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# Project Information Document (PID)

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Concept Stage | Date Prepared/Updated: 04-Mar-2019 | Report No: PIDC26449



**BASIC INFORMATION**

**A. Basic Project Data**

Country Angola	Project ID P169779	Parent Project ID (if any)	Project Name Angola Social Safety Nets (P169779)
Region AFRICA	Estimated Appraisal Date May 06, 2019	Estimated Board Date Jun 25, 2019	Practice Area (Lead) Social Protection & Labor
Financing Instrument Investment Project Financing	Borrower(s) Ministerio das Financas	Implementing Agency Ministerio da Accção Social, Familia e Promoção da Mulher, Fundo de Apoio Social	

**Proposed Development Objective(s)**

The objectives of the project are (1) to mitigate the impacts of the subsidy reform with temporary income support to poor households in selected areas, and (2) to strengthen the delivery mechanisms for the development of a permanent social safety net system.

**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	330.00
<b>Total Financing</b>	330.00
<b>of which IBRD/IDA</b>	320.00
<b>Financing Gap</b>	0.00

**DETAILS**

**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	320.00
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**Non-World Bank Group Financing**

Counterpart Funding	10.00
Borrower/Recipient	10.00



Environmental and Social Risk Classification

Low

Concept Review Decision

Track II-The review did authorize the preparation to continue

## B. Introduction and Context

### Country Context

**The Angolan economy is at a significant juncture.** The current model based on oil wealth has delivered neither inclusive growth nor shared prosperity and is highly vulnerable to external shocks in oil prices. The new government, in office since September 2017, is demonstrating strong commitment to reforms and developing a new growth model that is more open and inclusive, and less dependent on oil. One of the main challenges facing the country in transitioning to the new model is to protect the poor and vulnerable while supporting the private sector to spearhead economic diversification. Up to now, Angola has relied on the oil industry and high oil prices to drive economic growth. However, while GDP per capita almost doubled over the period to US\$ 4,164, World Bank estimations suggest that poverty hardly budged from 32 to 28 percent (projected poverty at 1.9 USD PPP 2011) over the period and the Gini coefficient marginally improved from 0.54 to 0.47 and has stayed constant since 2008. Since then, the sustained decline in oil prices has affected the economy significantly and the government cut expenditures in goods and services and public investments.

**Angola's wealth has hardly benefitted its poor.** The boom and bust cycles and high revenue/expenditure volatility are preventing sustained investment in physical and human capital, which could prove counterproductive to longer-term development. The Republic of Angola is the third largest economy in Africa, the second largest oil producer, and the third diamond producer. However, its human development outcomes rank below those of most lower income countries. In 2018, Angola ranked 147 (out of 188) in terms of Human Development Indicators. At 0.36, its human capital index trails behind the SSA average of 0.40, in par with that of Mozambique. Life expectancy at birth was at 53 years in 2016, making it the seventh-lowest in the world. Angola had the highest infant (96 per 1,000 live births) and child (157 per 1,000 live birth) mortality rates in the world in 2015. At 477 per 100,000 live births, maternal mortality rate has improved over the past few years but remains almost eight times the average in UMICs (57 per 100,000 live births). Angola is in the bottom 10 countries in terms of learning outcomes.

### Sectoral and Institutional Context

**Angola's public spending on social sectors, as a share of GDP, is below other country group averages.** Social protection and national defense are the third and the fourth largest expenditure categories, respectively, though their relative position changes from year to year. In 2018, the budget allocation for the social protection sector decreased in nominal terms while the allocation for health and education increased but decreased as a percent of estimated GDP. Social safety net expenditures were 0.3 percent of GDP -- well below the average spending in Africa of 1.3 percent of GDP. Despite decreased fuel and utility price subsidies, the amount spent in 2017 remained above the amount spent in upper-middle-income countries (UMICs) (1 percent of GDP in Angola versus 0.5 percent of GDP in UMICs).



**The GoA has made important progress in establishing a social protection system, but the system remains highly fragmented.** Law 7/04 of 2004 establishes the legal and institutional framework for social protection in Angola with three pillars: Basic, Compulsory, and Complementary Social Protection. The Ministry of Social Action, Family, and Promotion of Women (*Ministério da Acção Social, Família e Promoção da Mulher*, MASFAMU) is the main institution responsible for coordinating the implementation of social policies in Angola. Social protection spending is highly concentrated in two ministries: The Ministry of Public Administration, Labor, and Social Security (*Ministério da Administração Pública, Trabalho e Segurança Social*, MAPTSS) and the Ministry of National Defense (*Ministério da Defesa Nacional*, MINDEN) mainly for contributory social protection. Other ministries, including MASFAMU, the Ministry of Health (*Ministério da Saúde*, MINSÁ), the Ministry of Ex-Combatants and Veterans of the Motherland (*Ministério dos Antigos Combatentes e Veteranos da Pátria*, MACVP), and the Ministry of Territorial Administration (*Ministério da Administração do Território*, MAT), received very limited budget allocation, barely 2 percent of total social protection spending, which is allocated to noncontributory social assistance. 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. The Social Action Fund (*Fundo de Acção Social*, FAS) supports local service delivery and is starting a cash-for-work program with support from the World Bank.

**Social protection spending has decreased significantly, is poorly targeted and largely ineffective.** Social protection spending (including pensions, subsidies and social assistance) decreased from 7.8 percent of GDP in 2010 to 2.2 percent of GDP in 2016 -- from 19 percent to 8 percent of total government expenditure. The share of war-related assistance expenditures increased relative to expenditures targeted to the poor and vulnerable. Government spending on fuel and utility price subsidies has by far exceeded spending on (contributory and non-contributory) social transfers. Angola's social protection spending is thus highly regressive, since price subsidies—which mainly benefit the better-off<sup>1</sup>—accounted for almost 64 percent of total social protection spending between 2010-2017. Overall, the country's social protection system needs to better align with the social needs of a young, growing population, with high levels of multi-dimensional poverty and significant spatial, gender and generational inequality.

**Subsidies have historically represented a large share of the budget, but a combination of policy reforms and falling oil prices has reduced their budgetary impact since 2015.** Angola subsidizes fuel, electricity, water and transport prices and state-owned enterprises (SOEs). The 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 1.4 percent of GDP in 2017. The extent of the total impact of the subsidy reform (including fuel, water, electricity, transport) is not yet known because information regarding the magnitude and structure of subsidies is scarce. The government intends to move quickly with further subsidy reform and to improve the effectiveness of social protection interventions. The GoA has recognized social protection programs as an effective way to mitigate impacts of the economic crisis and subsidy reforms on poor and vulnerable households. The subsidy reform provides an opportunity to shift the social contract from one of inefficient universal subsidies to poverty-targeted social programs and could be a catalyzer to set up the building blocks of an effective social protection system. In addition, strengthening social protection can help increase the political space for further reforms. Eventually, the government should direct part of the savings obtained from subsidies and other efficiency gains toward increasing education, health, and social protection expenditures.

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<sup>1</sup> While 77 percent of fuel price subsidies benefit the top 40 percent households, only 10 percent accrues to the bottom 40 percent.



## Relationship to CPF

**The 2018 SCD for Angola identified exclusion, i.e. the inability of the poor to benefit from growth, exacerbated by under-investment in services and weak human capital, as one of the key binding constraints to the country's development.** It highlighted increasing social protection coverage and efficiency as a key development priority. The proposed project would contribute to this priority and is fully aligned with the third area of Angola's draft CPF for 2020-25 "Improve Human Capital through a multi-sectoral and spatial approach".

**The proposed project is also fully in line with Angola's National Development Plan for 2018-22 notably its first strategic axis on "Human Development and Social Welfare"** which includes a program objective on social protection and assistance and one on local development and poverty alleviation and stresses good governance and evidence-based decision-making for policy. The proposed project would directly contribute to strengthening the Unified Social Registry (*Cadastro Social Unico*) with the planned registration of up to two million households (40-45 percent of the population), which will provide a key tool for social policy planning and coordination. In addition, the project will strengthen monitoring and evaluation.

**The proposed Project is also aligned with the World Bank Social Protection and Labor Strategy for Africa (2012-2022) and contributes to the World Bank twin goals.** It supports the overarching goal of helping improve resilience, equity, and opportunity for people in both low-and middle-income countries. The Project follows the strategic direction of moving from fragmented approaches to more harmonized systems for social protection. This would be achieved by building adequate delivery systems for social protection programs and by building administrative and operational capacity for program implementation at central and decentralized levels. The Project would promote boosting shared prosperity, by increasing Angola's social policy focus on the bottom two quintiles of consumption in Angola. The cash transfer component would provide an income boost to these households.

### C. Proposed Development Objective(s)

The objectives of the proposed Project are to provide temporary income support to poor and vulnerable households in selected areas while strengthening the delivery mechanisms for the development of a basic social safety net system

#### Key Results (From PCN)

Progress towards meeting the project development objectives would likely be measured through the following key results indicators:

- Number of households registered in the Unified Social Registry in targeted areas,
- Number of poor beneficiaries in households receiving regular temporary cash transfers in targeted areas (sex-disaggregated),
- Percentage of cash transfer beneficiary households among the poorest 40 percent,
- Percentage of cash transfer recipients in beneficiary households receiving their transfer per the payment schedule (sex disaggregated)
- Percentage of females/males in cash transfer beneficiary households participating in productive inclusion activities
- Percentage of cash transfer females/males in cash transfer beneficiary households benefiting from investments in human capital.

The final selection of PDO and intermediate indicators and targets for the proposed project would be defined further during the consultative project preparation process.

#### D. Concept Description

The proposed project would assist the government of Angola in enhancing the readiness of the social protection sector to implement short and mid-term mitigation measures that would (i) enable the country’s subsidy reform; and (ii) help establish an effective social protection system.

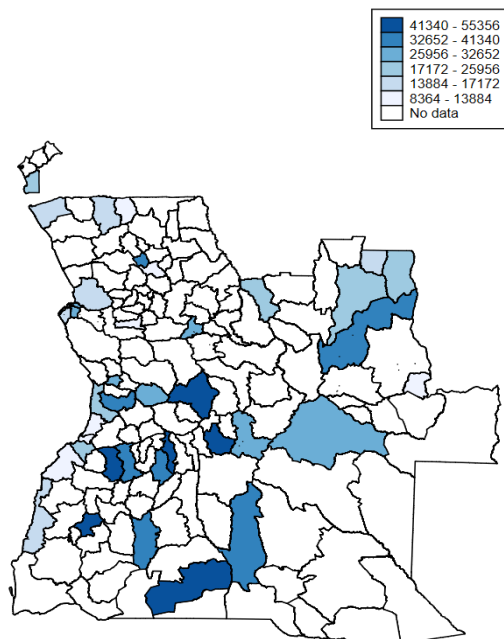
#### **Component 1: Cash transfer program to mitigate the impact of the subsidy reform on poor households (US\$ 245 million and US10 million counterpart funding)**

The objective of this component is to design and implement a temporary cash transfer program that aims to mitigate the impact of the subsidy reform on poor and near poor populations with a goal of reaching one million households.

#### **Targeting:**

**Beneficiary households would be selected using a combination of geographical targeting and a poverty verification process** (Proxy Means Test) involving household surveys and a final community validation. Given the products affected by the planned price subsidy reform (water, electricity, transport and fuel), urban areas are likely to be most affected by the reform. The geographical targeting would focus on provincial capitals and the municipalities that concentrate the highest number of urban households in the bottom two quintiles (Figure ). Within each of the selected municipalities, *comuna*-level and information permitting, *bairro*-level poverty maps would further narrow the geographical scope of the registration. At the household-level, potentially eligible households would be surveyed at selected registration points with a questionnaire collecting basic information to identify and locate the household and compute their proxy-means score. It is expected that the project would support the registration of up to 2 million potentially eligible households in the selected areas. The information will form the basis of the unique social registry (*Cadastro Social Unico*, CSU).

**Figure 1: Targeted municipalities and total number of beneficiary families**





## Transfer amounts and payments

**Transfers to be received by the beneficiary households amount to the equivalent of 10 percent of the poverty line per individual i.e. KZW 5,000.00** (approx. US\$ 15.00) per month and per family (close to the average poverty gap of KZW 5,500.00). Preliminary simulations (World Bank, 2016) showed that this amount would cover for the estimated welfare impacts of a fuel subsidy reform<sup>2</sup>. This amount maximizes the cost-benefit ratio of the transfers in terms of estimated poverty reduction impacts.

**Under the proposed project, the cash transfers would last for one year**, after which a subset of households would be integrated into other complementary safety nets programs (Component 2.C). Efficient payments systems would be built under the project to ensure that most payments are made through competitively selected external payment agencies (Component 2A). Payment agencies will eventually be selected on the quality and costs of services they would offer to facilitate beneficiaries' access to the funds. Initially, transfers would be paid bimonthly through bank accounts and debit cards (potentially quarterly in areas where payment infrastructure is especially weak).

## Recipients

**Despite the dearth of individual-level information on poverty in Angola, documented gender inequality in the country suggests that the marginal impact of the transfers would be higher if they reach women.** Approximately 40 percent of households in the first two quintiles self-report as female-headed. The project will support specific outreach activities to ensure these households can access registration points. The project will encourage the issuance of beneficiary ATM cards to women in beneficiary households. Complementary activities, including activities in partnership with the Ministry of Justice to increase access to identification (*Bilhete de Identidade*) especially for women and with Community and Health Development Agents (ADECOS) and civil society to improve gender relationships on household expenditure management and decision-making would be designed to complement the cash transfers and mitigate potential risks of intra-household conflict and gender-based violence.

## Component 2: Development of an effective basic safety nets system (US\$ 65 million)

**The specific objective of this component is to strengthen the capacity of MASFAMU, FAS and partner institutions** responsible for activities in social safety nets at the central, provincial and municipal levels to implement short term measures and build the key blocks of a proper safety nets system. This component includes three sub-components that aim to build key permanent delivery systems, strengthen communication, and develop complementary programs to support productive and human capital investments at the municipal level.

### ***Subcomponent 2.A – Key permanent delivery systems to implement social protection programs (US\$ 15 million)***

**This subcomponent is expected to increase the effectiveness of the social protection system by developing delivery systems that enhance the effectiveness and efficiency of the social protection sector** and allow MASFAMU, especially the National Directorate for Social Assistance, and FAS to better manage their programs. The specific systems to be further developed under the project include the following:

- **Social Registry (*Cadastro Social Unico*).** The Government of Angola is committed to the operationalization of a Unique Social Registry that would serve as a national instrument for outreach, intake, registration, and determination of

<sup>2</sup> Preliminary analysis (World Bank, 2016) showed that rural households would lose about 4.5 percent of household consumption while urban households would lose on average almost 9 percent of consumption



potential eligibility for all social programs. The Social Registry is also conceived as a planning tool for municipalities to better understand the vulnerability of their populations. It would contribute to strengthen capacity to design policies and programs and perform monitoring and evaluation of existing programs.

- **Targeting system.** The targeting system will include (i) geographical targeting through poverty maps; (ii) individual targeting through a PMT formula; and (iii) community validation.
- **Payment system.** A payment system will be established, working through external payment agencies with a view to stimulate financial inclusion. The first phase will entail transfers to bank accounts. The government would need to contract one or more payment agencies through a competitive process. Selected payment agencies would deliver transfers through electronic payment instruments (initially debit cards) linked to a basic transaction bank account, set-up specifically for the program.
- **Management Information System (MIS).** An MIS specifically for the short-term mitigation measures (cash transfers) will be designed and implemented. The main modules would comprise (i) registration into the CSU and beneficiary identification modules; (ii) payments module; (iii) Monitoring and Evaluation (M&E) module; and (iv) grievance redress mechanism (GRM). Modules to support the safety net system would include (i) referral to productive inclusion and human development services, (iii) benefits management.
- **M&E system.** Current safety net interventions do not collect systematically output and outcome indicators and no impact evaluations of MASFAMU's core interventions are available. The project would help MASFAMU and FAS improve their M&E system by: (i) defining a results framework for the cash transfers and developing instruments to track these indicators; (ii) conceptualizing the instruments to be used to monitor the cash transfer programs and other selected interventions, including performance of the registry, process evaluations, impact evaluation; and (iii) assessing beneficiary perception and satisfaction.
- **Grievance Redress Mechanism (GRM).** An information and complaint redress system to enable both beneficiary and non-beneficiary households as well as local implementers to inform and lodge complaints about selection, payments, compliance, quality of services or any other issue arising during implementation, and to seek redress will be designed and implemented under the project.
- **Referral system for cash transfer beneficiary households to access productive inclusion and human development interventions.** After the temporary cash transfers to mitigate the impacts of the subsidy reform, a subset of beneficiary household members would be referred to productive inclusion activities supported by FAS and/or human development programs/services implemented by MASFAMU, Ministries of Health and Education.

**The registration, targeting, payment systems and a basic version of the MIS for the cash transfer program will be piloted** with support of the on-going Local Development Project (P160105). Experience from this pilot will inform the phased scale-up of the cash transfer programs.

### ***Subcomponent 2.B: Communication strategy for the subsidy reform and the safety net programs (US\$ 5 million)***

**This sub-component is expected to increase the support for the subsidy reform and help enlarge the political space for its implementation.** The project would support the Ministry of Finance, the Ministry of Social Communication and MASFAMU to set up a communication strategy and system for the sector and specifically for the subsidy reform. Communication activities will provide key information to external (citizens) and internal (civil servants and decision-makers) audiences to help create awareness and understanding of the subsidy reform, including rationale in the overall reform agenda, calendar, planned mitigation measures, and improve participation/outreach.

**The project would also support FAS and MASFAMU to set-up an information, education and communication strategy for the operationalization of the cash transfer program** and other selected programs to foster basic awareness about the





role and functions of the social registry, its relationship with the cash transfer programs and other safety nets, the characteristics of the cash transfer program and the role and responsibilities of the different implementers. Outreach will be especially key to foster registration and to inform potentially eligible households about the registration process (on-demand at registration points, type of information and documentation needed). Communication should emphasize that registration does not guarantee access to the cash transfers or any other safety net programs. Communication should also explain the process for enrollment into the cash transfer program, the payment mechanism, the process for complaints and appeals, and the roles and responsibilities of main implementers.

***Subcomponent 2.C: Establishment of a basic social safety nets system, supporting investments in productive and human capital (US\$ 45 million),***

**This sub-component is expected to increase the poverty impacts of the safety net systems by helping address more structural characteristics of poverty.** It aims to support the Government of Angola in establishing an effective poverty-target cash-based safety nets system in the mid-term. Institutional and administrative capacity for well-targeted and scalable social assistance programs for the poor - such as cash transfers, productive inclusion initiatives and support to human capital development- would be built at the decentralized level to enable the poor and vulnerable population to participate in the country's development and growth process.

**A subset of the cash transfer program beneficiaries would be referred to existing productive inclusion, supported by FAS in selected municipalities.** The project would develop a referral system (Component 2.A). The types of activities offered to participants would largely depend on the interventions available in their municipality of residence but would include cash-for-work programs and specific technical assistance would be provided to increase their poverty reduction and resilience impacts.

**Based on the information in the social registry, the project would support technical assistance to strengthen social sectors coordination bodies** at the municipal level such as the Social Concertation Committee (*Comité de Concertação Social*) and at the national level the National Council for Social Action. The project might support pilot coordination mechanisms and intervention between the SSN, identification, health and/or education providers managed by the incipient municipal Integrated Centers for Social Assistance (CASI) to provide incentives and information for eligible households to get identification documents for their members, to further invest in children's human capital through continued schooling, prevention of early marriage or teenage pregnancy, and access to reproductive health services.

**Component 3: Project management (US\$ 10 million)**

**This component would support the establishment of a dedicated project implementation unit to support FAS and MASFAMU in implementing activities.** It is anticipated that FAS will lead the implementation of the cash transfer program and the overall implementation of the project activities while MASFAMU will focus on coordination, overall communication strategy for the reform, and coordination with human development service providers. As organized for project preparation, the project will support the establishment of a multi-sectoral steering committee lead by the Presidency and including MinFin, MASFAMU, MAT and others to guide the project team and contribute to a whole of government approach for the subsidy reform.



Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

#### Summary of Screening of Environmental and Social Risks and Impacts

The project activities do not include at the moment any physical works or construction. These include unconditional cash transfers, and referral of a subset of households to complementary interventions such as providing skills and grants to poorer household members, to promote self-employment and entrepreneurship, increase local productivity and enhance linkages with other existing Government initiatives. However, the potential for indirect environmental impacts to cash transfers beneficiaries have been identified. The overall social benefits are expected to be positive but there are identified social risks and impacts related to gender inequality, social inclusion, sexual exploitation and abuse (SEA), gender-based violence (GBV), use of security personnel, legacy issues relating to heightened vulnerability status of beneficiaries who may have previously been subject to forcible relocation and indigenous people. The project will prepare an Environmental and Social Management Framework (ESMF) that will provide general baseline information; describe the typology of subprojects and assess anticipated E&S risks and impacts based on the typologies; describe how subprojects will be reviewed and screened, including the type and timing of subproject E&S assessment instruments; and detail the institutional arrangements for E&S assessment, management, supervision and reporting. The ESMF will be expected to address potential for indirect environmental impacts, as well as social risks and impacts such as social inclusion, resource competition/inter and Intra-household conflict, and any legacy issues. SEA and GBV risks will be managed through an Action Plan and an Indigenous Peoples Policy Framework (IPPF) will be prepared to address engagement with indigenous peoples. Social risks expected to be avoided through project design include support for specific outreach activities to ensure female-headed households can access registration points and will encourage the issuance of beneficiary ATM cards to one woman or the main couple in households. Encouraging the issuance of ATM cards will also avoid potential risks related to use of security personnel for distribution of cash benefits. Current triggered ESS are : 1, 2, 4 ,7 and 10.

**Note** To view the Environmental and Social Risks and Impacts, please refer to the Concept Stage ESRS Document.

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**APPROVAL**

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