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THIS ACTION IS FUNDED BY THE EUROPEAN UNION

ANNEX 1

to the Commission Implementing Decision on the financing of the annual action plan in favour of Angola for 2022

Action Document for Support to formalisation of the economy including social protection and support to Public Financial Management

ANNUAL PLAN

This document constitutes the annual work programme within the meaning of Article 110(2) of the Financial Regulation, within the meaning of Article 23 of the NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title CRIS/OPSYS business reference Basic Act	Support to formalisation of the economy including social protection and support to Public Financial Management OPSYS number: ACT-61306 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	Yes TEI: Diversification of Economy and Public Financial Management Angola ¹
3. Zone benefiting from the action	The Action shall be carried out in Angola
4. Programming document	2021-2027 Multiannual Indicative Programme (MIP) Angola ²
5. Link with relevant MIP objectives / expected results	This Action will be contributing to the following MIP objectives and expected results: - Priority Area 1: Sustainable Economic Diversification – Specific objective 1. Improved competitiveness and sustainability of the local private sector in Angola - Expected result (c) Private and public investments scaled-up, including addressing the MSME financing gap - Priority Area 2: Transparent, accountable and effective governance – Specific objective 2. Improve Economic Governance and strengthen the social protection system - Expected results: (a) Public Finance Management improved, including strengthening Domestic Revenue Mobilization, and better efficiency and accountability of public expenditure; (b) Transparency and governance of the extractive industries improved; (c) Nationally Appropriate Social protection systems and measures implemented for all.

¹ [Angola | Team Europe Initiative and Joint Programming tracker \(europa.eu\)](#)

² Commission Decision on the adoption of the National Indicative Programme between the European Union and Angola C(2021) 9359 final of 15.12.2021.

PRIORITY AREAS AND SECTOR INFORMATION				
6. Priority Area(s), sectors	- Priority Area 1: Sustainable Economic Diversification – Sector: Improved competitiveness and sustainability of the local private sector in Angola (DAC Code 250) - Priority Area 2: Transparent, accountable and effective governance – Sector: Improve Economic Governance and strengthen the social protection system (DAC Codes 150 and 160)			
7. Sustainable Development Goals (SDGs)	Main SDG: 1 - No poverty Other significant SDGs: 5 - Gender equality; 8 - Decent work and economic growth; 10 - Reduced inequalities; 16 – Peace, justice and strong institutions; 17 - Strengthened partnership for sustainable development			
8 a) DAC code(s)	16070 - Formalisation of informal work 90% 15111 - Public Financial Management 5% 15114 - Domestic Revenues Mobilisation 5%			
8 b) Main Delivery Channel	Central Government – 12001 Third Country Government -13000 European Union Institutions - 42000			
9. Targets	<input type="checkbox"/> Migration <input type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input checked="" type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Climate change adaptation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Internal markers and Tags:	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital connectivity	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>	/
	digital governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	digital entrepreneurship	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	digital skills/literacy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	digital services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Connectivity @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
digital connectivity	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>	/	
energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
transport	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
health	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
	education and research	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Migration @ (methodology for tagging under development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities @ (methodology for marker and tagging under development)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Covid-19	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	<p>Budget line(s) (article, item): BGUE-B2022-14.020122-C1-INTPA</p> <p>Total estimated cost: EUR 62 600 000</p> <p>Total amount of European Union (EU) budget contribution EUR 60 000 000</p> <p>This action is co-financed in parallel co-financing by Agence Française de Développement (AFD) with an amount of EUR 2 600 000</p> <p>The action is part of the Team Europe Initiative 'Diversification of Economy and Public Financial Management' which includes the participation of the European Investment Bank (EIB), France/AFD, the Netherlands and Portugal.</p>			
MANAGEMENT AND IMPLEMENTATION				
13. Type of financing	<p>Direct management through:</p> <ul style="list-style-type: none"> - Budget Support: Sector Reform Performance Contract - Procurement <p>Indirect management with:</p> <ul style="list-style-type: none"> - International Labour Organisation (ILO) - Agence Française de Développement (AFD) 			

1.2 Summary of the Action

This Action will support the expansion and strengthen the sustainability of Angola's economic formalisation programme. A low-middle income economy with high oil dependency, Angola is also characterised by poverty, unemployment, low social protection and gender inequality. Diversification, decent work for all (SDG 8) gender equality (SDG 5) and poverty reduction (SDG 1) are priorities with support across the political spectrum and reflected in the National Development Plan (NDP)³. Following the presidential and parliamentary elections held in August 2022, the new government is expected to adopt a new NDP 2023-2027, with the same development goals supported by the 2021-2027 MIP Angola⁴.

To reduce the informality of the Angolan economy in line with the Government's aspiration of diversifying the economy and promoting decent jobs for all, the Government of Angola launched in 2020 the Informal Economy Conversion Programme (PREI, *Programa de Reconversão da Economia Informal*) a multi-sectorial programme supported by an EU's Budget Support 2020-22 (first disbursement in 2021 and second and last disbursement expected in 2022). The African Development Bank (AfDB) also provided technical assistance through the United Nations Development Programme (UNDP). To date, a small-scale though relatively successful formalisation campaign has focused on a simplified registration process followed by some immediate benefits (trainings, and access to mobile money and microcredits). To that end, legal provisions have been enacted, allowing for: i) fast-track municipal registration for vendors; ii) 'one stop-shop' for the creation of micro, small and medium enterprises (MSMEs) - *Guiche Unico de Empresa* (GUE); and iii) low income self-employees registration to the National Institute for Social Security (INSS, *Instituto Nacional de Segurança Social*)⁵. Yet, more efforts are needed to regularise taxpayers and increase adherence and contributions to the INSS.

The campaign registered 225 520 informal workers until 7 July 2022, starting in the markets of Luanda and expanding to all provincial capitals, increased public awareness and elevated the PREI's political profile. Data has been gathered and a consultative forum, named Observatory of the Informal Economy (OEI, *Observatorio da Economia Informal*), was formally created to further tailor the PREI to the needs of informal workers and enterprises. To further expand the scale and scope of the programme, the PREI is looking into more sustainable solutions, including the adoption of incentives for economic operators (workers and firms) to stay formalised and the promotion of greater productivity.

This Action aims at strengthening the sustainability of the ambitious scale-up of PREI, in terms of results and expansion to all Angola's markets, as well as its suitability to the needs of informal operators. The idea is to help the authorities design a sustainable "one-stop shop", or integrated administration service closer to the centres of informal economic activity, jointly with simplified procedures and lower transition costs. The Action also seeks to expand access to social protection, financial services and business-related trainings for vulnerable economic operators (workers and businesses), in particular women. The lead ministries (Ministry of Economy and Planning (MEP) and of Finance (MINFIN) will draft the PREI's Action Plan for 2023-2027 to provide sustainable formalisation solutions and have requested the continued support of the EU.

Specifically, with this Sector Reform Performance Contract, the EU will provide financial transfers (EUR 45 000 000) and technical assistance as well as conduct inclusive and gender-responsive policy dialogue towards defining a Government plan to ensure sustainable formalisation and achieving continuous progress in accelerating the formalisation process, along with social benefits (access to social protection) and financial inclusion.

Further to enabling formalisation through registration, a longer-term policy challenge is to retain workers and firms in the formal sector. That is contingent on enlarging, improving and stabilising Angola's diversified economic prospects, its business climate and rule of law, fiscal and financial sector policies and social services, both at central and decentralised level. To start addressing this underlying challenge, this Action will promote an inclusive, comprehensive and strengthened social policy dialogue on the required medium-term structural reforms.

Through this Action, the EU will also support stability-oriented macro-economic measures and key Public Finance Management (PFM) reforms, through policy dialogue on related budget support general conditions, technical

³ [minfin601408.pdf \(gov.ao\)](#)

⁴ C(2021) 9359 final.

⁵ The law 15/19 of 23 of May - to regulate the commercial and trade activity of stallholders and street sellers. The Law 94/21 - To regulate the Micro, Small, and Medium enterprises. It establishes the "One-stop shop" for the creation and registration of the MSMEs. Executive Decree 97 / 22 of 2 May, which set up the contributory social protection regime for low-income self-employees

assistance and complementary measures, including a EUR 5 000 000 contribution to AFD. The on-going Public Expenditure and Fiscal Accountability (PEFA) assessment will guide the Government's enhanced PFM Reform Plan strategy on the PFM Reform Action Plan and on bolstering the mobilisation of domestic revenues. Building on the PEFA's guidance and the PFM Reform Action Plan, the contribution to AFD aims at supporting the Government's reform agenda in three areas: i) PFM and transparency of public administration; ii) governance of the State-owned Enterprises (SOEs) and Public Private Partnerships (PPPs); and iii) inclusiveness and sustainability of the financial sector.

This action is part of the Team Europe Initiative (TEI) Diversification of Economy and Public Financial Management.

2 RATIONALE

2.1 Context

With a GDP of USD 58.5 billion⁶, Angola is the third-largest economy of Sub-Saharan Africa. Its fossil fuel dependency, combined with low economic diversification, makes the country highly vulnerable to external economic shocks and financial crisis. Unable to cope with the structural and macroeconomic challenges, partly as result of the global crisis linked with the COVID-19 pandemic, its graduation to Middle Income Country (MIC) has been deferred from 2021 to 2024.

The social and political situation in Angola is relatively stable. Starting in 2017, the Government headed by President João Lourenço initiated a series of transformational reforms in the political-administrative, social and economic systems. The General Elections held in August 2022 have maintained the Movimento Popular para a Libertação de Angola (MPLA), which has ruled Angola since its independence in 1975, in power. The final results placed the MPLA first with 51.17% of the votes and 124 seats, securing therefore the presidency and an absolute majority in Parliament. UNITA obtained 43.95% of the vote, equivalent to 90 seats.

Important legislation and programmes are in place in the areas of macroeconomic stabilisation, investment and privatisation agenda, economic and export diversification, modernised competition framework, simplified tax measures and asset recovery. In addition, Angola joined the Extractive Industries Transparency Initiative (EITI) in June 2022. However, the tangible impact on people's livelihoods has been limited and much remains to be done particularly regarding the decentralisation programme. Nonetheless, there are clear signals that reforms will remain high on the Government agenda and among the population's expectations in the years to come.

The country is confronted with extreme inequalities. One in two people live below the international poverty line of USD 1.90 per day⁷. Triggered by the outbreak of the COVID-19 pandemic and exposure to recurrent climate events, in 2020 the economy recorded its worst contraction in the last 40-years and real GDP fell by 5.6%, exacerbating a recession that started in 2014. However, it is recovering with real GDP growth estimated at 0.7% in 2021 and forecasted at 3% in 2022 by the International Monetary Fund (IMF).

To move away from its dependency on fossil fuels, the Government has embarked in an ambitious programme to diversify the economy, but progress is limited and the labour market remains characterised by informality, low productivity and mismatched skills. Domestic food production is highly vulnerable to climate shocks and given the weak food system, farmers are trapped in small scale, low productivity, subsistence agriculture contributing to low nutritional outcomes with a negative impact in human development.

One third of the economically active population is unemployed⁸ and, for those who have an employment, 80.7% work in the informal economy⁹. The large informal economy weakens policy effectiveness and the Government's

⁶ IMF Sixth Review of the Extended Fund Facility Arrangement for Angola.

⁷ 49.9% in 2018 (UN data). According to the Multidimensional Poverty Index (IMP-A) 51% of the population is poor with large differences between rural (88% of the population) and urban population (35%). World Bank (2020), "Angola poverty assessment".

⁸ According to INE (2022), "Inquérito ao emprego em Angola" (IEA), IV 2021, the unemployment reached 32.9% of the economically active population (EAP) in the fourth quarter of 2021, which corresponds to 5.35 million unemployed people out of a working-age population of 16,24 million

⁹ Of which 71.5% male (3.86 million) and 89.8% female (4.92 million, with substantial differences between rural and urban areas and age groups.

ability to generate fiscal revenues. In turn, limited fiscal resources constraint the Government capacity to offer adequate coverage of social protection programmes¹⁰ and provide access to public sector services.

Nearly 90% of the informal economy is populated by women. This is a large hidden economic force suffering extreme vulnerable conditions with volatile income, no social protection and extremely difficult living conditions. This has repercussions on the whole of society including on nutrition, education, health, social stability, as in most cases women are the main carers within families and communities. Life expectancy, maternal mortality and other human-development indicators are lagging behind in Angola.

The Government has stepped up its efforts to develop synergies between its various socio-economic programs, to address the underlying causes of poverty: employment (PAPE¹¹), social protection (KWENDA¹², financed by the World Bank, and the EU project 'Improving Synergies between Social protection and PFM'¹³), economic diversification (PRODESI¹⁴) and informality (PREI). The PREI is paradigmatic in agglutinating the various sectors and stakeholders involved in the formalisation and operates through a multisectoral institutional set up¹⁵.

2022 sets the transition between two political and planning cycles. Following the General Elections for the National Assembly and the Presidency held August 2022, the re-elected President and new Government are mandated to prepare a new NDP 2023-2027, expected to be a continuation of the NDP 2018-2022. A mid-term assessment of the NDP 2018-2022 done in 2020 showed that only half of the expected results were achieved¹⁶. The assessment revised the priorities for the last 2 years and concentrated on four macro-objectives:

- Ensuring the real growth rate of non-oil GDP continues to be positive, by promoting an average annual increase of at least 1% in the period 2020-2022;
- Pursuing public finances consolidation, aiming to keep the estimate of public debt over GDP at 88.2% for 2022;
- Improving the Human Capital Index (HCI);
- Achieving an improvement in the Gini coefficient, by reducing asymmetries between social groups and regions.

A final assessment of the NDP 2018-2022 has not taken place yet, but its ambitious goals have not yet translated into significant socio-economic improvement.

The country is engaged in an ambitious PFM reform aiming at diversifying and increasing DRM and ensuring more transparency and efficiency in the use of public resources. Despite impressive advances in fiscal consolidation and debt management, resulting in a reduction of the debt/GDP ratio, from 136% in 2020 to 86% in 2021 and with a forecast of 60% for 2022¹⁷, debt remains high, crowding out recurrent expenditure for service delivery and investments needed to keep up with population growth and reach the furthest behind.

For the EU, Angola is a partner for the stability of the region (notably the Great Lakes where Angolan diplomacy and the President himself are leading regional peace and mediation efforts), a trade and investment partner, and an ally in regional fora. This relation is enshrined the Joint Way Forward framework¹⁸, a privileged high-level dialogue beyond development cooperation and foresees annual Ministerial meetings.

The EU has been supporting Angola's ambition to diversify its economy, expand exports and integrate to the global market, become more resilient and bolster interest to embrace inclusive and green growth. The EU stands ready to start the negotiations for the accession of Angola to the EU-SADC Economic Partnership Agreement (EPA) and and to finalise the negotiations of a Sustainable Investment Facilitation Agreement (SIFA), the first-ever bilateral agreement on investment facilitation, with Angola.

¹⁰ According to ILO, only 10.5% of the population is covered by at least one social protection regime and benefit.

¹¹ Plano de Accão para a Promoção da Empregabilidade (Action Plan for the Promotion of Employability).

¹² KWENDA also known as the Programa de Fortalecimento da Protecção Social de Transferências Sociais Monetárias (Programme for Strengthening Social Protection of Social Monetary Transfers).

¹³ This project is implemented by the ILO and the UNICEF and aims at building a national protection floor towards achieving SDG targets.

¹⁴ Programa de Apoio à Produção, Diversificação das Exportações e Substituição das Importações (Production Support, Export Diversification and Import Substitution Program).

¹⁵ The PREI's Comissão Multisectoral (with a Ministerial decision level body and a technical group to implement PREI) was set up to steer the PREI and the Observatory of Informal Economy, gathers over 10 Ministries and sector agencies.

¹⁶ Cf. mid-term revision of PDN 18-22 (July 2020) and revised PDN 2018-2019 (Presidential decree 313/20, December 10, 2020).

¹⁷ IMF's World Economic Outlook data, April 2022

¹⁸ https://www.eeas.europa.eu/sites/default/files/jwf_en.pdf

The Action contributes to the Global Gateway, in particular supporting the creation of decent jobs and strengthening DRM and PFM¹⁹. In addition, it contributes to the EU policy to tackle inequalities in developing countries²⁰, support fiscal space expansion²¹ and strengthen socially owned social protection system²². The Action is in line with the EU Gender Action Plan III 2021-2025²³ that foresees (at least) one planned bilateral Action with Gender Equality as the principal objective.

2.2 Problem Analysis

Short problem analysis:

Informality hampers the State's ability to mobilise domestic revenues, limiting its capacity to deliver public services, to provide social protection to its citizens and promote, protect and fulfil people's human rights. In turn, informal operators (workers and firms) are extremely vulnerable and, in the absence of a decent job, they are more exposed to slide into poverty and are excluded from public services, social protection, financial inclusion and basic human rights. In addition, productivity remains low, given the informal operators' lack of access to finance and credit.

The gender divide in the informality realm is significant: 89% of Angolan women, against 71% of men, work in the informal economy. The absence of decent work and workers' rights have a major negative impact in women, most of them in reproductive age²⁴. For young people, the informal economy is the main entry to the labour market, and the informality rates among young people are higher than in any other age group. The lack of social protection has an impact on health and social stability. Most women in the informal sectors are in the retailing sector, selling on the streets or in markets where poor hygienic and health conditions lead to health hazards. Women constitute also the vast majority of informal domestic workers with, again, no social or health protection. Maternal and child mortality in Angola is among the highest in the world.

Informal economic actors account for 75% of the workforce and generate close to 65% of the country's wealth not yet reflected in the country's GDP. In 2020, the Government launched the ambitious Informal Economy Reconversion Programme (PREI, *Programa de Reconversão da Economia Informal*), which had an initial focus on the informal markets in the Luanda province. Rapidly, its aspiration has been to be a country-wide programme with a medium-term objective of becoming a service, rather than a programme.

The PREI, anchored in the Ministry of Economy and Planning (MEP), has gained the highest position in the Government's political agenda. Yet, the sustainability of the formalisation in the long run and its ability to maintain the gains will depend on the incentives for workers and firms to stay formalised. The PREI's database reflects a relative success of the programme in achieving a rapid 'fast-tracked' formalisation of economic operators²⁵, with 225,520 operators formalised as of 7 July 2022. However, the operators registered for social security are significantly less (23 859 registered in INSS) and the same is for those who have obtained micro-credits (36 074 beneficiaries). Adherence to INSS is going to be considered a critical step in the formalisation process.

Based on regular and solid policy dialogue, the EU has accompanied the implementation of PREI through a Budget Support Operation (State and Resilience Building Contract) Pilot Phase since 2020. The achievements under the Budget Support confirm the policy credibility. Yet, two main challenges remain and they are crucial for the viability of the PREI:

1. Scale up the programme (75% of the workforce means that around 8 million people work in the informality realm).

¹⁹ Joint Communication: The Global Gateway JOIN(2021) 30 final of 1.12.2021.

²⁰ Commission Staff Working Document on Implementation of the new European Consensus on Development – Addressing inequality in partner countries SWD(2019) 280 final of 14.6.2019.

²¹ Commission Staff Working Document "Collect more – spend better: achieving development in an inclusive and sustainable way", SWD (2015) 198 final of 15.10.2015.

²² Commission Communication on "Social Protection in European Union Development Cooperation", COM(2012)446 final of 20.8.2012.

²³ [Gender Action Plan III – a priority of EU external action \(europa.eu\)](#).

²⁴ They do not receive any subsidy and thus, are obliged to work during pregnancy, maternity, or breastfeeding.

²⁵ In the framework of PREI, 'formalisation' will be achieved after concluding the following three steps: 1) getting the identity card; 2) municipal registration as stallholders; and 3) fiscal identification number at the AGT, which allows for access to micro-credits.

2. Design a “one-stop shop”, closer to the centres of informality, with simplified procedures and solutions that are both financially and economically sustainable and adapted to the needs of low-income self-employed, including social protection and tax regimes, financial services and business-related trainings.

In the long run, the success of the formalisation programme will depend on the capacity of the Government to retain economic operators (workers and firms) in the realm of formality, incentivising them to regularly pay their contributions to the General Tax Administration (AGT, *Administração Geral Tributária*) and the National Institute for Social Security (INSS *Instituto Nacional de Segurança Social*). This can be achieved through an incentives-based programme and that offers credible and tangible benefits in the areas of financial inclusion, business literacy and environment, health conditions, social protection, and technologies. The success of the PREI is also closely linked to acknowledging the importance of women in the informal sector, to granting them a proper economic and civic identity with specific positive discrimination measures, and to addressing gender inequalities as a major step towards economic and social development. Women economic empowerment and their economic and financial inclusion need to be prioritised in the PREI to reach its expected results.

Considering the current situation of Angola, the important steps taken to address informality, the recent kick-off of the PREI, and the EU ongoing Budget Support, the problem analyses concludes there are opportunities to support the formalisation of the economy in the following key domains:

- i. Supporting the Government in further shaping the formalisation policy of ensuring its sustainability and adequacy to the needs of informal economic operators. To that end, the Government aims at concluding soon the Action Plan of the PREI for 2023-2027, which identifies targets, milestones, timing, costing of the policy and responsibilities. With the aim of becoming a service, the PREI aims to offer greater flexibility in the choice of contact points to facilitate access and bring services closer to people. Mobile offices²⁶ in the markets will be complemented by a digital platform, aiming at offering an accessible “one-stop shop” solution for economic operators, while reducing the transaction costs for the administrations. The OEI, the main social dialogue instrument, will support the policy-making process in the context of the PREI and the database will offer updated and ready-to-use data for stakeholders involved.
- ii. Scaling-up formalisation services, by making formalisation attractive and offering incentives to remain formalised (and for firms, to keep their employees formalised). To that end, the INSS has recently approved the creation of a new contributory regime specific for low-income workers. However, the social services linked to the new regime need to be scaled up in order to attract contributors. The AGT has recognised the need to offer new tax regimes adapted to low-income taxpayers. The banking and financial sectors are aware of the need to create public-private initiatives to offer accessible and creative financial solutions for this segment of the active population, both women and men, in all their diversity.

In addition, although Angola has been implementing stability-oriented macroeconomic policies since 2018 and has initiated a credible PFM reform, efforts are needed to improve the use of public resources. Particular attention needs to be paid to areas of public investment and procurement, transparency, the management of assets and liabilities, public external debt management, policy-based fiscal strategy and management of fiscal risks, and predictability and control in budget execution. The Action therefore includes a component on PFM focusing on three areas where gains can have a major impact, namely:

- i. Following the results of the PEFA, PIMA and MAPS assessments, identify issues of public procurement, public investment, budget credibility and execution, policy-based budgeting and transparent management of natural resources.
- ii. Rethink the State’s strategic role in the economy, from the governance of the SOEs to the Public-Private Partnerships (PPPs).
- iii. Improve the inclusiveness of the financial sector.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

Public national stakeholders (duty-bearers):

The Ministry of Economy and Planning (MEP) is at the frontline of the PREI’s strategic thinking and implementation. It takes the responsibility for the PREI’s coordination and steers its institutional set up. It has a mandate to implement the PREI’s Action Plan through a tight coordination with all implementing partners and

²⁶ Outreach officers equipped with mobile computer facilities, similar to what has been mobilised through the campaigns.

acts through an established governance structure. The MEP drafts and proposes policy actions to the PREI's Multisectoral Commission.

The Multisectoral Commission is composed by a vast array of ministries and public entities, namely the Ministry of Finance (MINFIN); the Ministry of Public Administration, Labour and Social Security (MAPTSS); the Ministry of Justice (MJ); the Ministry of Territory Administration (MAT); the Ministry of Social Action, Family and Women Promotion (MASFAMU); the Ministry of Agriculture and Fisheries (MAP); the Ministry of Industry and Commerce (MIC); the Ministry of Culture, Tourism and Environment; the Ministry of Education and the Ministry of Higher Education, Science, Technology and Innovation. The National Institute for Social Security (INSS, *Instituto Nacional de Segurança Social*) and the General Tax Administration (AGT, *Administração Geral Tributária*) are also members of the Commission.

MINFIN is at the forefront of the macro-economic and PFM reforms as well as of mobilisation and allocation of public resources. It assumes a key role for the coordination of the various actors, from the Angolan Central Bank (BNA, *Banco Nacional de Angola*), the AGT, the MEP, to the line ministries and executive agencies. MINFIN and MEP supervise the reforms in relation to the SOEs and the governance of the PPPs.

The National Assembly has an oversight role on all policy implementation, including the PREI, and holds the national and provincial governments accountable for their mandates, intervention and budget allocation, which includes all that is related to the ongoing formalisation efforts.

The Guiché Unico de Empresa (GUE) is a “one-stop shop” service for the registration of newly formalised MSMEs. The National Institute to Support MSMEs (INAPEM, *Instituto Nacional de Apoio as Micro, Pequenas e Médias Empresas*) provides a certification on the size and type of enterprise, together with a vast array of capacity building courses, including on financial and tax literacy to MSMEs and formalised self-employed. The Angolan Risk Capital Fund (FACRA, *Fundo Activo de Capital de Risco Angolano*) is a public venture capital fund which has been providing access to microfinance funding and services, among others. The Unitel Mobile Money provides digital money services to formalised operators. The Agricultural Development Support Fund (FADA, *Fundo de Apoio ao Desenvolvimento Agrário*) will channel 7,200 million Kwanzas through the PREI to incentivise the financial inclusion of formalised operators. FADA will provide microcredits for regularised operators (they need fiscal registration at the AGT) at 3% annual interest rate.

The Observatory of the Informal Economy (OEI, *Observatorio da Economia Informal*) is a consultative body which structures the social dialogue and represents the public, private, social, academic and informal economy actors involved in formalisation decision-making processes. The OEI consolidates the social cohesion agenda around the formalisation, assess the Government policies and guidelines, issues assessments on policy matters, and shares international best practices and standards, including those related to decent work, inclusion, action and social protection.

The Institute of Asset management and State Holdings (IGAPE, *Instituto de Gestão de Activos e Participações do Estado*) is the supervisory body of the SOEs, and provides measurement and assessment instruments of the financial and non-financial performance of the public enterprises. The Central Bank (BNA, *Banco Nacional de Angola*) is the regulator of the financial system, and a major player in initiating financial inclusion. The SOEs, some of which going through reorganisation and management changes, are key to incorporate good governance practices.

Rights-holders, including groups in vulnerable situations:

Women and youth are the most affected by informality and thus, any improvement in relation to decent job conditions and formalisation will have a positive impact in their lives. They are represented among others by the *Associação dos Jovens Ambulantes e Zungueiras de Angola*²⁷ and the Federation of Women Entrepreneurs of Angola, but their interests are also brought forward by the worker's associations and trade unions in general.

Street vendors and smallholders in the markets, mostly women, are the informal economic operators mostly targeted by the PREI. Beyond formalisation, the PREI also aims to improve the hygiene and health conditions of the market, provide literacy trainings and kindergarten services, which may have, together with the formalisation, a combined positive impact in their lives.

²⁷ Association of young strollers and hawkers

Civil Society Organisations (CSOs):

The Non-Governmental Organisations²⁸ play an active role as eyewitness in the OEI and represent the informal economic operators, thus with an interest in promoting the workers' rights, decent job conditions, etc. The workers associations²⁹ represent and bring to the decision-making sphere the expectations and concerns of the key informal groups. Through their participation in the PREI, they help prepare their members for the transition to the formal economy, raising awareness and buy-in regarding the requirements and benefits of the formalisation process. Trade Unions and Professional Associations³⁰ bring to OEI new information and experience on the challenges of formalisation, to ensure a smooth transition to the formal labour market of businesses and the self-employed.

International bilateral and multilateral actors:

The African Development Bank (AfDB) supports the country's economic diversification efforts through a loan of USD 165 Million, which includes a component on informal economy implemented by the UNDP.

The UNDP implements the above-mentioned USD 3 million project supporting the rolling out of the campaigns by PREI, through the grassroots campaign brigades and formalisation agents. The UNDP also provides technical assistance related to financial inclusion.

The World Bank's Development Policy Operation (DPO) of USD 500 million, addresses key reforms aimed at building stronger foundations for economic diversification, job creation, resilience to economic shocks, and poverty reduction³¹.

The EU global thematic programme 'Improving synergies between social protection and PFM', implemented by ILO, UNICEF and the CSO the Global Coalition for Social Protection Floors, may provide options for the INSS, MAPTESS and MINFIN on how to expand the coverage of the contributory and basic social protection schemes and its social benefits, in the framework of the formalisation.

The International Monetary Fund (IMF), through the Extended Fund Facility (EFF) approved in December 2018, provided assistance to restore external and fiscal sustainability, improve governance, and diversify the economy with a loan of USD 4.5 billion. The programme finished in December 2021.

2.3 Additional Areas of Assessment

2.3.1 Public Policy

The Informal Economy Reconversion Programme (PREI, *Programa de Reconversão da Economia Informal*) was designed by the Government in the framework of its NDP 2018-2020 to promote the transition from the informal to formal economy in the country. The NDP 2018-2022 foresaw within its Employment and Working Conditions policy the rolling out of the formalisation programme and included the modernisation of the contributory Social Protection System under the Social Protection and Assistance policy. The ambition of the Government was to accelerate the transition from informality to a formal and sustainable economy. The Government envisaged four vectors of action:

- 1) Macroeconomic policy for the transition for the informality to the formal economy.
- 2) People-centred measures to bolster the transition, focusing on education, vocational training, market inclusion, labour rights, taxes, social security and gender equality.
- 3) Informal MSMEs-centred measures to promote entrepreneurship, access to micro-finance, taxes, financial services, vulnerable-groups inclusion and technical assistance.
- 4) Governance structure and social dialogue to frame the formalisation process and efforts.

²⁸ The OEI hosts four key CSOs: Acção para o Desenvolvimento Rural e Ambiente or ADRA; Observatório Político e Social de Angola; Ajuda de Desenvolvimento de Povo para Povo or ADPP; and Development Workshop.

²⁹ Associação dos Jovens Ambulantes e Zungueiros de Angola; Federação de Mulheres Empreendedoras de Angola; Associação dos Comerciantes de Luanda; Associação dos Vendedores de Mercados de Angola; Associação Mercantil de Pequenas e Médias Cantinas de Angola; Associação dos Taxistas de Luanda.

³⁰ Central Geral de Sindicatos Independentes e Livres de Angola; Força Sindical Angolana; Ordem dos Contabilistas e Peritos Contabilistas de Angola; Associação Industrial de Angola; Associação das Indústrias de Bebidas de Angola; Confederação Empresarial de Angola.

³¹ The WB also approved two loans for a total of USD 560 million to support key fiscal policy reforms and strengthen statistical capacity in Angola, for more information see <https://www.worldbank.org/en/news/press-release/2022/03/25/world-bank-provides-560-million-to-support-reforms-and-improve-statistical-capacity-in-angola>. The third Angola's growth and inclusion development policy loan is currently under preparation.

“Agenda 2050”, Angola’s long-term development strategy, envisages a new scenario for Angola’s economic growth based on the diversification of the economy, which entails a reduction of the fossil fuel subsidies, increased cash transfers to the people living in poverty and the transition towards renewable energy sources. To this end, the government conceived a number of key programs to promote the employability (PAPE), support the production, export diversification and import substitution (PRODESI) and to reverse the informality of the economy (PREI).

The PREI has defined the informal actors as “members of the Economically Active Population working in the private sector, cooperatives, markets, associations, churches, Non-Governmental Organisations or the self-employed, who are in one of the following situations: i) work without a contract; ii) work in an unregistered unit of production of goods or services; and iii) those who do not benefit from any social protection scheme (e.g., paid annual leave, social security, health insurance, etc.)”.

According to its strategy 2020-2022, the PREI has two specific objectives: i) To reduce informality rates by 2022; ii) To strengthen social dialogue, governance capacity and the effectiveness of public policy for the transition to the formal economy by 2022. The Government endorsed different policy and legal pieces that may provide a legal framework for the implementation of the programme, namely:

- The law 15/19 to regulate the commercial and trade activity of stallholders and street sellers³².
- The Law 94/21 to regulate the MSMEs. It established the “One-stop shop” for the creation and registration of the MSMEs³³.
- Presidential Decree 98/20 on Relief Measures to alleviate the negative economic and financial impact of Covid-19³⁴.
- Executive Decree 97/22, which set up the contributory social protection regime for low-income self-employees³⁵.
- Executive Decree 222/22, which creates the OEI, a collegiate consultative body that assesses and supports the process of formalisation.

Although there is a common vision across different political levels on the priorities and goals of the PREI, an Action Plan is needed to set up clear targets, milestones and activities, costing of the action, financing resources and time frame post-2022. The EU-financed technical assistance for the ongoing Budget Support assists the MEP in the elaboration of the new Action Plan 2023-2027, which should be endorsed coinciding with the approval of the new NDP 2023-2027³⁶. In the absence of an Action Plan, to ensure the credibility of the policy, the Government is in the process of signing a Memorandum of Understanding on the vision, priorities and commitments for the PREI in the next political cycle.

In practice, the PREI has been rolled out through formalisation campaigns in 24 urban markets in the capitals of 16 provinces of Angola³⁷. The formalisation is organised through an eight-step process, encompassing different services, stemming from applying for the identity card to access to mobile money and microcredit. The following sequence offers a snapshot of the processes and institutions involved:

Identity card (Ministry of Justice) → Stallholders card (Municipal Administration) → Fiscal identification number (AGT) → MSMEs Registration at “One-stop shop” (GUE, *Guiché Único de Empresa*) → Registration to INSS → Financial literacy and business management training (INAPEM) → Vocational training for increased productive capacity (INEFOP) → Access to mobile money technologies and micro-credit (FACRA and specialised private agencies).

The comprehensiveness and integration of services ensures that the PREI is relevant to the challenges of informality and the multisectoral nature of problems faced by the informal operators. However, the sustainability of the programme depends on its capacity to address two inexorable challenges:

- How to scale up the formalisation given the magnitude of informality in Angola³⁸
- How to attract and retain economic operators (workers and firms) in the formal economy

³² Lei n.º 15/19 - Sobre a Organização, Exercício e Funcionamento das Atividades de Comércio Ambulante, Feirante e de Bancada de Mercado

³³ Lei 94/21 – Regulamento da Lei das Micro, pequenas e medianas empresas. Estabelece o Guiché Único de Empresa.

³⁴ Decreto Presidencial n.º 98/20, que aprovou as Medidas Imediatas de Alívio dos Efeitos Económicos e Financeiros Negativos provocados pela pandemia da COVID-19.

³⁵ 97/22 – Regime de proteção social por contra própria para trabalhadores de baixo rendimento.

³⁶ The Government has 6 months after the elections to approve the National Development Plan - therefore April 2023.

³⁷ Data available at <https://prei.ao/>, updated on 31/05/2022.

³⁸ Until 7 July 2022, 225,520 operators had been formalised, out of a universe of approximately 8 million people.

The scaling up of the PREI needs to reflect the priority options of the new Government. It should prioritise between aiming at horizontal expansion, reaching a country-wide coverage, or at vertical expansion, covering new sectors and layers of the economy beyond markets and street vendors. Recently, other professional sectors including the taxi drivers, requested to be part of the formalisation campaigns. If the Government succeeds in addressing these demands, the formalisation can be an opportunity to, not only bring in additional resources, but also meeting the demands of a discontent population and contributing to stabilise the country.

To retain workers and firms, and to regularise their contributions to the AGT and the INSS, it is essential that formality is more attractive for the small economic operators, including MSMEs, rather than informality. The PREI should create a substantial package of incentives, which stem from immediate social benefits and protection (i.e. maternity allowances; family bonus), social security, access to public services, access to financial inclusion in terms of banking, mobile money and microcredits, and some educational and vocational trainings and safety and stability regarding their economic activity.

The success of the formalisation will be, in the long run, contingent to structural dimensions that are planned to be addressed by the Government in the years to come: the existence of an inclusive business environment, the functioning of the state institution and rule of law, the effectiveness of the public services, a transparent and efficient PFM, an effective resources mobilisation and public resources allocation, the economic diversification and independence of the state budget on just one commodity, and decentralisation policies.

The Government established the OEI, a consultative body entitled to structure and maintain a social dialogue with the stakeholders of the formalisation. To start addressing these underlying challenges, the OEI may promote an inclusive, comprehensive and strengthened social policy dialogue on the required medium-term structural reforms.

There is a need of reconciliation between the financial resources and the budgetary allocation. In 2021, the funds from the EU Budget Support 2020-2022 were allocated to PREI via an additional credit - approved by executive decree - ad not in the Budget³⁹. In 2022, only a small portion of the EU's financial injection was reflected in the Budget. In the years to come, and in line with the MINFIN's aspiration to produce a programme budgeting and the Mid-term Expenditure Framework, the PREI should be reflected in the budget allocations of the different institutions involved. The costing of the PREI, expected in the context of this Action, is key to this achievement.

In line with the decentralisation ambition, the PREI may need to define the role of the municipal administrations. Should the aim be to convert the campaigns into a permanent service, the natural set up for the services would be at the municipal level, closer to the centres of informality, avoiding high transactions costs and offering proximity services tailored to the needs of the citizens.

Adherence to the INSS in the framework of the PREI remains low, despite the creation of a new and tailored contributory regime for low-income self-employed⁴⁰, which allows for a substantial reduction in the insurers' contributions (4% of their income, against 11%). Indeed the social benefits associated to this regime (pensions and death subsidy) seems not to be attractive enough for informal operators.

The INSS is looking at increasing its coverage (40% of the Economically Active Population by 2027, from 11.9% in 2022⁴¹) and the benefits associated to the contributory regimes⁴². As part of the Action, the INSS agreed to conduct an actuarial diagnosis, which will present policy recommendation to expand the social benefits to workers who transit from informality and adhere to the new regime.

The financial inclusion aspect needs to be strengthened. Access to microcredits has been hampered by high interest rates and lack of suitable public-private initiatives which may offer better conditions than the banking market. The Government's allocation of 7,200 million Kwanzas from the Agricultural Development Support Fund (FADA, *Fundo de Apoio ao Desenvolvimento Agrário*) to the PREI, to provide microcredits at a very low interest rate⁴³, reflects the political will in improving the conditions for low-income economic operators to get access to micro-finance. However, for the programme to be sustainable, long-term agreements between the private and the public sector needs to be achieved. The PREI will look on how to adapt micro-credit volume and conditions, but also

³⁹ This is because the funds were transferred from the EU to the Treasury once the Budget had been approved.

⁴⁰ Executive Decree 97 / 22 of 2 May, which set up the contributory social protection regime for low-income self-employees

⁴¹ In January 2022, 2,141,013 persons were insured by the INSS.

⁴² INSS Development Plan Angola 2030

⁴³ At 3% annual interest rate.

savings modalities to the needs of the newly formalised actors, along with guarantee schemes and micro-insurances.

There is still an insufficient participation of CSOs and professional associations connected to the informal economy, but this is due to be addressed considerably by the recently created OEI.

The Institute of National Statistics (INE, *Instituto Nacional de Estatística*) publishes the Quarterly Labour Market Surveys, with national data (disaggregated by province) on employment and informal economy. The PREI collects and reports daily data from its interventions in the markets, disaggregated by gender, age, market and province. This data is available on the online portal⁴⁴. Other public agencies involved in the formalisation collect and produced data relative to:

- Informal economic operators operating in the markets (Pilot Registration Process)⁴⁵ by the Ministry of Territorial Administration.
- Sellers / stallholders who pay their placement in the market, by the Municipal Market Administration
- Identity Cards issued by the Ministry of Justice
- Tax-payers by the AGT
- Workers and firms paying and benefitting from Social Security, by INSS⁴⁶.
- Firms registered at GUE by Ministry of Justice and certification (size and characteristics) by INAPEM
- Micro-credit database by FACRA

A fair degree of data triangulation exists among all these sources even if more could be done to validate definitions, data collection processes, methodologies, and data interoperability. The definition of “formalisation” itself, which has not met an agreement yet, may have an impact on data. The OIE may establish monitoring and evaluation systems, including a database of the informal economy (using data disaggregated by sex, age and, if possible, by disability status), produce surveys and annual reports and measures the performance and the impacts of the activities linked to formalisation. To date, a country-wide assessment of informality across sectors and layers of the economy is still missed⁴⁷.

In conclusion, the policy is sufficiently relevant and credible for budget support contract objectives to be largely achieved. Therefore, the policy can be supported by the Commission with the proposed budget support contract.

2.3.2 Macroeconomic Policy

Angola has been implementing prudent, stability-oriented macroeconomic policies supported by the International Monetary Fund’s (IMF) Extended Fund Facility (EFF) approved in December 2018 and concluded in December 2021. The EFF arrangement has provided assistance to restore external and fiscal sustainability, improve governance, and diversify the economy to promote sustainable, private sector-led economic growth. Total loan disbursements amounted to USD 4.5 billion (including an augmentation by USD 765 million in 2020 to support the government efforts to mitigate the economic impact of the Covid-19 pandemic and continue the implementation of structural reforms).

The Government is fully committed to reinforcing macro stability and major structural reforms, in line with the NDP 2018-2022, as stated in the authorities’ Letter of Intent attached to the 2021 Article IV consultation and EFF’s sixth review at end 2021. This political commitment seems broad based and it seems to be confirmed by the re-election of President Lourenço and the appointment of the same ministers in key portfolios following the recent general elections. While the authorities do not seek to borrow through a successor programme, they will remain pro-actively engaged with the Fund. In May 2022, the latest IMF staff visit confirmed annual Article IV consultations will monitor policy implementation.

⁴⁴ www.prei.ao.

⁴⁵ The Pilot Registration Process started in February 2021 and to date, has registered 27.113 sellers in 22 markets, which are in one of the following situations: i) sellers or service providers with a track record of paying market fees and ii) the regularity of occupation of pre-designated spaces in the market, which can be: without stall (selling on the floor), with temporary stall, with fixed stall, with shop, with kiosk, workshop/production workshop, warehouses, catering spaces or mobile homes.

⁴⁶ The registry can be made online or through a mobile app where payments can also be processed. The portal is available here: <https://portalcontribuinte.inss.gv.ao/>.

⁴⁷ ILO and UNDP will carry a study on Informal Economy before the end of 2022.

While in 2021 the economic impact of the pandemic had begun to abate, in 2022 the war in Ukraine has been having a positive effect on the Angolan economy through the substantial rise in prices of oil and gas (which accounts for 95% of Angola's exports).⁴⁸ The IMF projections were revised upwards in the World Economic Outlook (WEO) released in April 2022, with real GDP growth estimated at 0.7% in 2021 (first positive figure since 2015, following a 5.6% contraction in 2020) and forecasted at 3% in 2022. Growth is expected to reach 4% in the medium term, sustained by the implementation of the planned structural reforms, including diversification.

The authorities seek to reduce inflation. In 2021, supply-side pressures kept inflation high, driven primarily by food (which peaked at 36.8% year-on-year in October 2021), in turn fuelled by imported high global prices, supply disruptions, and transport constraints, exacerbated by pandemic-related restrictions. Angola's annual inflation rate slowed to a nine-month low of 25.8% in April 2022 from 27% in March, helped by favourable currency movements.⁴⁹ The IMF projects inflation to continue easing (23.9% in 2022 and 13.2% in 2023 according to the April 2022 WEO) in response to the maintenance by the central bank of a tight policy stance. High uncertainty surrounds this forecast. Higher global food prices in the wake of the Ukraine war represent a risk factor in this respect, as Angola is a net food importer. The Central Bank plans to transition toward an inflation-targeting monetary policy framework and is committed to a flexible exchange rate regime.

Discipline is observed regarding fiscal policy, with the fiscal balance having improved from -1.9% of GDP in 2020 to 2.8% in 2021 as a result of continued fiscal restraint as most of the windfall from higher oil revenue and a lower interest bill was saved. This helped deliver a sharp drop in the ratio of public debt to GDP in 2021, strengthening debt sustainability while protecting social spending amid the pandemic. The 2022 budget aims to consolidate the fiscal retrenchment. High oil export prices are expected to boost the fiscal surplus to 3.1% of GDP, according to the Fund's April 2022 WEO projections. The non-oil primary fiscal deficit is expected to improve to -5.2% of GDP including gasoline and diesel subsidies. Sustaining the reduction in public debt will require fiscal discipline supported by structural fiscal reforms. Fiscal policy will also need to mitigate the impact of oil-price shocks by saving current and future windfalls from high oil prices and protecting priority spending.

The mobilisation of domestic resources is one of the government's priorities. The TADAT 2018 assessment had identified some insufficiencies in the tax system, including the lack of taxpayer registration and access to the tax administration, the absence of risk management, and poor inspection. To respond to those weaknesses, the tax reform has focused on developing a comprehensive information system, developing risk analysis, increasing the efficiency of inspection actions, and improving the overall tax administration.

Public debt is sustainable and expected to decline rapidly. Public debt (mainly denominated in foreign currency) peaked at 136% of GDP at end-2020, largely due to exchange rate depreciation and lower growth. In 2021 tight fiscal policy, economic recovery and the kwanza's stabilisation allowed debt to drop to 86% of GDP. According to the IMF's April 2022 projections, public debt will fall below the government's 60% of GDP long-term target already in 2022. Public debt is expected to further decline to 44% of GDP by end-2025 driven by the structural fiscal consolidation and supported by oil revenues. The previously agreed reprofiling has also reduced gross financing needs to more manageable levels from 2021 onwards. As a result, Angola's public debt remains sustainable assuming continued fiscal discipline and implementation of growth-enhancing structural reforms. However, risks remain very high as debt dynamics remain highly vulnerable to additional shocks.

The current account balance is expected to remain in surplus in 2022 (at 11% of GDP) and over the medium term (at about 2.5% of GDP). The balance improved to 11.3% of GDP in 2021 from 1.5% of GDP in 2020, driven by higher oil export values, a modest rebound of imports (especially services), and debt service relief under the G20 Debt Service Suspension Initiative (DSSI).

The challenges to Angola's sustainable development are especially related to oil dependency. Risks to the positive outlook are very high, and particularly debt sustainability, stemming most importantly from a reversal in oil prices, further decline in oil production and global efforts at de-carbonisation, delayed diversification, slow non-oil growth and possible slippages in planned fiscal discipline. Repeat of severe weather conditions would pose an additional risk to non-oil growth and disinflation. Pressures for fiscal loosening in the election year 2022 and beyond therefore compound these high risks.

⁴⁸ However, sanctions on Russian companies have adversely affected those operating in Angola.

⁴⁹ The nominal exchange rate strengthened, as higher oil prices and multilateral disbursements boosted the supply of foreign exchange (FX). The kwanza in turn appreciated roughly 8% percent in nominal terms in 2021.

Capacity building has supported and will continue doing so, the design and implementation of key reforms and macroeconomic policy to boost revenue (especially non-oil revenue), to strengthen fiscal and investment governance and the monetary policy framework, improve supervision of the financial sector, the business climate and statistics. This comprehensive and demand-driven capacity building effort is supported by the EU, the IMF, the World Bank, the AfDB, United Nations (UN) agencies and AFD.

In conclusion, despite the risks and challenges the authorities are pursuing a stability-oriented macroeconomic policy and the eligibility criterion is met.

2.3.3 Public Financial Management

The status of the PFM system in Angola is assessed through the main diagnostic studies carried out over the recent years, namely, the Public Expenditure and Financial Accountability (PEFA), carried out between end-2021 and beginning 2022 financed by AFD and the EU, the Tax Administration Diagnostic Assessment Tool (TADAT) of 2018⁵⁰, and the Public Investment Management Assessment (PIMA) of 2019⁵¹.

The main structural weaknesses identified are:

- i) limited overall budgetary discipline, due to unrealistic forecasting of expenditure and revenue and weak internal control during the budget execution phase, compounded by the effects of external shocks, like the strong fluctuations in the oil prices;
- ii) weak strategic allocation of financial resources due to the lack of articulation between sector planning and budgeting on a multi-year perspective. There is limited information on the provision of public services, which does not allow a reasonable assessment of its coverage and quality.

The fundamental budgetary functions of the Angolan PFM system are operational although they need to be improved, modernised and consolidated.

Budget credibility is affected by the significant variances between forecasted and executed expenditure and between planned and collected taxes. The variances can be explained by technical limitations at MINFIN, but also, by the difficulty in forecasting the oil revenues with a reasonable margin of certainty, due to the oil price volatility and the lack of a costing mechanism for the sector programmes and the main investment projects.

Multi-year planning, expenditure and budgeting are not in place. However, the new Fiscal Sustainability Law establishes that, in the context of a Fiscal Sustainability Strategy, a Medium-Term Fiscal Framework (MTFF) and a Medium-Term Expenditure Framework (MTEF) should be produced. Performance budgeting is also being developed but it is still at an early stage. Although progress has been made in the setting up of programmatic and functional classifications, the sector strategies across the line ministries, the costing estimates and respective linkages with the MTEF still need to be developed.

The budget execution functions are in general operating according to the existing legal framework and information and management systems. Still, some weakness related to revenue management, reconciliation of the cash balances, payment arrears, internal controls and internal audit persists.

In 2021 there was considerable progress in the presentation and timing of the budget execution quarterly reports. The Budget Sustainability Law attributes quarterly reports fundamental importance in controlling the public deficit, specifically, the reports must demonstrate whether the primary non-oil fiscal deficit is likely to be met. If not, the executive must develop a Prevention Plan.

Fiscal risks cannot be fully known due to poor reporting from the autonomous entities. Although significant progress has been made in the monitoring and transparency of public companies, the IMF estimates that the contingent liabilities, derived from public guarantees, represented 1.3% of the GDP by end-2020⁵². IGAPE, responsible for the monitoring of SOEs, is assuming increased control and capacity to consolidate the SOEs' reporting.

The approval of the roadmap for the reform of the public sector, through Presidential Decree no. 13/22 of 18 January 2022, represents a paradigm shift in the management of public companies. The main axes of the Roadmap

⁵⁰ Tax Administration Diagnostic Assessment Tool (TADAC), was carried out in September 2018.

⁵¹ PIMA was conducted in December of 2019 by the IMF with EU financing support (PFM project in Angola - 2019-2022). The report has not been published.

⁵² IMF Staff report. January 2022.

are: i) Positioning of the State in the corporate public sector (as a shareholder, supervisor and regulator), ii) improving the management of public companies, iii) monitoring of fiscal risks and iv) increasing transparency, through the companies' financial report.

The stock of public debt has improved as a result of a prudent fiscal policy, following the implementation of the IMF's EFF since 2018. In end-2021, it reached 86% of GDP, down from 136% in 2020. A progressive improvement is projected in the coming years⁵³.

There has been progress at both institutional and legislative levels. The management of debt arrears was transferred to the *Unidade de Gestão da Dívida* (UGD), which now concentrates both the responsibility for the resolution of arrears and the debt management. The new Presidential Decree 235/21 clarifies the processing of documentation needed to demonstrate a public debt while establishing guidance aimed at improving transparency in the payments made by the state. It makes public managers responsible for the management of domestic debt.

The debt management tools, including the Medium-Term Debt Strategy, are appropriate and are supportive of the government in the management of the public debt and the conduction of the fiscal policy. A regular debt strategy assessment is conducted by the IMF in the context of the EFF monitoring, which supports the government to frame its public debt policy.

Public investment management represented around 20% of total expenditure on average in the last three years and it is a key instrument in the implementation of development policies. Being a discretionary component of public expenditure, it requires a rules-based decision-making on the selection and prioritisation of projects, which still needs to be established. In line with PIMA 2019 recommendations, the government undertakes to improve project evaluation and preparation. Recent progress include the elaboration of technical and financial analysis of the larger projects, but there is no published evidence of that on the MINFIN's website. Despite the existence of an approved regulatory framework, the management of public assets is hampered by the absence of an integrated public investment information system with the budget information system (SIGFE).

The mobilisation of domestic resources is one of the government's priorities. The TADAT 2018 assessment had identified some insufficiencies in the tax system, including the lack of taxpayer registration and access to the tax administration, the absence of risk management, and poor inspection. To respond to those weaknesses, the tax reform has focused on developing a comprehensive information system, developing risk analysis, increasing the efficiency of inspection actions, and improving the overall tax administration.

The main objectives of the current fiscal policy⁵⁴, in the field of tax administration, are to continue the work on electronic submission of tax statements, making it mandatory for medium and large companies, improve compliance risk management, starting with VAT, and improve audit and inspection.

In this context, some measures were taken such as the approval and institutionalisation of process control tools in voluntary and coercive collection and the development of the integrated tax management system SIGT. This initiative will permit the integration of the different tax compliance initiatives under the same platform and will allow easier access for taxpayers. To address the risk of non-compliance, the tax administration will adopt risk-based management to improve the selection of defaulting contributors.

Measures that are being put in place by the government to address the structural weaknesses identified by the recent PFM diagnostic studies are relevant as regards the improvement of the overall PFM system, even if there is not a reform Action Plan. Those measures cover most of the key PFM functions, both from the revenue collection side and from the spending side.

The most relevant measures focus on the improvement of the budgeting system, on a more effective mobilisation of domestic resources, on the improvement of the public procurement, the management of public companies and the associated fiscal risk, and the internal controls and assets management systems.

The elaboration of a credible budget crucially depends on the MINFIN's capacity to produce medium-term macro-fiscal scenarios, reflecting the main economic growth drivers, and the external context on which Angola very much depends.

⁵³ Cfr. section 2.3.2.

⁵⁴ The policy intentions related to the reform of the tax system can be found mainly on the Memorandum of Economic and Financial Policies (MEFP) prepared by the government in the context of the Extended Fund Facility with the IMF.

In conclusion, the PFM reform strategy is sufficiently relevant and credible, including on domestic revenue mobilisation, and the eligibility criterion is met.

2.3.4 Transparency and Oversight of the Budget

Transparency in public finance remains weak. The two main sources of information to assess budget transparency are the Open Budget Survey (OBS) and PEFA. According to the OBS 2019, Angola scored 36 out of 100 points. However, Angola made a remarkable improvement as compared to OBS 2017, notably as regards the publication of the in-year and year-end reporting.

The State Budgets for 2021 and 2022 were approved and published within the legal deadlines and both are published on the website of the Ministry of Finance. When analysing the timing of conclusion or approval of the budget documents, it is useful to distinguish among three groups of documents: i) budget proposal and approved budget; ii) in-year budget execution reports; iii) annual report (*Conta Geral do Estado*) and audit report of the Court of Accounts (*Tribunal de Contas*).

The first group of documents focuses on budget formulation, and the delivery deadlines are established by the organic budget law and the financial sustainability law. These documents are usually delivered according to legal deadlines.

The in-year reports should be submitted to the Parliament 45 days after the end of the respective quarter. The reports are made accessible to the public on the MINFIN's website but the uploading date is not known. However, the date of conclusion is stated in the report itself, so this date is taken as the main reference for the reporting dates.

The third group of documents is approved very late: i) the submission of the State accounts to the Court of Accounts by the executive is made until 30 of September of the year following the financial year. The submission of the audit report of the Court of Auditors to the National Assembly is also made too late (before the end of June of the following year), that is, one year and a half after the budget year to which it respects. Even if those dates are respected, which is not always the case, they are too late to represent an effective oversight instrument with practical consequences on the implementation of the recommendations. The new law on Sustainability of the Public Finances does not correct this situation.

In terms of content, the LSFP requires that the primary balance, oil and non-oil, are published, which is not yet the case. These balances are published but they are not compared to the GDP, as there are no in-year estimates of the GDP.

The participation of the population and civil society in the preparation of the state budget is regulated by the Presidential Decrees 234 and 235/19. In practice, people's participation has been implemented, in a pilot phase, at provincial level. For this purpose, the Municipal Forum for the Collection of Contributions for the Preparation of the Budget of Municipal Administrations was created, promoted by the Ministry of Territorial Administration (MAT), in partnership with the UNDP, with the contribution of civil society organisations.

The oversight by the National Assembly, following the approval of the Law of Financial Stability, is done on a quarterly basis, based on the delivery of the Quarter Reports elaborated by the Ministry of Finance, and annually, based on the *Conta Geral do Estado*. The scope, nature, and follow-up of external audit, and the legislative scrutiny of the annual budget law, are established both in the Budget Framework Law (Law 15/10) and in the Organic Law of the Court of Accounts (Law 13/10).

The areas that need to be improved include the follow-up of the Court of Accounts recommendations and the publication of the missing reports according to OBS's recommendations

In conclusion, the relevant budget documentation has been published and the eligibility criterion is met.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The **Overall Objective (Impact)** of this action is to reduce the informality of the Angolan economy in line with the Government's aspiration of diversifying the economy and promoting decent jobs.

The **Specific Objectives (Outcomes)** of this action are:

1. The formalisation policy is sustainable and adapted to the needs of informal economic operators in all their diversity.
2. Formalisation services are scaled up and incentivise economic operators, both women and men, to be and stay formalised.
3. Stability-oriented macroeconomic measures and key PFM reforms are implemented.

The **Induced Outputs (IOs)** to be delivered by this action contributing to the corresponding Outcomes are:

Linked to Outcome 1:

IO 1.1. The Action Plan 2023-2027 for the formalisation policy is endorsed.

IO 1.2. A digital “one-stop shop” platform is created

IO 1.3. The OEI is set up and functioning

IO 1.4. A database is available and used for decision-making using disaggregated data (at least by sex and age and, if possible, by disability status)

Linked to Outcome 2:

IO 2.1. An increased number of informal economic operators, in particular women, are formalised

IO 2.2. The coverage of the contributory social security is enlarged

IO 2.3. A proposal for expanding the social benefits of the contributory social security is done in an inclusive and gender-responsive manner

IO 2.4. Simplified tax regimes are tailored to the recently-formalised economic operators

IO 2.5. Public-private initiatives offer accessible financial solutions for low income economic operators

Linked to Outcome 3:

IO 3.1. The PFM reform, with detailed and sequenced activities, timelines, targets and milestones, is undertaken

IO 3.2. The governance of SOEs is improved, and includes gender and climate risk performance

IO 3.3. A national financial inclusion strategy is developed, implemented and monitored in a coordinated manner

The **Direct Outputs (DOs)** to be delivered by this action contributing to the corresponding Outcomes are:

DO 1. Increased predictability of funds by the variable and fixed tranches

DO 2. Government stakeholders are better able to deliver and monitor implementation of the PREI and formalisation policy

DO 3. Sector policy dialogue and technical assistance are better coordinated and aligned to the PREI and its Action Plan

3.2 Indicative Activities

Activities related to Outputs IO1.1-IO3.3 and DO1-DO3:

Budget Support:

- ❖ Transfer up to a maximum of EUR 45 000 000 to the State Budget of the Republic of Angola from FY 2022/23 to FY 2025/26.
- ❖ Continuous and results-based policy dialogue with the Government to support the relevance, effectiveness and sustainability of the PREI as well as the credibility and effectiveness of the PFM reform agenda.
- ❖ Regular follow up of the EU Budget Support eligibility criteria.
- ❖ Donor coordination with development partners, Member States, and CSOs (represented in the OEI) to ensure effective and complementary cooperation in the formalisation of the economy and the key PFM reforms.

Activities related to Outputs IO1.1-IO2.5 and DO1-DO3:

Complementary Support:

Complementary Support is provided through (i) service contract for technical assistance managed directly by the EU Delegation and (ii) indirect management with the International Labour Organisation (ILO).

- (i) Technical assistance is provided to the Government and the institutions involved in the implementation of the PREI. The details, scope and the contents of the activities will be assessed during programme implementation in close coordination with the MEP and development partners, taking into account the contexts, gaps and sustainability elements of the formalisation policy. Areas of support may include:
- ❖ Advice and expertise on formalisation in areas of i) development policy; ii) institutional setting, organisational reform and change management; iii) decentralisation and integration of services; iv) digital solutions; v) financial inclusion and public-private initiatives; vi) inclusion and gender equality; and vii) budget planning, programme costing and expenditure, including gender-responsive budgeting;
 - ❖ Support to programme management and monitoring of progress against performance indicators, policy advisory and inputs for policy dialogue.
- (ii) The contribution in indirect management with ILO is to support the contributory social protection and the INSS. The details, scope and the contents of the activities will be assessed during programme implementation in close coordination with the ILO and the INSS, taking into account the context, the gaps and needs for the expansion of the coverage and the social benefits of the social security policy. Areas of support may include advice and expertise to social security policy in areas of i) development policy; ii) institutional setting, organisational reform and change management; iii) human resources development; iv) actuarial studies, policy gaps, financial barriers; v) public awareness and education campaigns vi) inclusion and gender equality; and vii) policy options and recommendations.

Activities related to Outputs IO3.1-3.3:

Through the contribution in indirect management to AFD, technical assistance to the Government will be provided:

- ❖ To support key PFM reforms and transparency of public management following the results of two recent diagnosis (PEFA and MAPS), support will be provided to the MINFIN to elaborate the strategy and the Action Plan of the reform. Particular attention is placed to the reform of the public procurement and the transparency of the extractive sector industry⁵⁵.
- ❖ To bolster the evolution of the State's strategic role in the economy, the supervision role of the State will be strengthened through the *Instituto de Gestão de Ativos e Participações do Estado* (IGAPE). The aim is to improve the internal governance of the SOEs, including gender equality, and establishing a framework for monitoring budgetary risks.
- ❖ To assist the Government to prepare a national strategy for financial inclusion, which looks at the integration of the most vulnerable (including women, youth and the poorest). This component also includes the implementation of the recommendations of the next Financial Action Task Force (FATF⁵⁶) evaluation and the preparation of the development of a Green Finance Roadmap.

The commitment of the EU's contribution to the Team Europe Initiative (TEI) to which this action refers, will be complemented by other contributions from Team Europe members. It is subject to the formal confirmation of each respective member's meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise, the EU action may continue outside a TEI framework.

3.3 Mainstreaming

Environmental Protection & Climate Change

Outcomes of the SEA screening (relevant for budget support and strategic-level interventions)

The Strategic Environmental Assessment (SEA) screening concluded that key environmental and climate-related aspects need be addressed during design.

Outcomes of the EIA (Environmental Impact Assessment) screening (relevant for projects and/or specific interventions within a project)

The EIA (Environment Impact Assessment) screening classified the action as Category B (not requiring an EIA, but for which environment aspects will be addressed during design).

⁵⁵ Angola joined the EITI (Extractive Industry Transparency Assessment) in June 2022.

⁵⁶ The Financial Action Task Force (FATF) is the global money laundering and terrorist financing watchdog. The inter-governmental body sets international standards that aim to prevent these illegal activities and the harm they cause to society. As a policy-making body, the FATF works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas.

Outcome of the CRA (Climate Risk Assessment) screening (relevant for projects and/or specific interventions within a project)

The Climate Risk Assessment (CRA) screening concluded that this action is no or low risk (no need for further assessment).

The formalisation drive started in markets which are characterised by poor infrastructure including access roads, access to water and sanitation and cold chains. Climate change is resulting in increasingly heavier rains, in some areas, and drier climates in others contributing to a quicker degradation of the already paltry services. In the long run, the formalisation can expand the Government's fiscal space to invest in better infrastructures with a lower environmental impact and more resilient services. In the short run, the formalisation provides information on the number of people working in the markets, and this allows for an estimation of the revenues earned by the markets' private operators. Local government may tax the private operators appropriately and request them to improve the quality of infrastructures and services in the markets. As the formalisation expands to more rural areas, through programs focusing on agro-business, the EU will support green entrepreneurship. In addition, the EU is designing an intervention on circular economy which will support the extension of the Government's formalisation programme to include informal economic operators working in the solid waste value chain (as garbage pickers and aggregators among others) as well as upscaling their role in recycling solid waste in line with best practices.

Gender equality and empowerment of women and girls

As per the OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that Gender will be mainstreamed across all aforementioned actions in support of SDG 5 (Gender Equality and Women's Empowerment) through a mainstreamed and prioritised gender approach (considering the high share of women in the informal sector).

Angola has subscribed to the main international and regional commitments to promote gender equality. However, the country ranked 149 out of 189 in the 2019 Gender Inequality Index (GII) and 119 out of 156 in the 2021 Global Gender Gap Index (GGGI). Only 23% of adult women have at least a secondary level of education (compared to 38% of men). Due to the low level of education, unemployment rates are higher among women and girls (32%) and those with jobs work mostly in the informal sector. Therefore, their inclusion in the social protection services (right to maternity leave, social security, etc.) is more limited. In the informal sector, men and women undertake differentiated activities and the result is a prolonged gender-based division of labour at home. Women are generally concentrated in sectors that require less capital or training. In addition, for most women in the informal sector, the resources for survival are gathered day by day and the earnings need to be split between maintaining the family and replenishing the stock for work for the next day. Given the fragility of social protection policies and programs (security and assistance) and the difficulty in accessing formal credit lines, women and vulnerable people working in the informal sector have survived thanks to their own initiatives. The family and churches are the main support. The government launched a Gender Equality Strategy in 2020, but its rate of implementation remains low despite the efforts and should be revised soon. The Action aims to mainstream and prioritise gender approach within the formalisation process. It will contribute to the implementation of the EU's Gender Action Plan III, in particular to its thematic objective of ensuring that women, men, girls and boys, in all their diversity, fully enjoy and exercise their equal economic, labour and social rights. Sex-disaggregated data and gender-sensitive indicators will be privileged.

Human Rights

The Action is based on mutual commitment to fundamental values of human rights, democracy and the rule of law. Taking into account the current political and socio-economic context, the Action' goals may contribute to addressing a growing popular discontent, and reinforce the values of democracy and human rights. Indeed, through the Action aims at reducing poverty (SDG1) and inequalities (SDG10) and increasing the access to decent jobs (SDG 8), which are basic human rights. One of the outputs is to adapt the social protection schemes and the social benefits are adequate to the needs of the newly formalised economic operators (low income self-employed). Social protection is a human right, a major tool to tackle poverty and social exclusion, reduce inequalities (including gender inequalities), and promote human development. The Action will apply, at all stages, the human rights-based approach and its working principles. In particular, it will contribute to the principle of non-discrimination and the application of all human rights for all, considering how social protection and decent work impacts a variety of basic human rights. The Budget Support component will also contribute to improved duty-bearers' accountability and more transparent access to information.

Disability

As per OECD Disability DAC codes identified in section 1.1, this Action is labelled as D0. Nevertheless the Action, which supports the implementation of SDG 10 (Reduced Inequality), attempts to mainstream inclusiveness, special needs and provision of appropriate treatments across all activities and to provide appropriate treatment in all relevant aspects. Disability is well integrated in the Angolan Constitution and law. Based on the 2014 census, the persons with disability in Angola are estimated to be 2.5% of the population. 70% of this large number is a result of the effects of over four decades of armed conflict and in particular of the number of left-over landmines.

Democracy

The Action will support the basic pillars of a democratic state such as decent work, reduction of inequalities, and delivery of services to citizens, sound PFM, budget transparency, and accountability measures.

Conflict sensitivity, peace and resilience

Decent work and social protection, to be addressed by the Action, are powerful socio-economic stabilisers as they strengthen socio-economic systems and people's resilience.

Disaster Risk Reduction

Angola is extremely vulnerable to climate change impacts such as drought and floods particularly in the southern regions. The major climate change threats and impacts are floods, soil erosion, drought episodes, and rise in sea level. The Action does not target disaster risk reduction. This aspect will be addressed through complementary programmes supported by the 2021-2027 MIP for Angola.

3.4 Risks and Lessons Learnt

Category	Risks	Likelihood	Impact	Mitigating measures
		High/Medium/Low		
External environment	Macroeconomic shocks, fiscal risks and corruption	H	H	Support to stabilise macroeconomic indicators and to implement key PFM reforms to improve DRM and expenditure efficiency including planning and budgeting. Enhanced transparency in policy dialogue and administrative processes.
Planning, processes and systems	Limited fiscal space to adapt social security schemes that appeal to formalised economic operators and retain them as contributors over time	H	H	Support to the elaboration of the Mid-term Expenditure Framework Policy-based budgeting. Support to improve planning and programming. Continued coordination with supporting projects and development partners.
People and organisation	Weak coordination between line ministries involved in the formalisation of the economy and low registration to contributory social security	H	M	Policy dialogue and leveraging of technical support from the complementary support and other EU-funded projects (PFM and governance) via inter-ministerial mechanisms such as the Budget Support Steering Committee, the Multisectoral Commission and the Observatory of Informal Economy.
	Legal and bureaucratic constraints hampering PREI's rapid expansion and a more equitable coverage of	M	M	Complementary Support activities aiming, among others, at the introduction of simplification measures and a better-suited legal framework, coupled with policy dialogue.

	the social protection system			
Communication and information	Insufficient communication on PREI data and analysis	M	M	Assist in setting up a database management system, enhance flow of information and analysis to inform policymaking.
<p>Informality generates a socio-economic “vicious circle” calling for clear and strongly enforced consistent policies to address the root causes. Since 2012, the Angolan Government has the goal to formalise informal agents but only in the 2018-2022 NDP were clear targets set to achieve Assistance and Social protection policy (pillar 5) and Employment and Working conditions policy (pillar 12). The MEP has spearheaded an integrated approach bringing together key stakeholders, both ministerial and relevant institutions. However, further efforts are needed to develop a comprehensive formalisation action plan (supported by the relevant analytical work), to cost the plan, to enhance coordination – both horizontal and vertical -, analysis and circulation of information to drive and sustain the program.</p> <p>A strong coordination, regular communication and the creation of a synergetic environment are crucial to keep the many implementing institutions bonded together around a single goal. The lessons emerging from the initial phase of the formalisation campaign, supported by the first Budget Support Operation, are the need to (i) involve a long chain of stakeholders in the process so formalisation brings about economic growth as well as (ii) capture and make available data to drive analysis and policy making.</p> <p>To foster a whole of Government approach and avoid a silo-ed sectoral approach, the current Action includes a strong focus on coordination mechanisms at the government level through the Inter-ministerial Commission and through a wide range of actors at the OEI. In particular, lessons from the on-going Budget Support Operation Pilot Phase shape the intervention and the support to be provided to these two bodies to address the following needs:</p> <ul style="list-style-type: none"> • Promoting greater coordination of development partners’ support to economic formalisation and expansion of social protection,⁵⁷ including a coherent, integrated, coordinated and costed approach to social protection,⁵⁸ • Expanding the government’s fiscal capacity to limit dependence on DP’s financial support to counter budget decreases for Social protection programmes, and bureaucratic obstacles (among which delays in processing draft decrees and administrative orders); • Support the incipient political and administrative deconcentration in the PREI’s implementation and move away from a top to bottom approach; • Overcome the persistent challenges in data interoperability and communication (along the formalisation process for verification checks for instance) to link the different databases managed by different institutions to allow a full view of the formalisation process; and • Adaptation of micro-finance strategies to the needs and capacities of low revenue credit applicants. 				

⁵⁷ Reflecting an insufficient coordination between public agencies involved, e.g., between MEP with PREI and MAT with the KWENDA initiative.

⁵⁸ According to the PDN 2018-2022 Mid-term assessment (February 2020). However, ILO has recently conducted one.

3.5 The Intervention Logic

The underlying intervention logic for this Action is that, to reduce the informality of the Angolan economy in line with the Government's aspiration of diversifying the economy and promoting decent jobs, there is need for (1) a formalisation policy which is sustainable and adapted to the needs of informal economic operators in all their diversity; (2) scaled-up formalisation services which incentivise economic operators to be and stay formalised; and (3) implementation of stability-oriented macroeconomic measures and key PFM reforms.

- (1) Transfer of financial resources coupled with regular policy dialogue, made possible by the scaling-up of the Budget Support operation, will provide the EU with leverage to promote its values and support the Government to advance with the formalisation policy. Dialogue is expected to bring more coordination between development partners and government institutions, to discuss options to make the formalisation sustainable in the long run and increase the efficiency of the public policies. The role of the OEI will be key in this domain. In addition to the Budget Support, the technical assistance will support the Government in the implementation of the PREI through advice and expertise in this area.
- (2) The simplification of processes and the creation of incentives for economic operators to be and stay formalised are key for the cost-effectiveness of the PREI. The Government's aspiration of transforming the PREI from a programme to a service will be supported through transfer of financial resources, policy dialogue and technical assistance. Particular attention will be paid to the choice of contact points to facilitate access to the services and bring services closer to people (the "one-stop-shop" model, being a physical office or a digital platform) and lowering the transaction costs for the administrations (by reducing the administrative requirements and simplifying the procedures). The aim is to increase the number of economic operators who formalise.

Incentive-based programme and options are key to the success of the formalisation. Only if credible and realistic incentives with tangible benefits exist, the idea of returning to informality will become unattractive. The Government, with support from the OEI, the civil society, the EU (including through the technical assistance), will be supported to identify and propose a realistic set of incentives that make informality less attractive than formality: financial inclusion, trainings and education, access to microcredits, short-term fee exemptions, improved social and health conditions, and social protection along the life course.

The contribution in indirect management with ILO will support the contributory social protection and the INSS to enlarge the coverage of the contributory social security. A diagnosis of the existing barriers to social protection coverage for economic operators in the informal economy can inform on policy gaps and options to expand the social security coverage and the social benefits associated to it. Through a technical assistance by ILO, the diagnosis will look at identifying those gaps and barriers (including a focus on human rights and gender equality), propose recommendations and bring them to the policy dialogue table.

- (3) Coupled with dialogue and transfer of financial resources, support to key PFM reforms and transparency of public management, strengthen the supervision role of the State to assist the Government to prepare a national strategy for financial inclusion, will contribute to supporting the implementation of stability-oriented macroeconomic measures and key PFM reform.

3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention. On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g. including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action. The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

BUDGET SUPPORT MODALITY as reflected by the national/sector public policy supported (4 levels of results / indicators / Baselines / Targets / Source of Data - no activities)

Caveat: the indicators used in the LFM refer to the budget support intervention logic. They help monitoring the implementation of the programme in view of its objectives and later evaluate its contribution to country policy's achievements. The list of indicators below should not be understood as the list of indicators informing the disbursement of variable tranches and spelled out in the relevant part of the financing agreement signed with the partner country, although some indicators may be used for both purposes and will be marked accordingly.

Results	Results chain	Indicators (max. 15)	Baselines (3/06/2022)	Targets by the end of the budget support contract 2025	Sources of data (1 per indicator)
Indicative Impact of the policy	To reduce the informality of the Angolan economy in line with government's aspiration of diversifying the economy and promoting decent jobs for all.	1. Informal employment rate (disaggregated by sex, age and disability) 2. Proportion of population covered by social protection floors/systems, by sex, distinguishing children, unemployed persons, older persons, persons with disabilities, pregnant women, new-borns, work-injury victims and the poor and the vulnerable (SDG 1.3.1 and GAP III indicator)	80.7% (2021)	65%	INE Employment Survey
Expected Outcomes of the policy	1. The formalisation policy is sustainable and adapted to the needs of informal economic operators in all their diversity	1.1. Total number of economic operators formalised since the creation of	1.1 183 958 formalised economic operators 2.1 To be indicated	1.1 900 000 2.1 300 000	PREI Database INE INSS MINFIN

	2. Formalisation services are scaled up and incentivises economic operators, both women and men, to be and stay formalised. 3. Stability-oriented macroeconomic measures and elements of the PFM reform are implemented.	PREI ⁵⁹ (disaggregated by sex, age and disability status) 2.1. Number of formalised economic operators per year (disaggregated by sex, age and disability status) 3.1 Status of PEFA PI - 14 Macroeconomic and Fiscal Forecasting	on starting date of implementation 3.1 D (PEFA 2021)	3.1 At least C (PEFA 2026)	
Induced Outputs	Linked to Outcome 1: 1.1 The Action Plan 2023 - 2027 of the formalisation policy is endorsed. 1.2 A digital “one-stop shop” platform is created 1.3 The Observatory of the Informal Economy is set up and functioning 1.4 A database is available and used for decision-making using disaggregated data (at least by sex and age, if possible, by disability status)	1.1.1 Status of the Action Plan including milestones, targets, activities, timelines, defined responsibilities and mandates. 1.1.2 Status of the costing of the activities of PREI included in the Action Plan 2023 - 2027 1.2.1 Number of formalisation services integrated in the digital platform 1.3.1 Number of yearly meetings of the Observatory 1.3.2. Number of proposals on the formalisation policy submitted to the Multisectoral Commission 1.4.1. Number of quarterly analytical reports with disaggregated data	1.1.1 Not created 1.1.2 Not defined 1.2.1 Not created 1.3.1 None 1.3.2 None 1.4.1 None	1.1.1 Action Plan 2023 -2027 approved and implemented 1.1.2 Costing of the activities is done 1.2.1 5 services (at least) 1.3.1 Six meetings per year 1.3.2 Three proposals per year 1.4.1 Four per year	MEP PREI Multisectoral Commission Observatory of the Informal Economy PREI Database
	Linked to Outcome 2: 2.1. Increased number of informal economic operators, in particular women, are formalised 2.2. Coverage of the contributory social security is enlarged 2.3 A proposal for expanding the social benefits of the contributory social security is done in an inclusive and gender-responsive manner 2.4. Tax regimes are simplified and tax procedures are reduced 2.5. Public-private initiatives offer accessible financial solution for low income economic operators	2.1.1. Number of economic operators registered at the Municipal Administration (disaggregated by sex, age and disability status) 2.1.2. Number of micro, small and medium enterprises (MSMEs) complete the full registration at GUE (disaggregated by sex, age and disability status) 2.2.1. Number of formalised economic operators who register to the INSS (disaggregated by sex, age and disability status) 2.2.2. Number of economic operators who pay contributions to INSS (in the last year) 2.3.1. Status of the options identified to	2.1.1 159 014 2.1.2 23 616 2.2.1 22 626 2.3.1 No options 2.4.1 To be indicated at the beginning of implementation 2.4.2 Not created 2.5.1 38 196	2.1.1 900 000 2.1.2 200 000 2.2.1 300 000 2.3.1A decision is made to increase the social benefits 2.4.118% annual growth as from first year of implementation 2.4.2 One new simplified regime adopted 2.5.1 315 000 2.5.2 At least 4 (tbc)	Local administrations GUE INAPEM INSS AGT Observatory of the Informal Economy PREI Database

⁵⁹ According to the current criteria used by PREI: i) Identity Card; ii) Fiscal identification number; iii) Municipal registration as vendors. These criteria do not include registration to INSS, which will become a critical step for formalisation in the new period 2023 - 2027.

		<p>increase social benefits</p> <p>2.4.1. Growth rate of taxpayers registered to AGT</p> <p>2.4.2. Status of the simplified tax regimes for settlements and payments</p> <p>2.5.1. Number of microcredits to economic operators</p> <p>2.5.2. Number of financial products created fostering financial inclusion</p>			
	<p>Linked to Outcome 3:</p> <p>3.1. The PFM reform, with detailed and sequenced activities, timelines, targets and milestones, is undertaken</p> <p>3.2. The Governance of SOEs is improved and includes gender and climate risk performance</p> <p>3.3. The national financial system is more inclusive and sustainable</p>	<p>3.1.1. Status of the strategy and the action plan of the PFM reform</p> <p>3.2.1. Existence of a roadmap and action plan for the SOEs reform</p> <p>3.2.2. Status of new corporate governance standards</p> <p>3.3.1. Existence of a national financial inclusion strategy, with focus on women, youth & the poorest.</p> <p>3.3.2. Existence of a financing framework of the low-carbon transition / A Green Finance Roadmap</p>	<p>3.1.1 Neither formal strategy nor action plan</p> <p>3.2.1 Not existent</p> <p>3.2.2 No standards available</p> <p>3.3.1 No financial inclusion strategy</p> <p>3.3.2 Not existent</p>	<p>3.1.1 Developed</p> <p>3.2.1 Road map and action plan adopted</p> <p>3.2.2 New corporate governance standards in line with international standards adopted</p> <p>3.3.1 Strategy developed</p> <p>3.3.2 Framework/Roadmap created</p>	<p>MINFIN</p> <p>IGAPE</p> <p>BNA</p> <p>EITI</p>
Direct Outputs	<p>1 Increased predictability of funds by the variable and fixed tranches</p> <p>2 Government stakeholders are better capacitated to deliver and monitor implementation of the PREI and formalisation policy</p> <p>3 Sector policy dialogue and technical assistance are better coordinated and aligned to the PREI and its Action Plan</p>	<p>1.1 Funds are disbursed according to pre-established calendar</p> <p>2.1 The Multisectoral Commission and the OEI meet regularly and produce actions, decisions, and recommendations.</p> <p>3.1. Meaningful and regular policy dialogue with the Government</p> <p>3.2. Technical assistance delivers the Action Plan, the costing of the activities and other deliverables as requested by Government.</p>	<p>4.1.1 None</p> <p>4.2.1 Only the Multisectoral Commission meets regularly.</p> <p>4.3.1 There is a policy dialogue</p> <p>4.3.2 Existing TA</p>	<p>4.1.1 Maximum EUR 45.000.000</p> <p>4.2.1 The Commission and the OEI meet at least 4 times a year.</p> <p>4.3.1 Reinforced policy dialogue</p> <p>4.3.2 TA meets targets of deliverables</p>	<p>State Budget</p> <p>Angola National Development Plan</p> <p>Statutes of the OEI</p> <p>Diário da Republica (<i>Oficial gazete</i>)</p> <p>Sector Policy</p> <p>Minutes of the meetings</p> <p>TA Reports</p>

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the partner country.

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation of the Budget Support Component

4.3.1 Rationale for the Amounts Allocated to Budget Support

The amount allocated for the budget support component is EUR 45 000 000 and for complementary support is EUR 14 550 000. This amount is based on the lessons learnt from the ongoing Budget Support operation ("Response to COVID-19 crisis in Angola in support of socio-economic relief" - CRIS number: AO/FED/042-923) financed under the 11th European Development Fund (EDF), which proved successful in encouraging the effective implementation of this flagship programme for the Government.

Indeed, the PREI has been placed at the centre of the strategy for the formalisation of the economy and the Government's efforts to diversify the economy and create an inclusive business environment. Nonetheless, the PREI has received a rather low share of the State's budget allocation⁶⁰, compared to the importance officially given to the programme. This is why this Action places greater emphasis on policy coordination among the stakeholders, and looks at reinforcing the instruments for policy-based programming and budgeting. The Action includes an array of specific targets for incentivising increased government allocations towards priority interventions such as, for example, micro-credits and an improved business environment for newly formalised economic operators including women-led businesses.

Despite the economic reforms steered by the Government in recent years, the population is still suffering the negative impact of these reforms (i.e. high inflation, less government expenditures, etc.) and the social protection mechanisms, which were supposed to accompany the reforms, are not getting there. The allocation for social protection in the general budget has decreased and programmes such as the cash transfers - Kwenda have been rolled out slower than expected. This Action is a powerful instrument to incentivise the Government to increase the allocation to social protection, through policy dialogue, while studying the feasibility of more adequate social protection regimes for formalised actors.

The following disbursement calendar and profile proposed for the Budget Support is indicative. The actual disbursement calendar and profile will be set out in the financing agreement and may remain subject to change:

Type	2023	2024	2025
Fixed tranche	10 000 000	5 000 000	5 000 000
Variable tranche		12 750 000	12 250 000
<i>Total (EUR)</i>	<i>10 000 000</i>	<i>17 750 000</i>	<i>17 250 000</i>

4.3.2 Criteria for Disbursement of Budget Support

a) Conditions

The general conditions for disbursement of all tranches are as follows:

⁶⁰ In the 2022's State Budget (OGE), the MEP gets a share of 6.9%, out of which more than half was allocated to the OEI.

- Satisfactory progress in the implementation of the public policy of formalisation of the economy and continued credibility and relevance thereof or of the subsequent policy.
- Maintenance of a credible and relevant stability-oriented macroeconomic policy or progress made towards restoring key balances.
- Satisfactory progress in the implementation of reforms to improve public financial management, including domestic revenue mobilisation, and continued relevance and credibility of the reform programme.
- Satisfactory progress with regard to the public availability of accessible, timely, comprehensive, and sound budgetary information.

b) The performance indicators for disbursement to be used for variable tranches may focus on the following policy priorities: formalisation policy and services, coverage and social benefits of the social security system, inclusive financial access and improved business environment.

c) Modifications

The chosen performance indicators and targets to be used for the disbursement of variable tranches will apply for the duration of the action. However, in duly justified cases, the partner country and the Commission may agree on changes to indicators or on upward/downward revisions of targets. Such changes shall be authorised in writing *ex-ante*, at the latest at the beginning of the period under review applicable to the indicators and targets.

In exceptional and/or duly justified cases, for instance where unexpected events, external shocks or changing circumstances have made the indicator or the target irrelevant and could not be anticipated, a variable tranche indicator may be waived. In these cases, the related amount could either be reallocated to the other indicators of the variable tranche the same year or be transferred to the next variable tranche the following year (in accordance with the original weighting of the indicators). It could also be decided to re-assess an indicator the following year against the original target, if there was a positive trend and the authorities did not reach the target because of factors beyond their control. The use of this provision shall be requested by the partner country and approved in writing by the Commission.

d) Fundamental values

In case of a significant deterioration of fundamental values, budget support disbursements may be suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

4.3.3 Budget Support Details

Budget support is provided as direct untargeted budget support to the national treasury. The crediting of the euro transfers disbursed into Angolan Kwanza will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

4.4 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures⁶¹.

4.4.1 Direct Management (Procurement)

A part of this Action (i.e., a part of the complementary support) will support the Government capacities to formulate, plan and implement its reform activities and to implement and monitor the Budget Support Sector Performance Reform Contract, and contribute to the achievement of Specific Objectives 1, detailed in section 3.1.

4.4.2 Indirect Management with a pillar assessed entity

A part of this Action may be implemented in indirect management with ILO. This implementation entails support to capacity development in particular for social protection enhancement and sustainability. In particular, ILO will provide advice and expertise to social security policy in areas of i) development policy; ii) institutional setting, organisational reform and change management; iii) human resources development; iv) actuarial studies, policy

⁶¹ www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

gaps, financial barriers; v) public awareness and education campaigns vi) inclusion and gender equality; and vii) policy options and recommendations. This modality will contribute to the achievement of Specific Objective 2 as indicated at section 3.1.

The envisaged entity has been selected using the following criteria:

- i) Experience in grass-root level implementation, technical assistance and capacity building in social protection systems design and implementation;
- ii) Recognised knowledge of social security systems in Angola and/or similar countries;
- iii) Recognised knowledge of the working conditions and regulations in Angola and in the African Countries of Portuguese Official Language (PALOP, *Países Africanos de Língua Oficial Portuguesa*);
- iv) Recognised leadership in the enforcement of equitable and decent working conditions.

In case the envisaged entity would need to be replaced, the Commission's services may select another replacement entity using the same criteria. If the entity is replaced, the decision to replace it needs to be justified.

4.4.3 Indirect Management with a pillar assessed entity

A part of this Action may be implemented in indirect management with AFD. This implementation entails support to key PFM reforms and transparency of public management, strengthening the supervision role of the State, and to prepare a national strategy for financial inclusion. This modality will contribute to the achievement of Specific Objective 3 as indicated at section 3.1.

This entity has been selected taking into account the following criteria:

- v) Recognised expertise in financial and public finance sectors, and DRM
- vi) Previous engagement in these areas in Angola
- vii) Reliable and durable commitment to the reforms of the public governance and financial institutions.
- viii) Prioritisation of EU Member States in the framework of a Team Europe approach.

In case the envisaged entity would need to be replaced, the Commission's services may select another replacement entity using the same criteria. If the entity is replaced, the decision to replace it needs to be justified.

4.4.4 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

In case implementation through indirect management with ILO or AFD cannot take place, due to circumstances outside of the Commission's control, the Commission keeps the right to implement the action under the direct management modality through procurement.

4.5. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.5 Indicative Budget

Indicative Budget components⁶²	EU contribution (amount in EUR)	Third-party contribution, in currency identified
Budget support (Sector Reform Performance Contract) - cf. section 4.3	45 000 000	

⁶² N.B: The final text on audit/verification depends on the outcome of ongoing discussions on pooling of funding in (one or a limited number of) Decision(s) and the subsequent financial management, i.e. for the conclusion of audit contracts and payments.

Complementary support, composed of:		
Outcome1 (The formalisation policy is sustainable and adapted to the needs of informal economic operators) composed of:		
Procurement (direct management) - cf. section 4.4.1	4 775 000	
Outcome 2 (Formalisation services are scaled up and incentivises economic operators to be and stay formalised) composed of:		
Indirect management with a pillar assessed entity - cf. section 4.4.2	4 775 000	
Outcome 3 (Stability-oriented macroeconomic measures and elements of the PFM reform are implemented) composed of:		
Indirect management with a pillar assessed entity - cf. section 4.4.3	5 000 000	EUR 2 600 000
Evaluation – cf. section 5.2 Audit – cf. section 5.3	450 000	
Totals Procurement – total envelope under section 4.4.1: 4 775 000 EUR	60 000 000	

4.6 Organisational Set-up and Responsibilities

The MEP holds the overall responsibility for the preparation and transmission of disbursement files for Budget Support operations, the fulfilment of the general eligibility conditions, and the achievement of the performance targets and the disclosure of financial and non-financial progress reporting.

The MEP, MINFIN, MAPTSS and the Ministry of Justice, hold the overall responsibility for the respective sector policies, sector coordination and respective sector strategies implementation.

The Budget Support implementation will be organised in accordance with the government organisational structure and mandates as follows:

- The Multisectoral Commission⁶³, which includes all relevant government institutions playing a role in the formalisation strategy, will orient and coordinate its implementation, align it with other public policies and propose measures to ensure progress.
- The PREI Working Group (GT-PREI), assists the PREI's Multisectoral Commission and is co-chaired by PREI's Coordinator, will continue to:
 - Review progress and challenges in the implementation of the formalisation program in terms of completion of planned activities and extent of participation of the involved stakeholders,
 - Assess the performance achieved in terms of formalisation of the economy, extension of social protection and compliance of the variable tranches indicators,
 - Review and discuss the eligibility conditions of the Budget Support, the progress made in achieving the targets linked to the variable tranches and the complementary support activities, identifying delays, risks and performance obstacles,
 - Collect and analysing relevant data (e.g., from INE, etc.) for the above tasks.
 - Issue recommendations to implementing institutions to improve planning, budgeting and monitoring functions.

The Civil Society, development partners and other stakeholders participate in the Observatory of the Informal Economy, the consultative body which structures the social dialogue and represents the public, private, social, academic and informal economy actors involved in formalisation decision-making processes.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

⁶³ Comissão Multisectorial de Execução da Estratégia de Formalização da Economia, created by the Presidential Decree n.º 207/21 of December 6, 2021.

4.7 Pre-conditions

N/A

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support). Indicators shall be disaggregated at least by sex. All monitoring and reporting shall assess how the action is taking into account the human rights based approach and gender equality.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

For the budget support component, the MEP, the MAPTSS, as well as the other public agencies taking part in the Action (such as INSS, AGT, FACRA, etc.) will report on the sector policies. The Ministry of Finance (MINFIN) will report on macroeconomic performance, improvements in public financial management and budget transparency.

The budget support programme will be reviewed through annual reviews to assess compliance with the General Conditions and Performance Indicators for the release of the variable tranches. The reviews will be timed with the aim to meet the indicative disbursement schedule. An independent review team (third party contracted by the EU Delegation) may support the process for each instalment.

The Team Europe Initiative on Economic Diversification for Angola has one pillar related to private sector development (which includes formalisation among others) and one pillar on social protection, which are very much in line with what is proposed in the MIP 2021-2027. At this point, there are no monitoring systems with relation to EU MS actions in place.

For complementary support, reports shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The statistical and monitoring systems, as well as the quality of official data in the covered policy field have been assessed. The key points learned from this assessment which are relevant to the Action are the following:

- The implementation of the PDN 18-22 and its Action Programmes are monitored through the M&E System supported by a Management Information System, based at the MEP, to which the Sectoral and Territorial Planning Units should have access, to feed the database with information related to their Action Programmes.
- The interconnectivity between M&E systems and data bases is not yet fully operational, thus requiring bilateral data transfers between relevant databases (e.g., between AGT or INSS or FACRA databases and PREI portals) but, with the TA of the CS of the Action (cf. Chapter 3.2).
- The National Institute of Statistics (INE) is currently responding rapidly and efficiently to the needs for data at the level of quality and reliability which the programmes to be supported by the Action will require.

This assessment has fed into the design of the Action as follows:

- One component of the complementary support will be dedicated to technical assistance and capacity building of the M&E entities dealing with the transition to formal economy, namely the OEI, under the

supervision of PREI's Multisectoral Commission for the implementation of the Strategy of Formalisation of the Economy.

- The other component of the complementary support will be dedicated to the technical assistance and capacity building of the M&E entities dealing with the extension and flexibilisation of the Social Protection systems, namely MAPTS, INSS and MASFAMU.
- Both M&E systems, duly interconnected, and their annual reporting agenda will feed into policy dialogue and inform decisions on general conditions and variable tranche indicators.

5.2 Evaluation

Having regard to the importance of the Action, an ex-post evaluation will be carried out for this action or its components via independent consultants contracted by the Commission. It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the Action addresses interlinked, complementary aspects (formalisation of the economy and social protection). Although complementary, these components are different in their respective technical specificity, institutional framework and governance modalities. The evaluation of this Action may be performed individually or through a joint strategic evaluation of budget support operations carried out with the partner country, other budget support providers and relevant stakeholders. Evaluations shall assess to what extent the action is considering the human rights-based approach as well as how it contributes to gender equality and women's empowerment. Expertise on human rights and gender equality will be ensured in the evaluation teams.

The Commission shall inform the implementing partner at least 3 months in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination⁶⁴. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

Evaluation services may be contracted under a framework contract.

5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

It will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

⁶⁴ Best [practice of evaluation dissemination](#)

Appendix 1 REPORTING IN OPSYS

An Intervention⁶⁵ (also generally called project/programme) is the operational entity associated to a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Interventions are the most effective (hence optimal) entities for the operational follow-up by the Commission of its external development operations. As such, Interventions constitute the base unit for managing operational implementations, assessing performance, monitoring, evaluation, internal and external communication, reporting and aggregation.

Primary Interventions are those contracts or groups of contracts bearing reportable results and respecting the following business rule: ‘a given contract can only contribute to one primary intervention and not more than one’. An individual contract that does not produce direct reportable results and cannot be logically grouped with other result reportable contracts is considered a ‘support entities’. The addition of all primary interventions and support entities is equivalent to the full development portfolio of the Institution.

The present Action identifies as:

Action level		
<input type="checkbox"/>	Single action	
Group of actions level		
<input type="checkbox"/>	Group of actions	
Contract level		
<input checked="" type="checkbox"/>	Single Contract 1	Contribution agreement with AFD
<input checked="" type="checkbox"/>	Group of contracts 2	Budget Support Procurement TA Indirect management with ILO Indirect management with AFD

⁶⁵ [Ares\(2021\)4450449](#) - For the purpose of consistency between terms in OPSYS, DG INTPA, DG NEAR and FPI have harmonised 5 key terms, including ‘action’ and ‘Intervention’ where an ‘action’ is the content (or part of the content) of a Commission Financing Decision and ‘Intervention’ is a coherent set of activities and results which constitutes an effective level for the operational follow-up by the EC of its operations on the ground. See more on the [concept of intervention](#).