



The World Bank

Angola First Green, Resilient, Inclusive Growth and Diversification Development Policy Loan (P179512)

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Report No: PGD409

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROGRAM DOCUMENT FOR A

PROPOSED LOAN

IN THE AMOUNT OF US\$500 MILLION TO

THE REPUBLIC OF ANGOLA

FOR THE

FIRST GREEN, RESILIENT, INCLUSIVE GROWTH AND DIVERSIFICATION DEVELOPMENT
POLICY LOAN

June 5, 2023

Macroeconomics, Trade and Investment Global Practice
Eastern and Southern Africa Region

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Republic of Angola

GOVERNMENT FISCAL YEAR*January 1 – December 31***CURRENCY EQUIVALENTS**

(Exchange Rate Effective as of date: May 31, 2023)

Currency Unit: Angolan Kwanza (Kz)

US\$1.00 = Kz 583

ABBREVIATIONS AND ACRONYMS

ABANC	National Banks Association	IMF	International Monetary Fund
AGT	General Tax Administration	INRH	National Water Resources Institute
AM	Accountability Mechanism	IRDP	Petroleum Derivatives Regulatory Institute
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism	IRSEA	Regulatory Institute for Energy and Water Services
ANR	National Risk Assessment	LDP	Letter of Development Policy
AOA	Angolan Kwanza	LNG	Liquefied Natural Gas
ARS	Sectorial Risk Assessment	LPG	Liquefied Petroleum Gas
ASA	Advisory Services and Analytics	MAPS	Methodology for Assessing Procurement Systems
BC	Money Laundering	MINEA	Ministry of Energy and Water
BNA	Central Bank of Angola	MIREMPET	Ministry for Mineral Resources, Petroleum, and Gas
BT	Low Tension	MOF	Ministry of Finance
CBR	Correspondent Banking Relationships	MTEF	Medium-Term Expenditure Framework
CCDR	Country Climate and Development Report	NDP	National Development Plan
CISNA	Committee of Insurance, Securities and Non-banking Financial Authorities	NEA	National Electrification Analysis
COVID-19	Coronavirus Disease 2019	NPL	Non-Performing Loans
CPF	Country Partnership Framework	NRA	National Risk Assessment
CPSD	Country Private Sector Diagnostic	NRW	Non-Revenue Water
DSA	Debt Sustainability Analysis	OGE	Orçamento Geral do Estado (Annual Budget)
DPF	Development Policy Financing	OPDA	Oil Price Differential Account
EFF	Extended Fund Facility	PFM	Public Financial Management
EITI	Extractive Industries Transparency Initiative	PFR	Public Finance Review

ELA	Emergency Liquidity Assistance	PIIM	Program of Infrastructure Development in Municipalities
ENAC	National Strategy for Climate Change	PIMA	Public Investment Management Assessment
ENBI	National Enterprise of Integrated Ticketing	PIP	Public Investment Program
ESG	Environmental, Social, and Governance	PLR	Performance Learning Review
ESMAP	Energy Sector Management Assistance Program	PPP	Public-Private Partnerships
FAS	Social Action Fund	PRODEL	Energy Utility
FATF	Financial Action Task Force	PROPRIV	State-Owned Enterprise Reform and Privatization Program
FDI	Foreign Direct Investment	PSIA	Poverty and Social Impact Analysis
FND	National Development Fund	RAS	Reimbursable Advisory Services
FP	Fundo Petrolífero (Oil Fund)	REPIB	Strategic Oil Reserve for Basic Infrastructure
FSD	Financial Stability Department	SAPP	Southern Africa Power Pool
FSDEA	Angola Sovereign Wealth Fund	SDR	Special Drawing Rights
FX	Foreign Exchange	SME	Small and Medium Enterprises
GCRF	Global Crisis Response Framework	SNCPE	Electronic Public Procurement System
GDP	Gross Domestic Product	SOE	State-Owned Enterprise
GHG	Greenhouse Gas	SRA	Sectoral Risk Assessments
GRID	Green, Resilient, and Inclusive Development	SREP	Supervisory Review and Evaluation Process
GRS	Grievance Redress Service	SSA	Sub-Saharan Africa
GW	Gigawatt	UIF	Financial Intelligence Unit
IAIS	International Association of Insurance Supervisors	VAT	Value-Added Tax
IAS	International Accounting Standards	WASH	Water, Sanitation and Hygiene
IBRD	International Bank of Reconstruction and Development	WBG	World Bank Group
IDA	International Development Association		
IFC	International Finance Corporation		

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REPUBLIC OF ANGOLA

FIRST GREEN, RESILIENT, INCLUSIVE GROWTH AND DIVERSIFICATION DEVELOPMENT POLICY LOAN

TABLE OF CONTENTS

SUMMARY OF PROPOSED FINANCING AND PROGRAM	3
1. INTRODUCTION AND COUNTRY CONTEXT	5
2. MACROECONOMIC POLICY FRAMEWORK.....	6
2.1. RECENT ECONOMIC DEVELOPMENTS.....	6
2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY	8
2.3. IMF RELATIONS	13
3. GOVERNMENT PROGRAM	14
4. PROPOSED OPERATION	14
4.1. LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION	14
4.2. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS	15
4.3. LINK TO CPF, OTHER BANK OPERATIONS AND THE WBG STRATEGY	27
4.4. CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS	28
5. OTHER DESIGN AND APPRAISAL ISSUES	28
5.1. POVERTY AND SOCIAL IMPACT	28
5.2. ENVIRONMENTAL ASPECTS	29
5.3. PFM, DISBURSEMENT AND AUDITING ASPECTS.....	30
5.4. MONITORING, EVALUATION AND ACCOUNTABILITY	31
6. SUMMARY OF RISKS AND MITIGATION	32
ANNEX 1: POLICY AND RESULTS MATRIX	35
ANNEX 2: FUND RELATIONS ANNEX	38
ANNEX 3: LETTER OF DEVELOPMENT POLICY.....	41
ANNEX 4: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS TABLE	82

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SUMMARY OF PROPOSED FINANCING AND PROGRAM

BASIC INFORMATION

Project ID	Programmatic	If programmatic, position in series
P179512	Yes	1st in a series of 2

Proposed Development Objective(s)

The development objective is to support the Government of Angola to promote green, resilient, and inclusive growth by (i) reducing economic distortions and strengthening fiscal and financial sector resilience (ii) boosting equity by strengthening social inclusion; and (iii) Improving markets and infrastructures to build climate resilience

Organizations

Borrower:	REPUBLIC OF ANGOLA
Implementing Agency:	Ministry of Finance of Angola

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Financing	500.00
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DETAILS

International Bank for Reconstruction and Development (IBRD)	500.00
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INSTITUTIONAL DATA

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Overall Risk Rating

Substantial

**Results**

Indicator Name	Baseline	Target
Domestic gasoline and diesel prices relative to cost recovering benchmark	31 percent for gasoline, 23 percent for diesel (2022)	> 95 percent both fuels (2025)
Legal persons included in the beneficial ownership registry and risk-based verifications conducted (percentage)	0 (2022)	50 percent of legal persons registered, and 75 percent of high-risk legal persons verified (2025)
Fiscal stabilization fund set up and operating under appropriate rules	No (2022)	Yes (2025)
Number of state-owned enterprises	76 (2022)	< 40 (2025)
Number of families receiving updated benefit amount, of which female-headed households (percentage)	0.6 million (2022)	At least 1.6 million and at least 60 percent female headed (2025)
Number of targeted passengers per day with free or reduced fare	0 (2022)	> 500,000 (2025)
Increase in the percentage of the population with access to electricity	45 percent (2022)	47 percent (2025)
Number of provincial utilities adequately reporting service levels and water quality data	Zero (2022)	At least 15 (2025)
Total annual premium value on all insurance products	0.61 percent of GDP (2021)	> 1.2 percent (2025)
Decline in gas flaring intensity per barrel of oil produced	4.4 m ³ per barrel in 2021	< 2.5 m ³ per barrel by 2025



1. INTRODUCTION AND COUNTRY CONTEXT

1. The proposed Development Policy Financing (DPF) operation, the first in a series of two, supports the Government of Angola (GoA) in conducting key reforms that promote economic diversification, poverty reduction, and resilience to climate and economic shocks. Angola, a lower-middle income country with 34 million people and one of Sub-Saharan Africa's (SSA) largest oil producers, is overly dependent on petroleum, which still accounts for 27 percent of Gross Domestic Product (GDP) in 2022. This has made growth and macroeconomic management highly vulnerable to external shocks, stunted the non-oil economy, and generated few jobs. The administration that took office in 2022—for a second term—remains committed to a strong structural reform agenda aimed at addressing the country's governance, economic, and social challenges. The reforms are supported by the World Bank through this DPF series and complementary activities.

2. Exiting a five-year recession, Angola's economic recovery remained strong in 2022, aided by a stronger oil sector and improved economic management. The oil prices fall in 2015 drove Angola to a long recession, with a cumulative decline of 3.8 percent in real GDP from 2015 to 2019. This situation was aggravated by the Coronavirus Disease 2019 (COVID-19), and Angola experienced a negative growth rate of 5.6 percent in 2020. With higher oil prices and the lifting of mobility restrictions in 2021, growth accelerated to 1.2 percent. Through upward pressures on global oil prices, Angola benefited from significant windfall gains. Growth is estimated to have reached three percent in 2022, driven by the non-oil sector and a slight recovery in the oil sector.

3. Angola is highly exposed to extreme climate events, and climate change increases vulnerabilities in a context of already high poverty rates. Angola's poverty rate is estimated at 32.7 percent in 2022 (at US\$2.15 per day, 2017 purchasing power parity), and with a Gini coefficient of 51.3. A recent driver of extreme poverty has been recurrent droughts in the south of the country. Water availability is projected to decrease in the future in southern regions of the country, posing challenges not only to water supply and agriculture but to electricity generation. The increase in temperatures and length of dry seasons is anticipated to hurt agricultural productivity, lead to further migration to urban centers, and increase the overall vulnerability of populations in climate sensitive areas. Climate change will likely also lead to higher frequency of floods in Angola's largest cities, where more than 60 percent of the population resides.

4. To address these challenges, the Angolan authorities have improved macroeconomic management, are strengthening the business environment, establishing social protection systems, and adopting policies to mitigate and adapt to climate change. Reforms undertaken include the introduction of a more flexible and transparent exchange rate regime, the adoption of a new monetary policy framework, fiscal consolidation, and the promotion of financial sector stability. Other reforms aim to combat corruption, strengthen protection against money laundering, and enhance transparency in public investments. In parallel, the Government has implemented an ambitious privatization and state-owned enterprise (SOE) reform program. Angola has submitted a revised Nationally Determined Contribution under the Paris Framework updated in May 2021 stating its commitment to decarbonization and addressing adaptation challenges, with a strong focus on the water sector. Additionally, the GoA is strengthening its social protection system.

5. Reforms under the proposed DPF series are aligned with the World Bank Group's Global Crisis Response Framework and complement other World Bank-financed operations and International



Finance Corporation (IFC) engagements. The proposed DPF series is aligned with the Green, Resilient, Inclusive Development (GRID) approach and the Global Crisis Response Framework (GCRF).¹ In pursuit of these objectives, the DPF series complements other World Bank engagements in Angola, including by integrating findings of the Country Climate and Development Report (P176917), support for the Strengthening the National Social Protection System – Kwenda Cash Transfer Project (P169779), and a Girls’ Empowerment and Learning Project (P168699). Ongoing engagements in the agricultural sector aim to strengthen climate resilience and food security. A Climate Resilience and Water Security Project (P177004) will strengthen water and sanitation services, development of water resources, and institutional capacity for climate resilience. Reforms to create more competitive markets are also supported through IFC’s engagement.

6. The GoA continued strong engagements with the World Bank, the IMF, and other development partners are expected to sustain reform momentum. After the successful conclusion of its latest program in December 2021, the IMF expects to remain closely engaged with the GoA, including through ongoing technical assistance. Continued policy dialogue and technical GoA’s engagement with the World Bank across multiple areas and agencies, a prudent 2023 budget, and the need to attract foreign direct investment (FDI) and regain access to international credit markets all reinforce the sustainability of key reforms. The Government also remains committed to working with other development partners.

7. Growing demand for basic public services, a more active civil society, and lack of employment opportunities, especially for the youth, reinforce commitment to the reform agenda. The Government has reaffirmed its main objective to improve public services delivery given that strong population growth has increased demand for improved access to water, electricity, education, and health. In addition, a more informed and active civil society is pushing for increased transparency, accountability, and participation in the development agenda. Finally, high youth unemployment stresses the need to implement reforms in support of a more private sector-led growth model that will create more and better jobs.

2. MACROECONOMIC POLICY FRAMEWORK

2.1. RECENT ECONOMIC DEVELOPMENTS

8. Growth has accelerated since 2021, thanks to high oil prices and stronger non-oil sectors. Recovery from a long recession (2016-2020) accelerated in 2022 with GDP growth reaching three percent (Table 1). Higher oil prices allowed for fiscal expansion and appreciation of the domestic currency, both underpinning increased domestic demand. The oil sector contributed to this recovery with a growth of 0.5 percent. Non-oil production also accelerated with agriculture and fisheries growing around four percent and the services sector exceeding pre-COVID-19 levels. Construction activity expanded at a pace of 5.5 percent, benefitting from higher government investment execution in the context of improved government financial conditions and an election year.

9. The 2022 high oil prices resulted in a large current account surplus. The current account balance registered a surplus of US\$11.7 billion in 2022, compared to US\$8.4 billion in 2021. Exports of goods and

¹ Specifically, the proposed series is aligned with thematic areas under Pillar 1 (“Responding to Food Insecurity”), such as scaling up social protection to support vulnerable, Pillar 3 (“Strengthening Resilience”), including strengthening resilience, adaptive social protection systems, climate resilience, disaster risk management, and macro-fiscal, financial, and debt sustainability, and Pillar 4 (“Strengthening Policies, Institutions and Investments for Rebuilding Better”), namely climate smart policies and incentives, green and sustainable growth, and institutional strengthening and capacity building.



services increased by US\$16.4 billion during 2022, of which 95 percent were oil exports. Imports of goods and services grew by US\$9.7 billion, driven by consumption goods and transport, travel, and construction services. In the second half of the year, a fall in oil prices lowered the value of exports and reduced the trade balance as imports remain elevated.

10. The domestic currency appreciated from 2021, though appreciation pressures have receded since late 2022. The Central Bank (*Banco Nacional de Angola*, BNA) embarked on major exchange rate liberalization reforms in 2017, which were supported by the IMF program. The currency depreciated by 74.7 percent. This reduced the parallel market premium from 153.7 percent in December 2017 to about 10 percent in the first months of 2023. The small current premium reflects certain fees and restrictions on current account transactions that are progressively being phased out to support transition to inflation targeting in the medium term. Driven by higher oil prices, the Angolan currency - Kwanza - appreciated by 26.2 percent in 2022 and has remained stable in the first four months of 2023. Thus, the real effective exchange rate appreciated by 71.2 percent in 2022, and it is estimated to be overvalued by 49.4 percent. BNA's gross reserves reached US\$14 billion in March 2023. Import coverage remains adequate at about six months. Nevertheless, despite the currency liberalization, non-oil sector competitiveness has been constrained by low access to finance, limited human capital, infrastructure bottlenecks, and difficult business environment.

11. Inflation has rapidly declined, allowing BNA to gradually loosen monetary policy. With the lagged effect of currency depreciation being replaced by appreciation and stability, annual inflation rate has decelerated rapidly: from a peak of 27.7 percent in January 2022 to 10.8 percent in March 2023. Food inflation declined even faster from 34.3 percent in January 2022 to 9.4 percent in March 2023, consistent with the fall in the Food Price Index of the Food and Agriculture Organization of the United Nations. As inflation pressures subside, BNA gradually lowered the reference rate from 20 to 17 percent in March 2023.

12. The 2022 fiscal surplus is estimated at one percent of GDP, despite spending significantly exceeding budgeted levels. Based on end-2022 estimates, current revenues were 4.1 percent of GDP higher than foreseen in the 2022 budget due to higher-than-expected oil prices (average price of US\$100 per barrel compared to a budget assumption of US\$59). Total expenditures were 3.1 percent of GDP higher than in the budget, with significant overruns on capital expenditures (+2.9 percent of GDP) and subsidies and transfers (+2.2 percent of GDP), partly offset by lower interest expenditures due to a stronger Kwanza (-1.2 percent of GDP). The non-oil primary deficit, a measure of the structural fiscal position, increased in 2022 to 9.3 percent of GDP, up from five percent in 2021 and above the GoA's medium-term target (stipulated in the Fiscal Responsibility Law) of five percent (Table 2).

13. With strong fiscal outcomes, currency appreciation and nominal GDP growing rapidly, Angola's debt-to-GDP ratio fell to 69.2 percent at the end of 2022. This is a rapid decline from the peak of 139.5 percent in 2020, with denominator (nominal GDP), negative real interest rates, and exchange rate effects driving the decline in the debt ratio (Figure 1). Debt service relief under the Debt Service Suspension Initiative and bilateral renegotiations with major creditors, prudent liability management operations, and the GoA's debt strategy of prioritizing concessional financing where available also contributed to Angola overcoming the acute risk of debt distress experienced in 2020. Nevertheless, the stock of public debt expressed in US dollars remained between US\$64 and US\$69 billion between January 2020 and December 2022. Angola's credit rating received an upgrade in early 2022 both from Fitch and from Standard and Poor's.



14. The financial sector remains underdeveloped and dominated by banks. Although stability indicators have slightly improved, risks remain elevated. In 2021, banking sector assets were only 37 percent of GDP, a considerable reduction from an average of 53 percent between 2019–2020. Also, banks kept more than a half of their domestic assets either at the Central Bank or invested in government bonds. The Central Bank has increased supervision of the banking sector in the last years, which has led to write-offs of Non-Performing Loans (NPLs). Although these loans have decreased from 33 percent in 2019, they remain high at 20 percent. The decline in NPLs partly explains the reduction in domestic credit to the private sector, from an average of 13 percent of GDP in 2018-2020 to around 7 percent in June 2022. However, credit to the private sector continues to be constrained by the large informal economy, capacity constraints at firms, and the lack of accounting practices. In addition, the lack of legal protection, the high return and low risk of government debt leads to a crowding out of the private sector.

2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

15. The non-oil sectors are expected to drive growth in the medium term. Following the rebound in 2022, oil production is expected to expand two percent in 2023 and stagnate in the medium term due to natural decline and insufficient investment. Non-oil production is expected to expand, with agriculture becoming a growing source of dynamism due to measures to facilitate access to inputs and capital. Continued rapid growth of the construction sector is expected to be by the GoA's Second Program of Infrastructure Development in Municipalities (PIIM 2). This outlook for the non-oil economy reflects the expected positive, but gradual, impact of market creation and macroeconomic reforms, such as the more flexible currency regime. Real GDP is projected to grow at 3.3 percent in 2023, with non-oil GDP growing at 3.8 percent (Table 1). In subsequent years, the economy is expected to grow between three and four percent, with non-oil growth offsetting the stagnation of the oil sector. Policies to promote non-oil growth include improvements in human and physical capital, access to credit, underpinned by more effective social and public investment spending.

16. The current account surplus is expected to decline. With stagnant production and an expected gradual fall in the oil prices, oil exports are projected to remain on a declining trend, while non-oil exports (fish, wood, beverages, cement, and coffee) pick up more gradually. Imports are expected to recover as the economy grows and the demand for external goods and services increases. The negative balance on services, primary income, and secondary income are expected to change slightly. A high external debt service and a declining current account balance will result in greater external financing needs, which are expected to be financed by external borrowing and a less negative FDI balance (Table 3). The flexible exchange rate is expected to mitigate the demand pressures on external reserves and serve as a first line of defense against external shocks.

17. The decline in inflation is expected to slow and could be temporarily reversed by an adjustment in long-repressed energy prices. Price pressures are expected to decline due to the lagged effect of a stronger, more stable currency, tight monetary policy, and improved global supply conditions. The adjustment of fuel prices to market levels is expected to temporarily raise inflation. The impact of the gasoline price increase in 2023 on inflation is expected to be about two to three percentage points, however this price shock is expected to be short-lived, with average and year-end inflation remaining on the declining trend seen since 2021. The monetary policy is expected to be effective in containing second-round effects and anchoring inflationary expectations. Although, the monetary policy transmission mechanism effectiveness has been limited by low access to credit and high level of informality, the Central



Bank has been able to mitigate inflationary pressures through proactive liquidity management measures. Also, the inflationary impact is expected to be limited by targeted sectoral interventions (see page 17).

18. Fiscal accounts are expected to remain balanced in the short term with small overall surpluses – and maintained primary surpluses – in the medium term. The 2023 budget targets a small overall fiscal surplus, based on an average oil price assumption of US\$75 per barrel. The primary balance surplus is expected to remain large in 2023, at 5.4 percent of GDP, but decline in the medium term, still sufficient to maintain a downward trend of debt-to-GDP ratio and complying with the non-oil primary balance rule under the Fiscal Sustainability Law. However, the non-oil primary balance is expected to remain around 5 percent of GDP until 2025 due to the gradual removal of fuel price subsidies. The non-oil revenues are expected to stabilize around 8 percent of GDP in the medium term driven by effective introduction of Value-Added Tax (VAT). Major tax policy reforms to boost non-oil revenue mobilization include VAT threshold reduction, lower personal income tax rate brackets, reforming the property registry and property tax, as a well as improving tax administration capacity.

19. Debt is expected to remain sustainable, though sensitivity to the oil price and large refinancing needs create heightened vulnerabilities. Under baseline assumptions, the debt-to-GDP ratio is expected to reach the 60 percent target stipulated in the Fiscal Responsibility Law in the medium term (Figure 1). However, the stock of debt remains high, particularly foreign currency denominated external debt, which stood at US\$48 billion at the end of 2022. Re-financing needs, estimated at about 10 percent of GDP annually in the near term, are large and could increase further in a case of a decline in revenues. The domestic debt stock is expected to remain stable around 17 percent of GDP and 30 percent of total debt. Risk indicators are expected to improve as authorities make progress on maturity extensions and the stock of short-term debt remains low, at about three percent of total debt.

20. Angola's continued dependence on oil poses high risks to the outlook. Oil revenues will remain critical for fiscal and external balances. An oil price shock may trigger currency depreciation, which would result in a ballooning of the external debt given that around 80.3 percent of the debt is indexed to foreign currency, while reducing the availability of oil-derived revenues to service it. Materialization of such risks could necessitate additional mitigation measures, including renewed expenditure cuts. The recurrent uncertainties resulting from geopolitical, global growth, and financial conditions pose additional risks. Tighter global financial conditions represent risks as Angola anticipates a return to the international capital markets as Eurobonds mature in the mid-2020s and given that almost 64 percent of the debt stock is exposed to variable interest rates. To mitigate this interest rate risks, Angola has started to reprofile the debt toward more concessional financing and longer maturities. Also, an oil price shock can deteriorate the terms of trade and weaken the external balance, which can undermine growth.

21. The Government has strengthened the financial sector oversight and safety nets through the approval of the 2021 Financial Institutions Law, but implementation lags. The law strengthens the Central Bank's resolution and early intervention powers, including the ability to require additional capital from individual banks as necessary, safeguarding the potential use of public funds in bank resolution. BNA is currently preparing secondary legislation needed to fully implement the law, including for the macro-prudential and resolution frameworks. The BNA has also passed regulations including updated Corporate Governance Code and capital framework for banks to bring those in line with the Basel framework. Thus, BNA needs to effectively implement the secondary legislation to further strengthen the financial sector.

22. The macroeconomic policy framework is deemed adequate for the purpose of the proposed operation, based on improved fundamentals and the Government's prudent policy stance and



commitment to continued implementation of a strong reform agenda. Angola was making progress towards restoring macroeconomic stability before the onset of the COVID-19 crisis, underpinned by a flexible exchange rate regime, sound monetary policy, fiscal consolidation, and institutional reforms. The policy response to the crisis was adequate, supporting livelihoods while maintaining prudent macroeconomic policies. Servicing Angola's large external debt has become more feasible with higher oil prices but still requires significant fiscal discipline and saving a large share of oil revenues. The Government's commitment to sound policies and structural reforms is also demonstrated by the successful conclusion of the IMF program in December 2021 and recent ratings upgrades (see paragraph 23 below). Reforms to improve the business environment and spur competition, as part of the economic diversification agenda, as well as efforts to invest in human capital, will be instrumental to enhance private sector-led growth. This will help reduce pro-cyclicality from commodity dependency and support macroeconomic stability.



Table 1. Key Macroeconomic Indicators, 2020-26							
	2020	2021	2022E	2023F	2024F	2025F	2026F
	Projected						
National Accounts and Prices	<i>(Annual percentage change, unless otherwise indicated)</i>						
Real gross domestic product	-5.6	1.2	3.0	3.3	2.9	3.7	3.7
Oil sector	-6.7	-11.5	0.5	2.0	0.0	0.0	0.0
Non-oil sector	-5.1	6.8	4.0	3.8	3.9	4.9	4.9
GDP deflator	10.8	47.2	7.7	7.8	9.2	8.4	7.5
Consumer prices (annual average)	22.3	25.8	21.4	10.8	8.3	14.9	9.1
Consumer prices (end of period)	25.1	27.0	13.9	9.2	11.3	13.3	7.9
Gross domestic product (LCU billion)	33,041	47,226	52,421	58,382	65,552	73,658	82,126
Nominal exchange rate, average (USD/AOA)	576	624	460	-	-	-	-
Gross domestic product (USD billion)	57.4	75.7	113.8	114.5	123.7	135.2	146.8
Fiscal Accounts	<i>(As a percentage of GDP, unless otherwise indicated)</i>						
Revenues	21.7	21.8	25.5	23.8	22.7	21.5	20.6
Of which: Oil-related	11.3	12.4	14.7	13.2	11.7	10.3	9.1
Of which: Non-oil revenues	9.1	7.9	8.6	8.1	8.3	8.6	8.8
Expenditures	23.3	19.5	24.4	23.3	21.7	21.3	20.3
Current Expenditures	17.9	14.2	17.8	18.0	16.5	16.3	15.6
o/w interest	7.0	5.2	4.3	4.9	4.8	4.6	3.9
Capital	5.4	5.3	6.6	5.3	5.2	5.0	4.7
Primary fiscal balance	5.4	7.4	5.4	5.4	5.8	4.9	4.2
Overall fiscal balance	-1.9	3.8	1.0	0.5	1.0	0.2	0.3
Non-oil Primary Fiscal Balance	-5.9	-5.0	-9.3	-7.8	-5.9	-5.4	-4.9
Total public debt	139.5	82.9	69.2	69.1	61.7	55.9	50.6
Selected monetary accounts	<i>(Annual percentage change, unless otherwise indicated)</i>						
Credit to the private sector	-7.7	5.6	4.9	10.2	10.7	10.8	10.8
Broad money M2	24.3	-9.3	-11.9	12.3	12.0	12.2	11.5
External accounts	<i>(As a percentage of GDP, unless otherwise indicated)</i>						
Trade balance	20.6	32.2	26.9	22.1	18.8	17.0	15.2
Exports of goods and services	37.8	49.7	41.1	37.0	33.4	31.5	29.5
Imports of goods and services	17.2	17.4	14.2	14.9	14.6	14.4	14.3
Foreign direct investment (net inflows)	-3.5	-4.9	-5.1	-2.3	-1.5	-2.2	-3.5
Current account balance	1.6	12.4	9.7	5.1	1.8	0.6	-1.0
Gross international reserves (EOP, USD millions)	14,879	15,508	14,661	-	-	-	-
Gross reserves (months of next year's imports)	9.5	10.2	8.7	-	-	-	-
Nominal exchange rate - average	576	624	460	-	-	-	-
Nominal exchange rate - end of period	650	555	462	-	-	-	-
Memo							
Angola oil price (average, USD per barrel)	42.4	67.3	100.3	78.8	75.7	72.5	69.9
Crude oil price (average, USD per barrel)	42.3	70.4	99.8	79.4	75.7	72.5	69.9
Oil production (millions of barrels per day)	1.28	1.12	1.13	1.15	1.15	1.15	1.15
Sources: MINFIN, BNA, World Bank estimates							



Table 2. Key Fiscal Indicators, 2020-26							
	2020	2021	2022E	2023F	2024F	2025F	2026F
	Projected						
	(As a percentage of GDP, unless otherwise indicated)						
Overall balance	-1.9	3.8	1.0	0.5	1.0	0.2	0.3
Primary fiscal balance	5.4	7.4	5.4	5.4	5.8	4.9	4.2
Non-oil Primary Fiscal Balance	-5.9	-5.0	-9.3	-7.8	-5.9	-5.4	-4.9
Non-oil Primary Fiscal Balance (percent of non-oil GDP)	-8.1	-7.2	-13.3	-10.3	-7.5	-6.6	-5.9
Revenue	21.7	21.8	25.5	23.8	22.7	21.5	20.6
Taxes	20.4	20.3	23.3	21.3	20.1	18.9	17.9
Oil	11.3	12.4	14.7	13.2	11.7	10.3	9.1
Non-oil	9.1	7.9	8.6	8.1	8.3	8.6	8.8
Social contributions	1.0	0.7	0.8	0.5	0.7	0.7	0.7
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue	0.4	0.7	1.4	2.0	2.0	2.0	2.0
Expenditure	23.3	19.5	24.4	23.3	21.7	21.3	20.3
Current expenditures	17.9	14.2	17.8	18.0	16.5	16.3	15.6
Compensation of employees	6.3	4.4	4.5	4.8	5.0	5.2	5.3
Use of goods and services	2.9	3.5	3.9	4.9	4.9	5.1	5.2
Interest	7.0	5.2	4.3	4.9	4.8	4.6	3.9
Subsidies*	0.1	0.1	4.0	2.3	0.7	0.3	0.0
Other expenses	1.7	1.0	1.1	1.1	1.1	1.1	1.2
Capital expenditures	5.4	5.3	6.6	5.3	5.2	5.0	4.7
Memo: Social Expenditures**	5.2	5.9	6.4	7.7	7.9	7.5	7.5
Sources: MINFIN, World Bank estimates							
* subsidies prior to 2022 were of budget (paid by Sonangol)							
** Spending on education, health, social protection, and housing and community services.							

	2020	2021	2022E	2023F	2024F	2025F	2026F
	Projected						
	(US\$ million)						
Gross financing needs	5,784.1	-987.7	-2,938.4	4,151.7	7,012.2	7,306.5	8,749.1
Current account deficit	-872.0	-8,399.4	-11,763.0	-6,035.9	-2,263.1	-757.3	1,298.0
External debt amortization	6,656.1	7,411.7	8,824.6	10,187.6	9,275.3	8,063.8	7,451.1
Government	2,814.1	3,275.7	4,366.6	6,307.5	6,070.5	5,905.7	5,751.4
Sonangol	1,101.0	1,642.0	1,624.0	1,417.4	973.6	569.1	462.7
Banks	155.0	-716.0	-261.0	-277.0	-294.0	-315.0	-334.0
Other private (net)	2,586.0	3,210.0	3,095.0	2,561.0	2,287.0	1,904.0	1,571.0
IMF repayments	0.0	0.0	0.0	178.7	238.2	497.7	713.6
Gross financing sources	8,572.9	-1,903.2	-1,669.4	4,616.7	7,986.2	6,961.5	8,240.1
Capital account (net)	1.2	2.0	-2.2	-2.3	-2.4	-2.5	-2.6
Foreign direct investment (net)	-1,957.0	-3,297.7	-6,183.3	-2,774.5	-1,801.3	-2,924.7	-4,734.4
External borrowing (ex IFIs)	3,919.0	3,235.0	4,129.0	7,283.1	5,178.7	6,260.7	5,859.1
Government	1,931.0	2,360.0	2,529.0	6,183.1	3,378.7	4,060.7	3,259.1
o/w Eurobond issuance	0.0	0.0	1,750.0	0.0	1,443.6	2,432.1	1,460.8
Sonangol	1,500.0	1,300.0	2,000.0	1,300.0	1,200.0	1,000.0	1,000.0
Banks	488.0	-425.0	-400.0	-200.0	600.0	1,200.0	1,600.0
World Bank ¹⁾	700.0	500.0	500.0	500.0	500.0	0.0	0.0
IMF	1,019.0	2,016.0	0.0	0.0	0.0	0.0	0.0
Other IFIs ¹⁾	165.0	120.0	268.0	268.0	0.0	0.0	0.0
Foreign deposits (net)	4,725.7	-4,478.5	-380.9	-657.6	4,111.2	3,628.0	7,117.9
Change in reserve assets (+ = increase)	2,788.8	-915.5	1,269.0	465.0	974.0	-345.0	-509.0
Sources: MINFIN, BNA, World Bank estimates							
1) Only includes budget support operations							



Figure 1: Angola Public Debt Sustainability – Baseline scenario

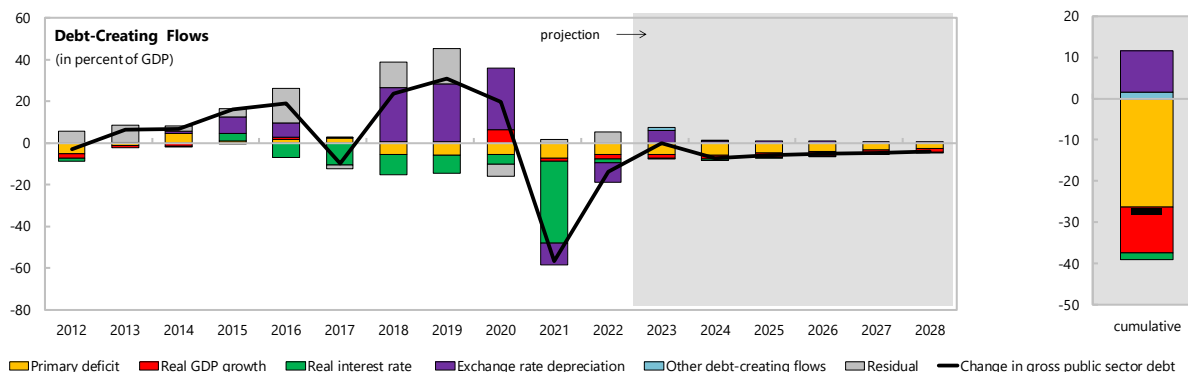
(in percent of GDP unless otherwise indicated)

Debt, Economic and Market Indicators ^{1/}

	Actual			Projections							As of February 23, 2023
	2020	2021	2022	2023	2024	2025	2026	2027	2028		
Nominal gross public debt	139.5	82.9	69.2	69.1	61.7	55.9	50.6	45.8	41.7	Sovereign Spreads	
Public gross financing needs	20.0	9.2	7.9	11.4	8.7	10.4	10.7	9.0	11.7	Bond Spread (bp) 3/	672
Real GDP growth (in percent)	-5.6	1.2	3.0	3.3	2.9	3.7	3.7	3.9	4.0	5Y CDS (bp)	n.a.
Inflation (GDP deflator, in percent)	10.8	47.2	7.7	7.8	9.2	8.4	7.5	8.0	8.0	Ratings	Foreign Local
Nominal GDP growth (in percent)	4.5	49.0	11.0	11.4	12.3	12.4	11.5	12.5	12.1	Moody's	B3 B3
Effective interest rate (in percent) ^{4/}	6.3	5.7	5.5	7.8	7.8	8.4	7.7	7.8	7.7	S&Ps	B- B-
										Fitch	B- B-

Contribution to Changes in Public Debt

	Actual			Projections							cumulative	debt-stabilizing primary balance ^{9/}
	2020	2021	2022	2023	2024	2025	2026	2027	2028			
Change in gross public sector debt	19.9	-56.6	-13.8	-0.1	-7.3	-5.9	-5.3	-4.8	-4.0	-27.4		
Identified debt-creating flows	25.9	-58.4	-18.9	-6.0	-8.5	-7.0	-6.1	-5.3	-4.6	-37.6		
Primary deficit	-5.6	-7.4	-5.4	-5.4	-5.8	-4.9	-4.2	-3.3	-2.7	-26.2		
Primary (noninterest) revenue and grants	22.6	21.8	25.5	23.8	22.7	21.5	20.6	19.8	18.8	127.1		
Primary (noninterest) expenditure	17.0	14.3	20.1	18.4	16.9	16.7	16.4	16.4	16.1	100.9		
Automatic debt dynamics ^{5/}	31.5	-51.0	-13.6	-2.2	-2.7	-2.2	-1.9	-2.0	-1.9	-12.9		
Interest rate/growth differential ^{6/}	2.0	-40.5	-4.1	-2.2	-2.7	-2.2	-1.9	-2.0	-1.9	-12.9		
Of which: real interest rate	-4.4	-39.4	-1.9	-0.1	-1.0	-0.1	0.0	-0.2	-0.2	-1.8		
Of which: real GDP growth	6.5	-1.1	-2.3	-2.1	-1.8	-2.0	-1.9	-1.8	-1.6	-11.1		
Exchange rate depreciation ^{7/}	29.5	-10.5	-9.4	6.3	1.3	1.2	0.9	0.7	0.4	10.9		
Other identified debt-creating flows	0.0	0.0	0.0	1.5	0.0	0.0	0.0	0.0	0.0	1.5		
Please specify (1) (e.g., privatization receipts) (+ reduces financing needs) (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Contingent liabilities	0.0	0.0	0.0	1.5	0.0	0.0	0.0	0.0	0.0	1.5		
Please specify (2) (e.g., other debt flows) (+ increases financing needs)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual, including asset changes ^{8/}	-5.9	1.9	5.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0		



Source: World Bank staff.

1/ Public sector is defined as general government.

2/ Based on available data.

3/ EMBIG (bp).

4/ Defined as interest payments divided by debt stock (excluding guarantees) at the end of previous year.

5/ Derived as $(r - \pi(1+g) - g + ae(1+r)) / (1+g+\pi+g\pi)$ times previous period debt ratio, with r = effective nominal interest rate; π = growth rate of GDP deflator; g = real GDP growth rate;

a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

6/ The real interest rate contribution is derived from the numerator in footnote 5 as $r - \pi(1+g)$ and the real growth contribution as $-g$.

7/ The exchange rate contribution is derived from the numerator in footnote 5 as $ae(1+r)$.

8/ Includes asset changes and interest revenues (if any). For projections, includes exchange rate changes during the projection period.

9/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

2.3. IMF RELATIONS

23. Angola successfully completed its last IMF program in December 2021. A three-year Extended Fund Facility (EFF) program (2018-2021) supported the implementation of the GoA's Macroeconomic Stabilization Program, including fiscal consolidation, increased exchange rate flexibility, and financial sector stability. The EFF relied on close collaboration with the World Bank, including on subsidy reforms and social protection systems. This collaboration has continued after the conclusion of the program as the IMF remains closely engaged with the GoA, including through technical assistance. The IMF conducted its



first post-financing program assessment mission in early May 2023. The most recent Article IV report on Angola was approved in February 2023 (see Annex 2 on IMF relations). The Angolan authorities have not requested a new IMF lending program. Angola can benefit from the Resilience and Sustainability Facility financing to maintain reform momentum and serve as a buffer against shocks, but it would require an IMF (non)-lending program.

3. GOVERNMENT PROGRAM

24. The GoA is preparing a National Development Plan (NDP) for the period 2023–2027. The forthcoming NDP sets out three priorities for the country in the medium term: (i) promotion of economic diversification; (ii) human capital development; and (iii) infrastructure. The GoA aims to reduce the high dependence on the oil sector through developing the agribusiness sector, which will also strengthen food security. It also aims to develop the manufacturing industry to support the creation of high value-added jobs. Other priority sectors to support economic diversification are tourism and commerce. To promote access to job market opportunities, develop a more skilled labor force, and reduce informality, poverty, and inequality, the GoA plans to strengthen human capital by increasing investments in education, health, and social protection. In addition, efforts to promote economic diversification will be supported by improved infrastructure, such as access to water, electricity, transport, and telecommunications. Apart from the NDP, the GoA has published a series of sector and region-specific plans to support economic diversification and infrastructure upgrading (e.g., PLANAGRAO for grains, PLANAPECUARIA for livestock, integrated infrastructure investment plan for the province of Luanda).

4. PROPOSED OPERATION

4.1. LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

Link to Government program

25. The proposed DPF is aligned with national development priorities and reflects the World Bank Group's (WBG) engagement in Angola. The proposed DPF builds on policy dialogue structured around analytical work, such as the 2019 Country Private Sector Diagnostic (CPSD), 2022 Public Finance Review (PFR), 2022 Country Climate and Development Report (CCDR), and other ongoing and planned WBG engagements. It builds also on the reforms supported by the previous DPF series. The following interdependent filters were applied to guide the choice of sectors and reforms included in the DPF series: (i) criticality and robustness of reforms; (ii) presence of strong analytical underpinnings to inform the choice of actions; (iii) robustness of implementation arrangements to support reforms including through complementary investment operations and technical assistance; (iv) GoA ownership to implement the reforms within the operation's timeframe; and (v) coordination with other development partners.

Operation description

26. The program development objective of the proposed DPF series is to support the GoA in promoting green, resilient, and inclusive growth by: (i) reducing economic distortions and strengthening fiscal and financial sector resilience; (ii) boosting equity by strengthening social inclusion; and (iii) improving markets and infrastructures to build climate resilience. Reforms under the three objectives mutually reinforce and complement each other and are expected to make the country and its population more resilient to shocks (including those caused or exacerbated by climate change), foster sustainable fiscal and equity enhancing policies, and establish a regulatory environment for private-sector-led,



inclusive growth in sectors such as agriculture, green energy, and telecommunications. The operation is organized around three pillars, each including several policy areas:

Pillar 1: Reducing economic distortions and strengthening fiscal and financial sector resilience. Policy areas of this pillar align with Pillar 3 – *Strengthening Resilience* of the GCRF. Policy areas include:

- Correcting fuel prices and improving petroleum sector regulations.
- Strengthening fiscal and financial sector resilience.
- Improving management and accountability of SOEs.

Pillar 2: Boosting equity by strengthening social inclusion. Policy areas are also consistent with Pillar 1 – *Responding to Food Insecurity* of the GCRF. Policy areas include:

- Mitigating subsidy reform impacts by strengthening social protection.
- Improving equity and access in urban public transport through targeted support.

Pillar 3: Improving markets and infrastructures to build climate resilience. Policy areas are in line with Pillar 4 – *Strengthening Policies, Institutions and Investments for Rebuilding Better* of the GCRF.

- Boosting investments in electricity access and transmission.
- Improving regulation of water resources and utilities.
- Deepening insurance markets to support climate resilience and growth in agriculture.
- Reducing greenhouse gas (GHG) emissions from oil and gas operations.

Lessons learned

27. The design of the proposed operation incorporates lessons learned from the previous DPF series. Four broad lessons emerge from the experience with the Angola Growth and Inclusion DPF series (2019-2022), which are of relevance to the proposed DPF series. First, the need to focus on reforms with strong government ownership and be realistic in establishing targets and timetables, as several policy actions in the previous series had to be revised or postponed due to unforeseen delays in the implementation of complex, multi-stage reforms. A corollary of this lesson is to frontload the most politically difficult reform at the start of the political cycle; such reforms become increasingly challenging as the political cycle progresses. Second, the need to complement policy reform with institutional capacity building and calibrate the goals and timing according to the level of capacity available to implement the program. Third, the need to ensure broad ownership and commitment to reforms by the GoA and other stakeholders, so that the program is not severely affected by the departure of key counterparts. The fourth lesson relates to the importance of establishing a process for preparing and supervising the operation. Reflecting these lessons, this operation focuses on reforms that have political support at the highest level and where technical government capacity is either strong or can be appropriately supported by other WBG engagements, including sectoral investment operations, World Bank analytical and advisory support, or IFC advisory services.

4.2. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

Pillar 1—Reducing economic distortions and strengthening fiscal and financial sector resilience

Objective 1.1. Correcting fuel prices and improving petroleum sector regulations

28. Fuel prices in Angola have failed to reflect economic opportunity costs, with prices fixed for years on end—resulting in increasing subsidies and economic distortions, while not benefiting the poor. Fuel prices are controlled by the Government, which has held them fixed (in nominal local currency terms) for extended periods—from January 2016 until May 2023 - while their costs fluctuate with international



oil prices, the exchange rate, and transportation and storage costs. Thus, subsidies for gasoline and diesel, which had mostly been eliminated by the fuel price increases at the end of 2015 reemerged. As of May 2023, Angola's retail gasoline price, at about US\$0.31 per liter was the fourth lowest in the world. While prices remained frozen, accounting of subsidies became more transparent.² In 2022, fuel subsidies accounted for about 2.6 percent of GDP (US\$3.1 billion). Fuel subsidies provide powerful incentives for fuel smuggling and black marketing. Large price subsidies also encourage inefficient and nonessential use of the subsidized fuels, resulting in higher carbon emissions. The average subsidy level in 2022 was equivalent to a negative carbon tax of US\$236 per ton of CO₂ for gasoline and US\$278 per ton of CO₂ for diesel. Given the high subsidy rate, even a partial subsidy removal could lead to a very large one-time increase (e.g., halving the subsidy gap for gasoline or diesel would imply a price increase of about 100 percent).

29. Although fuel subsidies are highly regressive, their removal presents poverty and social risks that necessitate strong mitigation measures. Subsidized fuels are consumed far more by the rich than the poor. Fuel smuggling and black-marketing benefit those engaged in criminal activities. This makes fuel price subsidies highly regressive. Furthermore, widespread commercial malpractice has led in fuel shortages. With respect to household fuel purchase, virtually all diesel is purchased by the richest 20 percent of Angolans, and more than four-fifths of gasoline are purchased by the richest 40 percent. But the limited amount of fuel consumed by the poor represents a considerable share of their income, exposing them to the adverse impact of fuel price increases. Also, the indirect effects of higher fuel prices affect all poor because it increases the costs of public passenger and goods transport.

Prior Action #1 for DPF1: *The Borrower has corrected mispricing of fossil fuels and reduced inefficient public spending by: (a) approving the transition of fuel prices towards market levels, and (b) implementing subsidy removal by raising the price of gasoline.*

Indicative Trigger #1 for DPF2: *To further reduce price distortions and ensure efficiency in the downstream oil industry, the Borrower: (i) further adjusts the price of gasoline to fully eliminate subsidies and begins to adjust the price of diesel, and (ii) amends regulations to ensure equal treatment of fuel importers and refiners.*

30. Substance and criticality. On June 1, 2023, the Government issued a decree laying out the multi-phase approach to fuel subsidy reform, including a near-term adjustment in the price for gasoline from Kz 160 to Kz 300 per liter, about 87.5 percent.³ This will cut gasoline subsidies by 45 percent with the remaining subsidies on gasoline and other fuels to be eliminated over 2024-2025. Gasoline subsidies are being prioritized in the short term as they are the most regressive and price increases of gasoline have relatively limited direct and indirect impact on the poor (see section 5.1. for poverty and social analysis). Diesel prices are expected to be adjusted to market levels starting in 2024. The subsidy reform for LPG is expected to be delayed further to give more time for mitigation measures and access to alternative fuel sources to be provided. The authorities are also preparing a communication strategy to enhance public awareness of the benefits of fuel subsidy reforms. The trigger for DPF2 also foresees the revision of

² Between 2016 and 2019 and in earlier episodes of price subsidies, the subsidies were borne by Sonangol, the national oil company, and not accounted in the state budget as a line item. Further, subsidy calculations were based on overly inflated exchange rates and artificially low oil prices. By 2021, the Government was calculating subsidies using international petroleum product prices and the exchange rates in effect and, starting in 2022 their ex-ante estimate was included as an expenditure in the state budget.

³ This is based on previous official price, though some consumers had been paying higher prices on informal markets.



regulation of the domestic downstream petroleum industry set forth in Presidential Decree 208/2019 to remove undue advantages conferred to domestic refineries relative to importers, deterring competition and potentially making the sector less efficient. These amendments would not only promote participation of private oil companies in the downstream petroleum sector but would also lessen the need for price subsidies to the extent that costs can be lowered due to greater competition in the market.

31. Expected results. As a result of the reform, fuel prices in Angola are expected to be more closely aligned with international benchmarks. By 2025, it is expected that the price of gasoline and diesel will be a minimum 95 percent of the market-based price (based on pricing formula adopted in 2020). As a result of this price alignment, annual subsidy expenditures borne by the Government are expected to decline by about 80 percent in real terms. In addition, the fuel subsidy reform is also expected to generate accumulated net fiscal savings of about 3.6 percent of GDP by 2025. As fuel price adjustment is expected to reduce excessive consumption, the reform is estimated to result in reduced carbon emissions - 43.7 mtCO₂e of emission savings over the period 2024-2035, or about 4 percent of annual emissions once fully rolled out⁴. A price that is more closely aligned with international prices will also eliminate the incentive for fuel smuggling.

32. To mitigate the adverse social and economic impact from fuel subsidy removal, the Government has adopted a comprehensive mitigation program. The program includes sectoral interventions, aimed at reducing the pass-through of fuel price increases to energy, transport, and goods prices. This includes subsidies to fuel dependent industries such as agriculture and fisheries. Informal public transport operators will be provided with fuel cards that will allow them to temporarily access a limited amount of subsidized fuel, until systems to support customer fares are put in place for these vehicles. To support vulnerable populations, certain categories of users of formal urban buses such as students and people with disabilities, will receive social fare cards (see below on transport policies). Further, the cash transfer program, Kwenda, will be expanded (see below for cash transfer policies). As mitigation measures are estimated at 0.5 percent of GDP per year and will require an immediate increase in budget expenditures, and the fiscal benefits of removing fuel subsidies (through increased taxes and dividends paid by the national oil company) occur with a lag, the reform requires additional budget financing in the near term, part of which could be provided by this proposed DPF series.

Objective A.2: Strengthening fiscal and financial sector resilience

33. Strengthening financial sector resilience requires an effective anti-money laundering and combating the financing of terrorism (AML/CFT) regime, in line with international standards. An effective and risk-based AML/CFT regime would safeguard the integrity of the financial system by facilitating low-risk customers' access to financial services while keeping out illicit financial flows. Angola has recently undergone a mutual evaluation against international AML/CFT standards—the Financial Action Task Force (FATF) standards—and a report was adopted in late March 2023 at the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), the FATF-style regional body of which Angola is a member. If sufficient progress is not demonstrated within a year of the report's adoption, Angola will be at risk of “grey listing” by the FATF, inviting further scrutiny from foreign counterparts. Being in “grey list” has major economic consequences for the country, such as lower access to US dollar bank notes for companies (Angola lost most of its US dollar Correspondent Banking Relationships (CBRs) in 2015).

⁴ Based on assessment of full fuel pricing reform using the World Bank Carbon Pricing Tool (CPAT).



34. The authorities made efforts to strengthen their AML/CFT regime, but strategic deficiencies remain. The adoption of a revised AML/CFT law in 2020 (Law No. 5/20) laid a strong legal foundation. The completion of the country's first AML/CFT national risk assessment (NRA) in 2019 and updates of sectoral risk assessments (SRAs) in 2021 were important steps in shifting to a risk-based approach. Notwithstanding, concerted and coordinated action is needed across multiple stakeholders—including the financial intelligence unit, regulators and supervisors, law enforcement and prosecutors, among others—to effectively implement the AML/CFT regime and achieve concrete results.

35. Transparency of legal persons and arrangements is a critical component of an effective AML/CFT regime, without which criminals can hide behind corporate structures to obscure the ownership, source, or purpose of illicit funds, undermining the integrity of the financial system. An inadequate legal framework governing the transparency of legal persons and arrangements hinders the ability of financial institutions to effectively conduct customer due diligence. Moreover, without timely access to updated and accurate beneficial ownership information on legal persons and arrangements, competent authorities are unable to effectively identify and trace illicit financial flows. Angola has yet to assess the money laundering and terrorist financing risks associated with legal persons and arrangements, and therefore implement risk-based mitigating measures, including regarding bearer shares.

Prior Action #2 for DPF1: *The Borrower has coordinated actions to strengthen the integrity of the financial sector by: (a) approving a new AML/CFT National Strategy; and (b) adopting AML/CFT Action Plan for BNA.*

Indicative Trigger #2 for DPF2: *To further strengthen the integrity of the financial sector, the Borrower adopts legal reforms to enhance transparency of legal persons and arrangements in line with the FATF standards, notably by setting up a framework for timely access to accurate and up-to-date basic and beneficial ownership information by competent authorities.*

36. Substance and criticality. A national strategy is the cornerstone of an effective AML/CFT regime and ensures that objectives, activities, and expectations across all relevant agencies are consistent and aligned around a common understanding of the risks. The AML/CFT National Strategy covers the period of 2023-2027 and is structured around five pillars, each identifying a policy direction and a set of priority actions which are generally aligned with the key recommendations of Angola's mutual evaluation⁵. Critical to the implementation of the AML/CFT National Strategy will be adequate budgetary allocations and the development of an agency-level, risk-based action plan. One aspect covered in the AML/CFT National Strategy is the need to assess the money laundering vulnerabilities of different legal persons and arrangements created in Angola and pursue the necessary legal reforms to enhance transparency of beneficial ownership, the latter of which is an indicative trigger for DPF2.

37. Expected results. The implementation of the AML/CFT National Strategy and subsequent action plan is expected to remediate the strategic deficiencies in Angola's AML/CFT regime and safeguard the integrity of the financial system. Among these, the adoption of legal reforms to enhance transparency of legal persons and arrangements is expected to result in the establishment of a beneficial ownership registry, with accurate and up-to-date beneficial ownership information on legal persons incorporated in

⁵ The policy directions include: (i) strengthening institutional coordination and cooperation; (ii) updating the legal framework and enhancing national and sectoral policies; (iii) promoting awareness raising of Money Laundering and Terrorist Financing risks and investing in institutional, technical, and operational capacity building; (iv) strengthening international cooperation and information exchange; and (v) promoting better conditions for investigating, prosecuting, and recovering the proceeds of crime.



Angola. Specifically, 50 percent of legal persons will be registered, and 75 percent of high-risk legal persons will be verified by 2025.

38. During past periods of high oil prices, Angola saved only a small portion of its oil revenues but created several oil funds. The Oil Fund's (*Fundo Petrolífero* – FP) main objective is to finance infrastructure projects. The size of the FP stood at US\$3.4 billion at the end of 2014 and reached zero by the end of 2019. The National Development Fund (*Fundo Nacional de Desenvolvimento* – FND) was established with the objective to finance domestic private sector projects within the country's development programs. The size of the FND reached US\$2.4 billion in 2014 and by end-2021 stood at US\$0.4 billion. Neither of these funds have served a stabilization function. In addition, Angola has a Sovereign Wealth Fund (*Fundo Soberano de Angola* – FSDEA). However, it had limited effectiveness for fiscal stabilization, and it has seen its assets shrink from US\$5 billion in 2012 to US\$2.8 billion in December 2021. Another fund, the Oil Price Differential Account (*Fundo do Diferencial do Preço do Petróleo* - OPDA), was explicitly designed to serve a fiscal stabilization function. OPDA assets reached about US\$4.5 billion at end-2014, however, following the oil price shock of 2015-16, all funds were withdrawn.

Indicative Trigger #3 for DPF2: To improve the management of public finances, the Borrower consolidates and strengthens the governance of fiscal stabilization funds.

39. Substance and criticality. The above trigger for DPF 2 aims at the consolidation of existing savings funds and creation of the fiscal stabilization fund that is foreseen in Angola's Fiscal Responsibility Law. A fiscal stabilization fund has the potential to reduce the volatility of fiscal policy in oil-exporting countries by saving the proceeds of oil revenues windfall, and thus avoid sudden variation in fiscal expenditures. Similarly, the fiscal stabilization fund can serve to mitigate the impacts of negative oil shocks by smoothing the decline in oil revenues. In line with good practices for fund management, its objective would be focused on managing oil revenue volatility. Regulation creating the new stabilization fund would include: (i) clear guidelines to determine how much windfall revenues will be transferred to the fund; (ii) investment guidelines determining how funds will be invested; and (iii) rules to determine to what extent oil revenues will be saved for long term (for the post-oil era) or will be available to cover short-term revenue shortfalls (withdrawal rules).

40. Expected results. It is expected that on stabilization funds, the framework will change from four different funds to one single fund that has a clear stabilization objective and appropriate governance structures, such as rules on windfall revenue to be used to capitalize the fund, investment guidelines, and rules on accessing the fund's resources.

Objective 1.3: Improving management and accountability of SOEs

41. Angola's SOE reform and privatization program has entered a new phase. The end of the initial phase of the program led the GoA to reassess its strategy and adopt a new Roadmap for Public Enterprise Sector Reform (*Roteiro para Reforma do Sector Empresarial Público*, Decreto 13/22). The new roadmap includes as main objectives: the definition of a new strategy to reform the SOE; resizing of the SOE sector; improving management efficiency; enhanced monitoring of fiscal risks; and better transparency and reporting. This was further underpinned by a detailed technical plan on the next phase of SOE reform (*Macro Plano de Ativação do Roteiro para a Reforma do Sector Empresarial Público*). A key aspect of this new phase is the separation of remaining SOEs into those with and without commercial viability. The former will be transformed into commercial corporations (*Sociedade Anónima, S.A.*), with the option of being fully or partially privatized, depending on resulting market structures (preventing the creation of



private monopolies). SOEs without commercial viability will be maintained as public enterprises if they provide valuable public services (such as water supply, education) or otherwise liquidated.

Prior Action #3 for DPF1: *The Borrower has improved management of SOEs and state shareholder participation by: (a) extending its privatization program while listing specific assets and their treatment; and (b) separating commercially oriented SOEs from those providing public services.*

Indicative Trigger #4 for DPF2: *To enhance the accountability of SOEs, the Borrower introduces systematic performance monitoring for SOEs.*

42. Substance and criticality. This prior action supports implementation of the new approach of separating commercially viable from non-commercially viable SOEs via a Presidential Decree (Decree 78/2023, published on March 28, 2023) which extends the privatization program until 2026, to allow for the implementation of the approach outlined in the roadmap and technical plan. It also lists a total of 73 state assets, including some of the largest, most economically relevant SOEs such as Sonangol (the national oil company) and Unitel (the leading telecommunications provider) along with the intended privatization modality and procedure for each asset.⁶ The implementation of the new phase of the privatization program is further evidenced by the transformation of two commercially viable SOEs in the transport sector into commercial enterprises (Decrees 125/23 and 126/23, published on May 31, 2023). The indicative trigger for DPF2 aims to improve monitoring of remaining SOEs, beyond just audited financial statements towards systematic performance monitoring which allows greater and timelier accountability.

43. Expected results. The implementation of this stage in the SOE sector reform is expected to result in a significant reduction in the number of SOEs that are operating on non-commercial terms and in need for public financial support. Specifically, it is expected that the number of SOEs held as public companies (not commercial companies) with majority state ownership will be reduced from 76 in 2022 to less than 40 by 2025.

Pillar 2 - Boosting equity by strengthening social inclusion

Objective 2.1. Mitigating subsidy reform impacts by strengthening social protection

44. Starting in early 2020, the authorities, with support from the World Bank, launched a cash transfer program to benefit poor and vulnerable households, which are mostly headed by women. Kwenda aims to make quarterly cash transfers during a period of one year to 1.6 million vulnerable households. It also seeks to institutionalize social assistance programming in Angola. Kwenda promotes women's economic empowerment – around 63 percent of beneficiaries are women. Kwenda targets the poorest households by: (a) using municipality poverty rates to identify the poorest municipalities; (b) thereafter, it identifies the poorest communities using data on socioeconomic conditions, in consultation with the municipal administration; (c) all households in these communities are registered in the program database; and (d) all these households are eligible for cash transfers except those employed in the public sector or already receiving a pension. Currently, in the communities where Kwenda beneficiaries live, communications are done through community dialogue, engagement of local leadership and with the municipal administration. The program also uses radio in four local languages to inform communities and

⁶ Modalities include divestment of assets (*alienação de activos*), disposal of shares (*alienação de participações sociais*), capital increase, and concession (*cessão de direito de exploração e gestão*). Procedures include initial public offering (*oferta pública inicial*), auction via the stock exchange (*leilão em bolsa*), open tender (*concurso publico*), and tender limited by prior qualification (*concurso limitado por pré-qualificação*).



municipalities about the program. Kwenda's grievance redress mechanism received more than 100,000 grievances since 2020, and close to 80 percent of grievances were resolved within 5 working days.

45. The institutionalization of Kwenda and adjustments to respond to changing social needs and climate change are important challenges for the future of the program. Institutionalization of Kwenda as a long-term social protection and anti-poverty strategy envisions: (a) establishing a national permanent safety net system; (b) scaling up productive inclusion activities; (c) incorporating contingency financing and plans for shock responsiveness to climate and price shock; and (d) strengthening delivery systems. Moreover, Kwenda provides a platform to address negative impacts from climate change and weather shocks. The latest household survey shows that the provinces with the highest poverty rates are also the most vulnerable to poverty associated with covariate shocks (e.g., droughts), and that about half of Kwenda beneficiaries reside in these provinces. This implies that a large proportion of households likely to be affected by these covariate shocks are already enrolled to receive cash transfers through Kwenda. So, Kwenda could serve as a tool to improve household resilience to shocks, and as a post-shock response.

Prior Action #4 for DPF1: *The Borrower has mitigated the adverse impact on the poor of rising fuel prices by expanding the reach, duration, and benefit level of poverty-targeted cash transfers.*

Indicative Trigger #5 for DPF2: *To enhance long-term poverty reduction and build human capital for the poorest and vulnerable, the Borrower establishes a policy for the institutionalization of Kwenda.*

46. Substance and criticality. Increased transfers to poor households are a critical component of the Government's strategy to mitigate the social impact of fuel subsidy removal and to fight extreme poverty in the longer term. As part of the fuel subsidy reform, the Government is providing about Kz 75 billion (equivalent to around US\$126 million) per year in additional annual funding to the Kwenda program between 2023-2025. This will allow for expansion of cash transfers in three dimensions: (i) reach of the program increased by 700,284 beneficiaries; (ii) duration of benefits increased to 24 months instead of 12 months originally planned, making sure beneficiary households are not exiting the program as they are dealing with fuel price shocks induced by the fuel subsidy reform in mid-2023, and (iii) benefit amount per household rising from Kz 8,500 to Kz 11,000 per month. The trigger for DPF2 envisions the creation of a new, permanent institutional framework for Kwenda, as highlighted above. Given the current incidence of fossil fuel subsidies, households in urban areas and at a higher level of income are likely to be most impacted by the subsidy reform (see poverty and social impact analysis in section 5.1 and Annex 4).

47. Expected results. It is expected that as a direct result of the expansion of cash transfers, the number of households receiving two half-yearly payments of Kz 11,000 per month will increase to at least 2.3 million by 2025, of which 60 percent female-headed households. Further, it is expected that Kwenda will develop into a fully institutionalized adaptive social safety net system, which will be used to mitigate shocks on the poor from the additional steps towards the removal of fuel subsidy and other shocks, including sub-nationally targeted responses to climatic events.

Objective 2.2. Improving equity and access in urban public transport through targeted support

48. Public transport in Angola's largest cities is underfunded and largely informal. Much of urban transport in Luanda is provided by informal shared taxi-vans (*candongueiros*) that run predetermined routes and charge a fixed price for a certain distance traveled. In Luanda, a small percentage of public transport services is provided by formal buses operating under a concession given to state-owned and private companies. These companies receive subsidies and charge fares below cost recovery. Users have



been paying a fixed fare of Kz 50, while the concessionaire receives Kz 100 per passenger—the difference covered by a GoA subsidy. Subsidies are calculated from demand data declared by the companies themselves and the numbers may be overestimated. The Government therefore makes its own calculations, based on the capacity of the buses and the number of trips made over a certain period. Thus, the existing level of subsidies may not cover the actual cost of service provision, even with highly subsidized fuel. To overcome this, the GoA is implementing electronic ticketing on all buses—a more reliable source of information about passenger demand that also helps implement social fare cards.

Prior Action #5 for DPF1: *The Borrower has improved access to urban transport and education by introducing social fare cards for public transportation.*

Indicative Trigger #6 for DPF2: *To better target support for urban transport, the Borrower expands the social fare card to minibuses (candongueiros) and integrates the social fare card with the single social registry.*

49. Substance and criticality. To address the problem of financial sustainability and affordability of public transport, the Government has introduced a social fare card (*passe social*) for specific categories of passengers: (i) public school students receive a free fare card; and (ii) other vulnerable categories (e.g., elderly, veterans, disabled, and youth receive a pass allowing them to use buses at half price. To implement the social fare card, the National Enterprise of Integrated Ticketing (*Empresa Nacional de Bilhética Integrada* - ENBI) was established to create an electronic fare collection system. Implementing e-ticketing is a good starting point to involve informal minibuses (*candongueiros*) in a more formal type of operation. The trigger for DPF2 envisions the expansion of the social fare card to *candongueiros* and potentially the use of the single social registry for better poverty targeting. Currently, the single social registry includes household data on slightly more than one million households, of which a majority resides in rural areas.

50. Expected results. Implementation of the social fare card is expected to address affordability issues for vulnerable population groups. Overall, its implementation is expected to benefit on average more than 500,000 passengers per day with free or reduced fare for public transportation by 2025. In the medium term, reforms are expected to contribute to a formalization of public transport services, moving passengers to more efficient mass transit models, which will also reduce emissions per passenger.

Pillar 3- Improving markets and infrastructures to build climate resilience

Objective 3.1. - Boosting investments in electricity access and transmission

51. The Government has set an interim target of 55 percent electricity access by 2026 but lacks a clear strategy for realizing this goal. The Government estimates access to electricity at 45 percent. There is also a glaring disproportionality: less than 10 percent of Angolans in rural areas have access to electricity. Lack of reliable energy decreases productivity and hinders progress in terms of human capital development, food security, and digital transformation. Efforts to expand access to electricity services through grid extensions and densification will need to be accelerated and complemented by off-grid. With the right strategy and adequate regulation and incentives for off-grid renewable energy solutions, Angola could experience an exponential increase in the rate of access and meet its access goal.

52. Potential to accelerate growth with green hydro-based electricity is capped by a weak transmission network. Angola has adequate generation capacity to meet medium-term demand and access projections. In 2022, total power generation capacity in Angola was 6.2 GW, and peak demand was



recorded at 2.3 GW. However, investments in transmission and distribution have not kept up with the expansion of generation. Additionally, Angola is not interconnected with the Southern Africa Power Pool (SAPP). Given that all the major hydropower plants, including the 2GW Caculo Cabaça under construction are fed by the Kwanza River Basin, regional interconnection would offer opportunities for enhanced resilience while generating revenue from exporting electricity to the regional market.

53. Investment needs are high, but the financial performance of the electricity sector is weak. The World Bank, in collaboration with Ministry of Energy and Water (*Ministério da Energia e Águas - MINEA*) and National Company of Electricity Distribution (*Empresa Nacional de Distribuição de Electricidade - ENDE*), has completed a National Electrification Analysis (NEA). The NEA identifies a least-cost path for increasing electricity access to 77 percent by 2030, at a total investment cost of US\$3.3 billion. In addition, an estimated US\$2.8 billion is required up to 2031 in transmission network investments.⁷ However, electricity tariffs remain at an average of US\$2.4 c/kWh below the cost-recovery tariff of US\$7.8 c/kWh. The Government's policy of uniform tariff application further constrains investments in off-grid solutions which could be driven by private sector actors.

Prior Action #6 for DPF1. *To promote access to electricity in rural areas, the Borrower has adopted regulation that approves the guidelines for the preparation of the rural electrification plan through off-grid electricity through solar systems and mini-grids.*

Indicative Trigger #7 for DPF2: *To increase investment in energy transmission, the Borrower approves legislation to allow private sector investment in transmission.*

54. Substance and criticality. The above policy actions will support the expansion of off-grid access to electricity in a sustainable manner by leveraging private sector funding. The prior action sets the directives for a strategy which will provide incentives to attract private capital. The trigger for DPF2 seeks to generate private sector financing to expand the transmission network to unlock green electricity, increase power system resilience through a stronger interconnected system, improve social equity, and reduce emissions. The proposed policy action will allow some new transmission lines determined as necessary investments to be attributed to private project developers typically through a build-own-transfer (BOT) model.

55. Expected results. Preparation and implementation of the electrification strategy is expected to help the Government meet its goals towards universal access. Specifically, this would result in a 2-percentage point increase in access to electricity - from 45 percent in 2022 to 47 percent by 2025.

Objective 3.2. Improving regulation of water resources and utilities

56. Strengthening water utilities and water resource management are critical to increase Angola's resilience to climate change. In 2021, over 1.2 million people continued to face water scarcity because of the drought (Angola CCDD 2022). Therefore, reliable access to water and management of water resources under a changing climate are critical to protecting and improving livelihoods in Angola. The current operation targets the reduction of inefficiencies in water transmission and supply systems in order to reduce GHG emissions and improve energy efficiency (mitigation), supporting the utilities in carrying out energy audits and investing in energy efficient equipment, moving away from fossil fuels to power

⁷ Forthcoming report from the National Transmission Network (Rede Nacional de Transporte, RNT) on Strategic Plan for the Development of the Transmission Network (2020-2029).



components of water treatment plants. In addition, the World Bank⁸ will support investments aimed to reduce Non-Revenue Water (NRW, water losses), which also lead to increasing water availability for customers (adaptation to scarcity) and improved service delivery, reducing demand on other sources of water including tanker trucks. The NRW levels are estimated to be between 50 and 70 percent in different utilities. These levels have negative results, including financial implications for water utilities, increased energy consumption for water treatment and pumping, increasing GHG emissions, reduced water availability for customers, besides the environmental risks associated with wasted water resources.

Prior Action #7 for DPF1: *The Borrower has improved water services delivery by: (a) approving regulations requiring water utilities to: (i) conduct regular water service monitoring; and (ii) engage in water quality management to ensure adequate service standards; and (b) creating two water utilities in the Borrower's provinces of Zaire and Cuando Cubango.*

Indicative Trigger #8 for DPF2: *To improve water resources management, the Borrower creates at least three new regional basin administration agencies for water resource management and an integrated water and sanitation utility in Luanda.*

57. Substance and criticality. The new regulatory framework will ensure that the regulator monitors and enforces the requirements introduced, monitors the performance of the utilities. These regulations also mandate regular testing of water quality and services standards for utilities to adhere to. To implement the regulations effectively, provincial utilities have been created in two provinces that previously lacked these. While capacity is evolving and service levels currently vary across provinces, the current reforms push service providers towards continuous and uninterrupted service. The trigger for DPF2 supports the creation of new regional basin administration agencies with the mandates to collect data and monitor water resources, water resources management frameworks, and climate preparedness and contingency.

58. Expected results. The regulatory actions are expected to lead to more consistent, timely and systematic water quality control and reporting. Specifically, it is expected that by 2025 at least 15 provincial water utilities (out of current 18 provinces) will issue public reports on their performance indicators and on water quality indicators to the Regulatory Institute of Electricity and Water Services (*Instituto Regulador dos Serviços de Electricidade e de Água - IRSEA*) in an adequate manner.

Objective 3.3: Deepening insurance markets to support climate resilience and growth in agriculture

59. Improved access to insurance is a key component for Angola to build resilience to the large and growing scale of economic losses associated with climate-related disasters in Angola. As overall insurance penetration is low, market-based instruments have not been used to finance post-disaster interventions. As few losses are insured, most disaster costs are borne either by the GoA or by the uninsured private sector, including smallholder producers. Adopting a risk layered combination of financial instruments, including insurance, will lower the overall cost of response. Therefore, greater access to insurance products for households, farmers, and small and medium-sized businesses can help make Angola more resilient to climate shocks.

60. Agriculture insurance suffers from market failures and information asymmetries that require government intervention to achieve scale and ensure sustainability. Various operational and design

⁸ Angola Second Water Sector Institutional Development Project (P151224); Climate Resilience and Water Security in Angola-RECLIMA (P177004).



issues have hindered the development of such programs in Angola. They include a lack of reliable data on household characteristics, historical weather events, and crop yields; weak enforcement of contracts; and lack of efficient distribution channels. Also, information asymmetries exist as farmers understand their risk profile better than insurance companies, introducing scope for anti-selection and moral hazard. Further, insurance companies' limited appetite for agricultural risk given its exposure to catastrophic losses from single events, leads to rationing of exposure or even refusal to underwrite agricultural risks. With limited access to reinsurance markets, the Government, via an insurance fund can backstop catastrophic correlated losses, helping to de-risk crop insurance activity to a degree that private sector provision of insurance becomes viable⁹.

Prior Action #8 for DPF1: *The Borrower has developed insurance markets by: (a) revising sectoral legislation regulating market access, including for foreign investors; and (b) providing a regulatory framework for micro-insurance.*

Indicative Trigger #9 for DPF2: *To support the development and uptake of agricultural insurance, the Borrower creates an agricultural insurance fund.*

61. Substance and criticality. The new Law on Insurance Activities (*Lei da actividade seguradora*, Lei 18/22 of July 7, 2022) provides a general overhaul and modernization of Angola's insurance regulation. It details requirements regarding licensing and suitability, corporate governance, capital adequacy, and market conduct. Critically, the law opens the Angolan insurance market to foreign capital. The law also creates the regulatory basis for the establishment of micro-insurance, which has the potential to deepen the insurance penetration beyond the economic elite and help mitigate climate risks by facilitating access to low-cost natural disaster insurance products. The trigger for DPF2 foresees policies to improve access to agricultural insurance, in particular the creation of an agricultural insurance fund, a key instrument to address prevalent market failures that prevent the uptake of agricultural insurance.

62. Expected results. Reforms are expected to result in a significant increase in insurance activity and coverage. Deepening insurance penetration is expected to include growth of agricultural insurance. Overall, the total annual premium value on all insurance products is expected to increase from 0.61 percent of GDP in 2021 to at least 1.2 percent by 2025.

Objective 3.4. - Reducing GHG emissions from oil and gas operations

63. Growing interest in oil and gas with low upstream emissions presents opportunities for Angola. Recent geopolitical developments have led to a fundamental reconsideration of where oil and gas are sourced, and particularly European governments are seeking new suppliers. However, the European Union has also prioritized the reduction of GHG emissions along the oil and gas supply chain. World Bank data show that in 2021, Angola flared 4.4 cubic meters (m³) of associated gas per barrel of oil produced, while Norway flared 0.2m³. Angola has started monetizing associated gas and many more opportunities exist to further reduce flaring while putting the captured associated gas to productive use.¹⁰

64. Angola has taken steps to reduce emissions in oil production, but further action is needed. The 2004 Petroleum Activities Law 141 expressly forbids natural gas flaring, except for short periods for testing

⁹ Mahul, Olivier and Stutley, Charles. (2010). Government Support to Agricultural Insurance. Challenges and Options for Developing Countries.

¹⁰ World Bank. Angola - Country Climate and Development Report: Executive Summary (English). Washington, D.C.: World Bank Group



or other operating reasons. Oil development plans are to provide for use of associated gas, except where oil deposits are marginal or small, in which case the Ministry for Mineral Resources, Petroleum, and Gas (MIREMPET) may authorize flaring, possibly charging a fee. The law does not mention gas venting or fugitive methane emissions. The volume of gas flared annually has declined by about 60 percent since 2016, thanks to Angola LNG (liquefied natural gas) which uses associated gas. However, key oil-producing fields in Angola are offshore, where about 90 percent of gas flaring by volume occurs. Not all flaring or venting can be eliminated, yet it is important to minimize the release of methane. Flaring, venting, and fugitive emissions can all be minimized, with more gas flowing to the LNG facility.

Indicative Trigger #10 for DPF2: To reduce greenhouse gas emissions from oil and gas production, the Borrower implements an enforcement mechanism including material sanctions on gas flaring and venting.

65. Substance and criticality. This trigger foresees the regulator to deploy enhanced regulation, including material sanctions (fees or penalties) to enforce the regulatory requirement that oil development and production plans include provisions for utilizing associated gas. Gas flaring needs to be priced (taxed) to reflect its social costs. This requires strengthening the regulatory framework for controlling gas flaring and fugitive emissions by introducing a fee for flaring and venting, and over time for fugitive methane emissions. In parallel, enforcement capabilities need to be strengthened to ensure accurate fee determination and its timely and full collection.

66. Expected results. It is expected that emissions from flaring venting and fugitive emissions will be reduced substantively. In particular, gas flaring intensity is expected to fall from 4.4m³ of associated gas per barrel of oil produced in 2021 to less than 2.5m³ by 2025.

Table 4: DPF Prior Actions and Analytical Underpinnings

Prior Actions	Analytical Underpinnings
Operation Pillar 1: Reducing economic distortions and strengthening fiscal and financial sector resilience	
Prior action #1	Angola Public Finance Review (2022) IMF - World Bank stocktaking notes on fuel subsidy reform (2022) Angola Energy Subsidy Reform (2022) Fuel Price Subsidies and Their Reform Options (2019) Angola Country Climate and Development Report (2022)
Prior action #2	Financial Sector Reimbursable Advisory Services (RAS) (2022) AML/CFT National Risk Assessment (2017) ESAAMLG Mutual Evaluation Report of Angola (2023)
Prior action #3	Angola State-Owned Enterprise and Privatization RAS (2022) Roadmap for the Public Enterprise Sector Reform (2022) Macro Plan for the Implementation of the Roadmap for the Public Enterprise Sector Reform (2022)
Operation Pillar 2: Boosting equity by strengthening social inclusion	
Prior action #4	Angola Public Finance Review (2022) Angola Country Climate and Development Report (2022)
Prior action #5	Angola Urbanization Review, forthcoming Assistance to National Institute of Road Transport (2022) Navigating Education, Motherhood, and Informal Labor: The Experiences of Young Women in Luanda, forthcoming
Operation Pillar 3: Improving markets and infrastructures to build climate resilience	
Prior action #6	Electricity Sector Improvement and Access Project (P166805) Technical Assistance - National Electrification Analysis (NEA) (2020)



Prior action #7	Angola Country Climate and Development Report (2022) Climate Resilience and Water Security in Angola-RECLIMA (P177004) Angola Second Water Sector Institutional Development Project (P151224)
Prior action #8	Angola Country Private Sector Diagnostic (2018) IFC advisory on agricultural insurance fund (ongoing) Angola Commercial Agriculture Development Project (P159052) Government Support to Agricultural Insurance: Challenges and Options for Developing Countries

4.3. LINK TO CPF, OTHER BANK OPERATIONS AND THE WBG STRATEGY

67. The proposed DPF series reflects the preliminary directions of a forthcoming WBG Country Partnership Framework (CPF) for Angola. The last Country Partnership Strategy (CPS) for Angola covered the period FY14-FY16, which was updated and extended through FY19 by the 2018 Performance and Learning Review (PLR).¹¹ The proposed operation is aligned with and will support preliminary strategic directions of the forthcoming CPF (preparation of the CPF was delayed due to COVID-19 and ongoing elaboration of the NDP), which will be aligned with authorities' objective to improve human capital, infrastructure, and economic diversification. For example, DPF support to fuel subsidy reform (Prior Action 1) and AML/CFT national strategy and action plan (Prior Action 2) align with the NDP's cross-cutting objective of macroeconomic stability. Support under the DPF to strengthen the management and commercial viability of SOEs, increase access to finance, and improve the insurance industry are aligned with the objective of promoting diversified growth and competitiveness, specifically the objective to improve the business environment and deepen financial inclusion. The prior actions on resilient infrastructure regulations are aligned with the objective to lay the groundwork for expanded access to cost-effective economic services (water, electricity, telecommunications, and transport connectivity). These areas are further supported by the ongoing and recently completed advisory services and analytics (ASA) and lending operations, including the 2022 Angola PFR, the 2022 Angola CCDR, the forthcoming Angola Country Economic Memorandum, the joint World Bank and IFC 2019 Country Private Sector Diagnostic (CPSD) (P167838 and IFC Advisory Services); Angola Energy Sector Engagement Programmatic Technical Assistance Program; 2022 Angola Energy Subsidy Reform; the Angola Digital Infrastructure Reform Roadmap; Smallholder Agriculture Development and Commercialization Project (P154447); and the Luanda Bitá Water Supply Guarantee (P163572).

68. The proposed DPF series also contributes to the World Bank Group's twin goals of ending extreme poverty and promoting shared prosperity in a sustainable manner, as well as the World Bank's Africa Region's Strategy. The proposed operation will help mitigate the impact of the fuel subsidy reform on the most vulnerable households by strengthening social protection, thereby contributing to poverty eradication. Since fuel price subsidies tend to benefit the better-off in society, eliminating fuel price subsidies helps reduce inequality and thus promoting shared prosperity. The operation also contributes to the WBG twin goals by promoting access to electricity, water, boosting climate resilience, and job creation by supporting reforms to develop a more competitive private sector. In particular, the operation contributes to the World Bank's Priorities for Africa by improving markets and infrastructures crucial for job creation and economic transformation. It also contributes to more efficient and accountable institutions by strengthening fiscal sustainability and financial sector stability, as well as climate change

¹¹ PLR: Report No. 125072, dated 04/25/2018. CPS: Report No. 76225, date 09/26/2013.



resilience.

4.4. CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

69. The authorities undertook consultations with a wide range of stakeholders on some of the specific reforms supported by this DPF series. The Government is close to finalizing the 2023-2027 NDP, and consultations on the various reforms are taking place. During the election campaign of last year, the ruling party conducted several rounds of consultations with diverse stakeholders to present its Government Program for 2022-2027, which included some of the reforms supported by this DPF series. The Energy Sector Management Assistance Program (ESMAP), which supports pricing and subsidies reform in the fuel and power sector, is supporting the Government by developing a communication strategy. The Government also organized consultations with opinion makers, political parties, religious leaders, private sector, and students associations to discuss the fuel subsidy reform strategy. The ongoing Social Protection Project (P169779) also includes a communication strategy to improve the population's understanding of the cash transfer program. The Social Action Fund (Fundo de Apoio Social, FAS), the implementing agency of the Kwenda program, is communicating progress on enrollment and transfers through a designated website, and it plans to use the various communication channels to inform the Kwenda's beneficiaries about the fuel subsidy mitigation measures.¹²

70. During the process of preparing the DPF series, the World Bank has worked closely with the IFC. The World Bank and IFC continue to work together on issues of financial sector development (including strengthening the agricultural and other insurance markets), SOE reform and privatization, and telecommunications reforms.

71. The World Bank has also collaborated with the IMF and other development partners. The proposed DPF program is consistent with IMF policy advice, as outlined in 2022 Article IV staff report. There has been close collaboration between the World Bank and the IMF on fuel subsidy reform and related mitigation measures. The World Bank consulted regularly with other multilateral and bilateral partners including through regular development partner economists' meetings chaired by the United Nations Resident Coordinator Office. The World Bank also held consultations with the government and development partners to prepare the Angola CCDR, which underpins this proposed DPF program.

5. OTHER DESIGN AND APPRAISAL ISSUES

5.1. POVERTY AND SOCIAL IMPACT

72. The prior actions supported by this operation are expected to have positive economic and inclusion impacts in the long term, including through building climate resilience, and reduction of poverty in the near term by 0.9 percent nationally (or 290,000 people), driven by reduction in rural poverty. The prior actions are expected to increase the efficiency and equity of public spending, support economic diversification, and contribute to building climate resilience and improved electricity and water/sanitation infrastructure. In the medium and long term, these policies are expected to help generate more resilient livelihoods, increase household and economic resilience, increase local agricultural production, and increase access to essential services. These are expected to contribute to sustainable and resilient poverty reduction, improve health and social outcomes, and increase economic inclusion. In the near term, the expansion of the Kwenda program will fully offset the impact of gasoline

¹² The website can be accessed at: <https://tinyurl.com/ycvznk9r>



subsidy reform on poverty and result in a net decrease in the number of poor by 289,400 nationally. Since Kwenda is implemented only in rural areas, the GoA is implementing additional mitigation measures, including direct subsidies through fuel cards to public transportation providers, that are likely to substantially reduce the simulated increase in urban poverty of about 12,700 Angolans. The rollout of social passes to be used on buses could by itself reduce the number of new urban poor to 5,000 from 12,700 if well implemented.

- 73. Without mitigation measures, the 45 percent reduction in subsidies on gasoline would push an estimated 57,400 Angolans into poverty, an increase of 0.2 percentage points in the national poverty rate.** As most of these households consume little fuel directly, the impact on poverty will be primarily driven by increased prices in some goods and services, particularly public transportation. Higher public transportation prices account for 28.7 percent of these indirect effects. Other key items expected to have large price increases are fish (for which transportation costs are a significant part of their market cost), clothing and shoes, and some types of food (vegetables and certain meats). Since they grow less of their own food, the urban poor are primarily exposed to food insecurity through price shocks. Three-quarters of the new poor (78 percent) would come from the rural area due to the higher number of households living in near-poverty in rural areas.
- 74. Effective mitigation through the expansion of cash transfer programs is planned for rural areas under Prior Action 4, which will result in a net decrease in poverty nationally and in rural areas.** Under Prior Action 4, the GoA will continue to grow the coverage of the Kwenda cash transfer program to reach the 2.3 million households (0.7 million from originally envisioned for the program) (enrollment is currently at around one million) while extending each family's benefits by an additional year (from one to two years of coverage). This measure effectively means no families will lose Kwenda coverage during 2023. Finally, the GoA will also implement a 29 percent increase in the value of benefits (as benefits are not automatically adjusted for inflation). These measures will be more than enough to offset the impact of gasoline subsidy reform on the rural poor and will result in a net reduction of poverty in rural areas of 2.3 percentage points.

5.2. ENVIRONMENTAL ASPECTS

- 75. 75. The Government of Angola has a legal and regulatory framework for environmental protection (Basic Environmental Law no. 5/98, of June 19, 1998, and Law No. 12/21 amending Law No. 8/20 of April 16, 2020 on Environmental Conservation Areas), forest (Law No. 6/17 of January 24, 2017 on Forest and Wildlife Basic Legislation), and natural resources issues.** The revised Environmental Impact Assessment Regulations No. 117/20 of April 22, 2020, enacted in April 2020 details the type of activities subject to the environmental impact assessment process per category, including sectors covered under this DPF. The Ministry of Environment, and other related agencies, are responsible for environmental licensing and audits. The Ministry of Environment faces technical capacity constraints. To bridge this gap and ensure proper management of potential downstream risks and impacts associated with Prior Actions 4, 6, 7, and 8, the Tertiary Education, Science, and Technology Project (P179154, under preparation) incorporates a capacity building program to support the GoA to address environmental and social risks.
- 76. As per World Bank DPF Policy and the World Bank Guidance on Environmental, Forests, and other Natural Resource Aspects of Development Policy Financing (2021), the World Bank has assessed whether the policies supported by this DPF series are likely to have an impact on the environment, forests, and natural resources.** Prior Action 1 for DPF1 and trigger 1 for DPF2 on fuel subsidies are likely



to have positive effects on the environment since the transition of fuel prices towards market level is expected to result in reduced carbon emissions. Promoting and adopting renewable energy under Prior Action 6 will contribute to reduced GHG emission in Angola, increased climate resilience, and protecting the environment. Also, renewable energy will be a cost effective and clean alternative for households relying on harvesting of wood for energy production which will positively contribute to the preservation of forests and natural resources. Prior Action 7 will likely lead to positive environmental effects from improved efficiency of water utilities and improved water treatment and quality control.

5.3. PFM, DISBURSEMENT AND AUDITING ASPECTS

77. Public Financial Management (PFM) in Angola is underpinned by a relatively new and evolving legal and regulatory framework. The 2010 Constitution is at the apex of this framework, establishing the general principles for PFM. The framework is also composed of various laws, regulations, and decrees, which have been developed and revised recently. The budget increasingly reflects government policies and priorities. The Directorate of Public Accounting in the Ministry of Finance prepares in-year financial reports which are published on the Ministry's website. The Court of Accounts (*Tribunal de Contas*) is mandated by the Constitution to carry out independent audits of all government expenditures. The audit reports of the *Tribunal de Contas* are published and accessible to the public, the last report published was for 2019 accounts. Key reforms have recently been introduced to strengthen expenditure management and control through the approval of a Fiscal Responsibility Law and the operationalization of a financial control function within Government agencies. The new procurement law (Law 41-20, December 23, 2020) introduced the use of an Electronic Public Procurement System (*Sistema Nacional da Contratação Pública Eletrónica* - SNCPE) to cover the entire procurement cycle. Other functionalities are being developed such as a database registry of contracts and contract execution. Results from the pilot of the SNCPE are encouraging. As of April 2023, total savings were estimated to reach some US\$223 million since 2018. The improvement in public financial and land management capacity and the increase of the amount and reliability of fiscal transfers to selected municipalities is being promoted by the World Bank-funded Angola Strengthening Governance for Enhanced Service Delivery Project (P178040).

78. The foreign exchange control environment is adequate despite some weaknesses in internal audit, the legal framework, and the BNA's governance structures. The latest IMF safeguard assessments of BNA recognizes the commitment to strengthen financial stability, progress in operationalizing the new Financial Institutions Law, and completing its second round of the Supervisory Review and Evaluation Process (SREP), defining bank-specific capital requirements based on banks' inherent risk (Basel Pillar 2). The BNA established a financial stability department (FSD) in July 2022. The Council of Financial System Supervisors, a new coordination body comprising representatives of all supervisory agencies, has been tasked to monitor financial stability and advise on macroprudential policies. A Bank Resolution Unit is established under the new FSD. To better ensure the operational independence of bank supervision and resolution, it was recommended that separate reporting lines be established for the two operational units. The development and adoption of secondary legislation and procedures will need to be given top priority to effectively operationalize the bank resolution framework. Implementation of the new emergency liquidity assistance (ELA) framework is well advanced, and BNA is urged to ensure that ELA be provided to solvent and viable banks only. In addition, the IMF continues to monitor the implementation of these reforms through Technical Assistance with the GoA. BNA has shown efforts to modernize the internal audit function and enhance its capacity, with an external quality assessment planned for the second half of 2023. The audit reports of the BNA are published on its website. The last audit report to be published



is for the 2022 financial statements. The auditors issued a Qualified Opinion, which is explained based on BNA's decision not to apply the provisions of International Accounting Standards (IAS) 29 - *Financial Reporting of Hyperinflationary Economies* to its financial statements, following the guideline of ABANC's (*Associação Angolana dos Bancos*). The Qualified Opinion is based on the lack of sufficient and appropriate audit evidence to quantify the impact of this situation as of December 31, 2022, and 2021 financial statements, which the auditors consider material.

79. Disbursement, accounting, and auditing. The Borrower is represented by the Ministry of Finance. The financing will be released in a single tranche of US\$500 million upon effectiveness and provided that the World Bank is satisfied that: (i) the progress achieved by the Borrower in carrying out the program; and (ii) the adequacy of the Borrower's macroeconomic policy framework. The proposed operation will follow the World Bank's standard disbursement procedures for DPF. Upon approval of the proposed operation and effectiveness of the Loan Agreement, at the request of the Borrower, the World Bank will disburse the loan proceeds into a bank account held in the BNA. The account is denominated in foreign currency and forms part of the country's official foreign exchange reserves. The BNA will immediately credit the disbursed amounts to the single treasury account managed by the Government, which will then account for the receipt of the loan in its budget management system, using regular budget management procedures. The Government will provide written confirmation (within 30 days after loan disbursement) to the World Bank that: (i) the loan proceeds were received into the foreign currency-denominated government account that is part of the country's foreign exchange reserves (including the date and the name/account number in which the amount has been deposited), and (ii) an equivalent amount was credited to the Single Treasury Account. This confirmation will be sent to the World Bank within 30 days after the disbursement.

80. The financial support provided under this operation is not intended to finance goods or services in the standard negative list. If, after being deposited in the designated account, the proceeds are used for excluded expenditures as defined in the Loan Agreement, the World Bank will require the Borrower to refund directly to the World Bank an amount equal to the amount of that payment promptly upon notice. Regarding the audit arrangements, the World Bank reserves the right to have an audit conducted if, in the opinion of the World Bank, the control environment ceases to be effective at any time during implementation. In such a case, the Court of Accounts on request from the World Bank will have the bank account into which the IBRD funds are credited (both in US dollar and local currency) and related transactions, audited based on the audit terms of reference acceptable to the World Bank. The audit report will be submitted to the World Bank within a period of four months after the World Bank's request for the audit.

5.4. MONITORING, EVALUATION AND ACCOUNTABILITY

81. The Ministry of Finance will remain responsible for collecting and monitoring information related to program implementation and progress towards the achievement of results. The Ministry of Finance is responsible for coordinating necessary actions among the agencies involved in the reform program supported by this DPF series. The World Bank has worked closely with the Ministry of Finance and line ministries to define results indicators that are clearly spelled out and measurable, giving preference to those that are collected on a regular basis to avoid additional reporting burden.

82. Grievance Redress. Communities and individuals who believe that they are adversely affected by specific country policies supported as Prior Actions or tranche release conditions under a World Bank Development Policy Financing may submit complaints to the responsible country authorities, appropriate



local/national grievance mechanisms, or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address pertinent concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank's Accountability Mechanism, please visit <https://accountability.worldbank.org>.

6. SUMMARY OF RISKS AND MITIGATION

83. The overall risk of the proposed operation is assessed as substantial. Political and Governance risks are rated high, while Macroeconomic, Sector Strategies and Policies, Institutional Capacity for Implementation and Sustainability, Fiduciary, Environment and Social, and Stakeholder risks are assessed as substantial.

84. Political and Governance risks are high due to the political sensitivity of some of the reforms. The operation supports reforms that affect many interest groups with strong political ties, such as the fuel subsidies. The public may come to oppose reforms if the reforms and associated mitigating measures are not well communicated, and the benefits are slow to materialize or misunderstood. Also, simultaneous implementation of these reforms can lead to fatigue. The timing of this operation, at the start of the political cycle (following the August 2022 election), high level political commitment, and coordination with other development partners and local stakeholders will help mitigate these risks, though they remain high.

85. Macroeconomic risks are substantial due to the uncertain global economic environment, continued high dependency on oil revenues and resulting vulnerability to external shocks in a context of elevated public external debt. The high external debt levels and large financing needs in the short and medium term, combined with dependence on volatile oil revenues make Angola particularly vulnerable. The fragile global economic environment, with heightened geopolitical tensions and uncertainties about the near-term path of global growth adds to this risk. Short-term risks are partially mitigated by the Government's commitment and track record of fiscal adjustments and structural reforms even in difficult circumstances and the demonstrated willingness of some creditors to reprofile bilateral debt if needed.

86. Substantial Institutional Capacity for Implementation and Sustainability risks derive from the limited capacity for coordination and implementation within Angola's institutions to execute the complex reforms agenda. The supported reforms are multisectoral, requiring coordination and information flow between central and sectorial ministries as well as SOEs and more autonomous agencies such as the Institute of Asset Management and State Holdings (*Instituto de Gestão de Activos e Participações do Estado*) and IRSEA. To mitigate these risks, the World Bank has been engaging in extensive multi-agency dialogue and is also providing technical assistance to many of the agencies and ministries involved. Nevertheless, residual risks from institutional capacity constraints and those related to sector strategies and policies remain substantial.



87. Stakeholders risks are also substantial. Relevant vested interests in opposition to reforms aimed at improving competition and efficiency could include incumbents with dominant market positions and interests associated with SOEs, and energy and water provision. Vested interests may also oppose AML/CFT reforms as it will lead to improved beneficial ownership information. High level political support for the reform agenda partly mitigates this risk. A multi-stakeholder communication strategy will also contribute to strengthening public support and to reducing uncertainties regarding the benefits of reforms.

88. Risks related to Sector Strategies and Policies are substantial. The GoA is undertaking far-reaching, multi-sectoral reforms that seek to transform the country from a government-led, oil dependent economy to a private-sector led, diversified growth model, with increased social and financial inclusion. This risk is partially mitigated by the support through sector-specific World Bank-financed operations.

89. Substantial Environment and Social risks result from the expected impacts on some groups. Increases in fuel prices will be felt by all consumers and require adequate social mitigation actions. The implementation of a social protection system will contribute to attenuate the impacts of the reforms on the poor, as well as expected improvement in service delivery on health and education from activities supported by the World Bank. Rural electrification also entails some social and environmental risks, which will be mitigated by World Bank support to the implementation of the electrification strategy.

90. Fiduciary risk is substantial given existing weaknesses. Angola's PFM system is underpinned by a relatively new and evolving legal and regulatory framework. The GoA is committed to enhancing transparency and accountability in the management of public resources and strengthening the PFM. Despite the recent reforms in the budget preparation process, some key weaknesses remain. These are particularly in budget credibility, commitment controls, and internal controls. The implementation of reforms outlined in section 5.3 will help mitigate fiduciary risks and improve the PFM environment.

Table 5: Summary Risk Ratings

Risk Categories	Rating
1. Political and Governance	● High
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Substantial
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Substantial
7. Environment and Social	● Substantial
8. Stakeholders	● Substantial
9. Other	● Moderate



Overall	● Substantial
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ANNEX 1: POLICY AND RESULTS MATRIX

Prior actions and Indicative Triggers		Results		
Prior Actions under DPF 1	Indicative Triggers for DPF 2	Indicator Name	Baseline	Target
Pillar 1 – Reducing economic distortions and strengthening fiscal and financial sector resilience				
Prior Action #1. The Borrower has corrected mispricing of fossil fuels and reduced inefficient public spending by: (a) approving the transition of fuel prices towards market levels, as evidenced by the Joint Executive Decrees No. 81/23 dated June 1, 2023, published in the Borrower's Official Gazette on June 1, 2023 (<i>I Série – No. 99</i>); and (b) implementing subsidy removal by raising the price of gasoline, by the External Circular No. 06/DG/IRDP dated June 1, 2023, as published on the Borrower's website: https://irdp.gov.ao/images//relatorios/PREOS-ACTUALIZAO_2023.pdf	(Indicative) Trigger #1. To further reduce price distortions and ensure efficiency in the downstream oil industry, the Borrower: (i) further adjusts the price of gasoline to fully eliminate subsidies and begins to adjust the price of diesel, and (ii) amends regulations to ensure equal treatment of fuel importers and refiners.	Results Indicator #1: Domestic gasoline and diesel prices relative to cost recovering benchmark	31 percent for gasoline, 23 percent for diesel (2022)	At least 95 percent both fuels (2025)
Prior Action #2. The Borrower has coordinated actions to strengthen the integrity of the financial sector by: (a) approving a new AML/CFT National Strategy, as evidenced by the Presidential Decree No. 73/23 dated March 15, 2023, published in the Borrower's Official Gazette on March 15, 2023 (<i>I Série – No. 49</i>); and (b) adopting AML/CFT Action Plan for BNA, as evidenced by BNA's document: <i>"Plano de Acção – Prevenção e Combate ao Branqueamento de Capitais, Financiamento do Terrorismo e Proliferação de Armas de Destruição em Massa – Janeiro 2023"</i> .	(Indicative) Trigger #2: To further strengthen the integrity of the financial sector, the Borrower adopts legal reforms to enhance transparency of legal persons and arrangements in line with the FATF standards, notably by setting up a framework for timely access to accurate and up-to-date basic and beneficial ownership information by competent authorities.	Results Indicator #2: Legal persons included in the beneficial ownership registry and risk-based verifications conducted (percentage)	0 (2022)	50 percent of legal persons registered, and 75 percent of high-risk legal persons verified (2025)
	(Indicative) Trigger #3: To improve the management of public finances, the Borrower consolidates and strengthens the governance of fiscal stabilization funds.	Results Indicator #3: Fiscal stabilization fund set up and operating under appropriate rules	No (2022)	Yes (2025)

Prior actions and Indicative Triggers		Results		
Prior Action #3. The Borrower has improved management of SOEs and state shareholder participation by: (a) extending its privatization program while listing specific assets and their treatment, as evidenced by the Presidential Decree No. 78/23 dated March 28, 2023, published in the Borrower's Official Gazette on March 28, 2023 (<i>I Série – No. 56</i>); and (b) separating commercially oriented SOEs from those providing public services, as evidenced by the Presidential Decree No. 125/23 and 126/23 dated May 30, 2023, published in the Borrower's Official Gazette on May 30, 2023 (<i>I Série – No. 97</i>).	Indicative Trigger #4: To enhance the accountability of SOEs, the Borrower introduces systematic performance monitoring for SOEs.	Results Indicator #4: Number of SOEs	76 (2022)	Fewer than 40 (2025)
Pillar 2 - Boosting equity by strengthening social inclusion				
Prior Action #4. The Borrower has mitigated the adverse impact on the poor of rising fuel prices by expanding the reach, duration, and benefit level of poverty-targeted cash transfers, as evidenced by the Presidential Decree No. 132/23 dated June 1, 2023, published in the Borrower's Official Gazette on June 1, 2023 (<i>I Série – No. 99</i>).	Indicative Trigger #5: To enhance long-term poverty reduction and build human capital for the poorest and vulnerable, the Borrower establishes a policy for the institutionalization of Kwenda.	Results Indicator #5: Number of families receiving updated benefit amount	0.6 million (2022)	At least 1.6 million and at least 60 percent female-headed (2025)
Prior Action #5. The Borrower has improved access to urban transport and education by introducing social fare cards for public transportation, as evidenced by the Joint Executive Decree No. 62/23 dated May 8, 2023, published in the Borrower's Official Gazette on May 8, 2023 (<i>I Série – No. 81</i>).	Indicative Trigger #6: To better target support for urban transport, the Borrower expands the social fare card to minibuses (candongueiros) and integrates the social fare card with the single social registry.	Results Indicator #6: Number of targeted passengers per day with free or reduced fare	0 (2022)	> 500,000 (2025)
Pillar 3- Improving markets and infrastructures to build climate resilience				
Prior Action #6. To promote access to electricity in rural areas, the Borrower has adopted regulation that approves the guidelines for the preparation of the rural electrification plan through off-grid electricity through solar systems and mini-grids, as evidenced by the	Indicative Trigger #7: To increase investment in energy transmission, the Borrower approves legislation to allow private sector investment in	Results Indicator #7: Increase in the percentage of the population with access to electricity	45 percent (2022 estimate)	47 percent (2025)

Prior actions and Indicative Triggers		Results		
Presidential Decree No. 78/23 dated May 30, 2023, published in the Borrower's Official Gazette on May 30, 2023 (<i>I Série – No. 97</i>).	transmission.			
Prior Action #7. The Borrower has improved water services delivery by: (a) approving regulations requiring water utilities to: (i) conduct regular water service monitoring, as evidenced by the Presidential Decree No. 127/23 dated May 30, 2023, published in the Borrower's Official Gazette on May 30, 2023 (<i>I Série – No. 97</i>); and (ii) engage in water quality management to ensure adequate service standards, as evidenced by the Presidential Decree No. 128/23 dated May 30, 2023, published in the Borrower's Official Gazette on May 30, 2023 (<i>I Série – No. 97</i>); and (b) creating two water utilities in the Borrower's provinces of Zaire and Cuando Cubango, as evidenced by the Joint Executive Decrees No. 59/23 and 60/23 dated May 8, 2023, published in the Borrower's Official Gazette on May 8, 2023 (<i>I Série – No. 81</i>).	Indicative Trigger #8: To improve water resources management, the Borrower creates at least three new regional basin administration agencies for water resource management and creates an integrated water and sanitation utility in Luanda.	Results Indicator #8: Number of provincial utilities adequately reporting service levels and water quality data	Zero (2022)	At least 15 (2025)
Prior Action #8. The Borrower has developed insurance markets by: (a) revising sectoral legislation regulating market access, including for foreign investors, as evidenced by Law No. 18/22 dated July 7, 2022, published in the Borrower's Official Gazette on July 7, 2022 (<i>I Série – No. 125</i>); and (b) providing a regulatory framework for micro-insurance, as evidenced by Regulations (Normas Regulamentares) No. 1/23 dated January 13, 2023, published in the Borrower's Official Gazette on January 13, 2023 (<i>II Série – No. 9</i>), and No. 2/23 dated January 16, 2023, published in the Borrower's Official Gazette on January 16, 2023 (<i>II Série – No. 10</i>).	Indicative Trigger #9: To support the development and uptake of agricultural insurance, the Borrower creates an agricultural insurance fund.	Results Indicator #9: Total annual premium value on all insurance products	Kz 278 billion, 0.61 percent of GDP (2021)	At least 1.2 percent (2025)
	Indicative Trigger #10: To reduce greenhouse gas emissions from oil and gas production, the Borrower implements an enforcement mechanism including material sanctions on gas flaring and venting.	Results Indicator #10: Decline in gas flaring intensity barrel of oil produced	4.4 m ³ per barrel in 2021	Less than 2.5 m ³ per barrel by 2025

ANNEX 2: FUND RELATIONS ANNEX

IMF Executive Board Concludes 2022 Article IV Consultation with Angola

February 23, 2023

Washington, DC : The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation [\[1\]](#) with Angola.

Angola's economy continued to recover from the COVID-19 pandemic in 2022, supported by higher oil prices, improved oil production, and resilient non-oil activity. Non-oil growth was broad-based despite a challenging external environment. Growth is estimated at 3.5 percent for 2023. Headline inflation declined significantly to 13.8 percent y/y at end-December 2022, driven by lower global food prices, a stronger kwanza, and previous efforts by the central bank to tighten monetary policy.

The non-oil primary deficit increased in 2022 following higher-than-budgeted capital expenditure and higher-than-expected fuel subsidy costs. Nonetheless, the public debt-to-GDP ratio fell by an estimated 17.5 percentage points of GDP to an estimated 66.1 percent of GDP, aided by a stronger exchange rate. The current account is estimated to have remained in a large surplus in 2022, while foreign currency reserve coverage remained adequate.

Overall growth is expected to continue in 2023 and reach about 4 percent in the medium term, as the authorities' structural reform agenda supports the non-oil sector. Inflation should continue its gradually declining path, reaching single digits in 2024. The 2023 budget envisions a resumption of fiscal adjustment, which is necessary to approach the authorities' twin medium-term fiscal and debt targets and guard against debt vulnerabilities. Downside risks to the near-term outlook include a larger-than-expected decline in global oil prices and renewed global food price pressures, as well as adverse weather conditions that impact the agriculture sector.

Executive Board Assessment [\[2\]](#)

Executive Directors agreed with the thrust of the staff appraisal. They commended the Angolan authorities' sound policies and commitment to reforms following the conclusion of the Fund supported program and welcomed the economic recovery in 2022. Given continued vulnerabilities and elevated global uncertainty, Directors encouraged the authorities to maintain the reform momentum and diversify the economy to safeguard the hard won macroeconomic stability and to ensure an inclusive and sustainable growth.

Directors welcomed the authorities' commitment to their medium term fiscal and debt targets and called for ambitious, growth friendly adjustments to achieve those targets. In that context, they recommended further mobilization of non-oil revenue, strengthening revenue administration and public financial management, and reforming state-owned enterprises. Such efforts, together with spending rationalization, would create the necessary fiscal space for public investment and targeted social spending. Directors also welcomed the authorities' commitment to fuel subsidy reforms when conditions allow, and encouraged faster implementation of the cash transfer program. Continued sound debt management is also crucial.

Directors commended the Banco Nacional de Angola's (BNA) decisive actions that resulted in a large disinflation in 2022. Noting that inflation remains elevated and risks to price stability persist, Directors recommended a wait and see approach to monetary policy actions to support the disinflationary path. Directors also supported the BNA's efforts to strengthen its policy effectiveness, including by aligning the interbank rate with the policy rate and transitioning toward an inflation targeting framework. They also welcomed the authorities' commitment to exchange rate flexibility and their plan to eliminate the remaining exchange restrictions.

Directors encouraged the authorities to continue their efforts to strengthen financial stability, building on strong previous progress. They noted, in particular, the need to implement the remaining secondary legislation needed to fully implement the Financial Institutions Law, including for bank recovery and resolution planning. Directors also emphasized the importance of adopting a more comprehensive approach to dealing with problem banks. Efforts to address nonperforming loans should continue.

Directors highlighted the need to continue the strong reform momentum, since structural reforms would be essential to diversify Angola's economy and achieve inclusive and sustainable growth. They emphasized the need to bolster human and physical capital and access to private credit. Directors also noted the need to make further progress on strengthening governance, transparency, and the AML/CFT regime, to improve the business environment and promote private investment. In this context, they encouraged publication of the audited COVID expenditure reports. Completing the anti-corruption strategy is also important. Directors also commended the authorities' focus on building climate resilience and on fostering gender equality.

It is expected that the next Article IV consultation with Angola will be held on the standard 12-month cycle.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

Angola: Selected Economic Indicators			
	2021 Prel.	2022 Proj.	2023 Proj.
Real economy (percent change, except where otherwise indicated)			
Real gross domestic product	1.1	2.8	3.5
Oil sector	-11.5	2	1.2
Non-oil sector	5.3	3.2	4.3
Nominal gross domestic product (GDP)	42.9	19.1	11.4
Oil sector	74.1	5.1	-2.5
Non-oil sector	32.5	25.2	16.5
GDP deflator	41.4	15.8	7.6
Non-oil GDP deflator	25.8	21.4	11.7
Consumer prices (annual average)	25.8	21.4	11.7
Consumer prices (end of period)	27	13.8	12.3
Gross domestic product (billions of kwanzas)	47,226	56,231	62,625
Oil gross domestic product (billions of kwanzas)	14,483	15,222	14,845
Non-oil gross domestic product (billions of kwanzas)	32,743	41,009	47,780
Gross domestic product (billions of U.S. dollars)	74.8	121.6	118.6
Gross domestic product per capita (U.S. dollars)	2,168	3,405	3,225
Central Government (percent of GDP)			
Total revenue	23.3	23.5	21.2
Of which: Oil-related	14	14.1	11.4
Of which: Non-oil tax	7.9	7.6	7.5
Total expenditure	19.5	21.8	21.6
Current expenditure	14.2	16.1	16.6
Capital spending	5.3	5.6	4.9
Overall fiscal balance	3.8	1.7	-0.4
Non-oil primary fiscal balance	-4.7	-7.6	-7.2
Non-oil primary fiscal balance (percent of non-oil GDP)	-6.8	-10.4	-9.5
Money and credit (end of period, percent change)			
Broad money (M2)	-9.3	-4.6	10.3
Percent of GDP	24.4	19.5	19.3
Velocity (GDP/M2)	4.1	5.1	5.2
Velocity (non-oil GDP/M2)	2.8	3.7	3.9
Credit to the private sector (annual percent change)	5.6	4.9	10.2
Angola: Selected Economic Indicators (concluded)			
Balance of payments			
Trade balance (percent of GDP)	29.1	26.4	21.7
Exports of goods, f.o.b. (percent of GDP)	44.9	39.9	35.9
Of which : Oil and gas exports (percent of GDP)	42.6	38	33.8
Imports of goods, f.o.b. (percent of GDP)	15.8	13.5	14.2
Terms of trade (percent change)	52.4	29.3	-13.8
Current account balance (percent of GDP)	11.2	11	6.3
Gross international reserves (end of period, millions of U.S. dollars)	14,375	14,479	14,769
Gross international reserves (months of next year's imports)	6.6	6.5	6.4
Exchange rate			
Official exchange rate (average, kwanzas per U.S. dollar)	631	462	...
Official exchange rate (end of period, kwanzas per U.S. dollar)	555	504	...
Public debt (percent of GDP)			
Public sector debt (gross) ¹	83.6	66.1	64.1
Of which : Central Government debt	77.6	60.8	59.5
Oil			
Oil and gas production (millions of barrels per day)	1.252	1.263	1.295
Oil and gas exports (billions of U.S. dollars)	31.8	46.2	40.1
Angola oil price (average, U.S. dollars per barrel)	70.7	97.8	81.6
Brent oil price (average, U.S. dollars per barrel)	70.8	99.6	83.3
Sources: Angolan authorities; and IMF staff estimates and projections.			
¹ Includes debt of the Central Government, external debt of state oil company Sonangol and state airline company TAAG,			

ANNEX 3: LETTER OF DEVELOPMENT POLICY



MINISTÉRIO DAS FINANÇAS
GABINETE DA MINISTRA

Excelentíssimo Senhor Dr. Ajay Banga,
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ASSUNTO: Carta de Políticas da Primeira Operação de Desenvolvimento no Montante de USD 500 Milhões para a Série de Políticas de Financiamento de Desenvolvimento para o Crescimento Sustentável, Resiliente, Inclusivo e Diversificação de Angola.

Excelentíssimo Senhor Presidente,

Em nome do Governo de Angola, tenho a honra de apresentar-vos o Memorando de Políticas de Desenvolvimento concernente à primeira operação de USD 500,00 milhões, referente a operação de apoio orçamental.

O Memorando de Políticas de Desenvolvimento, em anexo, apresenta os desenvolvimentos recentes da economia angolana, suas perspectivas e descreve as reformas estruturais realizadas nos últimos anos, com bastante sucesso, coma parte desta operação de políticas de desenvolvimento com o valioso apoio do Banco Mundial, gerando os seguintes resultados:

- I. **Reduzimos distorções económicas e fortalecemos a resiliência das finanças públicas e do sector financeiro**, por via da implementação das seguintes medidas estruturais:
 - a) Correção da precificação incorrecta dos combustíveis fósseis e redução dos gastos públicos ineficientes ao (i) aprovar a transição dos preços dos combustíveis para os níveis de mercado, conforme evidenciado pelo Decreto Executive Conjunto n.º 81/23, de 01 de Junho, e (ii) implementar a remoção parcial do subsidio à gasolina, conforme evidenciado pela Circular Externa N.º 006/DG/IRDP/2023, de 01 de Junho, do nosso regulador da industria de derivados

de petr6leo, o Instituto de Regulação dos Derivados do Petróleo, publicada no respectiva pagina electrónica oficial - <https://irdp.gov.ao/images//relatorios/PREOS-ACTUALIZAO 2023.pdf>;

- b) Implementação de acções de fortalecimento da integridade do sector financeiro ao (i) aprovar uma nova Estrategia Nacional ABC/CFT, conforme evidenciado pelo Decreto Presidencial n.º 73/23, de 15 de Março, publicado no Diário da Oficial de 15 de Março de 2023 (I Serie- n.º 49), e (ii) ao adoptar o Plano de Acção de Prevenção e Combate ao Branqueamento de Capitais, Financiamento do Terrorismo e proliferação de Armas de Destruição em Massa do Banco Nacional de Angola, adoptado em Janeiro de 2023;
- c) Melhoria da gestão das empresas publicas e da participação accionista do Estado angolano nas mesmas, ao (i) estender o programa de privatizações listando activos específicos e apresentando os respectivos tratamentos, conforme evidenciado pelo Decreto Presidencial n.º 78/23 de 28 de Março de 2023, publicado no Diário Oficial de 28 de Março de 2023 (I Serie – n.º 56), e ao (ii) transformar duas empresas prestadoras de serviços de transporte públicos, colectivo e de cargas, para sociedades com orientação comercial, conforme evidenciado pelos decretos presidencial n.º 125/23 e n.º 126/23, ambos, publicados no Diário oficial do País a 30 de Maio de 2023.

II. Impulsionamos uma maior equidade económica e social no pais ao fortalecer a inclusão social,
por via da implementação das seguintes medidas estruturais:

- a) Adopção de um pacote bastante abrangente de medidas de mitigação dos impactos adversos sobre os pobres, famílias vulneráveis e para a generalidade da população, do aumento dos preços dos combustíveis, aumento o valor das transferências monetárias no âmbito do projecto Kwenda, financiado pelo próprio Banco Mundial, de Kz 8.500,00 para Kz 11.000,00; aumentando de 1 para 2 anos o tempo de permanência no projecto e transferência monetária para as famílias beneficiárias; e adicionando mais 700.284 famílias beneficiárias no âmbito do referido projecto, aumentando assim a meta inicial de número de famílias beneficiárias do referido projecto de 1.608.000 famílias para 2.308.284 famílias, sendo que contamos com esta operação de politica de desenvolvimento para facilitar a implementação desta expansão de duração e do alcance de benefício das transferências de renda voltadas para o combate a pobreza; adopção de subvenções de apoio as empresas em sectores bastante sensíveis aos impactos da reforma, coma a agricultura e a pesca; aos utilizadores de transporte publico rodoviário, mantendo os níveis actuais de subsídios generalizados aos utilizadores de transporte público rodoviários regulares urbanos de passageiros, e estamos a introduzir passes sociais nos termos do Decreto Executivo Conjunto n.º 62/23, de 8 de Maio, igualmente fruto desta operação de politica de desenvolvimento; e, para reforçar a atenuação dos impactos nas zonas urbanas e periurbanas, criámos o Fundo Nacional de Emprego, que vai promover a aceleração da criação de empregos e a inserção dos recém-formados e desempregados no mercado de trabalho, estando todas estas medidas evidenciadas pelos Decretos Presidenciais n.º 123/23, n.º 133/23 e pelo Decreto Executivo Conjunto n.º 80/23, todos do dia 01 de Junho, publicados no Diário Oficial.

III. **Introduzimos melhoria ao nível dos mercados e infraestruturas para construir maior resiliência climática**, conforme as seguintes medidas estruturais já realizadas:

- a) Promoção da eletrificação e a adopção da geração de energia renovável ao aprovar diretrizes para a eletrificação rural, conforme evidenciado pelo Decreto Executivo n.º 78/23, de 30 de Maio, publicado no Diário Oficial do País;
- b) Melhoria da prestação de serviços de água, aprovando regulamentos que exigem das concessionárias de água o seguinte:
 - i. Realizar um monitoramento regular do serviço de água, conforme evidenciado pelos Decretos Presidenciais n.º 127/23 e n.º 129/23, ambos de 30 de Maio, e também pelo Decreto Presidencial n.º 130/23, igualmente de 30 de Maio, que estabelece um regime sancionatório para o sector das águas e saneamento de águas residuais visando criar incentivos para garantia da qualidade dos serviços prestados, tendo todos estes diplomas sido publicados no Diário Oficial do País;
 - ii. Engajar-se na gestão da qualidade da água para garantir padrões de serviço adequados, conforme evidenciado pelo Decreto Presidencial n.º 128/23, de 30 de Maio; e a criação de dois serviços de água nas províncias do Zaire e Cuando Cubango, conforme evidenciado pelos Decretos Executivos Conjuntos n.º 59/23 e 60/23, de 8 de Maio, publicados no Diário Oficial em 8 de Maio de 2023 (I Serie- N.º 81).
- c) Realização de um desenvolvimento da indústria de seguros em Angola ao (i) actualizar a legislação da indústria que regula o acesso aos mercados, inclusive para investidores estrangeiros, conforme evidenciado pela Lei n.º 18/22, de 7 de Julho, publicada no Diário Oficial a 7 de Julho de 2022 (I Serie – N.º 125), e (ii) estabelecer um quadro regulatório para o microsseguro, conforme evidenciado pelas Normas Regulamentares n.º 1/23, de 13 de Janeiro, publicadas no Diário oficial do País a 13 de Janeiro de 2023 (II Serie – n.º 9), e n.º 2/23, de 16 de Janeiro, publicado no Diário Oficial em 16 de Janeiro de 2023 (II Serie – n.º 10).

Finalmente, em nome do Governo de Angola, apresento os mais elevados agradecimentos pelo apoio e incansável acolhimento prestado pelo Banco Mundial, a todos os níveis, para que a realização desta Primeira Operação de Desenvolvimento no Montante de USD 500 Milhões, para a Serie de Política de Financiamento de Desenvolvimento para o Crescimento Sustentável, Resiliente, Inclusivo e Diversificação de Angola tenha sido concluída com bastante sucesso.

Sem outro assunto de momenta, subscrevemo-nos com elevada estima e consideração.

GABINETE DA MINISTRA DAS FINANÇAS, em Luanda, 02 de Junho de 2023.

A Ministra,

Vera Daves de Sousa



MEMORANDO

Reformas Económicas e Financeiras

JUNHO 2023

I. ENQUADRAMENTO

O presente Memorando tem como objectivo apresentar os desenvolvimentos económicos recentes da economia angolana e as reformas realizadas com a Primeira Operação de Desenvolvimento, no Montante de **USD 500 Milhões**, para a Série de Política de Financiamento de Desenvolvimento para o Crescimento Sustentável, Resiliente, Inclusivo e Diversificação de Angola, referente à operação de apoio orçamental.

Para a realização destas reformas, a República de Angola contou com o valioso apoio do Banco Mundial e do Fundo Monetário Internacional.

II. DESENVOLVIMENTO ECONÓMICO RECENTE E PERSPECTIVAS PARA 2023

- 1. A economia nacional mantém a trajectória de crescimento económico e o reforço da estabilidade apesar da situação económica internacional adversa.** Não obstante a situação geopolítica adversa, com particular destaque à invasão da Rússia à Ucrânia, à crise energética e pandémica e as pressões inflacionista que se observa além-fronteiras, à semelhança do que se observou em 2021, em 2022 registou-se o reforço da melhoria a nível da estabilidade macroeconómica influenciadas pelas opções de políticas económicas gizadas pelas autoridades nacionais, bem como pela alta do preço de petróleo nos mercados internacionais observada em 2022.
- 2. Economia nacional em aceleração com sector não petrolífero cada vez mais forte e resiliente.** As estatísticas recentes apontam que a economia cresceu 2.6% no quarto trimestre de 2022, em termos homólogos, mantendo, assim, a trajectória de crescimento trimestrais, que remota desde segundo trimestre de 2021, sinalizando o reforço da recuperação económica. Em termos globais, estima-se um crescimento real em 2022 de 3%, acima dos 1.2% observados em 2021, representando uma aceleração económica face ao valor previsto no Orçamento Geral de Estado de 2022 (2.4%). Para 2023, contrariamente à projecção de crescimento global de 3,3% prevista no Orçamento Geral de Estado referente àquele exercício económico, prevê-se uma maior aceleração económica, esperando-se que a expansão económica seja de 3.6% influenciado pelo sector não petrolífero com 3.4% e o sector petrolífero (incluindo o gás) com 3.9%.
- 3. Inflação em queda após aceleração que se verificava desde Novembro de 2019.** No ano 2022 registamos uma tendência de desinflação dos preços, invertendo a tendência de aceleração que ocorria desde Dezembro de 2021. Em Dezembro de 2022 a taxa de inflação situou-se em 13,9% abaixo dos 27,0% observados no período homólogo. Para redução da taxa de inflação concorreram várias

iniciativas desde a providência de bens de amplo consumo pelo Executivo no âmbito da Reserva Estratégica Alimentar, apertos monetários realizados no passado pelo BNA, bem como pela apreciação cambial. Essa tendência de desaceleração manteve-se no primeiro trimestre de 2023 ao passarmos de uma inflação homóloga de 12,6% em Janeiro para uma inflação de 10,8% em Março. Esperamos que a referida tendência continue no decurso de 2023 e que tenhamos uma inflação no final de período de 8,9%, abaixo dos 11,1% previstos no OGE 2023.

- 4. A política fiscal manteve-se ancorada aos objectivos de sustentabilidade das Finanças Públicas.** À semelhança do ocorrido em 2021, em 2022, as contas fiscais beneficiaram de aumento de receitas fiscais resultante do elevado preço de petróleo, acima do preço estabelecido no OGE 2022. Estima-se que a receita petrolífera tenha registado um aumento de 26% face ao previsto no OGE. No tocante ao saldo fiscal, informações preliminares apontam para um saldo fiscal global superavitário, estimado em 1,04% do PIB, contrariamente ao saldo nulo previsto no OGE 2022. A melhoria dos fundamentos fiscais e conforme anunciado em sede do OGE 2022, levou – nos a adoptar uma política fiscal expansionista, tendo sido inclusive mais expansionista do que a prevista no OGE, de modo a fortalecer o crescimento económico inclusivo. Assim sendo, contrariamente ao défice primário não petrolífero previsto no OGE 2022 de 5.3% do PIB, estima-se que em 2022 o défice primário não petrolífero tenha se situado em 9.1% do PIB. No entanto, o Executivo prevê reduzir este indicador para níveis iguais ou inferior a 5%, conforme disposto na Lei de Sustentabilidade das Finanças Públicas. O saldo primário, por sua vez, manteve-se superavitário em 5.4% do PIB, ligeiramente abaixo dos 5.5% do PIB antecipado no OGE 2022, porém, suficientemente para afectar positivamente a dinâmica da dívida pública.
- 5. A conta corrente mantém a tendência superavitária que se verifica desde 2018.** A conta corrente da balança de pagamentos manteve-se superavitária, tendo registado o superavit de 11.4% em 2022, mantendo, desta forma, a tendência superavitária que remonta desde o ano 2018. O superavit a nível da conta corrente deve-se essencialmente ao aumento das exportações petrolíferas influenciadas pela alta de preços observada, que têm sido suficientes para compensar o crescimento das importações.
- 6. Não obstante o bom desempenho económico, a economia Angolana ainda se afigura vulnerável a choques externos.** Dada a relevância do sector petrolífero para a economia Angolana que, em 2022 estima-se ter representado 59,6% das receitas fiscais, 94,5% das exportações e 26,2% do PIB e tendo em conta a elevada volatilidade do preço de petróleo que poderá comprometer a execução orçamental, combinada com a necessidade prementes de recursos financeiros para dar seguimento

ao programa de reformas que o Executivo têm levado a cabo, bem como a necessidade de tornar as Finanças Públicas cada vez mais resiliente aos choques económicos adversos e reduzir o elevado custo de financiamento de fontes alternativas, o Executivo pretende recorrer aos préstimos do Banco Mundial, um parceiro que muito têm apoiado o Governo de Angola na materialização da sua agenda de reforma económica.

III. POLÍTICAS MACROECONÓMICAS E REFORMAS ESTRUTURAIS

7. No quadro do programa de reformas, várias iniciativas foram desenvolvidas no domínio das Finanças Públicas, Cambial, Monetário e do Sistema Financeiro.
8. **Nossa política fiscal continua ancorada em nosso objectivo de fortalecer a sustentabilidade da dívida pública.** Temos estado a controlar a trajetória do saldo primário, variável que afecta a dinâmica da dívida, sendo que, desde 2018 temos mantido esse indicador superavitário. Temos igualmente controlado o défice primário não petrolífero que é a nossa âncora fiscal, de tal modo que esteja em linha com o objectivo de médio prazo de não exceder os 5% do PIB, conforme estabelecido na Lei da Sustentabilidade das Finanças Públicas. Por conta disso, e combinado com resultado da reforma cambial, concretamente a flexibilização cambial e a gestão prudente da dívida, temos assistido uma redução do rácio da dívida pública em percentagem do PIB, em linha com o disposto na Lei da Sustentabilidade das Finanças Pública que estabelece a meta de 60% no longo prazo, em linha com a sustentabilidade.
9. **No domínio orçamental, preparámos um Orçamento para 2023 que concorre para o objectivo de reforço da estabilidade macroeconómica, bem como para o fortalecimento da economia nacional.** O Executivo entende que a estabilidade macroeconómica constitui condição indispensável para o desenvolvimento da actividade económica impulsionada pelo sector privado, bem como para a preservação e aumento de consumo das famílias, variável importante na determinação de investimento. Por outro lado, com este Orçamento, o Executivo Angolano pretende igualmente continuar a promover o crescimento económico que é uma realidade desde 2021, mediante a aposta na diversificação da economia, impulso no investimento público estruturante, bem como pela adopção de um conjunto de medidas aduaneiras e tributárias que concorrem para a desoneração de custos na cadeia de abastecimento de bens e serviços. **Paralelamente, o Executivo, com este Orçamento, reafirma o seu comprometimento com o sector social e ambiental,** ao apresentar um aumento orçamental nessa categoria de 33%, em termos nominais, traduzindo-se em um aumento real de 22,2%

pontos percentuais. Nesta categoria, realce para o incremento nominal de 78,3% na protecção ambiental, 45,1% no domínio da saúde, 25,1% na educação, **A nível do orçamento destaca-se:**

- **Receitas não petrolíferas.** Perspectivamos aumento dessa categoria de receita, concretamente os impostos não petrolíferos, quer face à execução preliminar de 2022 (7.0% acima da execução), como face ao programado no OGE 2022 (4.2% acima do programado no OGE). Pretendemos continuar com as acções voltadas para o aumento da Base Tributária, Melhoria da fiscalização e Procedimentos Tributários. Em termos de medidas específicas, destaque para (i) Redução de 25% para 6,5% a taxa do Imposto sobre Rendimento de Trabalho para os contribuintes do Grupo C cujo volume de facturação, no exercício de 2022, é igual ou inferior a 10.000.000,00 Kz, o que permitirá libertar liquidez a favor dos pequenos comerciantes e/ou comerciantes em nome individual; (ii) Manutenção da taxa reduzida de Imposto Sobre Valor Acrescentado (IVA) para 7% no âmbito do OGE 222, contrariamente aos 14% previstos no Código do IVA (CIVA), relativamente às prestações de serviços de hotelaria e restauração; (iii) Manutenção das taxas do IVA reduzidas em 2021 e no âmbito do OGE 2022 nas operações de importação e transmissão de uma grande diversidade de bens diversos de amplo consumo e do sector produtivo referenciados na Lei Anual do Orçamento Geral do Estado 2023. Para o exercício económico 2023, o Executivo prevê igualmente, algumas medidas no domínio aduaneiro, dentre as quais destacam-se: (i) Alargamento da habilitação de operadores económicos para os despachantes oficiais e transitários, para além dos importadores e exportadores; e (ii) Alargamento dos benefícios que os operadores económicos autorizados podem usufruir, nos actos de importação e exportação.
- **Remuneração dos empregados.** Continuamos a manter o controlo da massa salarial, e permitimos um aumento limitado da massa salarial, em termos nominais, para viabilizar as alterações naturais da folha salarial, ajuste dos salários na administração pública, e novas contratações limitadas ao longo de 2023 nas áreas da educação e saúde para apoiar nossos objectivos sociais prioritários. Neste sentido, procedemos um aumento nominal da massa salarial de 5.5% face ao Orçamento de 2022. Em termos reais, traduziu-se em uma diminuição de 5.6% face ao Orçamento de 2022.
- **Bens e serviços.** Aumentamos ligeiramente os gastos com novos bens e serviços em relação ao PIB para acomodar as necessidades em nossas áreas prioritárias de saúde e educação. A despesa em bens e serviços passa de 4,5% do PIB no Orçamento de 2022 para 4,7% no Orçamento de 2023, ou seja, traduzindo-se num aumento de 0,2 ponto percentual do PIB.

- **Transferências e subsídios.** Tal como no Orçamento de 2022, neste orçamento, continuamos a promover a transparência fiscal ao registarmos as despesas com os subsídios aos preços dos combustíveis, na medida em que a partir do Orçamento incluímos explicitamente o custo total dos subsídios aos combustíveis (gasolina e no diesel). O OGE 2023 prevê subsídios a preços dos combustíveis no valor de Kz 834,67 mil milhões. No OGE 2022 a despesa com subsídios aos combustíveis estava estimada em Kz 754,86 mil milhões, no entanto, com a escalada de preços de petróleo nos mercados internacionais, dados preliminares de execução de 2022 apontam para o aumento do custo com os subsídios aos combustíveis, estimando-se um custo de Kz 1,9 biliões acima do valor previsto no OGE 2022.
- **Despesas de capital.** Visando promover o crescimento económico impulsionado pelo sector privado, aumentamos a despesa de capital em projectos estruturantes em termos nominais e em percentagem do PIB, comparativamente ao OGE 2022, tendo a despesa de capital aumentado em 58,7% em termos nominais e em 1.5 ponto percentual do PIB, quando comparado com o Orçamento de 2022.
- **Regularização de Atrasados.** Reconhecemos o fardo que os atrasados constituem para as empresas fornecedoras ao Estado pelo que, no domínio da regularização de atrasados, o Executivo reservou um pacote de 429 mil milhões de Kwanzas para esse fim.
- **Gestão da dívida pública.** Neste domínio, o Executivo aprovou no ano passado a Estratégia de Endividamento de Médio Prazo 2022 – 2024 com a qual continuamos a prosseguir uma gestão activa da dívida, visando a melhoria do perfil dos vencimentos e reduzir as vulnerabilidades da dívida e o custo das novas emissões.

Principais Reformas no Domínio das Finanças Públicas:

10. **No domínio das Finanças Públicas,** realizamos progressos a nível da **Política Tributária**, tendo o Executivo simplificado os procedimentos, especialmente através da utilização de ferramentas tecnológicas, com particular realce para as obrigações declarativas de contribuintes singulares. Por outro lado, promovemos, em Abril do ano 2022 a aprovação do Código dos Benefícios Fiscais, diploma que congrega a legislação em torno dos benefícios fiscais a serem concedidos aos contribuintes, garantindo os benefícios já existentes em legislação dispersa e incluindo novos benefícios, como são os casos dos regimes de benefícios fiscais no emprego e estágio profissional. Ainda no domínio da

Política Tributária, continuamos a alargar a base tributária, procedemos **investimento na melhoria do mecanismo de cobrança e de gestão da dívida tributária**, com destaque para o lançamento do programa de auditoria fiscal da Inspectores Fiscais Sem Fronteiras (*Tax Inspectores Without Borders*), entre a Administração Geral Tributária (AGT) e a Receita Federal do Brasil, que visa fortalecer as capacidades de auditoria fiscal sobre preços de transferência internacional no sector extractivo, realizamos investimentos tecnológicos no domínio da tributação, com destaque para a Implementação do “Justinho - assistente virtual” que, entre outros benefícios, permite os contribuintes interagirem com a Administração em tempo real, dando possibilidade de efectuarem o pagamento dos seus impostos no conforto do lar ou escritório - a simplificação de procedimentos no âmbito dos processos de execução tributária para facilitar a vida dos contribuintes, realizamos a celebração de acordos e convenções que visam evitar a dupla tributação e melhorar a fiscalidade transfronteiriça, tudo tendo como base políticas fiscais que garantam justiça tributária e eficiência no processo de arrecadação de receitas fiscais para fazer face às despesas públicas.

11. No tocante a melhoria da **qualidade da despesa pública**, com a aprovação da Lei n.º 41/20, de 23 de Dezembro, Lei dos Contratos Públicos, deu-se um passo firme na implementação das tecnologias de informação e comunicação na Contratação Pública, com a inclusão do Procedimento Dinâmico Electrónico. Essa actualização permitiu que houvesse um aumento no número de procedimentos electrónicos, passando de um total de 22 em 2020 para 116 em procedimentos em meados de Março de 2023. Dos 116 procedimentos 84 são dinâmicos electrónicos, correspondendo a 72%. Por outro lado, o Estado beneficiou de poupanças estimada em Kz 118 mil milhões de 2018 a 2022, representando 24% do valor inicialmente estimado. Ainda no domínio da Contratação Pública, no quarto trimestre do ano 2022 concluiu-se o diagnóstico de avaliação do sistema de contratação pública na base da metodologia internacional MAPS, ao abrigo de uma assistência técnica do Banco Africano de Desenvolvimento, cujo relatório final encontra-se em fase de validação e firmou-se um acordo de financiamento donativo com o Banco Africano de Desenvolvimento para realização da avaliação específica da contratação pública no sector da saúde.
12. **Investimento público e PPPs.** A nível do Investimento Público, temos continuado a reforçar a gestão da despesa de capital em linha com as recomendações da avaliação da Gestão dos Investimentos Públicos feitas em 2019 com o apoio do Fundo Monetário Internacional. Neste domínio, visando reforçar a capacidade técnica dos gestores públicos em matéria de Gestão de Investimento Público em

linha com as boas práticas internacionais, realizamos, conjuntamente com o FMI, um Workshop sobre Gestão de Investimentos Públicos no âmbito do PIMA.

13. No domínio das PPPs, constam a realização da assinatura do Contrato de Gestão e Requalificação do Aterro Sanitário dos Mulenvos na modalidade de PPP, bem como o acompanhamento de diversos projectos que serão implementados via PPP, dentre os quais destacam-se: (i) PPP Águas de Cabinda (em curso o plano de investimento para estruturação do projecto); (ii) Nova Ponte sobre o Rio Kwanza (em curso a elaboração da minuta do contracto de conversão PIP para PPP); (iii) Aterro Sanitário do Huambo (em curso a elaboração das Peças de Procedimento para o lançamento do concurso). Manifestamos os nossos agradecimentos ao Banco Mundial pelo apoio dado em sede do DPO anterior relativamente a preparação de diplomas legais sobre PPP, diplomas esses que constituíram a base para a preparação dos projectos supracitados. Realçamos igualmente os quatros estudos de projectos de viabilidades de PPP que foram elaborados com o apoio imprescindível do Banco Mundial, nomeadamente: Perímetro Irrigado do Mucoso, Polo Industrial de Fútila, projecto Hidroeléctrico do Chicapa II e projecto de Cabotagem de ligação Marítima entre Luanda – Soyo; bem como foram, igualmente com o apoio do Banco Mundial, elaborados estudos e projectos para PPP Águas de Cabinda.
14. Para o ano de 2023, perspectiva-se a actualização da Carteira de Projectos de PPP e preparação dos projectos prioritários, assim como a estruturação dos projectos, nomeadamente as peças de procedimento cujos estudos de viabilidade foram elaborados pelo Banco Mundial. Perspectivamos igualmente: (i) Conclusão da estruturação do projecto, lançamento do concurso público e adjudicação do parceiro privado para PPP Águas de Cabinda; e (ii) Assinatura do contrato de conversão para PPP do projecto Nova Ponte sobre o Rio Kwanza; e (iii) Lançamento do concurso público e adjudicação do parceiro privado do Aterro Sanitário do Huambo.
15. **Transparência fiscal e relatórios.** Mantivemos o nosso compromisso com a publicação dos principais reportes com destaque para os boletins trimestrais da dívida com o detalhe da dívida, nomeadamente, informação de custo médio da dívida, maturidade da dívida – incluindo por tipo de credor para dívida externa -, *stock* e fluxos da dívida interna e externa, dívida interna por instrumentos, os relatórios de Balanço de Execução trimestral do OGE referente ao exercício económico de 2022, publicação do *Dashboard* do PROPRIV com informações sobre privatizações em tempo real. Em termos de número de publicações, em 2022, foram observados atrasos nas publicações dos custos dos subsídios, estando

já estes todos publicados incluindo o do ano de 2022, bem como ao nível dos relatórios de Balanço de Execução do OGE, relativamente aos quais encontram-se até o momento publicados apenas informações referentes ao primeiro e segundo trimestre, sendo que os mesmos têm mantido as informações sobre os gastos com o sector social.

16. No tocante à dívida publicámos informações sobre termos e contratos de dívidas celebradas em 2022, à semelhança do que havíamos feito em 2021 - <https://ugd.minfin.gov.ao/PortalUGD/#!/publicacoes/boletim-da-divida-publica>.
17. **Reiteramos o compromisso de gerir as finanças públicas em linha com os objectivos de médio e longo prazo.** Continuaremos o controle do défice fiscal não petrolífero, de forma atingir, no médio prazo, isto é, até 2025, a meta dos 5% do PIB e, para o efeito, deveremos continuar com a consolidação fiscal quer por via do esforço do aumento da base tributária, sem, contudo, agravar a carga fiscal, bem como pelo controle da despesa fiscal. Por conta disso, esperamos continuar a reduzir o rácio da dívida pública em percentagem do PIB, bem como, em linha com a Estratégia de Endividamento de Médio Prazo 2022 – 2024, continuar a melhorar o perfil de vencimento da dívida, alargando os prazos de maturidade, reduzir o custo de financiamento da dívida e a vulnerabilidade da dívida, concretamente à exposição cambial e à taxa de juros variável. Adicionalmente, pretendemos criar um enquadramento jurídico para operações de cobertura (hedging), sobretudo à volatilidade do preço de petróleo, concorrendo assim para a estabilidade da despesa, sobretudo, da despesa relacionada com o serviço da dívida.
18. Em 2022, fruto da desaceleração de preços que ocorria desde Janeiro, o Banco Nacional de Angola flexibilizou a política monetária ao reduzir, em Setembro a taxa directora de 20% para 19,5% nível que manteve até ao final do ano. Em 2023 o BNA voltou a reduzir a referida taxa por duas vezes, em Janeiro para 18% e em Março para 17%. O BNA, ao longo do ano 2022, reduziu por duas vezes o coeficiente de reservas obrigatório de 22% para 19% em Junho e de 19% para 17% em Julho. Quanto às facilidades permanentes, reduziu por duas vezes a de cedência de liquidez de 25% para 23% e de 23% para 21% em Julho e Outubro de 2022, respectivamente. No primeiro trimestre de 2023 reduziu a referida taxa de 21% para 18%, em Janeiro e de 18% para 17% em Março. Por seu turno, a Facilidade permanente de absorção de liquidez para a maturidade de 7 dias foi reduzida de 15% para 14% em Novembro de 2022, tendo, de seguida, igualmente reduzida no primeiro trimestre de 2023 de 14% para 13,5%.
19. **A taxa de câmbio continua a ser determinada pelo confronto directo entre a oferta e procura de divisa.** A reforma cambial iniciada em 2018 com a adopção do regime cambial flutuante, inicialmente

com banda e, liberalizada a posterior em 2019, bem como a implementação da plataforma FXGo tem permitido assegurar a oferta de divisa no mercado permitindo que a taxa de câmbio seja determinada pelo confronto directo entre as duas forças, reservando-se o BNA a intervenção mínima a qual ocorre sempre que há volatilidade excessiva do câmbio.

20. **A flexibilização cambial tem servido de amortecedor às reservas internacionais.** Com o actual regime cambial, as reservas internacionais têm sido preservadas, tendo passado de USD 13.350 milhões em Janeiro de 2022 para USD 14.082 milhões em Março de 2023.

Principais Reformas no Domínio Cambial:

21. **No domínio Cambial**, na sequência de um conjunto de reformas realizadas no mercado cambial, cujo objectivo principal consistia na implementação do regime de taxa de câmbio flexível, o que se materializou em 2018 com a introdução de um regime de câmbio flutuante com bandas e que, no final de 2019 culminou com a eliminação das bandas, o Banco Nacional de Angola, no final de 2022, extinguiu o Departamento de Controlo Cambial cuja missão cingia-se na execução dos controlos administrativos das operações cambiais, operações essas que foram descontinuadas com a liberalização do mercado cambial.
22. **Ainda no domínio cambial**, com intuito de assegurar a qualidade do sistema de acompanhamento e tratamento das operações cambiais, bem como garantir a correcta definição e execução da política cambial pelo Banco Nacional de Angola em Janeiro de 2023, o BNA aprovou o Instrutivo o n.º 0 1/2023 de 09 de Janeiro, que estabelece as regras e procedimentos que os bancos comerciais devem observar no reporte de informação estatística sobre as transacções com o exterior ao BNA.
23. **O Banco Nacional de Angola tem procedido ajustamento à regulamentação do Sistema Financeiro em conformidade ao novo quadro legal.** O BNA procedeu à actualização da regulamentação que rege os termos e condições de abertura, manutenção, movimentação e encerramento de contas bancárias, tendo em conta a evolução do sistema financeiro, do mercado cambial e do sistema de pagamentos e as novas exigências legais e regulamentares, nomeadamente, sobre prevenção e combate ao branqueamento de capitais, do financiamento do terrorismo e da proliferação de armas de destruição em massa.
24. **As autoridades nacionais têm estado a promover o desenvolvimento do Sistema Financeiro sustentável, tendo presente os riscos associados às alterações climáticas, responsabilidade social e**

governança corporativa (ESG). As questões ambientais, sociais e de governança corporativa têm merecido uma atenção especial para as autoridades nacionais, sendo essa atenção demonstrada pelo Executivo ao aprovar a Estratégia Nacional para as Alterações Climáticas 2018-2030 (ENAC) com o objectivo de articular instrumentos e instituições na prossecução dos mais recentes desafios que o País enfrenta, tanto ao nível da sua economia e da melhoria de vida da população, como ao nível dos demais compromissos assumidos no âmbito das discussões climáticas mundiais, decorrentes do Acordo de Paris e dos Objectivos de Desenvolvimento Sustentável da Agenda 2030. Em linha com a Estratégia acima citada e tendo em conta os desafios da ESG para o Sistema Financeiro Nacional, as autoridades nacionais supervisoras do sistema financeiro nacional têm estado a desenvolver o Plano Operacional para a promoção da criação de políticas sobre critérios ESG, transversais a todo sistema financeiro angolano, no qual se destacam as seguintes acções: (i) Realização de um inquérito a fim de se efectuar um diagnóstico do sector financeiro, que permitirá estabelecer os critérios para a definição de políticas, processos e procedimentos para a identificação e mitigação de riscos associados ao ESG; e (ii) Elaboração de um Guia de Boas Práticas de adopção dos critérios ESG no Sistema Financeiro Angolano.

25. **O Executivo realizou o procedimento de nomeação do Governador do Banco Nacional de Angola em linha com o novo quadro legal do referido Banco.** Em conformidade com o disposto na revisão pontual da constituição da República de Angola que alterou, tanto o Quadro Legal do Banco Nacional de Angola, bem como consagrou o procedimento de nomeação do Governador do Banco pelo Presidente da República, após audição da Assembleia Nacional, o Presidente da República de Angola, cumpriu com as formalidades exigidas pela Lei n.º 24/21, 18 de Outubro de 2021 - Lei do Banco Nacional de Angola, com parecer favorável à nomeação do candidato indicado para este cargo de Governador do Banco Nacional de Angola, ao proceder à sua nomeação.
26. **Para conferir harmonização do sector financeiro, no tocante ao reporte, o BNA aprovou o instrutivo n.º 13/2022, de 22 de Novembro.** Com o referido Instrutivo o BNA estabelece a estrutura e o conteúdo mínimo que as Instituições Financeiras Bancárias devem incluir na elaboração do relatório anual sobre governança corporativa e controlo interno e o mesmo aplica-se às Instituições Financeiras Bancárias sob supervisão do Banco Nacional de Angola, previstas no número 2 do artigo 7.º da Lei n.º 14/21, de 19 de Maio, Lei do Regime Geral das Instituições Financeiras (LIF), bem como às Sociedades Gestoras de Participações Sociais previstas no artigo 229.º da Lei n.º 14/21, de 19 de Maio da LIF, e às Sociedades

Operadoras de Sistemas de Pagamentos, nos termos do artigo 10.º da Lei n.º 40/20, de 16 de Dezembro, Lei do Sistema de Pagamentos de Angola e da alínea k) do n.º 3 do artigo 7.º da Lei n.º 14/21, de 19 de Maio da LIF.

27. **O BNA tem estado a reforçar medidas macroprudenciais visando o reforço da solidez e robustez do sistema financeiro nacional.** o BNA, no quadro das medidas macroprudenciais, por meio do Aviso n.º 17/2022 estabeleceu o capital social mínimo das Instituições Financeiras Bancárias sob sua supervisão para um valor não inferior a Kz 15 000 000 000 (quinze mil milhões de Kwanzas). Ainda no quadro da promoção do reforço da solidez do sistema financeiro nacional, mediante o asseguramento dos níveis adequados de solvabilidade e de liquidez, no quadro das disposições instituídas pela Lei n.º 14/21, de 19 de Maio - LIF, o Banco Nacional de Angola publicou o Aviso n.º 12/2022, de 4 de Maio, sobre Adequação do Capital Social Mínimo e dos Fundos Próprios Regulamentares das Instituições Financeiras Não Bancárias.

28. **No domínio das reformas estruturais, com o apoio do Banco Mundial, o Executivo realizou um conjunto de reformas estruturais e de Governança, nomeadamente:**

- **Domínio dos subsídios aos combustíveis:** os subsídios aos combustíveis representam um elevado custo fiscal, representando 4% e 4,1% dos OGE 2022 e 2023 respectivamente. Além de representar um fardo pesado ao Orçamento, nos moldes em que é concedido não promove uma afectação eficiente de recursos na medida que beneficia inclusive camada da população que menos necessita do subsídio, além de promover contrabando do produto e consequentemente excesso de consumo do mesmo. Deste modo o Executivo com o apoio directo dos nossos parceiros multilaterais, com destaque ao Banco Mundial, tem em curso um Plano de Reforma aos subsídios aos combustíveis que dentre várias nuances envolve: a) A definição das opções para reajuste de preços (ou seja, cronograma diferente por tipo de combustível e ritmo de reajuste de preços); b) A realização das análises quantitativas do impacto das opções de reforma (ou seja, impacto socioeconómico (pobreza, inflação, fiscal, crescimento); c) A definição das medidas de mitigação; d) Elaboração do plano comunicação da reforma.

Trata-se de seguimento de acções tomadas com o propósito de não só remover os subsídios como também liberalizar o mercado de importação. Essas acções estão linha com as iniciativas tomadas previamente pelo Executivo com destaque para a liberalização do Mercado de Importação e a definição da forma de Cálculo para os Subsídios, culminando na aprovação do Decreto Presidencial

n.º 283/20, de 27 de Outubro que estabelece Modelo de Definição dos Preços dos Produtos, e do Regulamento sobre os Procedimentos para a Operacionalização do referido modelo, aprovado pelo Decreto Executivo Conjunto n.º 331/20, de 16 de Dezembro. Considerando o impacto económico e social que poderão advir da medida de eliminação dos subsídios aos combustíveis, o Executivo prevê redirecionar as poupanças com os subsídios para os sectores específicos e críticos, como a energia, transportes públicos e social, assim como o reforço das dotações orçamentais dos sectores da educação e saúde com verbas provenientes da poupança fiscal líquida visando a eficaz redistribuição da renda nacional. Ainda no quadro do ajustamento dos preços dos combustíveis, procedemos a revisão do quadro legal relacionado de modo a adequá-lo ao novo figurino, nomeadamente, procedemos: a) alteração do Decreto Presidencial n.º 283/20, de 27 de Outubro; b) alteração do Decreto Executivo Conjunto n.º 331/20, de 16 de Dezembro; c) alteramos o Decreto Presidencial que atribui os subsídios aos combustíveis à pesca e agricultura, alargando os subsídios para os taxistas e moto – taxistas.

Em síntese, procedemos a correcção da precificação incorrecta dos combustíveis fósseis e redução dos gastos públicos ineficientes ao: (a) aprovar a transição dos preços dos combustíveis para os níveis de mercado, conforme evidenciado pelo Decreto Executivo Conjunto n.º 81/23, de 01 de Junho; e (b) implementação da remoção parcial do subsídio à gasolina, conforme evidenciado pela Circular Externa N.º 006/DG/IRDP/2023, de 01 de Junho, do nosso regulador da indústria de derivados de petróleo, o Instituto de Regulação dos Derivados do Petróleo, publicada no respectiva página electrónica oficial - https://irdp.gov.ao/images//relatorios/PREOS-ACTUALIZAO_2023.pdf.

- **Domínio do Combate ao Branqueamento de Capitais:** Estamos comprometidos no reforço da integridade do sector financeiro nacional, sendo que recentemente aprovamos a Estratégia Nacional e Linhas Gerais do Plano de Acção para a Prevenção e Combate ao Branqueamento de Capitais, ao Financiamento do Terrorismo e à Proliferação de Armas de Destruição em Massa (PC-BC/FT/FP) 2023-2027, com o objectivo de estabelecer um quadro geral, uma visão prospetiva e uma orientação para evolução e fortalecimento do Sistema Nacional de PC-BC/FT/FP, considerando os eixos prioritários para o país e as acções previstas para reforço da resposta nacional necessária à mitigação de riscos associados ao BC/FT/FP, identificados na Avaliação Nacional de Risco (ANR) 2017-2019 e subsequentes actualizações das Avaliações de Risco Sectoriais (ARS) de BC/FT de 2021.

Esta Estratégia Nacional e Linhas Gerais do Plano de Acção 2023-2027 define a orientação estratégica e de coordenação nacional para a implementação de medidas de natureza preventiva e repressiva de combate ao BC/FT/FP, nos termos da Lei n.º 5/20, de 27 de Janeiro, sobre a Prevenção e Combate ao Branqueamento de Capitais, do Financiamento do Terrorismo e da Proliferação de Armas de Destruição em Massa, e apresenta as seguintes pilares prioritários: (i) Coordenação e Cooperação Institucional; (ii) Regulação e Supervisão; (iii) Capacitação e Sensibilização; (iv) Transparência; e, (v) Investigação, Procedimentos Judiciais e Recuperação de Activos.

Em síntese, implementamos acções de fortalecimento da integridade do sector financeiro ao: (a) aprovar uma nova Estratégia Nacional ABC/CFT, conforme evidenciado pelo Decreto Presidencial n.º 73/23 de 15 de março de 2023, publicado no Diário do Mutuário Diário Oficial da União de 15 de março de 2023 (I Série – n.º 49); e (b) a adopção do Plano de Acção ABC/CFT para o Banco Nacional de Angola. BNA.

Nesta conformidade, o Executivo ambiciona e reafirma o seu compromisso de continuar a investir no fortalecimento do sistema nacional de PC-BC/FT/FP, com o objectivo geral de proteger a estabilidade e a integridade do sistema financeiro e da segurança interna do país, promovendo um desenvolvimento económico inclusivo, sustentado e resiliente aos riscos de BC/FT/FP, assim como tem como visão de longo prazo construir e estabelecer um Sistema Nacional de Prevenção e Combate ao Branqueamento de Capitais, ao Financiamento do Terrorismo e a Proliferação de Armas de Destruição robusto, priorizando a protecção dos cidadãos, da economia em geral e a integridade do sistema financeiro.

- **Domínio do Sector Empresarial Público:** A nível do Sector Empresarial Público (SEP), continuamos firmes com o compromisso de reduzir a presença do Estado na economia através do Programa de Privatizações (PROPRIV), que resultou na concretização de vinte e oito processos de privatização em 2022 e perfazendo um total de 92 activos de 2019 a 2022. Ainda no domínio do SEP, (i) elaborou-se o Macro-Plano de Activação do Roteiro para a Reforma do SEP, a implementar até 2025. Trata-se de um instrumento que define pressupostos objectivos para a concretização da Reforma do SEP, consagrada no Decreto Presidencial n.º 13/2022, de 18 de Janeiro, sendo que neste domínio: (ii) Definiu-se a lista preliminar de segmentação do universo do SEP, em Empresas Públicas e Sociedades Comerciais com Capitais Públicos, no quadro do novo figurino estabelecido no Roteiro

para a Reforma do SEP; (iii) Aprovou-se a proposta de prorrogação do prazo de execução do PROPRIV para o período de 2023-2026, por via da publicação do Decreto Presidencial n.º 78/23, de 28 de Março, que prevê a privatização de 73 activos/empresas. Ainda neste domínio, e com impacto na qualidade da despesa e na redução do risco fiscal, no quarto trimestre de 2022, concluiu-se a privatização de 5 activos (Fazenda de Sanza Pombo, Inducon, Labcontrol, Sécil Lobito, Tensão BT) e a liquidação de 4 empresas (Frescangol, Epromoca, Hidromina e Roremina), bem como aprovou-se a extinção da Cafangol, por via do Decreto Presidencial n.º 271/22, de 1 de Dezembro.

Em síntese, introduzimos melhorias aos níveis da gestão das empresas públicas e da participação do Estado angolano nas mesmas, ao: (a) estender o programa de privatizações listando activos específicos e apresentando os respectivos tratamentos, conforme evidenciado pelo Decreto Presidencial n.º 78/23 de 28 de março de 2023, publicado no Diário Oficial de 28 de Março de 2023 (I Série – n.º 56); e (b) ao transformar duas empresas prestadoras de serviços de transporte públicos, colectivo e de cargas, para sociedades com orientação comercial, conforme evidenciado pelos decretos presidencial n.º 125/23 e n.º 126/23, ambos, publicados no diário oficial do país a 30 de Maio de 2023.

- **Domínio do Fortalecimento da Protecção Social – Programa de Transferência de Renda.** O Kwenda é uma iniciativa que tem beneficiado muitas famílias angolanas, particularmente as famílias mais vulneráveis. Instituído no ano 2020 com o apoio do Banco Mundial, do Programa Kwenda, até ao mês de Março de 2023 já beneficiaram 610 382 (seiscentas e dez e trezentos e oitenta e dois) agregados familiares e 1 003 366 (Um milhão e três mil e trezentos e sessenta e seis) agregados já foram cadastrados, no domínio das transferências monetárias. Actualmente o programa abrange 60 (sessenta) dos 164 (cento e sessenta e quatro) municípios do país, no entanto, considerando o seu impacto na vida das populações. Tendo em conta o impacto do programa sobre as populações mais vulneráveis, procedemos: a) o aumento da transferência de Kz 8.500 para Kz 11.500; b) o alargamento do período de permanência de uma família no programa para dois (2) anos, contrariamente a um (1) ano; c) aumento do número de beneficiários adicionando mais 700.284 famílias beneficiárias no âmbito do referido projecto, aumentando assim a meta inicial de número de famílias beneficiárias do referido projecto de 1.608.000 famílias para 2.308.284 famílias.

Contamos com esta operação de política de desenvolvimento para facilitar a implementação desta expansão de duração e do alcance de benefício das transferências de renda voltadas para o

combate a pobreza; adopção de subvenções de apoio a empresas em sectores bastante sensíveis aos impactos da reforma como agricultura e a pesca; aos utilizadores de transporte público rodoviário, mantendo os níveis actuais de subsídios generalizados aos utilizadores de transporte público rodoviários regulares urbanos de passageiros, e estamos a introduzir passes sociais nos termos do decreto executivo Conjunto n.º 62/23, de 8 de Maio, igualmente fruto desta operação de política de desenvolvimento; e para reforçar a atenuação dos impactos nas zonas urbanas e periburnas, criamos o Fundo Nacional de Emprego, que vai promover a aceleração da criação de empregos e a inserção dos recém formados e desempregados no mercado de trabalho, estando todas estas medidas evidencias pelos decretos presidenciais n.º 123/23, nº 133/23 e pelo decreto executivo conjunto nº80/23, todos do dia 01 de Junho, publicados no diário oficial.

- **Domínio dos Transportes Públicos - Introdução de Passes Sociais nos Transportes Públicos.**
Estamos cientes que precisamos continuar a implementar a nossa agenda de reformas económicas e reconhecemos que algumas delas, com destaque para a eliminação dos subsídios aos combustíveis, no curto prazo produzirão impacto económico e social adversos, sobretudo, para a camada mais vulnerável da população, pelo que, de modo a mitigar o efeito dessas medidas e no quadro do reforço da inclusão social, introduzimos o sistema de passes sociais e com ele o Sistema de Bilhética Integrada para emissão e controlo de uso de abono de estudantes que permite a mobilidade dos estudantes através de passes sociais nos transportes públicos rodoviários urbanos. Beneficiam do Sistema de Passes Sociais, os jovens, pessoas com necessidades especiais, idosos, bem como os antigos combatentes. A introdução dos passes sociais enquadra-se no objectivo de o Executivo fomentar o acesso às condições económicas e técnicas não discriminatórias no tocante à mobilidade da população com pouco recurso financeiro. Instituímos os passes sociais por via do Decreto Executivo Conjunto n.º 62/23 de 08 de Maio, pelo qual aprovamos o Regulamento do Passe Social e Títulos de Transporte para uso no sistema de transporte Intermodal.
- **Domínio da Energia:** reconhecemos o impacto sócio – económico do acesso à energia eléctrica na vida das nossas populações, gerando melhorias significativas na vida das nossas comunidades, pelo que, com intuito de promover a expansão da electrificação e adopção de energia renovável aprovamos as directrizes para elaboração da estratégia de electrificação.
- **Domínio das Águas:** estamos comprometidos em melhorar os serviços básicos com o intuito de melhorar as condições sociais das nossas populações. Neste sentido, em linha com o Programa de

Desenvolvimento do Sector das Águas e respectivo Plano de Acção de Curto, Médio e Longo prazos aprovados em 2014 e que estabelecem a necessidade de se submeter os sistemas de abastecimento público de água e de saneamento, à gestão e exploração empresarial, tendo em vista a sua optimização, no quadro da consolidação das Políticas do Estado em matéria de serviços de abastecimento público de água e de saneamento, criámos as empresas Públicas de Água e Saneamento das províncias do Zaire e Cuando Cubango. A criação das referidas empresas públicas visa dotar os serviços de distribuição de água e de saneamento das províncias do Zaire e do Cuando Cubango de uma Concessionária Local, no âmbito do sector público empresarial do Estado; e para garantir um melhor prestação dos serviços de águas aprovamos um quadro regulatório para fortalecer o monitoramento regular do serviço de água, conforme evidenciado pelos decretos presidenciais n.º 127/23 e n.º 129/23, ambos de 30 de Maio, e também pelo decreto presidencial n.º 130/23, igualmente de 30 de Maio, que estabelece um regime sancionatório para o sector das águas e saneamento de águas residuais visando criar incentivos para garantia da qualidade dos serviços prestados, tendo todos estes diplomas sido publicados no diário oficial do país.

- **Domínio dos Seguros:** Visando o desenvolvimento dos mercados de seguros, o revimos a legislação do sector, tendo a referida revisão sido motivada, por um lado, pela (i) necessidade de regular as condições de acesso à actividade seguradora e resseguradora, as condições de exercício da actividade seguradora e resseguradora, as vicissitudes no exercício de tais actividades, a institucionalização da figura do micro-seguro, as medidas de recuperação das empresas de seguros e de resseguros em situação financeira insuficiente, a liquidação de empresas de seguros e de resseguros, assim como o regime de supervisão e regulação, onde se destaca o papel preponderante do Organismo de Supervisão da Actividade Seguradora e o regime sancionatório substantivo. Por outro lado, por forma a garantir que, ainda que de forma gradual, em linha com as melhores práticas internacionais, a regulação do mercado de seguros assuma como objectivos centrais, a protecção dos tomadores de seguros, segurados e beneficiários e a prevenção e repressão das actuações contrárias à lei ou regulamento, de acordo com as recomendações da Associação Internacional dos Supervisores de Seguros (IAIS) e do Comité de Seguros, Valores Mobiliários e Instituições Financeiras Não-Bancárias da África-Austral (CISNA). Temos demonstrado preocupação relativamente ao sector seguro agrícola, sendo que neste domínio, no período 2016 a 2018 levámos a cabo uma tentativa de implementação de um programa piloto do seguro agrícola, porém, não teve a adesão massiva conforme esperado devido à falta de subvenção aos prémios

reclamados por estes, associado a não ocorrência de grandes sinistros no período em questão, o que levou os poucos produtores agrícolas que aderiram ao programa a não renovarem as suas apólices inviabilizando a continuidade do programa. Quanto ao micro – seguros, o mercado já dispunha de produtos com suas características, porém, carecia de respaldo legal, carência essa que foi coberta com aprovação da Lei 18/22, de 7 de Julho.

Em síntese, realizamos de um desenvolvimento da indústria de seguros em Angola ao: (a) actualizar a legislação da indústria que regula o acesso aos mercados, inclusive para investidores estrangeiros, conforme evidenciado pela Lei nº 18/22 de 7 de julho de 2022, publicada no diário oficial a 7 de Julho de 2022 (I Série – Nº 125); e (b) estabelecer um quadro regulatório para o microsseguro, conforme evidenciado pelas Normas Regulamentares nº 1/23, de 13 de janeiro de 2023, publicadas no diário oficial do país a 13 de janeiro de 2023 (II Série – nº 9), e nº 2/23 de 16 de janeiro de 2023, publicado no diário oficial da Tomadora em 16 de janeiro de 2023 (II Série – nº 10).

Manifestamos o nosso comprometimento no sentido de continuar a dinamizar o sector de seguros, sendo que almejamos no futuro, criar o Programa de Apoio e Estabilidade do Seguro Agrícola, e do Decreto Presidencial que cria o Fundo de Apoio ao Seguro Agrícola.

O Governo de Angola reafirma o seu comprometimento na continuidade da realização de reformas estruturais, visando um maior **desenvolvimento para o Crescimento Sustentável, Resiliente, Inclusivo e Diversificação de Angola**, e não obstante as incertezas do actual do cenário económico continuará contando com o habitual apoio de seus parceiros, com particular destaque do Banco Mundial.

GABINETE DA MINISTRA DAS FINANÇAS, Luanda, 02 de Junho de 2023.

English Translation



MINISTRY OF FINANCE

MINISTER'S OFFICE

Dear Mr. Ajay Banga

President of the World Bank Group

1818 H Street, NW, Washington, DC. 20433

USA

080/19/01/RES/GMF-MINFIN/2023

SUBJECT: Policy Letter for the First Development Operation in the Amount of USD 500 Million for the Series of Development Financing Policies for the Green, Resilient, and Inclusive Growth and Diversification of Angola.

Your Excellency, Mr. President,

On behalf of the Government of Angola, I have the honor to present to you the Memorandum of Development Policies regarding the first USD 500.0 million budget support operation.

The attached Development Policy Memorandum presents recent developments in the Angolan economy, its prospects, and describes the structural reforms carried out in recent years, with great success, as part of this development policy operation with the valuable support of the World Bank, generating the following results:

- I. **We reduce economic distortions and strengthen the resilience of public finances and the financial sector** by implementing the following structural measures:
 - a) Correcting the incorrect pricing of fossil fuels and reducing inefficient public spending by (i) approving the transition of fuel prices to market levels, as evidenced by Joint Executive Decree No. 81/23 of June 1st, and (ii) implementing the partial removal of the gasoline subsidy, as evidenced by External Circular No. 006/DG/IRDP/2023, of June 1st, from our petroleum derivatives industry regulator, the Petroleum Derivatives Regulatory Institute, published on its official website - <https://irdp.gov.ao/images//relatorios/PREOS-ACTUALIZAO 2023.pdf>;

- b) Implementation of actions to strengthen the integrity of the financial sector by (i) approving a new National AML/CFT Strategy, as evidenced by Presidential Decree No. 73/23, of March 15, published in the Official Gazette of March 15, 2023 (I Serie- No. 49), and (ii) adopting the Action Plan for the Prevention and Combating of Money Laundering, Terrorist Financing and the proliferation of Weapons of Mass Destruction of the National Bank of Angola, adopted in January 2023;
 - c) Improving the management of public enterprises and the Angolan State's shareholding in them by (i) extending the privatization programme by listing specific assets and presenting the respective treatments, as evidenced by Presidential Decree No. 78/23 of March 28, 2023, published in the Official Gazette of March 28, 2023 (I Serie - no. 56), and by (ii) transforming two companies providing public, collective and cargo transportation services into commercially oriented companies, as evidenced by Presidential Decrees no. 125/23 and no. 126/23, both published in the country's Official Gazette on May 30, 2023.
- II. **We promote greater economic and social equity in the country by strengthening social inclusion** through the implementation of the following structural measures:
 - a) Adoption of a very comprehensive package of measures to mitigate the adverse impacts on the poor, vulnerable families and the general population of the increase in fuel prices, increasing the value of monetary transfers under the Kwenda project, funded by the World Bank itself, from Kz 8.500,00 to Kz 11.000.00; increasing from 1 to 2 years the time of permanence in the project and monetary transfer to the beneficiary families; and adding more 700.284 beneficiary families in the scope of the referred project, thus increasing the initial goal of number of beneficiary families of the referred project from 1.608.000 families to 2.308.284 families, and we are counting on this development policy operation to facilitate the implementation of this expansion in the duration and benefit range of the income transfers aimed at fighting poverty; the adoption of subsidies to support enterprises in sectors that are quite sensitive to the impacts of the reform, such as agriculture and fishing; to the users of public road transport, maintaining the current levels of generalized subsidies to users of regular urban public road transport, and we are introducing social fare cards under the terms of the Joint Executive Decree No. 62/23, of May 8, also a result of this development policy operation; and, to further mitigate the impacts in urban and peri-urban areas, we have created the National Employment Fund, which will promote the acceleration of job creation and the insertion of recent graduates and unemployed in the labor market, all of these measures are evidenced by Presidential Decrees No. 123/23, No. 133/23, and by Joint Executive Decree No. 80/23, all of June 1, published in the Official Gazette.
- III. **We have improved markets and infrastructure to build greater climate resilience**, as the following structural measures have already been carried out:
 - a) Promoting electrification and the adoption of renewable energy generation by approving guidelines for rural electrification, as evidenced by Executive Decree No. 78/23, May 30, published in the Official Gazette;

- b) Improving water service delivery by passing regulations requiring water utilities to do the following:
 - i. Carry out regular monitoring of the water service, as evidenced by Presidential Decrees No. 127/23 and No. 129/23, both dated May 30, and also by Presidential Decree No. 130/23, also dated May 30, establishing a sanctioning regime for the water and wastewater sanitation sector aimed at creating incentives to guarantee the quality of the services provided, all of which have been published in the country's Official Gazette;
 - ii. Engage in water quality management to ensure adequate service standards, as evidenced by Presidential Decree No. 128/23, May 30; and the creation of two water services in Zaire and Cuando Cubango provinces, as evidenced by Joint Executive Decrees No. 59/23 and 60/23, May 8, published in the Official Gazette on May 8, 2023 (I Serie- No. 81).
- c) Realizing the development of the insurance industry in Angola by (i) updating the industry legislation that regulates access to markets, including for foreign investors, as evidenced by Law no. 18/22, of July 7, published in the Official Gazette on July 7, 2022 (I Serie - No. 125), and (ii) establishing a regulatory framework for microinsurance, as evidenced by Regulatory Rules No. 1/23 of January 13, published in the Official Gazette on January 13, 2023 (II Serie - No. 9), and No. 2/23 of January 16, published in the Official Gazette on January 16, 2023 (II Serie - No. 10).

Finally, on behalf of the Government of Angola, I would like to thank the World Bank for its support and tireless efforts, at all levels, in bringing to a successful conclusion this First Development Operation in the amount of USD 500 Million, for the Development Finance Policy Series for Green, Resilient, Inclusive Growth and Diversification in Angola.

Without further ado, we subscribe to you with highest esteem and consideration.

OFFICE OF THE MINISTER OF FINANCE, in Luanda, June 2, 2023.

Letter of Development Policy - English Translation



MEMORANDUM

Economic and Financial Reforms

June 2023

I. FRAMEWORK

The purpose of this Memorandum is to present the recent economic developments of the Angolan economy and the reforms achieved with the First Development Operation, in the Amount of **USD 500 million**, for the Development Policy Financing Series for the Green, Resilient, Inclusive Growth and Diversification of Angola, referring to the budget support operation.

To carry out these reforms, the Republic of Angola relied on the valuable support of the World Bank and the International Monetary Fund.

II. RECENT ECONOMIC DEVELOPMENT AND OUTLOOK TO 2023

- 1. The national economy maintains its trajectory of economic growth and reinforcement of stability despite the adverse international economic situation.** Notwithstanding the adverse geopolitical situation, with particular emphasis on Russia's invasion of Ukraine, the energy and pandemic crisis and the inflationary pressures observed abroad, similarly to what was observed in 2021, in 2022 there was a further improvement in macroeconomic stability influenced by the economic policy options designed by the national authorities, as well as by the rise in the price of oil in international markets observed in 2022.
- 2. National economy accelerating with non-oil sector increasingly strong and resilient.** Recent statistics indicate that the economy grew 2.6% in the fourth quarter of 2022, year-on-year, thus maintaining the quarterly growth trajectory that has been in place since the second quarter of 2021, signaling the strengthening of the economic recovery. In global terms, real growth in 2022 is estimated at 3%, above the 1.2% observed in 2021, representing an economic acceleration in relation to the value forecast in the 2022 General State Budget (2.4%). For 2023, contrary to the global growth projection of 3.3% foreseen in the General State Budget for that economic year, a greater economic acceleration is expected, the economic expansion being 3.6% influenced by the non-oil sector with 3.4% and the oil sector (including gas) with 3.9%.
- 3. Inflation falling after accelerating since November 2019.** In the year 2022 we recorded a trend of price disinflation, reversing the trend of acceleration that had occurred since December 2021. In December 2022 the inflation rate stood at 13.9%, down from 27.0% in the same period of the previous year. Several initiatives contributed to the reduction in the inflation rate, from the provision of widely consumed goods by the Executive in the scope of the Strategic Food Reserve, monetary tightening carried out in the past by the BNA, as well as the exchange rate appreciation. This deceleration trend

continued in the first quarter of 2023 as we went from a 12.6% year-on-year inflation in January to 10.8% in March. We expect this trend to continue throughout 2023 and that we will have end of period inflation of 8.9%, below the 11.1% forecast in the 2023 State Budget.

- 4. Fiscal policy remained anchored to the objectives of sustainability of public finances.** Similar to what happened in 2021, in 2022, the fiscal accounts benefited from the increase in tax revenue resulting from the high price of oil, above the price established in the 2022 State Budget. It is estimated that oil revenue has registered an increase of 26% compared to what was foreseen in the OGE. With regard to the fiscal balance, preliminary information points to an overall surplus fiscal balance, estimated at 1.04% of GDP, contrary to the zero balance foreseen in the 2022 OGE. The improvement in fiscal fundamentals and as announced in the 2022 State Budget, led us to adopt an expansionary fiscal policy, even more expansionary than that foreseen in the State Budget, in order to strengthen inclusive economic growth. Thus, contrary to the non-oil primary deficit of 5.3% of GDP foreseen in the 2022 OGE, the non-oil primary deficit is estimated to have been 9.1% of GDP in 2022. However, the Executive plans to reduce this indicator to levels at or below 5%, as provided in the Public Finance Sustainability Law. The primary balance, in turn, remained in surplus at 5.4% of GDP, slightly below the 5.5% of GDP anticipated in the 2022 OGE, however, enough to positively affect the dynamics of public debt.
- 5. The current account maintains the surplus trend that has been in place since 2018.** The current account of the balance of payments remained in surplus, having registered a surplus of 11.4% in 2022, thus maintaining the surplus trend that dates back to 2018. The surplus at the current account level is essentially due to the increase in oil exports influenced by the observed price hike, which have been sufficient to offset the growth in imports.
- 6. Despite its good economic performance, the Angolan economy is still vulnerable to external shocks.** Given the relevance of the oil sector for the Angolan economy, which in 2022 is estimated to represent 59.6% of fiscal revenues, 94.5% of exports and 26.2% of GDP and taking into account the high volatility of oil prices that could compromise budgetary execution, combined with the pressing need for financial resources to follow up on the reform program that the government has been carrying out, as well as the need to make the Public Finances increasingly more resilient to adverse economic shocks and reduce the high cost of financing from alternative sources, the Government intends to seek the

services of the World Bank, a partner that has greatly supported the Angolan Government in the materialization of its economic reform agenda.

III. MACROECONOMIC POLICIES AND STRUCTURAL REFORMS

7. As part of the reform program, several initiatives have been developed in the areas of Public Finance, Foreign Exchange, Monetary and the Financial System.
8. **Our fiscal policy remains anchored in our goal of strengthening public debt sustainability.** We have been controlling the trajectory of the primary balance, a variable that affects debt dynamics, and since 2018 we have maintained this indicator in surplus. We have also been controlling the non-oil primary deficit, which is our fiscal anchor, in such a way that it is in line with the medium-term objective of not exceeding 5% of GDP, as established in the Public Finance Sustainability Law. Because of this, and combined with the result of the exchange rate reform, specifically the exchange rate easing and prudent debt management, we have seen a reduction in the public debt ratio as a percentage of GDP, in line with the provisions of the Public Finance Sustainability Law which sets the target of 60% in the long term, in line with sustainability.
9. **In the budgetary area, we have prepared a Budget for 2023 that contributes to the goal of reinforcing macroeconomic stability as well as strengthening the national economy.** The government believes that macroeconomic stability is an indispensable condition for the development of economic activity driven by the private sector, as well as for the preservation and increase of household consumption, an important variable in determining investment. On the other hand, with this Budget, the Angolan Government also intends to continue to promote the economic growth that has been a reality since 2021, by investing in the diversification of the economy, by boosting structural public investment, and by adopting a set of customs and tax measures that contribute to reducing costs in the supply chain of goods and services. **In parallel, the Government, with this Budget, reaffirms its commitment to the social and environmental sector by presenting a budget increase in this category of 33% in nominal terms, translating into a real increase of 22.2% percentage points. In this category, the nominal increase of 78.3% in environmental protection, 45.1% in health, 25.1% in education, and the increase in the social and environmental sector, in real terms, is noteworthy:**
 - **Non-oil revenue.** We expect an increase in this category of revenue, specifically non-oil taxes, both in relation to the preliminary execution of 2022 (7.0% above execution), and in relation to the programmed in the 2022 State Budget (4.2% above the programmed State Budget). We intend to

continue with the actions aimed at increasing the Tax Base, improving inspection and Tax Procedures. In terms of specific measures, we would like to highlight: (i) The reduction from 25% to 6.5% of the Labor Income Tax rate for Group C taxpayers whose turnover in the 2022 fiscal year is equal to or less than Kz 10,000.000.00, which will release liquidity in favor of small businessmen and/or sole traders; (ii) Maintenance of the reduced Value Added Tax (VAT) rate to 7% under OGE 222, contrary to the 14% foreseen in the VAT Code (CIVA), regarding hotel and restaurant services; and (iii) Maintenance of the reduced VAT rates in 2021 and in the scope of the State Budget Law 2022 in import and transmission operations of a great diversity of diverse goods of wide consumption and of the productive sector referenced in the Annual State Budget Law 2023. For the 2023 fiscal year, the Executive also foresees some measures in the customs area, among which we highlight: (i) Broadening of the economic operators' qualification for official forwarders and freight forwarders, in addition to importers and exporters; and (ii) Broadening of the benefits that authorized economic operators may enjoy, in import and export acts.

- **Compensation of employees.** We continue to maintain control of the wage bill, and allow a limited increase in the wage bill, in nominal terms, to enable natural changes in the wage bill, adjustment of wages in public administration, and limited new hiring over 2023 in the areas of education and health to support our priority social objectives. In this sense, we proceeded with a nominal increase in the wage bill of 5.5% compared to the 2022 Budget. In real terms, this translates into a decrease of 5.6% relative to the 2022 Budget.
- **Goods and services.** We slightly increase spending on new goods and services relative to GDP to accommodate needs in our priority areas of health and education. Spending on goods and services rises from 4.5 percent of GDP in the 2022 Budget to 4.7 percent in the 2023 Budget, or translating into an increase of 0.2 percentage point of GDP.
- **Transfers and subsidies.** As in the Budget 2022, in this budget we continue to promote fiscal transparency by recording the expenditure on fuel price subsidies, in that from the Budget we explicitly include the total cost of fuel subsidies (gasoline and diesel). The State Budget 2023 foresees fuel price subsidies amounting to Kz 834.67 billion. In the 2022 budget the expense with fuel subsidies was estimated in Kz 754.86 billion, however, with the escalation of oil prices in international markets, preliminary data of execution of 2022 point to an increase in the cost of fuel subsidies, estimating a cost of Kz 1.9 billion above the value foreseen in the 2022 Budget.

- **Capital expenditure.** Aiming to promote economic growth driven by the private sector, we increased capital expenditure in structuring projects in nominal terms and as a percentage of GDP, compared to the 2022 State Budget. Capital expenditure increased by 58.7% in nominal terms and by 1.5 percentage points of GDP, when compared to the 2022 Budget.
- **Settlement of Arrears.** We recognize the burden that arrears constitute for the companies supplying the State, for which reason, in the area of arrears regularization, the Executive has set aside a package of 429 billion Kwanzas for this purpose.
- **Public debt management.** In this area, the Executive approved last year the Medium-Term Debt Strategy 2022 - 2024 with which we continue to pursue active debt management, aiming to improve the maturity profile and reduce the vulnerabilities of the debt and the cost of new issues.

Major Public Finance Reforms:

10. **In the area of Public Finance**, we have made progress in terms of **Tax Policy, with the** Executive simplifying procedures, especially through the use of technological tools, with particular emphasis on the reporting obligations of individual taxpayers. On the other hand, we have promoted, in April 2022, the approval of the Tax Benefits Code, a diploma that brings together the legislation regarding tax benefits to be granted to taxpayers, guaranteeing the benefits that already exist in disperse legislation and including new benefits, such as the tax benefits for employment and professional internship. Still in the area of Tax Policy, we continue to broaden the tax base, we have **invested in improving the mechanism for collection and management of tax debt**, with emphasis on the launch of the *Tax Inspectors Without Borders* tax audit program, between the General Tax Administration (AGT) and the Federal Revenue Service of Brazil, which aims to strengthen the tax audit capabilities on international transfer pricing in the extractive sector, we have made technological investments in the area of taxation, with emphasis on the implementation of "Justinho - virtual assistant" which among other benefits, it allows taxpayers to interact with the Administration in real time, enabling them to pay their taxes from the comfort of their homes or offices - the simplification of procedures in tax enforcement proceedings to make taxpayers' lives easier, we entered into agreements and conventions aimed at avoiding double taxation and improving cross-border taxation, all based on tax policies that ensure tax justice and efficiency in the process of collecting tax revenue to meet public expenditure.

11. With regard to improving the **quality of public spending**, with the approval of Law 41/20, of December 23, the Public Contracts Law, a firm step was taken in the implementation of information and communication technologies in Public Contracting, with the inclusion of the Electronic Dynamic Procedure. This update allowed for an increase in the number of electronic procedures, going from a total of 22 in 2020 to 116 procedures in mid-March 2023. Of the 116 procedures 84 are electronic dynamic, corresponding to 72%. On the other hand, the State benefited from savings estimated at Kz 118 billion from 2018 to 2022, representing 24% of the initially estimated value. Still in the area of Public Procurement, in the fourth quarter of 2022, the diagnosis for the evaluation of the public procurement system based on the MAPS international methodology was concluded, under a technical assistance from the African Development Bank, whose final report is currently being validated, and a grant financing agreement was signed with the African Development Bank to conduct a specific evaluation of public procurement in the health sector.
12. **Public Investment and PPPs.** In terms of Public Investment, we have continued to strengthen the management of capital expenditure in line with the recommendations of the assessment of Public Investment Management made in 2019 with the support of the International Monetary Fund. In this area, aiming to strengthen the technical capacity of public managers in Public Investment Management in line with international best practices, we held, together with the IMF, a Workshop on Public Investment Management under the PIMA.
13. In the area of Public and Private Partnerships (PPPs), the signing of the Contract for the Management and Reclassification of the Mulenvos Sanitary Landfill in the PPP modality, as well as the monitoring of several projects that will be implemented via PPP, among which stand out: (i) Cabinda Water PPP (underway the investment plan for structuring the project); (ii) New Bridge over the Kwanza River (underway the preparation of the draft contract of conversion PIP to PPP); and (iii) Huambo Landfill (underway the preparation of the Pieces of Procedure for the launch of the tender). We express our appreciation to the World Bank for the support provided under the previous DPO for the preparation of PPP legal diplomas, which formed the basis for the preparation of the abovementioned projects. We also highlight the four studies of PPP feasibility projects that were prepared with the essential support of the World Bank, namely: Mucoso Irrigation Perimeter, Fútila Industrial Complex, Chicapa II Hydroelectric project and Cabotage Maritime Link project between Luanda - Soyo; as well as studies and projects for the Cabinda Waters PPP, also with the support of the World Bank.

14. For the year 2023, we foresee the updating of the PPP Project Portfolio and the preparation of priority projects, as well as the structuring of the projects, namely the pieces of procedure whose feasibility studies were prepared by the World Bank. We also foresee: (i) Conclusion of the project structuring, launch of the public tender and award of the private partner for the Cabinda Water PPP; and (ii) Signature of the contract for conversion to PPP of the New Bridge project over the Kwanza River; and (iii) Launch of the public tender and award of the private partner for the Huambo Sanitary Landfill.
15. **Fiscal transparency and reporting.** We have maintained our commitment to publish the main reports, in particular the quarterly debt bulletins with details of the debt, including information on the average cost of the debt, debt maturity - including by type of creditor for external debt, *stock* and flows of internal and external debt, internal debt by instrument, the quarterly Balance of Execution reports of the State Budget for the 2022 financial year, publication of the PROPRIV *Dashboard* with information on privatizations in real time. In terms of the number of publications in 2022, delays have been observed in the publication of the subsidy costs, all of which have already been published, including the one for 2022, as well as in terms of the State Budget Execution Balance reports, for which only information regarding the first and second quarters has so far been published.
16. With regard to debt, we have published information on terms and contracts for debt entered into in 2022, similar to what we had done in 2021 - <https://ugd.minfin.gov.ao/PortalUGD/#!/publication/boletim-da-divida-publica>.
17. **We reiterate our commitment to manage public finances in line with the medium- and long-term objectives.** We will continue the control of the non-oil fiscal deficit in order to reach, in the medium term, that is, until 2025, the goal of 5% of GDP and, for this purpose, we should continue with fiscal consolidation both through the effort of increasing the tax base, without, however, increasing the tax burden, as well as through the control of fiscal expenditure. Because of this, we expect to continue to reduce the public debt ratio as a percentage of GDP, as well as, in line with the Medium-Term Debt Strategy 2022 - 2024, to continue to improve the maturity profile of the debt by lengthening maturities, reducing the cost of debt financing and the vulnerability of the debt, specifically to foreign exchange exposure and variable interest rates. In addition, we intend to create a legal framework for hedging operations, particularly against oil price volatility, thus contributing to the stability of expenditure, particularly expenditure related to debt service.

18. In 2022, due to the price deceleration that occurred since January, the National Bank of Angola relaxed monetary policy by reducing in September the key rate from 20% to 19.5%, a level it maintained until the end of the year. In 2023 the BNA reduced the referred rate twice more, in January to 18% and in March to 17%. The BNA, throughout the year 2022, twice reduced the mandatory reserve coefficient from 22% to 19% in June and from 19% to 17% in July. As for the standing facilities, it twice reduced the marginal lending facility from 25% to 23% and from 23% to 21% in July and October 2022, respectively. In the first quarter of 2023, it reduced this rate from 21% to 18% in January and from 18% to 17% in March. In turn, the marginal lending facility for 7-day maturity was reduced from 15% to 14% in November 2022, and then further reduced in the first quarter of 2023 from 14% to 13.5%.
19. **The exchange rate continues to be determined by the direct confrontation between supply and demand for currency.** The exchange rate reform initiated in 2018 with the adoption of the floating exchange rate regime, initially with a band and later liberalized in 2019, as well as the implementation of the FXGo platform has made it possible to ensure the supply of currency in the market allowing the exchange rate to be determined by the direct confrontation between the two forces, with the BNA reserving minimal intervention which occurs whenever there is excessive volatility of the exchange rate.
20. **The exchange rate easing has served as a buffer for international reserves.** Under the current exchange rate regime, international reserves have been preserved, rising from USD 13,350 million in January 2022 to USD 14,082 million in March 2023.

Major Foreign Exchange Reforms:

21. **In the Foreign Exchange domain**, following a set of reforms carried out in the foreign exchange market, whose main objective was to implement the flexible exchange rate regime, which materialized in 2018 with the introduction of a floating exchange rate regime with bands and which, at the end of 2019 culminated with the elimination of the bands, the National Bank of Angola, at the end of 2022, abolished the Foreign Exchange Control Department whose mission was limited to the execution of administrative controls of foreign exchange operations, operations that were discontinued with the liberalization of the foreign exchange market.
22. **Also in the foreign exchange area**, with the aim of ensuring the quality of the system for monitoring and processing foreign exchange transactions, as well as guaranteeing the correct definition and

execution of the foreign exchange policy by the National Bank of Angola in January 2023, the BNA approved Instruction No. 0 1/2023 of January 9, establishing the rules and procedures that commercial banks must observe when reporting statistical information on transactions with abroad to the BNA.

23. **The National Bank of Angola has been adjusting the regulation of the Financial System in accordance with the new legal framework.** The BNA has updated the regulations governing the terms and conditions for opening, maintaining, operating and closing bank accounts, taking into account the evolution of the financial system, the foreign exchange market and the payment system and the new legal and regulatory requirements, namely, on preventing and combating money laundering, the financing of terrorism and the proliferation of weapons of mass destruction.
24. **The national authorities have been promoting the development of a sustainable Financial System, keeping in mind the risks associated with climate change, social responsibility and corporate governance (ESG).** Environmental, social and corporate governance issues have been receiving special attention for the national authorities, and this attention was demonstrated by the Executive by approving the National Strategy for Climate Change 2018-2030 (ENAC) with the aim of articulating instruments and institutions in the pursuit of the latest challenges that the country is facing, both in terms of its economy and improving the lives of the population, as well as in terms of the other commitments made in global climate discussions, arising from the Paris Agreement and the Sustainable Development Goals of the 2030 Agenda. In line with the aforementioned Strategy and taking into account the ESG challenges for the National Financial System, the national supervisory authorities of the national financial system have been developing the Operational Plan for the promotion of the creation of policies on ESG criteria, transversal to the entire Angolan financial system, in which the following actions stand out: (i) Conducting a survey in order to carry out a diagnosis of the financial sector, which will allow establishing the criteria for the definition of policies, processes and procedures for the identification and mitigation of risks associated with ESG; and (ii) Elaboration of a Guide of Good Practices for the adoption of ESG criteria in the Angolan Financial System.
25. **The Executive carried out the procedure for the appointment of the Governor of the National Bank of Angola in line with the new legal framework of the said Bank.** In accordance with the provisions of the specific revision of the constitution of the Republic of Angola, which altered both the legal framework of the National Bank of Angola and established the procedure for the appointment of the Governor of the Bank by the President of the Republic, after hearing the National Assembly, the

President of the Republic of Angola complied with the formalities required by Law 24/21 of 18 October 2021 - National Bank of Angola Law, with a favorable opinion on the appointment of the candidate nominated for this position of Governor of the National Bank of Angola, in making his appointment.

26. **In order to provide harmonization in the financial sector, with regard to reporting, the BNA approved the instructive no. 13/2022, of November 22.** With this Instruction, the BNA establishes the structure and minimum content that the Banking Financial Institutions must include in the preparation of the annual report on corporate governance and internal control and the same applies to Banking Financial Institutions under the supervision of the National Bank of Angola, provided for in number 2 of article 7 of Law no. 14/21, of 19 May, the Law on the General Regime of Banking Institutions. The same applies to Banking Financial Institutions under the supervision of the Banco Nacional de Angola, foreseen in article 7.2 of Law nº 14/21 of 19 May, Law of the General Regime of Financial Institutions (LIF), as well as to Holding Companies foreseen in article 229 of Law nº 14/21 of 19 May of LIF, and to Payment System Operating Companies, in the terms of article 10 of Law nº 40/20 of 16 December, Law of the Payment System of Angola, and of subparagraph k) of article 7.3 of Law nº 14/21 of 19 May of LIF.
27. **BNA has been reinforcing macroprudential measures aimed at strengthening the strength and robustness of the national financial system.** BNA, within the framework of macroprudential measures, by means of Notice no. 17/2022 established the minimum share capital of the Banking Financial Institutions under its supervision to an amount not less than Kz 15 000 000 000 (fifteen thousand million Kwanzas). Still within the framework of the promotion of the reinforcement of the strength of the national financial system, by ensuring adequate levels of solvency and liquidity, within the framework of the provisions instituted by Law no. 14/21, of May 19 - LIF, the National Bank of Angola published Notice no. 12/2022, of May 4, on the Adequacy of the Minimum Share Capital and Regulatory Own Funds of Non-Banking Financial Institutions.
28. **In the area of structural reforms, with the support of the World Bank, the Executive carried out a number of structural and Governance reforms, namely:**
- **Fuel subsidies:** fuel subsidies represent a high fiscal cost, representing 4% and 4.1% of the 2022 and 2023 State Budgets, respectively. In addition to representing a heavy burden on the budget, the way in which it is granted does not promote an efficient allocation of resources insofar as it benefits even the section of the population that least needs the subsidy, besides promoting smuggling of the product and consequently excessive consumption of the same. In this way, the

Executive with the direct support of our multilateral partners, especially the World Bank, has an ongoing Fuel Subsidy Reform Plan which, among several nuances, involves: a) The definition of price readjustment options (i.e. different timetables for each type of fuel and price readjustment pace); b) The performance of quantitative analyses of the impact of the reform options (i.e. socio-economic impact (poverty, inflation, fiscal, growth); c) The definition of mitigation measures; d) The elaboration of a communication plan for the reform.

This is a follow-up to actions taken with the purpose of not only removing subsidies but also liberalizing the import market. These actions are in line with the initiatives taken previously by the Executive with emphasis on the liberalization of the Import Market and the definition of the calculation method for subsidies, culminating in the approval of the Presidential Decree No. 283/20 of 27 October establishing the Model for Setting Product Prices, and the Regulation on Procedures for the Operation of referred model, approved by the Joint Executive Decree No. 331/20 of 16 December. Considering the economic and social impact that may derive from the measure of eliminating fuel subsidies, the Executive envisages redirecting the savings with the subsidies to specific and critical sectors, such as energy, public transport and social, as well as strengthening the budget allocations of the education and health sectors with funds from net fiscal savings aimed at the effective redistribution of national income. Still within the framework of the adjustment of fuel prices, we have revised the related legal framework in order to adapt it to the new scenario, namely, we have: a) altered the Presidential Decree no. 283/20, of October 27; b) altered the Joint Executive Decree no. 331/20, of December 16; c) altered the Presidential Decree that allocates fuel subsidies to fishing and agriculture, extending the subsidies to taxi and motorcycle taxi drivers.

In summary, we have proceeded to correct the incorrect pricing of fossil fuels and reduce inefficient public spending by: (a) approving the transition of fuel prices to market levels, as evidenced by Joint Executive Decree No. 81/23, of June 1; and (b) implementing the partial removal of the gasoline subsidy, as evidenced by the External Circular No. 006/DG/IRDP/2023, of June 1, from our petroleum derivatives industry regulator, Petroleum Derivatives Regulatory Institute, published on its official website - https://irdp.gov.ao/images//relatorios/PREOS-ACTUALIZAO_2023.pdf.

- **Combating Money Laundering:** We are committed to strengthening the integrity of the national financial sector, and we have recently approved the National Strategy and General Guidelines of the Action Plan to Prevent and Combat Money Laundering, Terrorist Financing and Proliferation of

Weapons of Mass Destruction (AML/CFT) 2023-2027, with the aim of establishing a general framework a prospective vision and a guideline for the evolution and strengthening of the National AML/CFT System, considering the priority axes for the country and the actions foreseen to strengthen the national response necessary to mitigate risks associated with ML/FT/FP, identified in the 2017-2019 National Risk Assessment (NRA) and subsequent updates of the 2021 ML/FT Sector Risk Assessments (SRA).

- This National Strategy and General Guidelines of the Action Plan 2023-2027 defines the strategic orientation and national coordination for the implementation of preventive and repressive measures to combat ML/FT/FP, under Law No. 5/20 of 27 January on Prevention and Combating Money Laundering and Financing of Terrorism and Proliferation of Weapons of Mass Destruction. 5/20, of January 27, on Preventing and Combating Money Laundering, the Financing of Terrorism and the Proliferation of Weapons of Mass Destruction, and presents the following priority pillars: (i) Institutional Coordination and Cooperation; (ii) Regulation and Supervision; (iii) Capacity Building and Awareness; (iv) Transparency; and, (v) Investigation, Prosecution and Asset Recovery.

In summary, we have implemented actions to strengthen the integrity of the financial sector by: (a) approving a new National AML/CFT Strategy, as evidenced by Presidential Decree no. 73/23 of March 15, 2023, published in the Borrower's Gazette of March 15, 2023 (I Series - no. 49); and (b) the adoption of the AML/CFT Action Plan for the National Bank of Angola.

Accordingly, the Executive aims and reaffirms its commitment to continue investing in strengthening the national AML/FCT system, with the overall objective of protecting the stability and integrity of the country's financial system and internal security, promoting inclusive, sustained and resilient economic development to AML/FCT risks, as well as having a long-term vision to build and establish a robust National System to Prevent and Combat Money Laundering, Terrorist Financing and Proliferation of Weapons of Destruction, prioritizing the protection of citizens, the economy at large, and the integrity of the financial system.

- **Public Business Sector Domain:** In the Public Business Sector (SEP), we remain firm in our commitment to reduce the State's presence in the economy through the Privatization Program (PROPRIV), which has resulted in the completion of twenty-eight privatization processes by 2022 and a total of 92 assets from 2019 to 2022. Still in the area of SEP, (i) the Macro-Plan for the

Activation of the SEP Reform Roadmap, to be implemented by 2025, was prepared. This is an instrument that defines objective assumptions for the implementation of the SEP Reform, defined in Presidential Decree nº13/2022, January 18. In this domain: (ii) the preliminary list of segmentation of the SEP universe was defined, in Public Companies and Commercial Companies with Public Capital, in the framework of the new figure established in the Roadmap for the SEP Reform; and (iii) the proposal for the extension of the execution period of PROPRIV for the period 2023-2026 was approved, through the publication of Presidential Decree no. 78/23, of March 28, which foresees the privatization of 73 assets/companies. Also in this domain, and with an impact on the quality of expenditure and the reduction of fiscal risk, in the fourth quarter of 2022, the privatization of 5 assets (Fazenda de Sanza Pombo, Inducon, Labcontrol, Sécil Lobito, Tensão BT) and the liquidation of 4 companies (Frescangol, Epromoca, Hidromina and Roremina) were concluded, as well as the approval of the extinction of Cafangol, via Presidential Decree no. 271/22, of December 1.

In summary, we have introduced improvements at the levels of the management of public enterprises and the participation of the Angolan State in them, by: (a) extending the privatization program by listing specific assets and presenting their respective treatments, as evidenced by Presidential Decree No. 78/23 of March 28, 2023, published in the Official Gazette of March 28, 2023 (I Series - No. 56); and (b) by transforming two companies providing public, collective and cargo transportation services into commercially oriented companies, as evidenced by Presidential Decrees No. 125/23 and No. 126/23, both, published in the country's official gazette on May 30, 2023.

- **Domain of Strengthening Social Protection - Income Transfer Program.** Kwenda is an initiative that has benefited many Angolan families, particularly the most vulnerable families. Established in the year 2020 with the support of the World Bank, the Kwenda Program has already benefited 610 382 (six hundred and ten, three hundred and eighty-two) households and 1 003 366 (One million, three thousand, three hundred and sixty-six) households have already been registered, in the area of cash transfers. Currently, the program covers 60 (sixty) of the 164 (one hundred and sixty four) municipalities in the country, however, considering its impact on the lives of the populations. Taking into account the impact of the program on the most vulnerable populations, we have proceeded to: a) increase the transfer from Kz 8,500 to Kz 11,500; b) the extension of the period of permanence

of a family in the program to two (2) years, as opposed to one (1) year; c) increase the number of beneficiaries by adding 700,284 more beneficiary families under the aforementioned project, thus increasing the initial goal of number of beneficiary families of the aforementioned project from 1,608,000 families to 2,308,284 families.

- We are counting on this development policy operation to facilitate the implementation of this expansion in the duration and benefit range of the income transfers aimed at fighting poverty; the adoption of support grants to companies in sectors that are quite sensitive to the impacts of the reform such as agriculture and fishing; to users of public road transport, maintaining the current levels of generalized subsidies to users of regular urban public road transport, and we are introducing social fare cards under the terms of the Joint Executive Decree No. 62/23, of May 8, also as a result of this development policy operation; and to reinforce the mitigation of impacts in urban and peri-urban areas, we have created the National Employment Fund, which will promote the acceleration of job creation and the insertion of recent graduates and the unemployed in the labor market, all of these measures being evidenced by presidential decrees No. 123/23, No. 133/23, and by joint executive decree No. 80/23, all of June 1, published in the Official Gazette.
- **Public Transportation - Introduction of Social Fare Cards in Public Transportation.** We are aware that we need to continue to implement our economic reform agenda and we recognize that some of these reforms, particularly the elimination of fuel subsidies, will in the short term have an adverse economic and social impact, particularly on the most vulnerable section of the population. Therefore, in order to mitigate the effect of these measures and as part of our efforts to strengthen social inclusion, we have introduced the Social Fare Card System and with it the Integrated Ticketing System for issuing and controlling the use of the student allowance, which allows for the mobility of students through social fare cards in urban public road transport. Young people, people with special needs, the elderly, as well as former combatants, benefit from the Social Fare Card System. The introduction of the social fare card is part of the Executive's goal to promote access to non-discriminatory economic and technical conditions regarding the mobility of the population with little financial resources. We instituted the social fare cards through the Joint Executive Decree 62/23 of May 8, through which we approved the Regulation of the Social Fare Cards and Transport Tickets for use in the Intermodal transport system.

- **Energy:** We recognize the socio-economic impact of access to electricity on the lives of our people, generating significant improvements in the lives of our communities, so in order to promote the expansion of electrification and adoption of renewable energy we have approved the guidelines for the development of the electrification strategy.
- **Water:** we are committed to improving basic services in order to improve the social conditions of our populations. In this sense, in line with the Water Sector Development Program and its Short, Medium and Long-term Action Plan approved in 2014, which establish the need to submit public water supply and sanitation systems to business management and operation, with a view to optimizing them, within the framework of the consolidation of State policies on public water supply and sanitation services, we have created the Public Water and Sanitation Companies of the provinces of Zaire and Cuando Cubango. The creation of these public companies aims to provide the water distribution and sanitation services of the provinces of Zaire and Cuando Cubango with a Local Concessionaire, within the public business sector of the State; and to ensure a better provision of water services we have approved a regulatory framework to strengthen the regular monitoring of the water service, as evidenced by Presidential Decrees No. 127/23 and No. 129/23, both May 30, and also by presidential decree No. 130/23, also May 30, establishing a sanctioning regime for the water and wastewater sanitation sector aimed at creating incentives to guarantee the quality of the services provided, all of which have been published in the country's official gazette.
- **Insurance:** Aiming at the development of the insurance markets, we have revised the legislation of the sector, and the said revision was motivated, on the one hand, by (i) the need to regulate the conditions of access to the insurance and reinsurance activity, the conditions of exercise of the insurance and reinsurance activity, the vicissitudes in the exercise of such activities, the institutionalization of micro-insurance, the measures for the recovery of insurance and reinsurance companies in poor financial condition, the liquidation of insurance and reinsurance companies, as well as the supervisory and regulatory regime, where the preponderant role of the Insurance Supervisory Authority and the substantive sanctions regime are of particular importance. On the other hand, in order to guarantee that, albeit gradually, in line with the best international practices, the regulation of the insurance market assumes as central objectives, the protection of policyholders, insured and beneficiaries and the prevention and repression of actions contrary to the law or regulation, in accordance with the recommendations of the International Association of

Insurance Supervisors (IAIS) and the Committee of Insurance, Securities and Non-Banking Financial Institutions of Africa-Australia (CISNA). We have shown concern regarding the agricultural insurance sector, and in this area, in the period from 2016 to 2018 we carried out an attempt to implement a pilot program of agricultural insurance, however, it did not have the massive adhesion as expected due to the lack of subsidy to the premiums claimed by them, associated with the non-occurrence of major claims in the period in question, which led the few agricultural producers who joined the program not to renew their policies making it impossible to continue the program. As for micro-insurance, the market already had products with its characteristics, but lacked legal support, a lack that was covered with the approval of Law 18/22, of July 7th.

In summary, we have undertaken a development of the insurance industry in Angola by: (a) updating industry legislation regulating access to markets, including for foreign investors, as evidenced by Law No. 18/22 of July 7, 2022, published in the official gazette on July 7, 2022 (I Series - No. 125); and (b) establish a regulatory framework for microinsurance, as evidenced by Regulatory Rules No. 1/23 of January 13, 2023, published in the official gazette on January 13, 2023 (II Series - No. 9), and No. 2/23 of January 16, 2023, published in the official gazette on January 16, 2023 (II Series - No. 10).

We express our commitment to continue dynamizing the insurance sector, and we aim in the future to create the Agricultural Insurance Stability and Support Program, and the Presidential Decree that creates the Agricultural Insurance Support Fund.

The Government of Angola reaffirms its commitment to continue to carry out structural reforms, aiming at greater **development for the Green, Resilient, Inclusive Growth and Diversification of Angola**, and despite the uncertainties of the current economic scenario, will continue to count on the usual support of our partners, with particular emphasis on the World Bank.

OFFICE OF THE MINISTER OF FINANCE, Luanda, June 2, 2023.

ANNEX 4: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS TABLE

Prior Actions	Significant positive or negative environment effects	Significant poverty, social or distributional effects positive or negative
Pillar 1 - Reducing economic distortions and strengthening fiscal and financial sector resilience		
Prior Action #1. The Borrower has corrected mispricing of fossil fuels and reduced inefficient public spending by: (a) approving the transition of fuel prices towards market levels, as evidenced by the Joint Executive Decrees No. 81/23 dated June 1, 2023, published in the Borrower's Official Gazette on June 1, 2023 (<i>I Série – No. 99</i>); and (b) implementing subsidy removal by raising the price of gasoline, by the External Circular No. 06/DG/IRDP dated June 1, 2023, as published on the Borrower's website: https://irdp.gov.ao/images/relatorios/PREOS-ACTUALIZAO_2023.pdf	Positive environment effects expected from reduced fuel use and smuggling, resulting in reduced GHG emissions, reduced local air pollution and environmental hazards associated with overuse and smuggling of liquid fuels.	Positive distributional effects, but poverty increasing in the near-term
Prior Action #2. The Borrower has coordinated actions to strengthen the integrity of the financial sector by: (a) approving a new AML/CFT National Strategy, as evidenced by the Presidential Decree No. 73/23 dated March 15, 2023, published in the Borrower's Official Gazette on March 15, 2023 (<i>I Série – No. 49</i>); and (b) adopting AML/CFT Action Plan for BNA, as evidenced by BNA's document: " <i>Plano de Acção – Prevenção e Combate ao Branqueamento de Capitais, Financiamento do Terrorismo e Proliferação de Armas de Destruição em Massa – Janeiro 2023</i> ".	No positive and negative environmental effects expected.	Neutral
Prior Action #3. The Borrower has improved management of SOEs and state shareholder participation by: (a) extending its privatization program while listing specific assets and their treatment, as evidenced by the Presidential Decree No. 78/23 dated March 28, 2023, published in the Borrower's Official Gazette on March 28, 2023 (<i>I Série – No. 56</i>); and (b) separating commercially oriented SOEs from those providing public services, as evidenced by the Presidential Decree No. 125/23 and 126/23 dated May 30, 2023, published in the Borrower's Official Gazette on May 30, 2023 (<i>I Série – No. 97</i>).	No positive and negative environmental effects expected.	Neutral
Pillar 2 - Boosting equity by strengthening social inclusion		
Prior Action #4. The Borrower has mitigated the adverse impact on the poor of rising fuel prices by expanding the reach, duration and benefit level of poverty-targeted cash transfers, as evidenced by the Presidential Decree No. 132/23 dated June 1, 2023, published in the Borrower's Official Gazette on June 1, 2023 (<i>I Série – No. 99</i>).	Small positive environmental effects from reduction in extreme poverty and negative coping mechanisms such as deforestation and poaching.	Positive distribution effects and poverty reduction
Prior Action #5. The Borrower has improved access to urban transport and education by introducing social fare cards for public transportation, as evidenced by the Joint	Positive environmental effects expected from increased use of public transit.	Positive distribution effects and poverty reduction

Executive Decree No. 62/23 dated May 8, 2023, published in the Borrower's Official Gazette on May 8, 2023 (<i>I Série – No. 81</i>).		
Pillar 3- Improving markets and infrastructures to build climate resilience		
Prior Action #6. To promote access to electricity in rural areas, the Borrower has adopted regulation that approves the guidelines for the preparation of the rural electrification plan through off-grid electricity through solar systems and mini-grids, as evidenced by the Presidential Decree No. 78/23 dated May 30, 2023, published in the Borrower's Official Gazette on May 30, 2023 (<i>I Série – No. 97</i>).	Positive environmental effects expected from rural electrification based mostly on grid-provided hydro and off-grid renewable electricity sources, reducing emissions from generators and alternative fuel sources (such as wood, charcoal, kerosene).	Positive distributional effects
Prior Action #7. The Borrower has improved water services delivery by: (a) approving regulations requiring water utilities to: (i) conduct regular water service monitoring, as evidenced by the Presidential Decree No. 127/23 dated May 30, 2023, published in the Borrower's Official Gazette on May 30, 2023 (<i>I Série – No. 97</i>); and (ii) engage in water quality management to ensure adequate service standards, as evidenced by the Presidential Decree No. 128/23 dated May 30, 2023, published in the Borrower's Official Gazette on May 30, 2023 (<i>I Série – No. 97</i>); and (b) creating two water utilities in the Borrower's provinces of Zaire and Cuando Cubango, as evidenced by the Joint Executive Decrees No. 59/23 and 60/23 dated May, 8, 2023, published in the Borrower's Official Gazette on May 8, 2023 (<i>I Série – No. 81</i>).	Positive environmental effects expected from improved efficiency of water utilities and improved water treatment and quality control.	Positive distributional effects
Prior Action #8: The Borrower has developed insurance markets by: (a) revising sectoral legislation regulating market access, including for foreign investors, as evidenced by Law No. 18/22 dated July 7, 2022, published in the Borrower's Official Gazette on July 7, 2022 (<i>I Série – No. 125</i>); and (b) providing a regulatory framework for micro-insurance, as evidenced by Regulations (Normas Regulamentares) No. 1/23 dated January 13, 2023, published in the Borrower's Official Gazette on January 13, 2023 (<i>II Série – No. 9</i>), and No. 2/23 dated January 16, 2023, published in the Borrower's Official Gazette on January 16, 2023 (<i>II Série – No. 10</i>).	Some risks of negative environmental effects if increased access to insurance contributes to pressure on natural resources form growing investment in agriculture.	Positive distributional effects