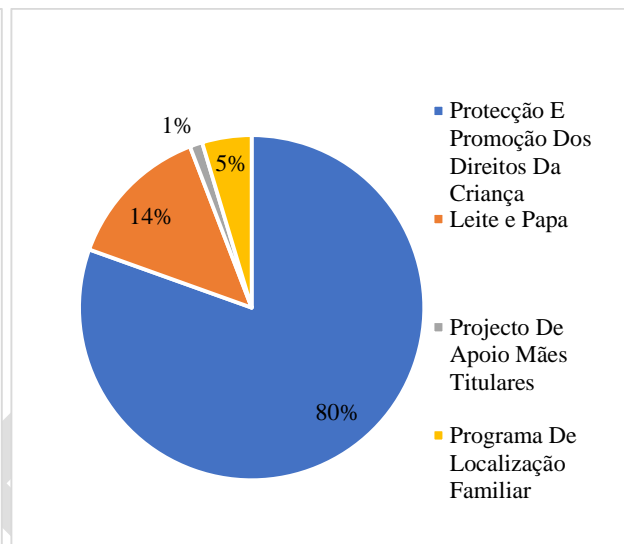
149. **This newly reformed program under MASFAMU aims at preventing and combating violence against children and protecting children rights.** The program reunites the following ex-MINARS programs: Protecção e promoção dos direitos da criança, Milk and Porridge (Leite e Papa), Guardian Mothers (Mães Tutelares) and Localização e ramificação familiar é crianças vulnerables. It includes a new project for vulnerable children and a maternity kit for young children. Children are identified by the Provinces through a network of protection of children. Spending on the program has been decreasing both in nominal terms and as share of GDP (Figure 60 and Annex 6). The largest spending is allocated to ex-MINARS program Protecção e promoção dos direitos da criança followed by Leite e Papa (Figure 61).

Figure 60: Spending on Protecção e Promoção dos Direitos da Criança decreasing since 2013



Source: MINFIN

Figure 61: In 2014, Leite e Papa represents the second largest share on the total spending on Protecção e Promoção dos Direitos da Criança

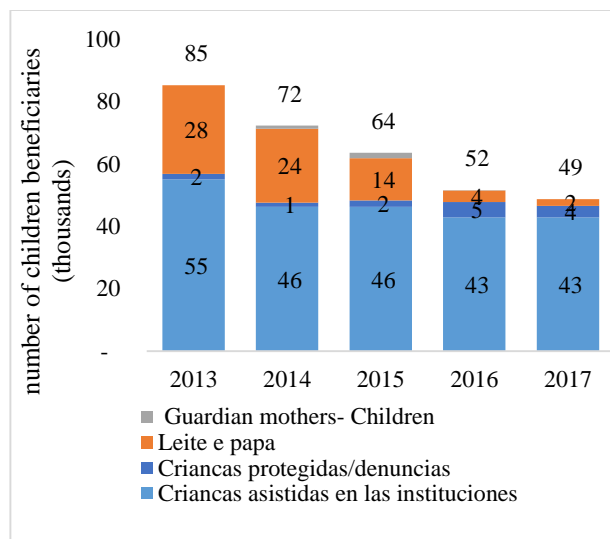


Source: MINFIN

150. **The total number of beneficiaries has halved and coverage of children is less than one percent.** The total number of beneficiaries decreased from 85,313 in 2013 children to 48,756 in 2017 (Figure 62 and see

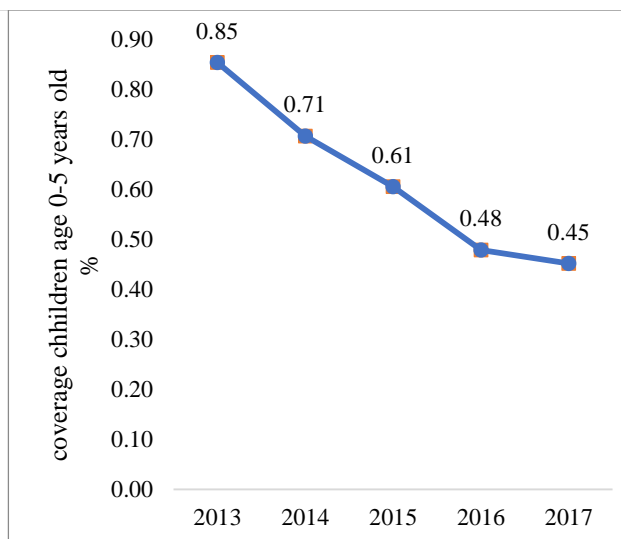
151. Annex 7). The largest decrease occurred in the number of beneficiaries from Leite e Papa (from 28 thousand children in 2013 to 2 thousand children in 2017). The coverage of children aged 0 to 5 is very low with less than 1 percent receiving any benefit (Figure 63).

Figure 62: Children benefit the most from social care services and Leite e Papa



Source: MASFAMU

Figure 63: Coverage of children aged 0-5 years old remains low (less than 1 percent)



Source: MASFAMU

Protecção e promoção dos direitos da criança, ex-MINARS, (program with the same name),

152. **Implements the 11 Commitments for the Children agreed during the III National Forum on Children organized by the National Council for Children, CNAC.** The program includes several activities to: (i) promote education, awareness-raising and social mobilization of children issues; (ii) expand child protection networks including creating SOS- Child Alert System at provincial and municipal levels and advocating the implementation of the Courts for Minors in all provinces (Commitment with Children No.6); (iii) complete the elaboration of the national strategy for the prevention and mitigation of violence against children and creating the database on children violence; and (iv) celebrate the children's day.

Milk and Porridge (Leite e Papa), ex-MINARS.

153. **The program was initiated in 1992 and was under the responsibility of ex-MINARS's National Directorate for Children and Adolescents (DNACA).** The program is implemented through the Directorates for Assistance to Social Reinsertion (DPARS) with the support of UNICEF, churches and NGOs and in close cooperation with hospitals and maternities. Aims to contribute to the reduction of infant malnutrition and mortality. The target groups are: (i) children orphaned from mother; (ii) children of mothers unable to breastfeed; (iii) twines, triples and quadruplets; (iv) children affected by HIV/AIDS; (v) children abandoned by mothers; and (vi) children in substitute families.

154. **The benefits delivered are whole milk powder, and porridge (corn or soya) or cereal.** The support is given for up to two years; at the end of that period an assessment of the physical and nutritional condition of children is expected to determine if the support should continue or not.

155. **The purchase of the products is made at national level in Luanda and sent to the provinces but there are not clear criteria for the distribution of goods among provinces and there are reports of irregularities in the distribution of these products (Santos 2011, 61).** Indeed, ex-MINARS staff

indicates that there is a difference between what is planned and what arrives in the provinces and that some products arrive after their expiration date or about to expire.⁶⁶ The difficulties mentioned are: the delays and failures in delivery of the goods; and the distance to the place of delivery of goods. For example, the beneficiaries in Luanda complain that they must spend money on transport because the distribution is made is only at DPARS office. This program may also overlap with a similar program (distribution of milk) implemented by MINSA.⁶⁷

156. **After a steep increase in the number of beneficiaries in 2010 and 2012 (due to the expansion of the program to national level), there is a sharp decrease in 2015 and 2016 respectively** (Figure 62 and

⁶⁶ Information provided on the program questionnaire (No. 9.1, page 10).

⁶⁷ Santos (2011), pp.61.

157. Annex 7). The 73% decrease in 2016 happened mostly in the past two trimesters; the program functioned continuously (if only barely) only in Luanda, Uige and Zaire, while Cabinda, Cuanza Sul, Lunda Norte and Lunda Sul did not accommodate any beneficiary.

Guardian Mothers (Mães Tutelares), ex-MINARS.

158. **This program was initiated in 1992 and was under the responsibility of ex-MINARS's DNACA.** Its general purpose is to contribute to the reduction of the mortality rate of children 0-3 years. The target group is that of children 0 to 3 years old, separated from their families. The host family are supposed to receive monthly basic basket of goods and financial support (US\$15) for the purchase of medicines, clothing and footwear. After the children complete three years, the support to the family is discontinued and the child can stay with the same family or go to other family.

159. **The selection of the foster mothers/families is performed by teams including a technician of the Provincial Directorate of ex-MINARS (municipal and communal) and religious and traditional entities.** The recruited mothers are supposed to go through a 30 days training including both theoretical and practical sessions. In practice, there were reports that this training does not take place in a systematic manner though in some cases there are information and sensitization sessions about the program for the potential guardian mothers.⁶⁸

160. **The distribution of goods must be made in the first week of each month.** The team of technicians in charge of distribution (DPARS staff) is also responsible for taking the monthly weight and observing the psycho-motor development of the child. However, this is often not done but, in some instances, DPARS staff support the family in accessing medical and other services.

161. **The program is national in scope but does not operate at national level anymore:** due to budgetary constraints, only 8 of the 18 provinces had any beneficiary at all; Benguela, Cabinda, Cuando Cubango, Cunene, Luanda, Lunda Norte, Lunda Sul, Malanje, Moxico and Uige were unable to register any children. The number of beneficiary children decreased from 445 children in 2014 to 65 in 2017 (Figure 62 and

⁶⁸ Santos (2011), pp.58.

162. Annex 7)

163. **There are no clear criteria for the distribution of resources among provinces or among municipalities.** The procurement of goods is centralized in Luanda: ex-MINARS purchases all the goods and distributes them to the provinces where the Provincial Governments, through DPARS, implement the program with the support of churches, NGOs and the community. However, many host families do not receive the contribution from ex-MINARS and must finance themselves the cost of caring for the children.⁶⁹

164. **In the past the program experimented with a cash transfer instead of the basket of goods in Luanda.** The transfer amount was Kz 8,200 (US\$87.2 in 2011) per month. During a focus group discussion, the beneficiaries of the transfer indicated that the transfer was not regular. There is no further information on the experiment.

3. Milk and porridge Health (Leite e Papa Saude), MINSA

165. This program is the counterpart of the program with the same name managed by MASFAMU but is implemented by MINSA.

Other food-in-kind

4. Family Strengthening and Protection Program and Strengthening of Family Competencies (Programa de Valorização e Proteção da Família e Reforço das Competências Familiares), MASFAMU

166. **This program implemented by MASFAMU seeks to educate and sensitize the population in family skills to mitigate the social risk and the disruption of families.** It combines several ex-MINARS and ex-MINFAMU programs in the areas of basic basket, technical aids, social facilities for the elderly, kits for the elderly to develop activities in the communities, program for young women. Targets vulnerable families, youth at risk, elderly, disable people and victims of calamities. It provides sensitization to families and young people at risk. Also, assist families with basic food basket due to temporary vulnerability. It supports elderly through basic food baskets and elderly care homes. People affected by calamities and accidents receive food and non-food benefits (Annex 4).

Emergency Support the victims of disaster (Apoio as Vítimas de Sinistros e Calamidades), MASFAMU (ex-MINARS)

167. **This assistance is directed at people adversely affected by natural disasters.** Provides food and non-food goods with a character of emergency. Non-food aid includes tents, blankets, used clothing, and utensils. The support is done within the framework of the National Civil Protection Commission (CNPC) which is headed by the Ministry of the Interior. In 2014, the number of people assisted grew to 670,794 and decreased to 2,281 in 2017 (

⁶⁹ Santos (2012), pp.60.

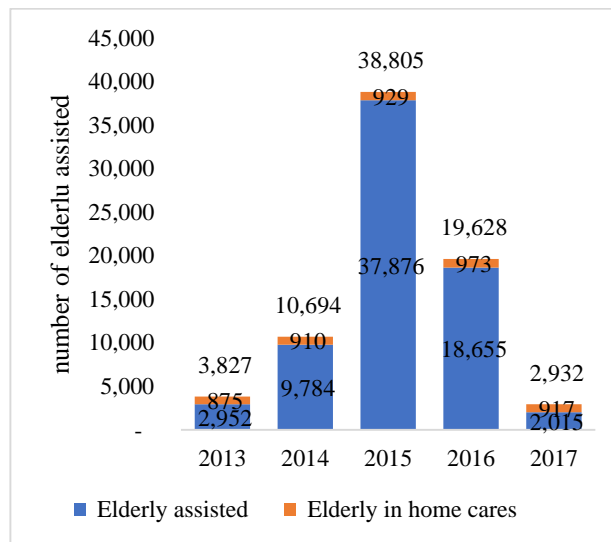
168. Annex 7). When disaster occurs, MASFAMU has the responsibility to support the affected population with emergency aid. The Minister of Interior's CNPC also has a parallel system of acquisition, logistics and transportation of goods from Luanda to the disaster areas in the provinces. Provincial Governments also contribute with financial resources for emergency situations. The dynamics and management of synergies of these committees in the provinces varies greatly. For example, in Uíge, the Provincial Civil Protection Commission is led by MASFAMU that plays an active role in disaster situation.

Assistance to the Elderly (Assistencia a Pessoa Idosa, MINARS).

169. **This program was initiated in 2009 and was under the responsibility of ex-MINARS's DNAPS.** The program is implemented through the DPARS and municipal administrations. It focuses on the elderly 60 years and over who are poor, abandoned, or without family support or pension. The services provided include social care services, food, clothing, and medical assistance (The alternative of institutional care should be the last resort). In 2015, 38,000 elderly were assisted mainly through food and in-kind support. The total number of beneficiaries decreased to 2,932 elderly in 2017 mainly due to decreased elderly assisted with in-kind support. The number of elderly in home cares remained almost the same in the past few years, around 900 (Figure 64, Figure 65 and

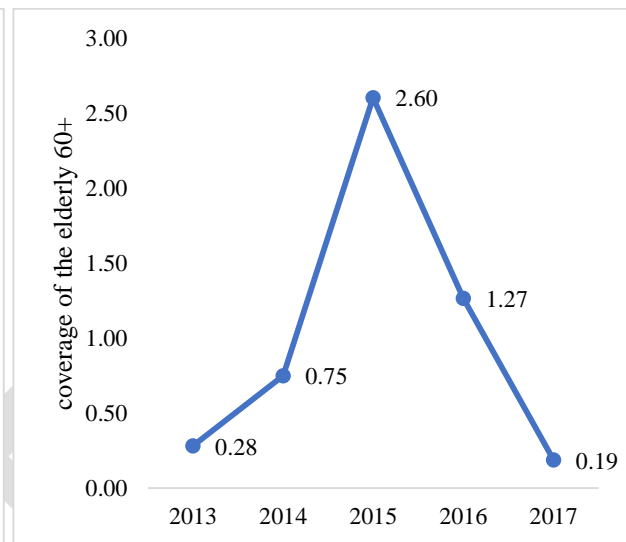
170. Annex 7).

Figure 64: Elderly benefited from in-kind services



Source: MASFAMU

Figure 65: In 2017, less than one percent of the elderly received support



Source: MINFIN

School Feeding/Take-Home

5. School Meals (Merenda Escolar), MED

171. **This program started in 2011 as a Nutrition Pilot Program, a collaboration between MED and WFP.** The Merenda Escolar Regulation was approved in 2013, and established the school lunch scheme to be given to children attending primary school (irrespective of the type of school). The project became part of the PIDLCP and is currently under the responsibility of the National Commission for the Fight Against Poverty. The execution of the lunch was decentralized and is being carried out by the municipal administrations in collaboration with the Municipal Bureau of Education. Monitoring and follow-up were delivered to the Provincial Governments, through the Provincial Directorates of Education and Health, and to the Commissions of Parents. In 2014, it was established that each municipality would receive 48 million kz per year for the implementation of the program

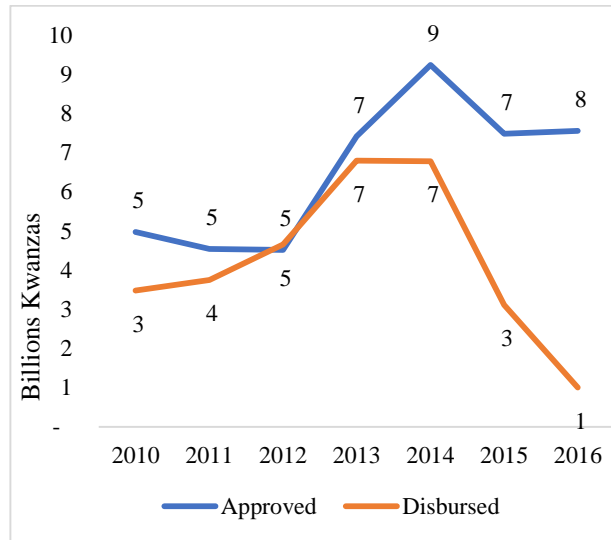
172. **According to the guidelines defined by the MED, the following schools are to be included:** the most vulnerable areas and areas with increased incidence of food insecurity; areas of return and resettlement of populations, and those furthest from urban centers and/or poor agricultural conditions; schools in provincial capitals may be included if there is evidence that their students are predominantly from peri-urban areas or outside the capital; availability to build a storage room; source of drinking water at or near school; rolling conveyor for transportation of the snack supplies.

173. **The meal can take two forms: a snack (milk, yogurt, vitamin cookies, bread, fruit) and a hot meal (Article 5 of the Regulation).** It gives preference to the use of local products and aims at boosting the local economy while at the same time seeking to respect the bases and eating habits of each zone.

174. **By 2016, at the national level, the ME program benefited 512,335 children in 987 schools and this corresponded to a liquidated expenditure of 13% of the budget allocated to the program.** The

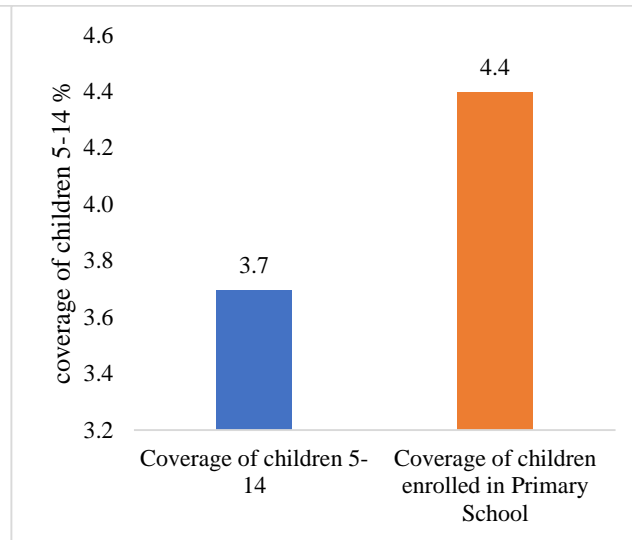
program is national in scope, but financial execution rates are low, decreasing from 92% in 2013, to 73% in 2014 and 42% in 2015, and to 13% in 2016 (Figure 66). Less than 5 percent of children in primary school benefit from the program (Figure 67).

Figure 66: School feeding execution rates are low



Source: MINFIN

Figure 67: Less than 5 percent of children attending primary school benefit from the school feeding program in 2016



Source: Authors calculation based on ME

175. **An evaluation study of the program found disparities in the number of meals distributed to students by school and municipality⁷⁰.** Most of the snacks/meals are made up of imported/industrialized products without the benefit of local confectionery prior to distribution to children, and they do not follow nutritional recommendations. Only 55% of the resources budgeted for the program were actually transferred to the provinces for this purpose. Of the resources received for the program, over one-half were not spent on the program as seven provinces used the resources for other purposes, with the end result that only 28% of the resources budgeted for the program were used for the school lunches. A disparity was also found in the number of meals distributed to students by school and municipality. The average of the sample collected in the study showed that the average is 20 snacks per student - which does not correspond to the number of school days in the first semester (70 school days).

Scholarship Benefits

6. Internal and External Scholarship Allocation Program (Programa de Atribuição De Bolsas De Estudo Internas E Externas), INABE

176. **The Office of National Scholarships (INABE) is a public institution created in 1980 which is under the Ministry of Higher Education, Science and Technology.** INABE manages external scholarships as well as internal scholarships which have been established in 2008 (Decree 2/08 of 28 February). To be eligible for an internal scholarship, students must be enrolled in a local university. Students from families with income less than 4 minimum wages and ex-combatants, war disabled or their descendants, or surviving members of ex-combatants receive preferential treatment in the selection process. Eligibility requirement for external scholarships are determined by the host country but the pre-selection is

⁷⁰ Antunes Gomes (2017). C

made by INABE with grades obtained in secondary education and age (the younger the better) being important considerations.

177. **24,613 out of 146,000 students enrolled in Angola’s higher-education institutions in 2015 received scholarships**⁷¹. An additional 5,600 students (most of whom are medical students studying in Cuba) received financial support to study overseas. Spending increased in nominal terms from 18 billion Kz in 2014 to 24 billion Kz in 2016 and the 2018 budget is 33 billion Kz (or 143 million USD) (Annex 6)

178. **Yet, overall, tertiary education clearly benefits the wealthiest students more than their poorer counterparts, and at Kz 746,000, the average scholarship amount is nearly twice the unit cost of higher education in Angola.** The selection criteria for scholarships are transparent and well designed, with age limits and strict controls on areas of study, but there is no evidence that these scholarships are means-tested or targeted to students from lower-income households⁷²

School Supplies

7. *School kits, Uniforms and Sandals (Kits escolar, Bata escolar, Sandálias para Crianças), MED*

179. **It’s managed by the provincial and municipal governments and are included in their respective budgets.** Most provincial governments’ budgets only show the allocation to primary education globally rather than separate for main programs. A few provincial governments (Bengo, Bié, Cabinda and Kunene) do show separately what they plan to spend on school kits (basic materials) and school uniforms (bata escolar) for primary school student. The provincial government of Cabinda has also a program to provide sandals for children. Spending on the program decreased in nominal terms from 256 million Kz in 2012 to 15 million Kz in 2016 (Annex 6).

Targeted Subsidies: Educational Fee Waivers

8. *Development of Special Education (Desenvolvimento Ensino Especial), MED*

180. **This program seeks to support and develop special education in Angola and to train teachers of special education.** The Ministry of Education has a special budget to support and develop special education in Angola. In addition, the provincial governments can have a program to support the development of special education. The total spending halved in the past few years from 401 million Kz in 2013 to 239 million Kz in 2015 (Annex 6).

9. *National Institute for Special Education (Instituto Nacional para a Educação Especial), INEE*

181. **INEE was created in 2003 to manage the development of special education in Angola.** It is in charge of implementing the Strategic Plan for the Development of Special Education (Plano Estratégico de Desenvolvimento da Educação Especial para o período 2007-2015) which specific objectives are to: (i) reduce and eliminate the stigma and discrimination towards people with disabilities; (ii) enhance and consolidate the process of integration of persons with special educational needs; (iii) increase and improve school support services of special education; (iv) enhance and improve the training and qualification of human resources special education; (v) develop a comprehensive training program for teachers in school inclusion; (vi) build and rehabilitate basic infrastructure for the development of special education; (vii) create resource centers of school inclusion in all provinces of Angola; and (viii) conduct research on the

⁷¹ Angola, “Decreto Presidencial N.º 168/13 - Presidente Da República.”

⁷² World Bank, 2017, Education and Health Public Expenditure Review.

problem of special educational needs.⁷³ The total amount spent reduced from 253 million Kz in 2013 to 136 million Kz in 2016 (Annex 6).

10. Literacy and Accelerated Schooling Program (Programa da Alfabetização e Aceleração Escolar, PAAE), MED

182. **PAAE is a literacy and second chance program initiated in 2007 that focusses on children and youth (12-25 years old) that are out of school as well as on illiterate adults.** It is managed by the Ministry of Education's National Directorate for General Education (Direcção Nacional para o Ensino Geral, DNEG) and implemented at municipal level. PAAE provides a second-chance learning opportunity for literacy, numeracy and life skills for adolescents through a condensed and adapted primary school curriculum, which can be completed in two-and-a-half years rather than the full six years of primary schooling. It thus encourages out-of-school adolescents to complete primary education, come back into the school system and continue to the second level. UNICEF has contributed to the development of the program and it reports that significant results have been achieved in terms of gender-equitable access to education, particularly for vulnerable over-aged populations. The program's target is to cover 500,000 persons per year. The 2018 budget is 18 billion Kz (Annex 6).

Other Social Assistance

11. Program for the Municipalization of Social Action (Programa de Municipalização da Acção Social), MASFAMU

183. **This new program constitutes the main entrance door for the access of the vulnerable population to the different local social services.** Promotes a decentralized operational model of social action, with social services that are closer to citizens and promotes of social inclusion. Bring the services closest to the populations and make them active participants in their own development process and their communities. It facilitates access to MASFAMU programs and various education, health services. It ensures in particular the access of vulnerable populations to basic services with the creation of 164 Integrated Social Action Centers.

184. **The pilot project APROSOC, funded by the EU, aims to ensure the scientific methodology for implementing the Municipalization of Social Action and thus ensure gradual expansion with uniform modalities of intent throughout the Country.**

185. **A strategic alliance and collaboration between MASFAMU and MAT / FAS in relation to decentralized social assistance, productive inclusion, municipal strengthening, ADECOS, etc. is advisable.** The FAS already implements a municipal support program under the World Bank-funded Local Development Project (PDL) and can help advance the implementation of the PIDLCP. In this sense, the World Bank will provide a consultant in April to work with MASFAMU and the FAS in order to outline potential synergies in the area of local development.

12. Requalification of rural villages (Recualificação de as aldeas Rurales), MASFAMU (ex-MINFAMU)

186. **This program was implemented by MINFAMU and is now under MASFAMU.** It has three components: Requalification of Rural Villages, Community Lands Delimitation, and Rural Extension Support. This program has budget allocation but no execution. The number of rural villages requalified is 0 (Annex 6 and

⁷³ Instituto Nacional para a Educação Especial (2006)

187. Annex 7).

Social Care Programs

188. **Several social assistance programs provide social care services together with in-kind benefits.** The two programs included in this category solely provide care services for their target population group.

13. Support for Victims of Violence (Apoio a Vítimas de Violência), MASFAMU (ex-MINFAMU)

189. **The program seeks to prevent domestic violence and support the victims of domestic violence through sensitization actions, and the creation of new shelters and care centers.** More specifically it aims at: 1) Improving service in institutions of violence cases, training up to 2022, 5 250 professionals; 2) Reducing the number of cases of violence with 12,250 seminars, lectures and workshops, on violence in communities and institutions; 3) Ensuring the protection of victims of violence through the existence of at least 1 shelter per province; and 4) Expanding services to care for victims of violence, with the availability of service centers in all provinces. (Annex 6 and

190. Annex 7).

14. Support for Gender Issues and Promotion of Women (Promoção do género e empoderamento da mulher), MASFAMU (ex-MINFAMU)

191. **Former ex-MINFAMU program which aims to sensitize and mainstream gender issues with lectures, meetings and seminars.** More specifically the program seeks to 1) Hold 200 Gender Seminars per year; 2) Empower 200 Gender Mobilizers and Activists per year to strengthen awareness-raising and increase the number of people sensitized about gender; 3) To sensitize 15,000 people a year in the field of gender; 4) Empower about 1,800 young women a year in small business, qualification and professional retraining, through capacity building; 5) Empower rural women through the training of 1,000 Traditional Midwives per year. In 2013 101 seminars on gender and family were held and decreased to 9 in 2017 (

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192. Annex 7).

Labor Market Programs

193. **Labor market programs in Angola fall into two main categories: labor market policy measures which include entrepreneurship support programs and training, and labor market policy services which refer to intermediation.** There are 10 labor market programs. There programs are mostly implemented by MAPTSS (6 entrepreneurship and training), followed by MASAFMU (2 entrepreneurship support programs) and INEFOP (2 training and labor market intermediation) (Annex 4).

Entrepreneurship Support/Start-up Incentives (Cash and In-Kind Grant, Loans, Training)

15. Economic and Productive Structuring of Rural Communities (Estruturação Económica e produtiva das Comunidades Rurais), MASFAMU (ex-MINARS geração de renda)

194. **This program seeks to develop projects of productive inclusion of generation of income.** Its objectives are to: 1) Generate / Increase the income of 5000 people through their insertion in projects of productive inclusion; 2) Increase the number of people included in productive inclusion actions by increasing the number of existing cooperatives and associations by more than 250; 3) Assign 1,500 professional kits and equipment; 4) Integrate 5,690 people into income-generating activities. The program remains small and total number of beneficiaries has decreased in the past few years from 4,280 in 2013 to 107 in 2017 (Figure 68 and

195. Annex 7) (this is 0.03 percent of active age population in 2013 to 0.001 percent in 2017 Figure 69).

Figure 68: Decreasing number of beneficiaries from MASFAMU labor market programs

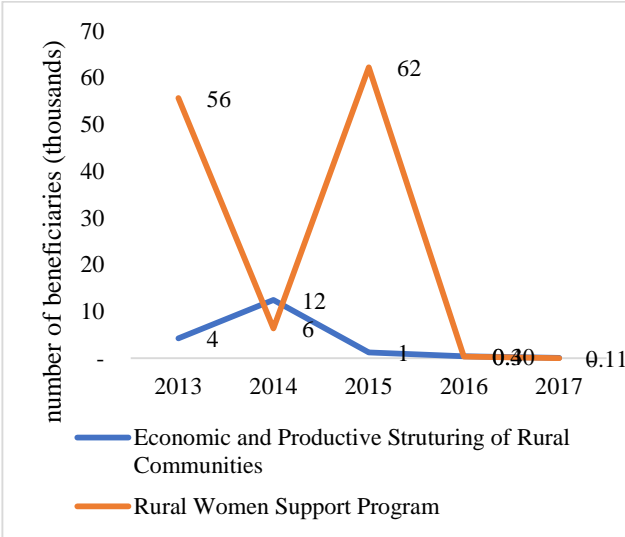
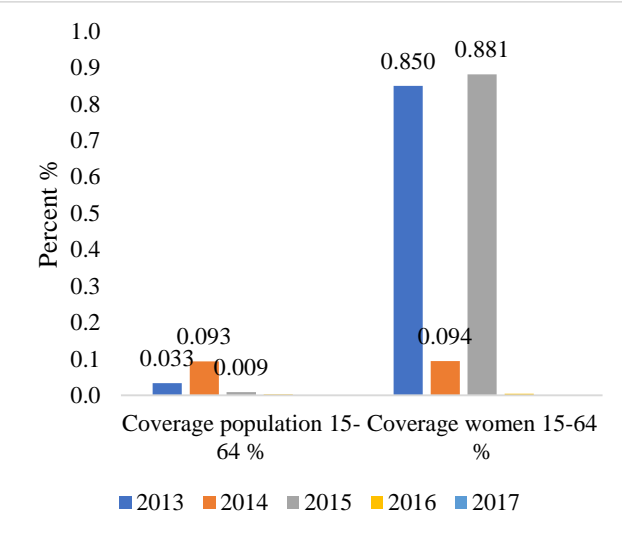


Figure 69: Coverage of targeted active population is low



Source: MASFAMU.

Note: Economic and Productive structuring of rural communities is measure by the No. of beneficiary assisted with professional kits and equipment. Rural Women support shows the No. of beneficiary families,

16. Support to Rural Women (Programa de Apoio e promoção de a Mulher Rural), MASFAMU (ex-MINFAMU)

196. **With the aim of strengthening the capacities of rural women and their families, the GOA has been implementing several programs including the national programs of micro-credit and support to rural women, and the municipal programs of integrated rural development and fight against poverty, as well as the Women's Forum.** This program belonged to ex-MINFAMU and remained the same as before, only changed its name (previously known as Promoção de a Mulher Rural). Beneficiaries receive training, inputs for work, access to microcredits. The program supports the formation of midwives through trainings, and professional kits. Also supports the creation of cooperatives in particular in sewing, and agriculture. Women decide which activity they want to develop and support is given according to the communities they belong to. The program targets vulnerable women in rural areas. Overall, the benefits and number of beneficiaries of the program decreased in the past few years from 55,693 beneficiary families in 2013 to 344 families in 2016 and 0 families in 2017 (Figure 68 and

197. Annex 7).

17. Incentives to Entrepreneurship (Incentivos ao Empreendedorismo), MAPTSS

198. **The objective of this program is to develop entrepreneurship capacities by encouraging the creation of new and sustainable enterprises with innovative ideas thus contributing to the creation of new jobs.** It includes two projects: (i) Business incubators which aims to support the establishment, consolidation and growth of new companies, with lower risk and greater likelihood of success; and (ii) Development of talents for the national reconstruction through competitions that encourage young people to dedicate more effort to their areas of training.

18. Generation of Employment and Income (Geração de Emprego e Rendimentos), MAPTSS

199. **The objectives of this program are to strengthen the participation of society in the process of formulation of projects and activities that generate employment and income and create alternative initiatives and occupations, employment and income generation.** It includes four sub-programs: (i) Support women training and employment which aims to contribute to training/qualification of young women seeking their first job; (ii) Promotion of local initiatives for job creation which aims to promote the creation of jobs at local level for young job seekers. This latter project is expected to distribute 1,500 kits and create 19 enterprises in incubation regime and create 62 new jobs in two years. The other two sub-programs are Esta e a Tua Vez and Estamos Contigo (see War-related programs).

19. This is Your time (Esta e a Tua Vez), MAPTSS

200. **The program aims to meet professional training needs of the population living in places that lack the training facilities, providing income generation opportunities and consequently the improvement of the living conditions of the community.** It plans to train 2,800 people per year, create 2,250 micro enterprises, and generate 4,500 jobs.

Training (vocational, life skills, cash for training)

20. Insertion of Young People (Inserção de Jovens), MAPTSS

201. **The objective of this program is to promote the insertion of young people into the labor market and contribute to the generation of work opportunities for young people, promoting their qualification for the labor market.** It has four projects: (i) integration of youth in job market (vida activa) which aims to help 350 youth per year get their first job; (ii) apprenticeship which aims to place 1,000 youth (14-25 years with a minimum of 6 years of schooling) per year in apprentice programs; (iii) insertion of youth in professional live which aims to place 950 youth (14-25 years with general education) per year with employers that provide specific job related training, including a monthly subsidy; and (iv) temporary employment for youth in activities of collective interest which aims to provide temporary employment to youth in civic related activities demanded by their localities or neighborhoods in coordination with the Ministry of Youth and Sports.

21. Incentives to Mobility and Placement of Recently Graduates (Incentivo a Mobilidade Geográfica ea Colocação de Recém Graduados), MAPTSS

202. **The program seeks to facilitate the transition of recent graduates into the job market.** It comprises three projects: (i) Training and Enterprise Integration of Cadres which provides recent graduate some initial training and then practice in an enterprise to help them obtain their first job; the target is to support 450 graduates per year; (ii) Encourage Geographical Mobility of Skilled Manpower which provides incentives to young people seeking their first job and willing to accept offers of employment involving a change of residence, with a particular focus on the GOA's priority development zones; the target is to support 150 young people per year; and (iii) Supplementary Support to Trainees which aims to complement

the training obtained in public and private centers; the target is to cover 1,100 high level and 500 medium level workers per year.

22. Training in Technologies and Innovation (Formação em Tecnologias e Inovação), MAPTSS

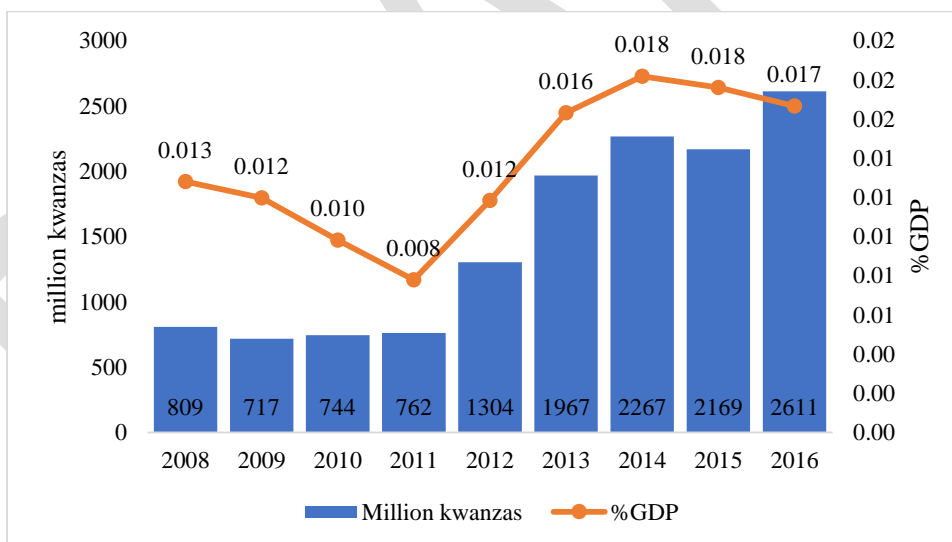
203. **The objective of this program is to support the qualification of people in the area of information technology (IT) and meet the market demand for these skills.** It comprises four projects: (i) distance learning, modular, and individualized system of training to reach 1,500 of medium and higher-level cadres; (ii) promotion of digital literacy in communities; (iii) construction of Integrated Technological Training Centers (CINFOTEC); and (iv) construction of hospitality and restoration schools.

23. Instituto Nacional de Emprego e Formação Profissional (INEFOP)

204. **The National Institute of Employment and Vocational Training was created by Decree No. 34/98 of October 2 as a public institution dependent from MAPTSS but with administrative and financial autonomy.** Its mission is to implement the employment and vocational training policies approved by the GOA. Includes: (i) adjustment of professional profiles to technological developments; (ii) articulation of vocational training with the national educational system; (iii) development of training courses demanded by the labor market; (iv) regulation of initial and continued vocation training; and (v) articulation and development of vocational training curricula.

205. **INEFOP spending has remained at around 0.17 percent of GDP in the past few years (Figure 70).** It comprises 2 main programs Professional Training and Technical Improvement (Formação e Superação Técnica Profissional) and Labor Intermediation (Intermediação de Mão de Obra).

Figure 70: INEFOP spending has remained on the same level in the past few years



Source: MINFIN

206. **Currently, there are 252 vocational training units, between rural centers, institutes, schools, pavilions of arts and crafts and others throughout Angola.** In 2011, three-quarters of the 44,525 persons (14,158 females) registered for training in INEFOP approved their course and were declared “able” with a similar graduation rate by gender. Another 18% of those registered dropped-out and 5% did not meet the passing requirements. Of the total number that graduates, over one-half was in IT. After IT, most men graduated from electricity and construction related courses; women also after IT, graduate from decoration, sewing and pastry.

207. **INEFOP supports directly those that want to enroll in training.** It provides a subsidy for those attending initial training or professional internships in enterprises. For the first group, the amount of the allowance for the first four months of training is equivalent to 40% of the national minimum wage and 60% of that for the remaining months of training. This subsidy is paid by the Social Security Financing Fund (Fundo de Financiamento da Segurança Social). For the second group, practicing in an enterprise, the subsidy paid by GOA is 60% of the established salary and the remaining 40% is paid by the enterprise. This subsidy is paid from MINFIN's budget.

Labor market policy services (PES)

24. Labor intermediation (*Intermediação De Mão De Obra*), MAPTSS.

This is the only labor market program that focuses on labor market services rather than policy actions. It focuses on labor market intermediation.

War-Related Programs (Non-contributory)

208. Angola implements a series of war-related programs that are non-contributory. These include labor market programs and social assistance programs targeted at ex-military and aim for their reintegration to socially productive life.

25. *We Are with You (Estamos Contigo)*, MAPTSS

209. This program is the only exclusively labor-market-oriented program among the war-related programs. It aims to reintegrate the demobilized from the Armed Forces into the labor market by providing vocational training through mobile units. It plans to train 2,500 people per year, create 2,250 micro enterprises and generate 4,500 jobs.

26. *Program for Socioeconomic and Productive Reintegration of Ex-military (Programa de Reintegração Sócio Económica e Produtiva dos Ex-militares)*, MASFAMU

210. **The present program, concludes the process of socio-economic and productive reintegration of ex-military personnel under the Angolan Peace Agreements.** The Program is aligned with the social protection and reintegration policy established by the Long-term Development Strategy for Angola (2025). It aims to contribute to the improvement of the quality of life of ex-Military Licensees under the Peace Accords, their families and communities in which they are inserted through socio-economic and productive integration and civic education. Benefits include: improved social housing; placement in formal employment; assistance to war-disabled former military personnel; assistance to former military personnel over 60 (without productive capacity) with basic food baskets; assistance to widows and dependents of former soldiers.

211. **The main objectives of the program are to:** 1) Integrate into the productive system 80,537 ex-Military personnel through professional training and assignment of work kits and equipment, and; 2) Support 13,000 former war-disabled military members in communities.

212. **The total budget allocated for this program in 2018 is 32 billion kwanzas (32,860,180,394.37) or 143 million USD.** The estimated cost for the period 2018-2022 (Akz) is 122 billion kwanzas or 543 million USD.

Figure 71: Decreasing number of reintegrated ex-militaries

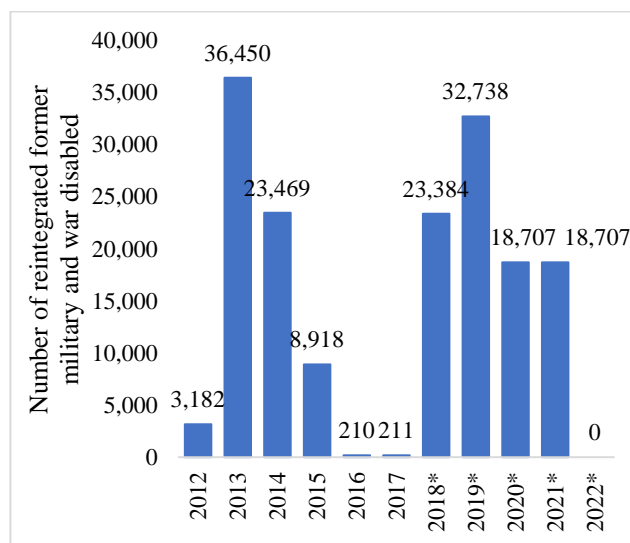
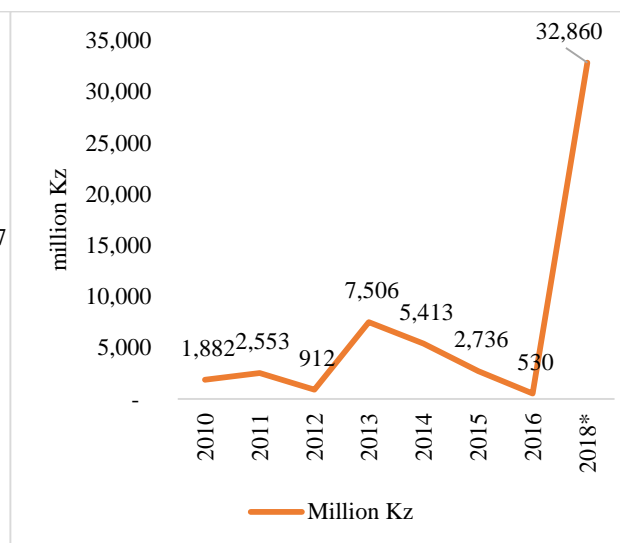


Figure 72: Decreasing spending for Socioeconomic and Productive Reintegration of Ex-military



Source: MASFAMU

27. Assistance to Ex-Combatants With Disabilities of War (Programa De Reintegração Sócio-Econômica Dos Antigos Combatentes E V.De Guerra), MACVP

213. **This program includes a series of activities by MACVP including social assistance to the ex-combatants with disabilities, reintegration of ex-combatants, the registry of ex-combatants and transfers to association of ex-combatants. The aim of this program is to improve social conditions and quality of life, social dignity and elevate the self-esteem of former Combatants and Veterans of the Homeland and their families, especially with regard to improving their qualifications, access housing and support for their physical and psychic rehabilitation**

214. More specifically, services provided by National Directorate for Assistance and Social Reintegration (Direção Nacional de Assistência e Reintegração Social, DNARS) included: (i) vocational training which aims to train ex-combatants, war disabled, and family member of ex-combatants dead in action to enable their integration into the labor market; (ii) social assistance to support access to the service and benefits provided for in Law No. 13/02, October 15, to ex-combatants, war disabled, and family member of ex-combatants dead in action; (iii) physical and psychological rehabilitation to ex-combatants through specialized medical treatment for their reintegration into society; (iv) support to receive the subsidy for death which is equivalent to a year of monthly pensions paid at once to members eligible by law; and (v) support to receive the income tax exemption.⁷⁴

215. **By 2022, the goals are:** 18 awareness-raising workshops for self-support and reduced reliance on the State of Old Combatants and Veterans of the Motherland are carried out, the number of illiterates assisted is halved, 311 agricultural and aquaculture cooperatives are legalized, 400 agricultural and aquaculture kits are distributed, 50% of war-disabled people are involved in processes of physical and psychic rehabilitation, 5,000 land lots and their kits for self-construction are distributed, and 5 Regional

⁷⁴ <http://www.macvp.gov.ao/VerPrestadorServico.aspx?id=266>

Centers for the Reception and Guidance of Former Combatants and Veterans of the Motherland in operation.⁷⁵

28. National Demining Program (Programa Nacional de Desminagem), MASFAMU

216. **The present Program aims to continue to delimit and effectively demarcate the areas affected by mines and other unexploded ordnance spread throughout the national territory as a consequence of the war.** Priority actions include: Training of demining technicians, mine risk awareness, verification and demining of agricultural areas, land reserves, industrial and agro-livestock poles, roadways and telecommunications projects, extension of high-energy transmission lines tension and water pipes (Table Annex)). Risks that may jeopardize execution include: Lack of financial resources for the technical and material security and logistical replenishment of the Demining Brigades, lack of budget for promotion and admission of demining technicians, and full application of Presidential Dispatch no. July regarding the Special Regime for the Demining Career and lack of operating infrastructure of the National Demining Institute (INAD) Departments, in the following provinces: Cabinda, Zaire, Uige, Bengo, Cuanza Norte, Malanje Cuanza Sul, Bié and Cuando Cubango.

217. **The total budget allocated for this program in 2018 is 6 billion kwanzas (6,00,336,870 kwanzas) or 26 million USD.** The estimated cost for the period 2018-2022 (Akz) is 31 billion kwanzas or 135 million USD.

New Safety Net Programs

Pilot Cash Transfer Program (MASFAMU, European Union and UNICEF)

218. **Cash transfer program to families with at least 1 child aged 0 to 4 years.** The program provides a cash transfers of \$10 Euros per child from 0 to 4 years. The central focus of the program is to increase access of vulnerable families to social assistance by introduction of a cash transfer system. The program is funded by the by the EU (APROSOC) and implemented with the assistance from EU and UNICEF. The pilot is would be tested in vulnerable areas of Moxico, Uige and Bie. The goal is to start implementation in October / November 2018. MASFAMU aims to strengthen the social assistance policy, through the development of a cash transfer to poor vulnerable households.

Productive Safety Nets (Pilot – FAS- World Bank):

219. **This cash for work programs seeks to combine regular income opportunities of poor and vulnerable households with the creation of basic local productive infrastructure, as well as skills and on-the-job training.** The pilot will be implemented in six municipalities (Chongoroi, Luacano, Muconda, Quela, Quilengues, and Ukuma), selected among the poorest in the country and approximately 7,000 beneficiaries will participate in cash-for-work activities. The type of activities to be carried out will be labor-intensive and will aim at improving the natural and productive environment, and will mostly consist of soil and water conservation interventions and small productive infrastructure. The design and supervision of the works will be carried out by municipal technical services. Around 7,000 beneficiaries will participate in cash-for-work activities and participants will work 20 days per month for four months each year during the two years of implementation of the project and will be paid Kz 400 per day (approximately US\$2.4), amounting to a total of US\$386 over the two-year period. Implementation of the program is under FAS with the support from the World Bank.

⁷⁵ PDN 2018-2022

Conclusions

220. **Angola's social safety net programs tend to be small and scattered. Angola implements 28 social safety net programs but with little funding.** The number of programs is above the regional average (15). Social assistance represents the largest share of programs, followed by labor market interventions, and war-related benefits. The number of beneficiaries and coverage is small. Even when the programs reached their highest coverage, coverage was still small. For instance, the school feeding program has one of the largest number of beneficiaries, 500 million, but coverage of children enrolled in primary school is less than 5 percent.

221. **Programs are unstable and the number of beneficiaries and expenditures has declined in recent years.** All programs experienced a significantly decrease in the number of beneficiaries in the last few years. For instance, The Milk and Porridge (Leite e Papa), ex-MINARS was one of the programs that experience the largest decreased from 28,436 children in 2013 to 2,188 in 2017. The Support to Rural Women (Programa de Apoio e promocao de a Mulher Rural) is one of the most important social assistance program but also one of the most unstable: From 55,693 beneficiary families in 2013 it declined to 6,406 families in 2014 and increased to 62,259 families in 2015 to further decreased to 344 families in 2016 and 0 families in 2017.

222. **Despite the consolidation of programs, there are still duplication of benefits.** For instance, Protection Program and Strengthening of Family Competencies (Programa de Valorização e Proteção da Família e Reforço das Competências Familiares) give food basket to vulnerable families while the Cartao Kikuia gives a credit card to access to buy a food basket. Both the Support to Rural Women (Programa de Apoio e promocao de a Mulher Rural) and the Economic and Productive Structuring of Rural Communities (Estruturação Económica e produtiva das Comunidades Rurais) provide professional kits.

223. **The benefits offered by programs are generally training, services, work and food basket and professional kits.** None of the programs analyzed here provide cash benefits, except for the tertiary scholarship. Several implementation failures have been found. For instance, under Milk and Porridge (Leite e Papa) program, ex-MINARS staff indicates that there was a difference between what is planned and what arrives in the provinces and that some products arrive after their expiration date or about to expire.⁷⁶ The difficulties mentioned are: the delays and failures in delivery of the goods; and the distance to the place of delivery of goods. Same failures were found in the school feeding program: An evaluation study of the program found disparities in the number of meals distributed to students by school and municipality. Beneficiaries from the Cartao Kikuia program found that theirs cards were not reloaded each month with the monthly amount, goods were often not available, and choice of goods was limited.

224. **The target population of the programs is unclear and some programs cover at the same time different vulnerable groups.** The same program can be directed toward children, the elderly, people with disabilities, women, all at the same time. For instance, the Family Strengthening and Protection Program and Strengthening of Family Competencies (Programa de Valorização e Proteção da Família e Reforço das Competências Familiares) targets at the same time: the elderly through “food, clothing, and medical assistance and home cares”, the disable through “locomotion and technical aids” victims of calamities through “emergency Support the victims of disaster”, vulnerable families and the youth through “sensitization”. Therefore, it is unclear what is the objective of this program, benefits and target population which makes it even more difficult to monitor and evaluate its effectiveness.

⁷⁶ Information provided on the program questionnaire (No. 9.1, page 10).

225. **Focalization criteria is not clear and is mostly based on categorical groups.** The program Cartao Kikuia is the only program that introduced poverty criteria however, it was never based on available data or poverty maps, and the decision and selection processes of the provinces were not documented.

226. **Program impacts have not been rigorously assessed.** Administrative data are difficult to get and usually don't allow to accurately monitor and account for activities, beneficiaries and costs. There has also been significant program fragmentation and duplication, and delimitation of functions and responsibilities among implementing agencies has not been clearly established, which has resulted in a lack of accountability for resource management and results.

227. **Institutions have been involved in programs for which they have no comparative advantage and duplicate areas of expertise of other existing institutions.** Several institutions were implementing the same type of programs and targeting the same groups, as well as duplicating management and operational structures and diluting responsibilities for program results and accountability. There were no clear lines of responsibility for program areas, programs and results within and between the institutions, as well as between levels of governments. Procurement of good and services was overly concentrated in Luanda diluting provincial and local government participation and accountability for resource management and results. Additionally, there were important program and information gaps.

228. **The creation of the Ministry of Social Action, Family and Women Promotion (MASFAMU) is an opportunity to prioritize key social safety net programs and bring them to scale.** To reduce program fragmentation and duplication Angola has, over the last year, reorganized its social safety net interventions by consolidating and unifying programs that accomplish similar objectives. The Ministry of Social Assistance and Reinsertion (Ministério da Assistência e Reinserção Social, MINARS) which was the government institution with the primary responsibility for social protection programs, and the Ministry of Family and Promotion of Women (Ministério da Família e Promoção da Mulher, MINFAMU) were merged into the new MASFAMU. Programs that used to be implemented by these ministries as well as other government institutions were also merged into larger, less fragmented programs. MASFAMU consolidated a total of 44 programs and projects into 12 programs. However, an additional effort needs to be made to consolidate activities in two of the three major programs with the greatest impact. Such consolidation should be based on a rigorous evaluation of the programs.

229. **The Kikuia Card program is the MASFAMU program with most financial resources (2018) but the program should be fully redesigned.** In order to approximate international standards and have some impact on beneficiaries, the recommendation is to make some significant changes in program design. These include: (i) a rigorous and transparent selection process based on a survey using the PMT (Proxy Means Test) method, (ii) the provision of regular and predictable cash transfers to beneficiaries, (iii) strong communication on program objectives; (iv) complementary measures to improve the provision of cash transfers with productive and/or human development activities; (v) continuous monitoring and evaluation of the program; and (vi) predictable fiscal allocations.

230. **The design of cash transfer programs is an important element for the country's future social protection system.** Given the socio-economic and demographic situation of the country, this type of program can provide an important avenue for channeling much needed income support to the extreme poor, in combination with creating public goods and promoting human capital development. Regular funding including from the national budget, as well as strong and transparent implementation structures and procedures are necessary to implement such programs. Together, the MASFAMU and the FAS, in collaboration with other Ministries (Health, Education, Agriculture, etc.) are well placed to develop these programs and bring them to scale.

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ANNEXES

Annex 1: Selected human development indicators, Angola and country comparator groups, 2016 or latest

Indicators	Angola	Peer countries	Africa	Central Africa	Lower middle income	Upper middle income	Resource-rich, Oil
Overall							
Population Growth (2000-2016)	3	2	3	3	2	2	3
Population 0-14 (%)	48	37	41	43	41	31	43
Population 15-64 (%)	50	60	56	54	56	64	54
Population +64 (%)	2	4	3	3	3	5	3
Urban population (%)	44	25	35	41	34	33	38
Population in Slums (%)	56	36	60	65	57	31	58
GDP growth 2016	-3	-1	0	-1	0	0	-1
Poverty, 1.9	30	27	40	39	33	13	29
Poverty 3.1	55	47	62	61	55	29	52
GINI index	43	55	44	44	44	53	43
Health							
Fertility rate	6	4	5	5	4	3	5
Life expectancy	53	59	60	58	59	65	57
Maternal Mortality rate	477	388	485	549	430	175	554
Undernourishment	14	18	20	21	16	16	16
Malnutrition rate	29	29	32	30	28	24	30
Child Mortality rate	157	65	75	94	75	39	94
HIV prevalence	2	12	5	3	7	12	3
Improved Sanitation	52	48	34	31	37	60	30
Improved water	49	85	74	70	73	95	69
Education							
Pre-primary school enrolment (% gross)	79	39	36	29	47	52	32
Primary school enrolment (% net)	84	84	81	85	82	90	78
Secondary school enrolment (% net)	12	55	38	30	44	64	22
Tertiary school enrolment (% gross)	9	16	9	9	11	19	10
Primary completion rate (%)	50	86	71	63	78	91	63
Secondary completion rate (%)	23	63	46	39	53	76	39
Pupil-teacher ratio	43	33	39	45	36	26	42
Adult Literacy rate	71	82	66	69	73	89	64
Social Protection and Labor							
Rural poverty	58	50	56	60	59	46	57

Urban poverty	19	22	31	37	29	24	27
Dependency ratio %	99	69	81	87	79	57	86
Employment	64	55	63	62	57	49	58
Labor force participation	68	65	70	68	64	60	63
Labor force participation female	45	46	44	45	42	44	41
Unemployment rate	7	16	10	9	12	19	9
Unemployment rate female	7	18	12	10	14	22	11
Unemployment rate youth	11	30	17	16	20	40	16

Source: WDI.

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Annex 2: General Description of Prost Methodology

10. PROST is a computer-based pension model designed to simulate the behavior of pension systems and assess their financial sustainability under different economic and demographic assumptions over a long-time frame. The model can be adapted to a wide range of country circumstances and allows modelling of various types of pension reform options.

11. The model consists of an input workbook and five output modules. On the input side, the user provides country specific data on demographic, economic and pension system related parameters and assumptions about their behavior in the future. This information is entered in the **input file** with six embedded worksheets:

General	Economic variables (GDP and wage growth, inflation, interest rate), non-age-specific pension system parameters (pension fund balance and benefit expenditure in the base year, retirement age, contribution rate, pension indexation rules, and so on) and some demographic variables;
Population	Base year population by age and gender along with age-specific fertility and mortality rates and immigration information.
Labor	Age and gender specific labor force participation and unemployment rates as well as distribution of wages and old-age pensions across age and gender cohorts.
Pension	Age and gender specific information about pension system contributors, beneficiaries, coverage and retirement rates, average years of service at retirement and replacement rates for new beneficiaries.
Profiles	Information on representative individuals, such as gender, career path, individual wages, life expectancy, and so on.
Reform	Parameters relevant to systemic reforms to be simulated (any combination of conventional PAYG, fully funded DC and notional DC pillars), including switching pattern, how the acquired rights will be paid, contribution rates, rules for annuitization and pension pay-out under DC schemes and replacement rates/benefit formula in a PAYG pillar, indexation, and so on.

12. In the most simplified way the **general calculation scheme** can be summarized in the figure below.

13. PROST follows single age/gender cohorts over time and generates population projections, which, combined with labor market assumptions, are used to forecast future numbers of contributors and beneficiaries. These in turn generate flows of revenues and expenditure. The model then projects fiscal balances and calculates the implicit pension debt. The required contribution rates and affordable replacement rates for zero pension fund balance in each year of the simulation period are also calculated. Finally, PROST produces outputs related to individuals – what an individual would contribute to the system and what he/she obtain under PAYG DB and multi-pillar schemes. This allows both intra- and intergenerational analysis.

14. Depending on the characteristics of the pension system and data availability, the user can choose the method for calculation of some of the variables. In particular, the number of contributors and beneficiaries can be computed in either “Stock” or “Flow” method. With the “Stock” method, for each year the stocks of contributors/beneficiaries are calculated first and then inflows (new contributors/beneficiaries) are derived as the changes of the stocks:

$$Inflow(a,t,g) = stock(a,t,g) - stock(a-1,t-1,g) + outflow(a,t,g),$$

15. With the “Flow” method, inflows are calculated first and then stocks are derived as previous year’s stocks in each age/gender cohort adjusted for the net inflow (inflow-outflow):

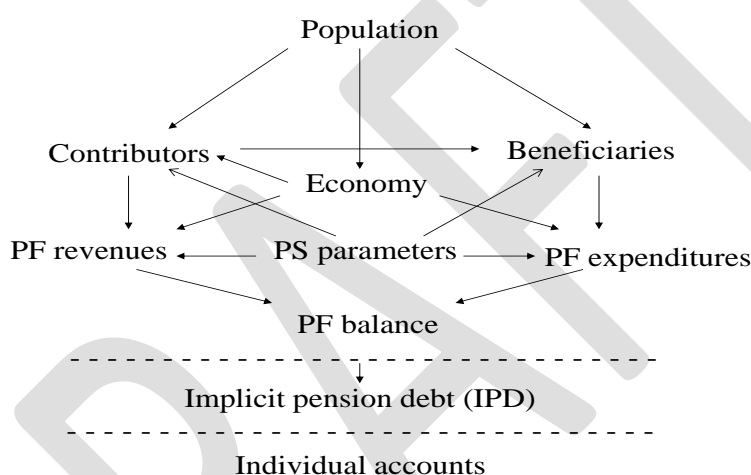
$$Stock(a,t,g) = stock(a-1,t-1,g) - outflow(a,t,g) + inflow(a,t,g),$$

Where a = age, t = year, g = gender.

16. As PROST keeps track of contribution years of service accrued by each cohort, the calculated number of new retirees – whatever method is used – is then adjusted so that the total length of service accrued by the cohort is equal to the total length of service claimed by the cohort at the time of retirement. After the number of new retirees is adjusted, the stock is recalculated using the “Flow” method.

17. The user can also choose how the benefit of new beneficiaries is specified—via benefit formula or via age and gender specific replacement rates.

Figure A2.1: General calculation scheme



18. As mentioned above, output produced by PROST is organized in five output modules. Each of the modules contains a number of Excel worksheets and a graphical summary on key output indicators:

Population Projection	Population projections and pyramids, life tables, life expectancy changes, population dependency rates, and so on.
Demographic Structure	Labor force and employment projections, projections of contributors and beneficiaries, demographic structure of the pension system, and system dependency rates.
Finances of Single pillar PAYG	Macroeconomic trends, wage projections, pension benefit projections for the existing and new pensioners, revenue and expenditure of the pension system, required adjustments to contribution rates and replacement rates for zero current balance, and the implicit pension debt.
Finances of Multi-pillar System	Pension benefit projections for new and existing pensioners under each of the three pillars (conventional PAYG, notional PAYG, and funded DC), revenues and expenditure of both PAYG and funded pillars, implicit pension debt of the PAYG system after the reform, and results of the reform (compares benefit projections and financial standing under the single pillar PAYG and multi-pillar scenarios).

Individual accounts

Lifetime contributions and benefits and individual related summary statistics for up to six different individuals specified in the “Profiles” input sheet under PAYG system (statutory, with adjusted contribution rates and with adjusted benefits) and multi-pillar system (for those who switched to the multi-pillar system and those who remained in the PAYG system).

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Annex 3: Glossary of pension terms

Accrual rate	The rate at which pension entitlement is built up relative to earnings per year of service in earnings- related schemes—for example, one- sixtieth of final salary.
Benefit rate	The ratio of the average pension to the average wage, which could be expressed as relative to the economy wide average wage or to the individual’s specific average or final wage.
Commutation	Exchange of part of the annuity component of a pension for an immediate lump sum.
Defined benefit	A pension plan with a guarantee by the insurer or pension agency that a benefit based on a prescribed formula will be paid. Can be fully funded or unfunded and notional.
Defined contribution	A pension plan in which the periodic contribution is prescribed and the benefit depends on the contribution plus the investment return. Can be fully funded or notional and nonfinancial.
Full funding	The accumulation of pension reserves that total 100 percent of the present value of all pension liabilities owed to current members.
Funding	Accumulation of assets in advance to meet future pension liabilities.
Indexation	Increases in benefits by reference to an index, usually of prices, although in some cases of average earnings.
Means- tested benefit	A benefit that is paid only if the recipient’s income falls below a certain level.
Occupational pension scheme	An arrangement by which an employer provides retirement benefits to employees.
Old- age dependency ratio	The ratio of older persons to working- age individuals. The old- age dependency ratio may refer to the number of persons over 60 divided by, for example, the number of persons ages 15–59, the number of persons over 60 divided by the number of persons ages 20–59, and so forth.
Pay- as- you- go	In its strictest sense, a method of financing whereby current outlays on pension benefits are paid out of current revenues from an earmarked tax, often a payroll tax.
Pension coverage rate	The number of workers actively contributing to a publicly mandated contributory or retirement scheme, divided by the estimated labour force or by the working age population.
Pensionable earnings	The portion of remuneration on which pension benefits and contributions are calculated.
Portability	The ability to transfer accrued pension rights between plans.
Provident fund	A fully funded, defined contribution scheme in which funds are managed by the public sector.
Replacement rate	The value of a pension as a proportion of a worker’s wage during a base period, such as the last year or two before retirement or more, or the entire lifetime average wage. Also denotes the average pension of a group of pensioners as a proportion of the average wage of the group.
System dependency ratio	The ratio of persons receiving pensions from a certain pension scheme divided by the number of workers contributing to the same scheme in the same period.
System maturation	The process by which a pension system moves from being immature, with young workers contributing to the system, but with few benefits being paid out since the initial elderly have not contributed and thus are not eligible for benefits, to being mature, with the proportion of elderly receiving pensions relatively equivalent to their proportion of the population.
Universal flat pension	Pensions paid solely on the basis of age and citizenship, without regard to work or contribution records.
Valorization of earnings	A method of revaluing earnings by predetermined factors such as total or average wage growth to adjust for changes in prices, wage levels, or economic growth. In pay- as- you- go systems, pensions are usually based on some percentage of average wage. This average wage is calculated over some period of time, ranging from full- career average to last salary. If the period for which earnings history enters into the benefit formula is longer than the last salary, the actual wages earned are usually revalued to adjust for these types of changes.

Vesting period	The minimum amount of time required to qualify for full and irrevocable ownership of pension benefits.
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Annex 4: Social Safety Net Programs in Angola – Basic Information

Area	Program Name	Target Population	Benefit type	Institution	Spending million KZ (circa 2016)	Number of Beneficiaries (circa 2016)
<i>Non- War-related</i>						
Social Assistance	Cartao Kikuia	Vulnerable households	Electronic cards for exchanging products at specific stores	MASFAMU	2,727	101,246 (families)
	Protecção e promoção dos direitos da criança	Vulnerable children, orphans	Protection and promotion of rights, Milk and Porridge, monthly basic basket of goods and financial support (Guardian Mothers)	MASFAMU	377	20,437
	Milk and Porridge (Leite e Papa)	Vulnerable children	Milk and Porridge	MINSA	1	N/A
	Programa de Valorização e Protecção da Família e Reforço das Competências Familiares	vulnerable families, youth at risk, elderly, disable people and victims of calamities	awareness campaigns, basic food basket, locomotion and technical aids, care homes	MASFAMU	3	13,782
	Merenda Escolar	Children in primary school	School feeding	MED	1,007	512,335
	Instituto Nacional de Bolsa de Estudo	Children in tertiary education	Internal and external scholarships	INABE	24,787	9,000 (2011)
	Kits escolar, Bata escolar, Sandálias para Crianças	Children	School supplies	MED	16	15,725,359 (kits)
	Desenvolvimento Ensino Especial	Children	Training, school supplies, infrastructure improvement	MED	239	
	Instituto Nacional para a Educação Especial (INEE)	Children with disabilities	school support, training, infrastructure	INEE	137	
	Alfabetização e Aceleração Escolar	Children out of school	Learning	MED	2,557	500,000

	Programa de Municipalização da Acção Social (new program)		Training of technicians, social activists, attendance, sensitization, monitoring and management of programs, data	MASFAMU	0	6 centres
	Recualificação de as aldeas rurales		Requalification of homes	MASFAMU	1	0
Social Care Services	Apoio a Vítimas de Violência	Victims of domestic violence	Services: shelters, counselling centres and domestic violence line	MASFAMU	31	6,167
	Promoção do género e empoderamento da mulher	Communities	training and sensitization - work with communities' creation of gender database	MASFAMU	22	15,000
Labor Markets	Estruturação Económica e produtiva das Comunidades Rurais	Vulnerable population	training for work, access to microcredits, creation of cooperatives	MASFAMU	67	273
	Programa de Apoio e promoção de a Mulher Rural	Vulnerable women in rural areas	training, inputs for work, access to microcredits, formation of midwives	MASFAMU	136	
	Incentivos ao Empreendedorismo	18 to 24	business incubators, competitions	MAPTSS	549	
	Geração de Emprego e Rendimentos	18 to 24	training, job creation	MAPTSS	55	
	Esta e a Tua Vez	18 to 24	training	MAPTSS	25	
	Inserção de Jovens	18 to 24	internship, job related training, monthly subsidy	MAPTSS	103	
	Incentivo a Mobilidade Geográfica ea Colocação de Recém Graduados	18 to 24	training, relocation incentives	MAPTSS	-	
	Formação em Tecnologias e Inovação	25 to 59	training, promotion of literacy, construction of training centres	MAPTSS	-	
	Formação e Superação Técnica Profissional	25 to 59	Services	INEFOP	2,611	
	Intermediação de Mão de Obra	25 to 59	Services	MAPTSS	5	
<i>War-related</i>						

Social Assistance	Programa de Reintegração Sócio Económica e Produtiva dos Ex-militares	Ex-militaries and their families	improved social housing; placement in formal employment; assistance to war-disabled former military personnel; assistance to former military personnel over 60 with basic food baskets; assistance to widows and dependents of former soldiers.	MAFAMU	530	210
	Prog.De Reint.Sócio-Econ.Dos Ant.Combatentes E V.De Guerra	Ex-combatants and their families	vocational training, physical and psychological rehabilitation	MACVP	27,827	
Labor Markets	Estamos Contigo	Demobilized from the Armed Forces	vocational training	MAPTSS	25	
Other	Programa Nacional de Desminagem		Delimit and effectively demarcate the areas affected by mine, training of demining technicians, mine risk awareness	MAFAMU	3,069	

Source: Authors elaboration based on information shared by MAFAMU, MINFIN.

Annex 5: Ministries involved in the Social Protection Sector

MINISTRIES	FUNCTIONS
Ministry of Social Action, Family and Women Promotion (Ministério da Acção Social, Família e Promoção da Mulher, MASFAMU)	A new ministry, which reunites what were previously the Ministry of Social Assistance and Reinsertion (Ministério da Assistência e Reinserção Social, MINARS) and the Ministry of Family and Promotion of Women (Ministério da Família e Promoção da Mulher, MINFAMU) and oversees social services, social assistance as well as rural development programs.
Ministry Of Public Administration, Labor And Social Security (Ministério Da Administração Pública, Trabalho E Segurança Social, MAPTSS)	<p>Oversees public policies and sectoral programs on public administration and management, as well as labor market policies and social insurance.</p> <p>-National Social Security Institute (<i>Instituto Nacional de Segurança Social, INSS</i>): manages resources, pays social security benefits and ensures the social rights of policyholders. Responsible for guaranteeing the social rights of citizens and their families against social risks within the framework of Social Security, through the recognition of rights, effective and efficient resource management, payment of social benefits and compliance with obligations of schemes.</p> <p>-National Institute of Vocational Training (<i>Instituto Nacional de Formação Profissional INEFOP</i>): oversees the execution and accompaniment of the policies for initial vocational training as well as continuous vocational training for people in the employable age group.</p>
Ministry of Territorial Administration (Ministério da Administração do Território, MAT)	Oversees local development and engages in activities for productive inclusion, the provision of basic infrastructure and local development planning, including through the FAS (<i>Fondo de Apoio Social</i>) supported by the World Bank.
Ministry Of Ex-Combatants And Veterans Of The Motherland (Ministério Dos Antigos Combatentes E Veteranos Da Pátria, MACVP)	Promotes ex-combatants' reinsertion and integration in the labor market, in partnership with MAPTSS and notably oversees war veterans and survivors (mostly non-contributory) local schemes' administration.
Ministry Of Education (Ministério Da Educação, MED)	<p>It formulates, applies and controls the implementation of educational policy regarding young children with disabilities, to improve their physical and psychological performance, and to enable them to acquire knowledge, habits and skills that allow or facilitate their autonomy integration or reintegration into social life.</p> <p>National Institute for Especial Education (<i>Instituto Nacional para a Educação Especial, INEE</i>), formulates, applies and controls the implementation of educational policy regarding young children with disabilities.</p>
Ministry of Science and Technology (Ministério Da Ciência E Tecnologia, Minct)	National Institute of Scholarship (<i>Instituto Nacional De Bolsas De Estudio, INABE</i>) is in charge of distributing scholarships at the national level and of increasing the quality of higher education learning.

Ministry of National Defense (Ministério da Defesa Nacional, MINDEN)	Social Security Fund of the Angolan Armed Forces (<i>Caixa de Segurança Social das Forças Armadas De Angola – CSS-FAA</i>) : ensures the protection, manages resources and pays social security benefits of all retired FAA officers and soldiers.
Ministry of Health (Ministério da Saúde, MINSA)	Implements nutritional program such as the Milk and Porridge program

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Annex 6: Social Assistance Spending by Main Programs (million Kz)

Social protection Area		Program Name in English	Institution	2010	2011	2012	2013	2014	2015	2016	2017*	2018*
Non-war-related	Social Assistance	1. Kikuia Card	MASFAMU	-	-	-	-	908	389	2,727	2,170	2,490
		2. Protection and Promotion of Child Rights	MASFAMU	456	731	914	898	685	465	377	-	603
		Protection and Promotion of Child Rights	MASFAMU	435	463	516	503	508	360	-	630	-
		Milk and porridge SP	MASFAMU	-	-	78	70	-	21	-	210	-
		Guardian Mothers	MASFAMU	9	9	9	9	3	1	-	3	-
		Family Location	MASFAMU	7	5	28	29	12	-	-	5	-
		Other	MASFAMU	-	254	283	287	162	83	-	-	-
		3. Milk and porridge Health	MINSAs	5	3	15	16	12	1	-	-	-
		4. Family Strengthening and Protection Program and Strengthening of Family Competencies	MASFAMU	-	-	-	-	2,350	4,454	3	-	85
		Emergency support for victims of disasters	MASFAMU	-	-	-	-	1,039	1	-	-	-
		Elderly	MASFAMU	-	-	-	-	48	5	-	-	-
		5. School Meals	MED	3,478	3,749	4,657	6,796	6,778	3,111	1,007	-	-
		6. National Institute for Scholarship	INABE	-	-	-	-	18,338	22,835	24,787	31,321	33,456
		7. School kits, Uniforms and Sandals	MED	66	316	257	92	62	21	16	30	-
		8. Development of Special Education	MED	47	73	74	402	101	239	-	105	199
		9. National Institute for Special Education	INEE	59	66	85	254	391	129	137	243	-
10. Literacy and Accelerated Schooling (PAAE)	MED	1,573	1,320	1,413	2,118	3,317	1,964	2,557	-	10,161		

	11. Program for the Municipalization of Social Action (new program)	MASFAMU	-	-	-	-	-	-	-	-	-	110
	12. Requalification of rural villages	MASFAMU	-	-	-	-	369	122	1	-	-	-
Social Care Services	13. Support for Victims of Violence	MASFAMU	-	-	-	-	155	17	31	187	94	
	14. Support for Gender Issues and Promotion of Women	MASFAMU	10	87	7	20	103	15	22	160	92	
Labor Markets	15. Economic and Productive Structuring of Rural Communities	MASFAMU	-	-	-	-	85	67	-	31	26	
	16. Support to Rural Women	MASFAMU	605	846	470	599	1,525	432	136	-	127	
	17. Incentives to Entrepreneurship	MAPTSS	83	82	96	112	1,195	148	549	-	3,308	
	18. Generation of Employment and Income	MAPTSS	289	-	55	-	-	-	-	-	-	
	19. This is Your time	MAPTSS	47	47	47	47	106	25	-	-	-	
	20. Insertion of Young People	MAPTSS	86	103	-	-	-	-	-	-	-	
	21. Incentives to Mobility and Placement of Recently Graduates	MAPTSS	-	-	-	-	-	-	-	-	-	
	22. Training in Technology and Innovation	MAPTSS	-	-	-	-	-	-	-	-	-	
	23. National Institute for Employment and Vocation Training	INEFOP	744	762	1,304	1,967	2,267	2,169	2,611	2,325	-	
	24. Labour Intermediation	MAPTSS	12	8	11	12	5	-	-	-	-	
Other programs			17,937	18,655	19,813	31,584	24,303	22,186	8,576			
SUBTOTAL SOCIAL SAFETY NETS			19,524	20,559	21,413	33,272	31,788	28,319	12,422		6,935	

	SUBTOTAL SOCIAL SAFETY NETS WITH EDUCATION			45,014	47,404	50,615	78,173	94,829	87,108	55,959		57,668
war-related	Labor Markets	25. We Are With You	MAPTSS	47	47	47	47	106	25	-	-	-
	Social Assistance	26. Program for Socioeconomic and Productive Reintegration of Ex-military	MASFAMU	1,882	2,553	912	7,506	5,413	2,736	530		32,860
		27. Assistance to Ex-Combatants With Disabilities of War	MACVP	20,775	31,037	35,431	39,260	40,471	35,146	27,827		-
		28. National Demining Program	MASFAMU	7,739	5,580	9,276	8,163	6,214	3,069	-	7,568	6,722
	SUBTOTAL WAR-RELATED			30,443	39,217	45,666	54,976	52,205	40,976	28,357		39,582
TOTAL	Total Social Assistance Spending (Social Protection budget)			49,967	59,776	67,079	88,248	83,993	69,295	40,780		46,518
	Total Social assistance including education benefits			75,457	86,620	96,281	133,149	147,034	128,083	84,316		97,270

Annex 7: Number of Beneficiaries of Main Social Assistance Programs - MASFAMU

Social protection Area	Program Name in English	2012	2013	2014	2015	2016	2017	Target 2018
Social Assistance	Kikuia Card							
	Number of beneficiary families with the Programa Desenvolvimento Comunitario	75,206	70,879	6,099	77,462	843	472	
	Protection and Promotion of Child Rights							
	Number of children assisted in institutions	100,000	55,131	46,278	46,276	42,944	42,944	7,150
	Number of children protected / complaints		1,746	1,385	2,079	4,921	3,264	10,000
	Number of (children 0-2 years old), assisted with milk and potatoes	12,000	28,436	23,694	13,552	3,700	2,188	4,000
	Guardian mothers- Children			1,036	1,721	94		
	Guardian mothers			445	729	65		
	Family Strengthening and Protection Program and Strengthening of Family Competencies							
	Number of assisted families	24,000	36,097	23,589	23,062	6,496	6,117	6,000
	Number of assisted elderly people	42,000	2,952	9,784	37,876	18,655	2,015	5,000
	Number of elderly people in institutions	1,500	875	910	929	973	917	935
	Number of persons with disabilities assisted in means of locomotion and technical assistance	25,000	9,367	12,773	3,185	4,033	2,441	3,000
	Number of victims of accidents and disasters assisted	200,000	273,569	670,794	366,764	26,961	2,281	15,000
	Number of assisted patients	20,000	4,807	21,151	1,406	644	276	
	Program for the Municipalization of Social Action (new program)							
	Recalification of rural villages							
Number of requalified rural villages	0	0	0	0	0			
Number of integrated rural villages built	0	0	0	0	0			
Number of qualified rural housing	0	0	0	0	0			
Support for Victims of Violence								
Number of qualified human resources	60	128	176	259	11	0		

Social Care Services	Number of family referral counseling centers	1	0	0	2	0	1	2
	Number of Shelter Homes	1	0	0	1	0	1	2
	Number of trained family members	900	952	250	384	111	38	
	Vocational training	1,500	2,140	432	392	24	4	
	Number of Cases of Violence and Counseling	10,000	9,423	8,322	6,240	6,167	6,097	
	Number of mobilizers and activists trained	900	135	102	538	219	0	
	Support for Gender Issues and Promotion of Women							
	Seminaries on Gender and Family Achievement	600	101	203	39	27	9	200
	Lectures on gender and family	1,200	635	1,430	960	1,176	950	
Labor Markets	Economic and Productive Structuring of Rural Communities							
	Number of beneficiaries assisted with professional kits and equipment	10,000	4,820	12,496	1,233	397	107	
	Number of professional kits and equipment assigned		1,236	6,213	798	271	59	300
	Number of employment opportunities created		4,820	12,683	1,237	397	107	750
	Support to Rural Women							
	Microcredit beneficiaries	15000	4138	9462	147	0	230	
	Number of trained traditional midwives	2,000	1,305	1,265	1,491	1,591	746	1,000
	Number of traditional midwife kits distributed	2,000	4,211	1,759	948	244	170	
	Number of beneficiary families with the Productive Structure Program	2,300	17,196	8,636	26,467	0	128	
Number of families benefiting from the Apolo Rural Women's Program	53,420	55,693	6,406	62,259	344	0		
War-related	Program for Socioeconomic and Productive Reintegration of Ex-military							
	Number of reintegrated former military and war disabled	3,182	36,450	23,469	8,918	210	211	23,384
	National Demining Program							
	Verification and clearance of roadways and telecommunications projects (km)	1,046	1,890	828	1,239	210	304	304
	Verification and demining of expansion areas of high-voltage electricity transmission lines and water conduits (thousand square meters)	7,700	33,007	98,277	124,484	182,406	19,364	900

Verification and Demining of Agricultural Areas, Land, Industrial Poles and Agro-livestock (Thousand m ²)	45,000	32,440	227,963	28,984	58,532	25,594	80,000,000
Admission and training of demining technicians	250	816	1,081	288	3,486	443	1,500

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