



# POVERTY AND VULNERABILITY IN URBAN ANGOLA

May 2024

Liliana Sousa and Giulia Zane





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## EXECUTIVE SUMMARY

Though rural Angola has higher rates of poverty, a third of Angolans living in poverty and 40 percent of those vulnerable to falling into poverty are in urban areas. Yet, Angola's poverty alleviation strategy – particularly its Kwenda cash transfer program introduced in 2020 – targets only rural areas. High urbanization rates and recent shocks that disproportionately affect urban dwellers, such as food price hikes and fuel subsidy reform, mean that tackling urban poverty and vulnerability is becoming increasingly urgent in Angola. This note provides insights into the characteristics of the urban poor in Angola and identifies policy entry points relevant for targeting and tackling poverty and vulnerability in urban Angola.





## INTRODUCTION

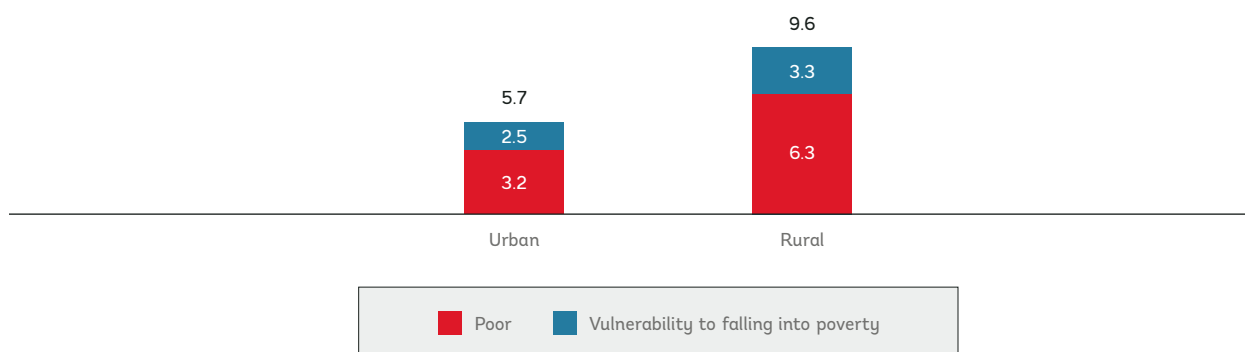
**One in three Angolans living in poverty, and 40 percent of those at risk of falling into poverty, live in urban areas** (Figure 1). The most recent survey-based poverty estimates show that a third of Angolans were living in poverty in 2018 (Box 1). Poverty rates are significantly higher in rural areas – 55 percent compared to 18 percent in urban areas. Yet, Angola is one of Sub-Saharan Africa’s

most urbanized countries with about 68 percent of its population living in urban areas. Hence, the disparity in poverty rates hides the fact that a third of Angola’s poor (3.2 million people) were living in urban areas (compared to 6.3 million in rural areas). Another 2.5 million people in urban areas (and 3.3 million in rural areas) were vulnerable – that is, they lived above the poverty line, but had a high risk of

falling below it in the event of a shock. Specifically, households were considered “vulnerable” if their predicted level of consumption in the two years

following data collection has at least a 50 percent probability of falling below the poverty line at least once as a result of a negative shock.<sup>1</sup>

**Figure 1:** Poverty and Vulnerability in 2018, millions of people



Source: World Bank calculations based on IDREA 2018/19 and World Bank (2020).

Note: This figure is produced by dividing the sample into three categories: poor, vulnerable, and non-poor (not shown in the figure). Vulnerable indicates that the household's consumption is above the poverty line but that the household has at least a 50 percent probability of falling into poverty over the next two years.

**BOX 1:** Data Sources for this Analysis

### Data Sources for this Analysis

This note is based on analysis of microdata from the Inquérito de Despesas, Receitas e Emprego em Angola (IDREA 2018-2019), a household budget survey collected between March 2018 and February 2019 by the Instituto Nacional de Estatística (INE) in Angola. INE oversees the collection of national surveys and publication of key socioeconomic data. Poverty measurement is based on household expenditure and the poverty line is derived following the cost of basic needs approach and using an adult-equivalence scale. Due to differences in methodology, this survey is not comparable with earlier surveys, limiting the extent to which analysis over time can be done for Angola. Access to microdata, including the 2018-19 IDREA, is available online through INE's micro-library database. This brief also includes official consumer price index (CPI) trends published by INE.

1. This method is based on Gunther and Harttgen (2009) and consists in (i) identifying household and community level shocks by decomposing unexplained variation in consumption and (ii) modeling the variance of these shocks as a function of household and community characteristics.

Due to how widespread poverty is in rural Angola, recently implemented social protection programs in Angola, such as the Kwenda program, have put more emphasis on alleviating poverty in rural areas. Angolans living in urban poverty have been excluded from the Kwenda program and remain largely without access to social protection. Nonetheless, **high levels of urbanization and the presence of shocks that disproportionately affect urban dwellers, such as high food prices, are turning urban poverty in Angola into an urgent priority.** A social protection system with the objective of eliminating poverty and mitigating the negative effects of shocks needs to identify poor and vulnerable people in both rural and urban areas. Expanding the scope of social protection in Angola requires **learning about the characteristics of urban households living in poverty or vulnerable to poverty.**

## Demographic and Housing Characteristics of the Urban Poor

**Urban poverty is associated with large households with dependent children.** Households living in poverty or vulnerable to poverty in urban areas are larger and have higher dependency ratios (Table 1). In fact, both poor and vulnerable households are larger in urban areas than in rural areas. In both poor and vulnerable households in urban areas, more than half of the household members are children under the age of 15 years. The share of children under 15 is much lower in households that are neither living in poverty nor are vulnerable to it, both in both urban (37.6 percent) and rural areas (28 percent). On the other hand, the share of older household members is low and not correlated with poverty and vulnerability.

**More than a third of poor or vulnerable households in urban areas are women-headed – and more than a fifth are women-headed with three or more children present.** In contrast, women-headed households accounted for only a fourth of those that are neither poor nor vulnerable in urban areas. However, in rural areas there is no clear relationship between poverty and the gender of the household head. Interestingly, the difference between poor and vulnerable households and others becomes much larger when the presence of children in households is considered. Indeed, the share of women-headed households with three or more children is much higher among poor and vulnerable households in both urban and rural areas. Twenty-one percent of households living in poverty and 25 percent of households vulnerable to poverty in urban areas are women-headed households with three or more children. As a comparison, only 9.4 percent of urban households that are neither poor nor vulnerable have this characteristic. In rural areas, women-headed households with three or more children are also overrepresented among the poor and vulnerable: 18 and 11 percent vs only 3 percent in the “other” category.

**In both urban and rural areas, household heads living in poverty or who are vulnerable are older and have significantly less schooling than the non-poor.** Households whose head is over 60 years old are more likely to be vulnerable. In urban areas, 14 percent of vulnerable households have an elderly head, compared to 8.6 percent of the poor and 6.8 percent of the households that are neither poor nor vulnerable. This relationship, that vulnerability is higher for older household heads, holds also in rural areas. Poor and vulnerable households are also associated with lower human capital and, as shown in the next section, worse employment outcomes: the average number of years of education for poor and vulnerable household heads is about half those of the other households.

**Table 1:** Household Characteristics by Poverty Status and Rural/Urban

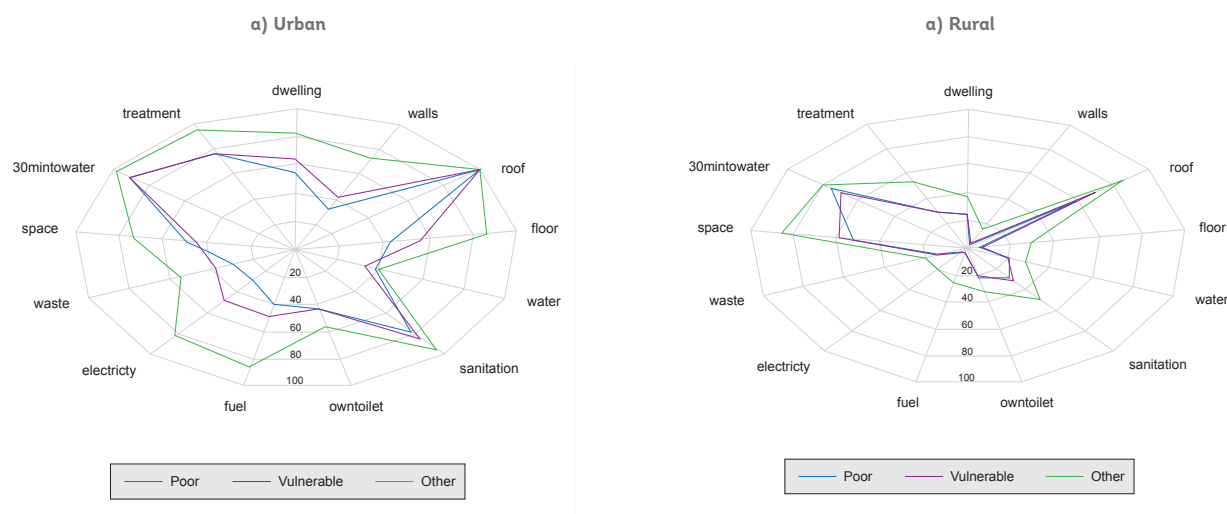
	Urban			Rural		
	Poor	Vulnerable	Other	Poor	Vulnerable	Other
<b>Demographics</b>						
Dependency ratio	115.3	122.3	64.4	121.6	102.9	43.6
Share of children under 15 years of age (%)	51.7	52.7	37.6	52.3	47.2	28.0
Share of adults over 64 years of age (%)	1.9	2.4	1.6	2.5	3.5	2.3
Household size (median)	6	7	5	6	5	3
<b>Household head (HH)</b>						
Female HH (%)	35.4	37.9	27.4	28.1	27.2	29.6
Female HH with more than 3 children (%)	21.3	25.5	9.4	18.0	11.3	3.1
Age of HH (mean)	42.9	44.5	39.6	43.8	43.1	41.1
Elderly HH (60+ years) (%)	8.6	14.1	6.8	12.9	16.3	11.4
Education of HH (mean, years)	5.5	4.7	9.7	3.1	3.2	6.6

Source: World Bank calculations based on IDREA 2018/19

**Households living in poverty or vulnerable to poverty are significantly less likely to have access to adequate housing** than households that are neither poor nor vulnerable in urban areas (Figure 2). Poor and vulnerable households are less likely to have adequate walls and floor as well as access to electricity and improved waste management. They are also less likely to use improved fuels such as fuels such as kerosene and LPG for cooking. Access to improved sanitation is lower for poor and vulnerable households, compared to others,

but access to adequate housing is generally low for all types of households. Finally, in both urban and rural areas, poor households are also significantly more likely to live in crowded spaces (more than 3 people per room). When thinking about targeting of programs in urban areas, quality of housing is likely to be a useful proxy variable for poverty – even more so in urban areas than in rural areas as the difference between the non-poor and poor in this dimension is starker in urban areas.

**Figure 2:** Housing by Poverty Status, Urban and Rural



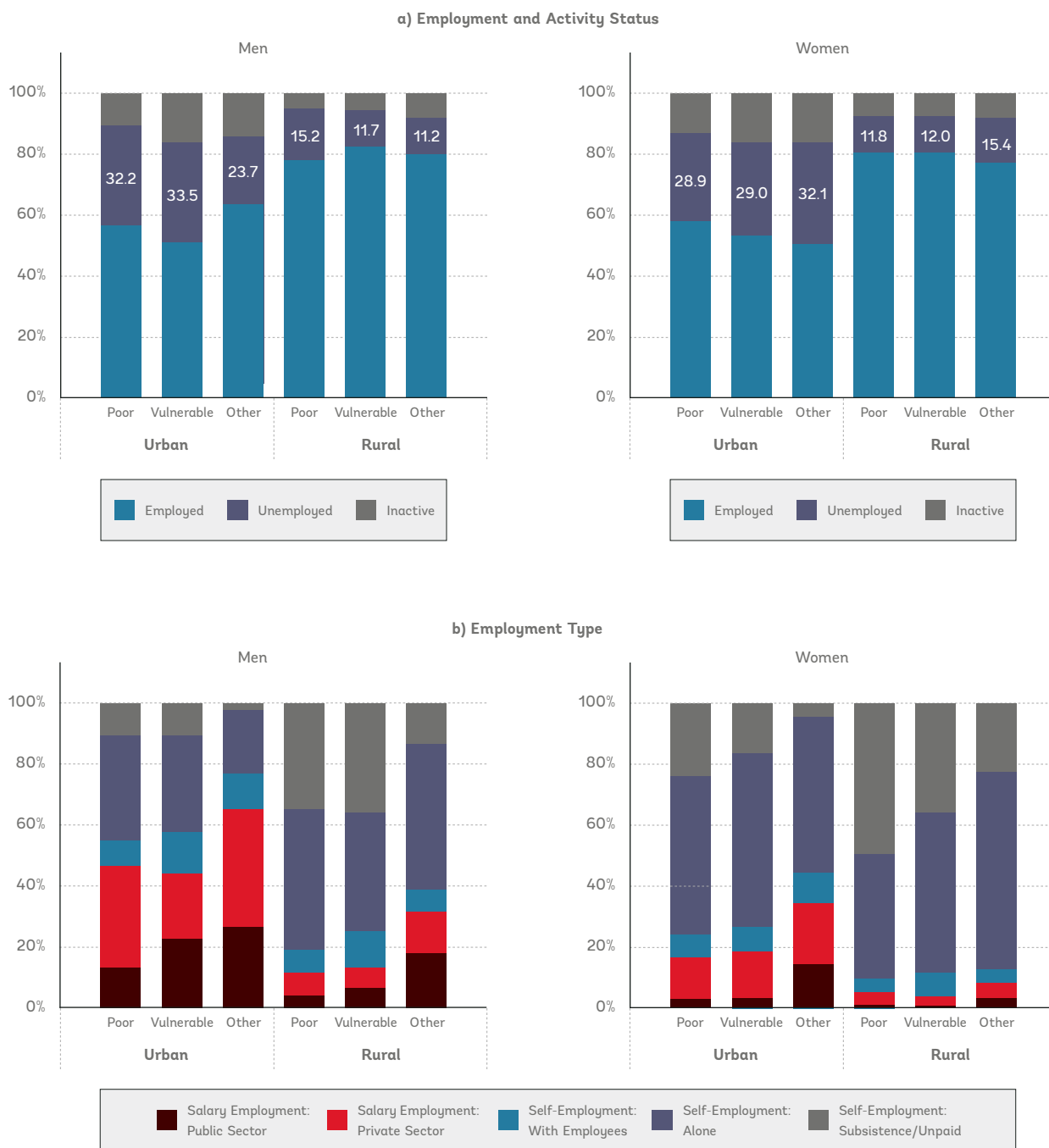
Source: World Bank calculations based on IDREA 2018/19

## Urban Poverty and the Job Market

**For men, urban poverty and vulnerability are associated with high unemployment rates** (Figure 3a). Unemployment is more prevalent in urban areas than rural for both men and women. But urban poverty and vulnerability is particularly correlated with men’s unemployment: men living in poverty or

vulnerability have unemployment rates of about 33 percent while those who are not poor or vulnerable face a somewhat lower unemployment rate of 24 percent. For women, however, the relationship is less clear; in fact, non-poor women have higher rates of unemployment than those living in poor or vulnerable households (32 percent compared to 29 percent).

**Figure 3:** Labor Market Outcomes by Poverty Status, Gender, and Rural/Urban (% of employed)



Source: World Bank calculations based on IDREA 2018/19. See Tables A2 and A3.

**Most employed women living in poverty in urban areas rely on self-employment** (Figure 3b). Among those working, 36 percent of men and 57 percent of women living in poverty engage in self-employed tasks in urban areas. This is similar for those vulnerable to poverty. This gender difference highlights that, while men with low skills have

some options for wage employment in sectors like transportation and construction, there are few such options for similarly low-skilled women. Instead, urban women rely largely on self-employment (with no employees), a category that includes a significant share of informal jobs such as street vendors (Box 2).

**BOX 2:** The Importance of Street Vending for Angolan Women

### The Importance of Street Vending for Angolan Women

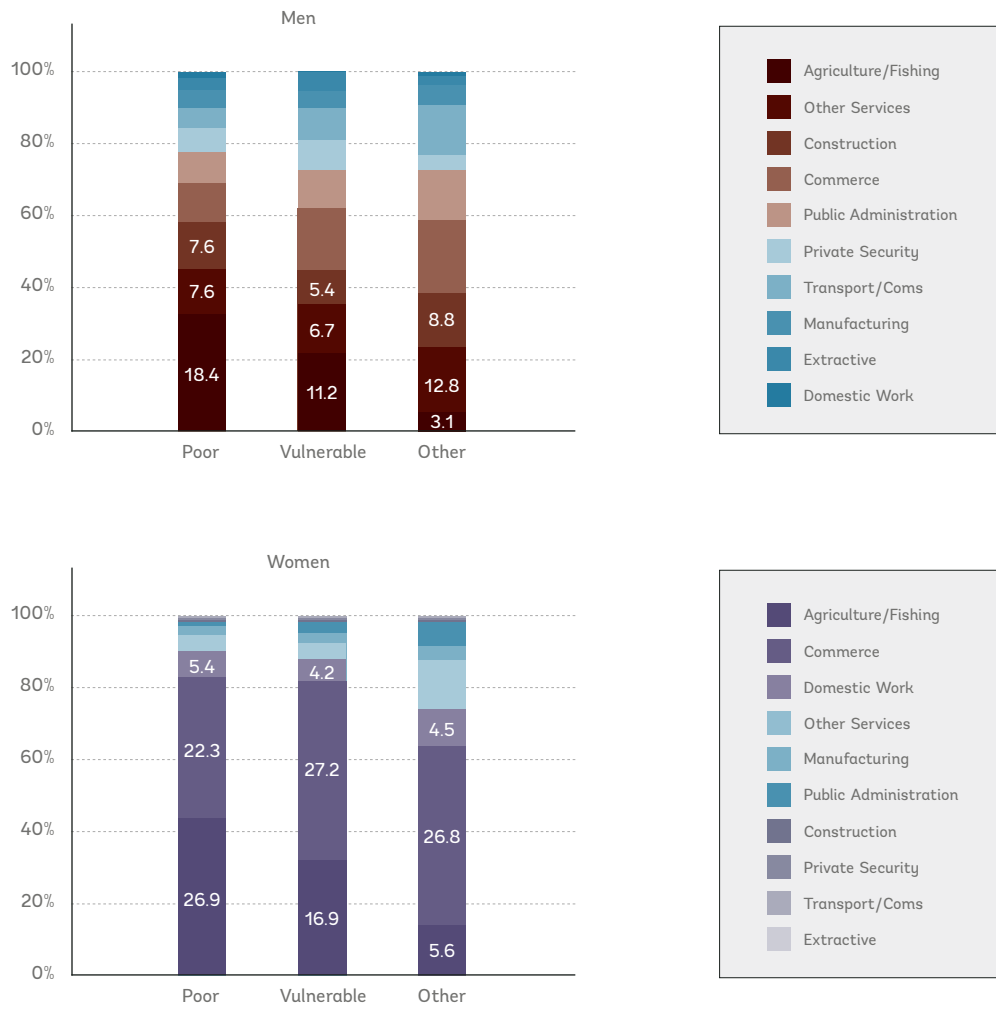
Street vending is a vulnerable occupation which nonetheless represents one of the most accessible employment opportunities for lower skilled Angolan women. Own-account commerce activities account for nearly 3 out of every 10 jobs held by women in urban areas. Nationally, female street vendors are overrepresented in the top 60 percent of the population with more than one in five in the top quintile of the population. Yet, in Luanda, a city with lower poverty rates and higher income levels, nearly half (47.9 percent) of women street vendors are in the poorest 40 percent of the city's population while only about one in ten is in the top quintile.

Source: World Bank (2023).

**Just two sectors account for the employment of more than 80 percent of urban women who are either living in poverty or vulnerable to falling into poverty: agriculture and commerce** (Figure 4). Interestingly, even in urban areas agriculture is the largest sector of employment for Angolans living in poverty. Almost half (46 percent) of employed women and a third (32 percent) of employed men living in poverty in urban areas engage in the sector.

Employment in commerce activities is particularly important for women living in vulnerable urban households, accounting for 51 percent of all employment of this group. **In contrast, men living in poverty or vulnerable to poverty, work across more sectors, including those with wage-job opportunities like construction and other services.**

**Figure 4:** Sector of Employment by Poverty Status, Gender, in Urban Areas (% of employed)



Source: World Bank calculations based on IDREA 2018/19. Sectors of employment are listed in order from least to most common from top to bottom.



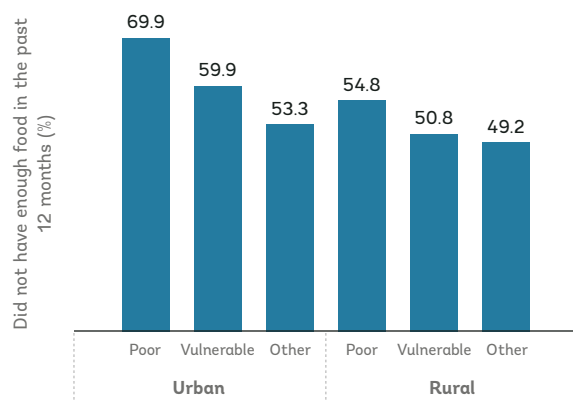
## Food Insecurity and Shocks

**Angolans living in poverty or vulnerable to poverty in urban areas report high rates of food insecurity** (Figure 5). In 2018, close to 70 percent of Angolans living in poverty in urban areas reported experiencing lack of food in the past 12 months and almost 80 percent reported worrying about food in the past 7 days. Similarly, close to 60 percent of vulnerable urban households reported experiencing lack of food and about 75 percent reported worrying about food. In rural areas, rates are lower and less correlated to poverty and vulnerability: close to 55 percent and 51 percent of households living in poverty and vulnerable to poverty, respectively, experienced a lack of food. Interestingly, in both urban and rural areas, about 50 percent of the households that are not considered poor or vulnerable also reported experiencing a

food shortage and close to 60 percent reported worrying about food. This suggests that perhaps vulnerability is even more widespread than what is captured by our methodology.

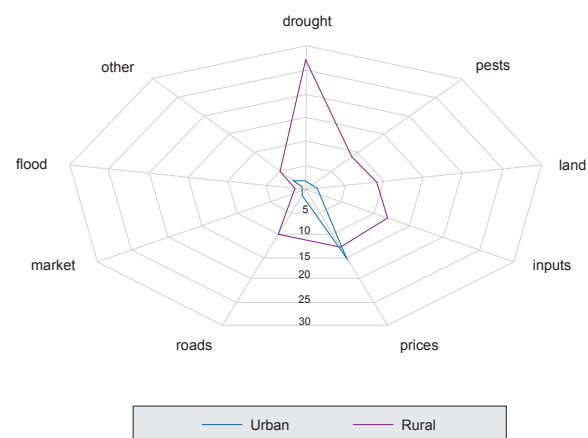
**High food prices are the leading cause of lack of food in urban areas** (Figure 6). This reflects the importance of monitoring food price shocks, especially in urban areas, and having strategies in place to mitigate their impact. In contrast, in rural areas, where most households living in poverty or vulnerable to poverty produce their own food, shocks to agricultural productivity – especially drought - seem to be more relevant, though high food prices is also a concern. While local climate shocks had direct and large impacts on access to food in affected rural areas, current evidence suggests few if any impacts on urban food security potentially due to Angola’s heavy reliance on imported food (Box 3).

**Figure 5:** Food Insecurity by Poverty Status and Rural/Urban



Source: World Bank calculations based on IDREA 2018/19

**Figure 6:** Cause of Food Shortage in Urban/Rural Areas



Source: World Bank calculations based on IDREA 2018/19.

**BOX 3:** The Interaction of Climate Shocks and Local Food Price

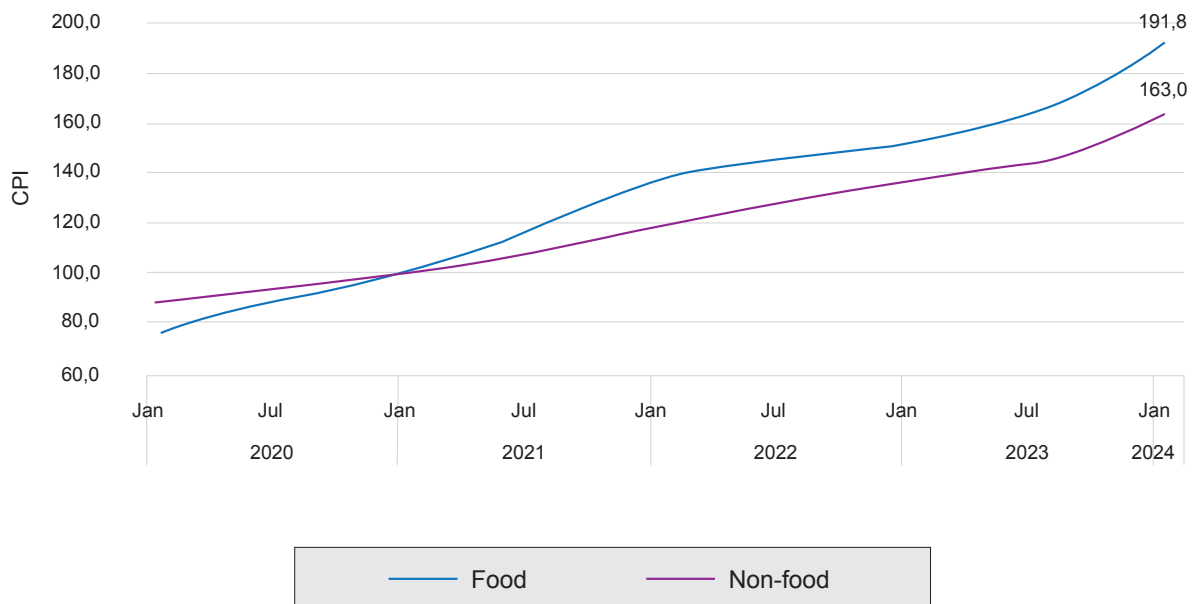
### The Interaction of Climate Shocks and Local Food Price

Global warming is influencing weather patterns, causing heat waves, heavy rainfall, and droughts and thus can affect food security both through adverse impacts on agricultural production and through rising food prices (World Bank 2022b). Yet, with regard to the latter transmission channel, there is **no statistically significant correlation between local climate shocks and food prices**. Such low correlation might be explained by the fact that **Angola, and especially Luanda, imports a large proportion of its food**: over 45 percent of maize needs, 80 percent of rice and 90 percent of wheat needs are met through imports, predominantly from Southern Africa and Portugal. Thus, food prices in local Angolan markets are likely to be exposed to shocks in countries that export grains to Angola.

**Food price inflation has outpaced the already high inflation in Angola over the last three years, posing significant challenges for urban households living in poverty and those vulnerable**

**to poverty** (Figure 7). Food prices increased by 92 percent while non-food prices increased by 63 percent, a gap of 29 percentage points between December 2020 and January 2024.

**Figure 7:** Consumer Price Index for Food and Non-Food Items, (12/2020 as base month)



Source: World Bank analysis based on official CPI indicators.



## CONCLUSIONS

**A third of Angolans living in poverty or vulnerable to falling into poverty live in urban areas.**

Economic shocks and recent reforms – such as currency devaluation and gasoline subsidy reform – have contributed to high inflation. Angola’s continued reliance on food imports has led to inflation that is particularly high for food. This is a particular vulnerability for the urban poor who

are less likely to produce their own food. Yet, the country’s flagship cash transfer program, Kwenda, launched in 2020, only operates in rural areas.

A significant concern in developing strategies to tackle the needs of the urban poor is how to identify those that most need support – the population living in poverty and those vulnerable to poverty.

**The results reported in this note suggest the following entry points for effective targeting of urban poverty:**

- 1. Target childhood poverty and hunger,** particularly those in women-headed households, since one third of urban households living in poverty are headed by women and more than half of the members of households in poverty are children under the age of 15. Improved access to schooling, including early education, and well implemented school feeding programs could help directly tackle childhood poverty.
- 2. Geographical targeting based on poor housing conditions.** The analysis shows that poor and vulnerable households are significantly less likely to have adequate walls and floor as well as access to electricity and improved waste management. This suggests that geographic targeting that considers the quality of walls and floors can be particularly valuable as a tool for identifying the urban poor for inclusion in social safety net programs.
- 3. Target interventions for women working in small-scale agriculture or commerce, like street vending.** These two sectors account for 80 percent of jobs for women in urban areas living in poverty.
- 4. Expand social safety measures during periods of high food prices.** Given the high risk of food insecurity in urban areas and high vulnerability to food price shocks, these are critical moments for food support or other targeted support.

**An effective social safety net cannot end poverty on its own. It should be integrated with other sectoral interventions.** The analysis suggests two areas that are particularly relevant for urban Angola:

- 1. Tackling high unemployment, especially among youth.** About one-third of people

living in poverty or vulnerable to poverty are unemployed, both men and women. Developing programs that provide temporary monetary support combined with skills-training and support in job seeking or support to micro enterprises could be particularly beneficial for poverty reduction in this context.

- 2. Improving women's economic opportunities:** Women's employment opportunities are particularly weak and highly correlated with urban poverty. It is critical to address constraints to **women's wage employment opportunities**. Low-skilled men are significantly more likely have wage employment in a variety of sectors such construction, transportation, the public sector, or in other service jobs. One barrier faced by women is the heavy burden of household care which limits their availability for fixed-schedule work and, in many cases, for jobs to which they cannot bring young children.<sup>2</sup> Affordable childcare and early childhood education could help working mothers improve their employment prospects. In the near term, **initiatives to support women's microenterprises are essential** as the lack of employment opportunities leads most women living in poverty towards self-employment in agriculture and trade.
- 3.** To improve health outcomes, increase access to jobs and markets, and boost microenterprise productivity, there is substantial need for affordable and reliable electricity and water services, an expanded and affordable **public transit system**, and **broader access to digital tools**, particularly mobile money and electronic payment options.<sup>3</sup> Digital development can be beneficial not only help boost opportunities for the self-employed and small enterprises, including many led by poor and vulnerable Angolans, but also for implementing a well-functioning and responsive safety net in Angola.<sup>4</sup>

2. Source: World Bank (2023)

3. Source: World Bank (2023)

4. Source: World Bank (2023)



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