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Report No: PGD469

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

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

September 8, 2024

Macroeconomics, Trade and Investment
Eastern And Southern Africa

Republic of Angola

GOVERNMENT FISCAL YEAR

January 1 – December 31

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of August 30, 2024)

Currency Unit: Angola Kwanza (Kz)

US$1.00 = 912.35

ABBREVIATIONS AND ACRONYMS

ADECOS	Community Health and Sanitation Agents	IBRD	International Bank of Reconstruction and Development
AML/FCT	Anti-Money Laundering/Combating the Financing of Terrorism	IDA	International Development Association
BNA	Central Bank of Angola	IDREA	Survey on Expenditure, Income and Employment
BO	Beneficial Ownership	IFC	International Finance Corporation
BOT	Build-own-transfer (BOT) model	IMF	International Monetary Fund
CCDR	Country Climate and Development Reports	IRDP	Institute for the Regulation of Petroleum Derivatives
CPF	Country Partnership Framework	LDP	Letter of Development Policy
CSOs	Civil Society Organizations	LNG	Liquefied Natural Gas
DSA	Debt Sustainability Analysis	LTS	Long-Term Strategy
DPL	Development Policy Loan	MINFIN	Ministry of Finance
ESRM	Environmental and Social Risk Management	MIREMPT	Ministry for Mineral Resources, Petroleum, and Gas
FAS	Social Action Fund	NDC	Nationally Determined Contribution
FATF	Financial Action Task Force	NDP	National Development Plan
FDI	Foreign Direct Investment	NPL	Non-Performing Loans
FND	National Development Fund	OPDA	Oil Price Differential Account
FP	Oil Fund	PER	Public Expenditure Review
FSDEA	Angola Sovereign Wealth Fund	PFM	Public Financial Management
FX	Foreign Exchange	PFM	Public Financial Management
FXI	Foreign Exchange Intervention	SOE	State-Owned Enterprise
GDP	Gross Domestic Product	SREP	Supervisory Review and Evaluation Process
GHG	Greenhouse Gas	SWF	Sovereign Wealth Fund
GW	Gigawatt	WBG	World Bank Group

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REPUBLIC OF ANGOLA

Second Green, Resilient, Inclusive Growth and Diversification Development Policy Loan

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SUMMARY OF PROPOSED FINANCING AND PROGRAM

BASIC INFORMATION

Operation ID	Programmatic	If programmatic, position in series
P179513	Yes	2nd 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 inclusion by strengthening social protection; and (iii) improving markets and infrastructures to build climate resilience.

Organizations

Borrower:	Republic of Angola
Implementing Agency:	Minister of Planning, Ministry of Finance of Angola

PROJECT FINANCING DATA (US$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)? No

Is this project Private Capital Enabling (PCE)? Yes

SUMMARY

Total Financing	**500.00**

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	500.00

PRACTICE AREA(S)

Practice Area (Lead)

Macroeconomics, Trade and Investment

Contributing Practice Areas

Energy & Extractives; Finance, Competitiveness and Innovation; Transport; Social Protection & Jobs

CLIMATE

Climate Change and Disaster Screening

Yes, it has been screened and the results are discussed in the Operation Document

OVERALL RISK RATING

Overall Risk	Substantial

RESULTS

Result Indicator (RI) Name	Baseline	Target
RI#1: Domestic gasoline and diesel prices relative to international benchmark (in percent)	35 for gasoline, 22 for diesel (2022)	50 for both fuels (2026)
RI#2: Newly registered legal persons with identified beneficial owners (in percent)	0 (2022)	More than 80 (2026)
RI#3: Number of existing oil savings funds	4 (2022)	1 (2026)
RI#4 (NEW RI): Sectors moving from price control to market regulation	0 sector (2022)	9 (2026)
RI#5 (NEW RI): Civilian public procurement contracts, exceeding Kwanza 182 million, published (in percent)	0 (2022)	More than 90 (2026)
RI#6 (DPL1 RI#4): Number of state-owned enterprises	76 (2022)	Fewer than 40 (2026)
RI#7 (DPL1 RI#5): Improved coverage of cash transfers and institutional capacity for 'last mile' delivery: **Linked to Corporate Results Indicator**. a. Total number of cash transfer beneficiary households (in million). b. Female cash transfer recipients on behalf of the household (in percent of total)[1]	0.6 (2022) 60 (2024) 4 (2024)	1.6 (2026) 70 (2026) 104 (2026)

[1] During household registration stage, the program prioritizes women in households to enroll as cash transfer recipients on behalf of the household. As such, this does not refer only to female headed households but to the share of female cash transfer recipients among all cash transfer recipients.

c. Number of poor urban and peri-urban beneficiary households (thousands)		
RI#8 (DPL1 RI#6): Number of targeted passengers per day with free or reduced fare.	0 (2022)	300,000 (2026)
RI#9 (NEW RI): Share of electrical vehicle used: a. by the Government (in percent of total) b. in total public transportation (in percent of total)	 0 (2023) 0 (2023)	 2 (2026) 1.5 (2026)
RI#10 (DPL1 RI#7): Population with access to electricity (in percent of total) - **Linked to Corporate Results Indicator.**	43 (2022)	47 (2026)
RI#11 (DPL1 RI#8): Number of provincial utilities adequately reporting service levels and water quality data.	0 (2022)	At least 15 (2026)

IBRD PROGRAM DOCUMENT FOR A PROPOSED LOAN TO THE REPUBLIC OF ANGOLA

1. INTRODUCTION AND COUNTRY CONTEXT

1. **Limited economic diversification due to over-dependence on the oil sector, coupled with institutional weaknesses and vulnerability to climate change risks, are the main obstacles to a more inclusive, resilient, and green growth model in Angola**. Despite its high economic potential, characterized by vast land and natural resources, and a high demographic dividend due to its young population, Angola's economy has not delivered for its people. Weak economic growth combined with a fast-growing population have translated into marked social exclusion. About one-third of Angolans live below the international poverty line (US$2.15/day), and inequality is high (Gini index is about 0.51). Unemployment is also high, with about 32 percent of the population unemployed, mostly young people and women. As a result, the human capital index, at 0.36 in 2018, is one of the lowest in sub-Saharan Africa.

2. **Angola's oil-dependent economy is highly vulnerable to fluctuations in global oil prices, posing a challenge for macroeconomic management and economic diversification.** In 2023, the oil sector accounted for a quarter of GDP, 60 percent of tax revenue, and 95 percent of exports. The dependency on oil has stunted the non-oil economy and undermined economic diversification. The 2014-2016 oil price crisis and the COVID-19 pandemic led to a five-year recession (2016-2020), but the economy has started to recover since 2021.

3. **Diversification remains elusive while oil production is in structural decline and global decarbonization looms in the medium term.** The global energy transition reinforces the need for economic diversification as oil risks becoming a stranded asset. Angola needs to urgently improve the business environment to attract private investment and diversify its economy to support growth, job creation, and poverty reduction. With abundant arable land and favorable climatic conditions, agriculture and agro-processing have high potential.

4. **Climate change also poses additional risks to economic diversification efforts.** Angola is highly vulnerable to extreme weather events, such as extreme temperature, droughts, floods, and sea level rise, which severely undermine economic activities and cause human losses. These shocks are exacerbated by the effects of climate change, as they are expected to increase in frequency and severity due to a continued rise in mean temperature and increasingly variable precipitation. For example, in 2021, more than 1.2 million people faced water shortages due to drought in the south of the country. In addition, Angola faces a significant challenge in improving readiness to respond to climate shocks and currently ranks low, at 160th out of 192 countries in the Notre Dame Global Adaptation Initiative (ND-GAIN) index.[2]

5. **The institutional and governance framework needs to be improved to support a private sector led growth model**. Despite the government's efforts to improve public institutions, Angola's regulatory and institutional framework for business remains challenging, as evidenced by its ranking of 136th out of 141 in the World Economic Forum's 2019 Global Competitiveness Index.[3] The quality of governance is also low, with pervasive corruption remaining one of the biggest challenges for business: Angola scores 33 out of 100 on the Corruption Perceptions Index in 2022.[4]

6. **Authorities have adopted a proactive approach to improve macroeconomic management and institutions, strengthen business environment, promote inclusion, and address climate risks.** Such reforms include the

[2] Notre Dame Global Adaptation Initiative (ND-GAIN) Country Index, Ranking based on 2022 scores. Notre Dame Global Adaptation Initiative. University of Notre Dame.
[3] World Economic Forum. 2019. The Global Competitiveness Report.
[4] Transparency International. Corruption Perceptions Index.

introduction of a more flexible and transparent exchange rate regime, fiscal consolidation, fuel subsidies removal, and the promotion of financial sector stability. The government has introduced a cash transfer program and reforms to combat corruption and money laundering. In parallel, the Government has implemented a state-owned enterprise (SOE) reform program. Angola has submitted a revised Nationally Determined Contribution (NDC) 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.

7. **This second operation of the development policy loan (DPL) programmatic series supports the Government of Angola (GoA) in promoting green, resilient, and inclusive growth by: (i) reducing economic distortions and strengthening fiscal and financial sector resilience; (ii) boosting inclusion by strengthening social protection; and (iii) improving markets and infrastructures to build climate resilience.** Reforms under the three objectives mutually reinforce and complement each other and will increase resilience to shocks (including those caused or exacerbated by climate change), foster fiscal sustainability, transparency, and equity, and establish a regulatory environment for private-sector-led inclusive growth in sectors such as green energy.

2. MACROECONOMIC POLICY FRAMEWORK

8. **The macroeconomic policy framework in Angola is assessed as adequate for this operation due to the government's prudent policy stance and commitment to sound structural reforms**. Key factors contributing to the adequacy of the macroeconomic policy framework include a tight fiscal consolidation path, driven by the successful implementation of the fuel subsidy reform, and prudent debt management approach, which has helped to reduce the risk of debt distress, renegotiate more favorable escrow account term with a major lender, and maintain access to the international capital market. A tighter monetary policy stance has been adopted to contain inflationary pressures from fuel subsidy reforms and the large currency depreciation shock in 2023, while contributing to maintain gross international reserves at adequate levels (7.6 months of import coverage). The Central Bank of Angola (BNA) also remains committed to transitioning towards an inflation-targeting framework and promoting increased exchange rate flexibility and transparency, with the IMF support. Yet, risks remain elevated, especially related to fiscal sustainability amid high debt service costs, while economic growth and fiscal revenue remain highly vulnerable to global oil prices fluctuations.

2.1. RECENT ECONOMIC DEVELOPMENTS

9. **The economy experienced modest growth in 2023 after recovering from the 2016-2020 recession in 2022**. Real GDP growth stood at 0.9 percent in 2023, down from 3 percent recorded in 2022 (Table 1). Economic growth has not kept pace with population growth as GDP per capita has shrunk by about 25 percent since 2015. In this context, the international poverty rate is estimated to have increased from 31 percent in 2018 to 36 percent in 2023. The oil sector contracted 2.4 percent in 2023, due to a prolonged maintenance shutdown in a major oil field. Meanwhile, the non-oil sector slowed down from 4 percent in 2022 to 2 percent in 2023 due to a cost-push shock from higher gasoline prices and a sharp currency depreciation. In the first quarter of 2024, real GDP growth recovered to 4.6 percent year-on-year, driven by the services sector and oil production recovering from the maintenance shutdown. Over the same period, however, the labor market tightened, with the unemployment rate growing by 0.6 percentage points quarter to quarter, as agriculture employment shrank by 3.6 percentage points, reaching 47.5 percent.

10. **Lower-than-expected oil production, coupled with declining oil prices, have led to a reduction in the current account surplus**. The current account surplus decreased from 11.4 percent of GDP in 2022 to 4.2 percent in 2023. Imports of goods and services dropped by US$4.9 billion, primarily due to a decrease in the imports of

consumption goods and services. Exports of goods and services saw a contraction of US$13.1 billion, almost entirely explained by the fall in the value of oil exports.

11. **The BNA has liberalized the exchange rate since 2018**. Angola's foreign exchange (FX) market heavily relies on foreign currency provided by the Treasury and the oil sector. In early 2023, the combination of lower oil revenues and substantial external debt services – following the end of the Debt Service Suspension Initiative - reduced the foreign currency supply, resulting in a 40-percent currency depreciation, and widening the official-to-parallel exchange rate gap from 10 to 30 percent. To smooth excessive fluctuations, the BNA intervened by selling a total of US$732 million between June 2023 and May 2024. Yet, the FX market remains concentrated with a few banks controlling most foreign exchange transactions. Hence, market adjustment takes place through volumes rather than the price. This market fragmentation contributes to the frictions that led to the emergence of a residual parallel exchange rate market, primarily for household and personal payments, which are subject to high transaction fees in the formal market.[5] There are also some persistent FX backlogs. The BNA is committed to continue implementing FX policy reform to allow for greater exchange rate flexibility and transparency, notably with support from IMF technical assistance.[6] The exchange rate moved slightly in 2024, with the Kwanza depreciating by 4.4 percent against the US dollar between May and July, after being stable for about a year. The authorities also acknowledge the importance of rebuilding FX buffers to protect against large external shocks that could undermine macroeconomic stability and growth, given the country's high dependence on imports for essential goods and inputs.

12. **Inflationary pressures resurfaced following the currency depreciation, prompting the BNA to tighten monetary policy.** The currency depreciation, along with higher gasoline and diesel prices, pushed inflation up from 12.1 percent in July 2023 to 31.1 percent in July 2024. In response, the BNA raised its policy rate three times from 17 percent in November 2023 to 19.5 percent in May 2024. Despite a temporary dip in gross international reserves from US$14.3 billion in April 2023 to US$13.5 billion in June 2023, reserves rebounded to US$14.6 billion by July 2024, equivalent to around 7 months of imports.

13. **The financial sector remains underdeveloped and dominated by banks, and credit to the economy remains low**. In 2023, banking sector assets amounted to only 34 percent of GDP, and around 93 percent of financial sector assets. Banks invested more than half their domestic assets in liquid assets. The BNA has strengthened the supervision of the banking sector, which has led to write-offs of non-performing loans (NPLs). NPLs have decreased from 33 percent of gross loans in 2019 to 15 percent in 2023. This decline partly explains the reduction in domestic private sector credit, from an average of 13 percent of GDP in 2018-2020 to around 8 percent in 2023. Credit to the private sector continues to be constrained by weak economic growth, difficult monetary environment, lack of bankable projects, and other structural problems, including weak credit infrastructure and enforcement procedures. A large problem bank remains a potential contingent liability.

14. **Lower revenues and higher interest payments than budgeted led the government to implement fiscal consolidation in 2023**. Total revenues amounted to 20.4 percent of GDP, falling short of the 22.1 percent

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[5] The Angolan parallel FX market is informal and comprises individuals and small businesses, with transactions volumes estimated to be significantly lower than in the formal market. In addition, according to the BNA, the main source of foreign exchange for the informal market tends to be informal mining activities and other illegal activities. The central bank has also tightened compliance rules on FX flows in the banking sector to avoid any leakage of FX to the informal market.

[6] The BNA has requested IMF technical assistance to improve communication and coordination with the Ministry of Finance (MINFIN), particularly on domestic and foreign currency cash management. The IMF is also expected to support the BNA in adopting an Integrated Policy Framework that will provide a more structured approach to the use of foreign exchange interventions (FXI), which facilitates more transparent, and rule-based FXI policy.

projected in the government budget (Table 2). Meanwhile, expenses surged to 23 percent of GDP with the Kwanza's depreciation leading to higher interest payments on external debt (5.8 percent of GDP) and higher subsidies (3.7 percent of GDP) on imported refined fuel products, even after the partial removal of gasoline subsidies in June. The government responded by cutting spending on goods and services and public investment. Yet, the overall fiscal balance turned to a deficit of 2.5 percent of GDP from a surplus of 2.7 percent in 2022, and the primary fiscal surplus narrowed to 3.3 percent of GDP from 6.8 percent.

15. **Angola's public debt stock has been declining gradually, after experiencing a spike in the second quarter of 2023**. With strong fiscal performance, currency appreciation, and rapid nominal GDP growth, debt decreased from 139.5 percent of GDP in 2020 to 69.5 percent of GDP in 2022 (Table 3). However, due to approximately 80 percent of government debt being denominated in foreign currency, the depreciation of the Kwanza in May-June 2023 caused the public debt-to-GDP ratio to rise again to 95 percent of GDP in Q2 2023. Since then, the ratio has gradually reduced, reaching 92 percent in Q3 and 85 percent in Q4. Fitch confirmed Angola's credit rating (B-) in June based on the country's high stock of international reserves, current account surplus and manageable debt repayment risks. Moody's also confirmed its rating (B3) in October 2023, reflecting the government's efforts to restore the robustness of public accounts and improve exchange rate management. Last March, Angola and the China Development Bank reached a deal to release US$150-200 million per month held in an escrow account that requires Angola to maintain at least US$1.5 billion as debt collateral. This agreement is expected to allow the country to service its debt over a shorter period.

Table 1. Selected Economic and Financial Indicators							
	2021	2022	2023E	2024F	2025F	2026F	2027F
				Projected			
National Accounts	*Annual percentage change, unless otherwise indicated*						
GDP at constant prices	1.2	3.0	0.9	2.9	2.6	2.6	2.6
Oil sector	-11.5	0.5	-2.4	0.0	0.0	0.0	0.0
Non-oil sector	6.8	4.0	2.0	3.9	3.4	3.4	3.4
Consumption	2.5	5.0	4.0	2.5	2.5	2.5	2.5
Investment	5.4	8.5	7.6	3.1	4.8	4.5	4.5
Exports of goods and services	-8.6	3.3	-2.4	0.0	0.0	0.0	0.0
Imports of goods and services	-3.8	26.1	-6.8	-4.3	2.6	2.0	2.0
Sectoral contribution to growth							
Agriculture (ppts)	1.3	0.4	0.2	0.5	0.5	0.5	0.5
Industry (ppts)	-3.9	0.7	-0.4	0.6	0.6	0.5	0.5
Services (ppts)	2.4	1.8	0.7	1.3	1.3	1.3	1.3
Inflation							
GDP deflator	38.8	13.7	17.6	27.2	16.8	12.0	10.5
Consumer prices (average)	25.8	21.4	13.6	28.0	20.3	13.9	10.9
Selected monetary accounts							
Credit to the private sector	5.6	-4.8	12.8	12.7	13.5	12.8	12.4
Broad money M2	-9.3	-1.4	23.8	19.1	15.8	14.6	12.6
	Percent of GDP, unless otherwise indicated						
Current account balance	11.7	11.4	4.7	6.9	3.6	1.8	1.1
Foreign direct investment (net inflows)	-4.6	-6.4	-2.3	-2.0	-1.2	-0.9	-0.7
Debt							
Public debt (external and domestic)	87.9	69.5	88.9	69.5	61.9	55.0	48.7
External debt	63.7	50.3	67.1	56.1	47.9	41.9	37.3
Debt service	17.6	13.2	17.6	13.2	10.5	9.8	8.9
Fiscal Accounts							
Revenues	22.7	27.7	20.4	18.1	16.7	15.9	15.3
Of which: Oil-related	13.2	17.4	12.2	9.7	7.9	6.7	5.9
Of which: Non-oil revenues	8.8	8.6	7.0	6.4	6.9	7.2	7.4
Expenditures	23.2	24.9	23.0	19.9	18.9	18.1	16.6
Current Expenditures	17.6	18.3	17.8	16.8	15.8	14.9	13.5
o/w interest	5.2	4.1	5.8	5.4	5.1	4.7	3.7
Capital	5.6	6.6	5.2	3.2	3.2	3.2	3.2
Primary fiscal balance	4.8	6.8	3.3	3.6	2.9	2.5	2.3
Overall fiscal balance	-0.4	2.7	-2.5	-1.8	-2.2	-2.2	-1.4
Non-oil Primary Fiscal Balance	-8.4	-10.7	-8.9	-6.1	-5.0	-4.2	-3.6
External accounts							
Trade balance	30.4	31.7	24.1	26.0	20.3	16.7	14.4
Exports of goods and services	46.8	48.3	40.8	39.8	32.5	27.9	24.6
Imports of goods and services	16.4	16.7	16.7	13.8	12.2	11.3	10.2
Memorandum items							
GDP per capita (percentage change)	-2.0	-1.7	-2.2	-0.2	-0.4	-0.4	-0.4
Gross international reserves (EOP, USD millions)	15,508	14,661	14,733	-	-	-	-
Gross reserves (months of next year's imports)	6.5	7.5	7.7	-	-	-	-
Nominal exchange rate - average	624	460	685	-	-	-	-
Nominal exchange rate - end of period	555	504	829	-	-	-	-
Angola oil price (average, USD per barrel)	67.3	100.3	81.7	86.3	81.0	76.6	73.7
Crude oil price (average, USD per barrel)	70.4	99.8	82.6	86.3	81.0	76.6	73.74
Oil production (millions of barrels per day)	1.12	1.15	1.14	1.14	1.14	1.14	1.14
Nominal GDP (local currency)	44,536	52,184	61,919	81,048	97,089	111,572	126,520
Nominal GDP (US$)	71,715	103,509	90,390	97,250	112,240	124,060	135,774
Sources: MINFIN, BNA, World Bank estimates							

Table 2. Key Fiscal Indicators (Percent of GDP)

	2021	2022	2023E	2024F	2025F	2026F	2027
				Projected			
Revenue	22.7	27.7	20.4	18.1	16.7	15.9	15.3
Taxes	21.9	26.0	19.1	16.1	14.8	14.0	13.4
Oil	13.2	17.4	12.2	9.7	7.9	6.7	5.9
Non-oil	8.8	8.6	7.0	6.4	6.9	7.2	7.4
Social contributions	0.5	0.9	0.5	0.7	0.8	0.8	0.8
Grants	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Other revenue	0.3	0.7	0.8	1.3	1.2	1.1	1.1
Expenditure	23.2	24.9	23.0	19.9	18.9	18.1	16.6
Current expenditures	17.6	18.3	17.8	16.8	15.8	14.9	13.5
Compensation of employees	4.7	4.5	4.4	3.8	3.7	3.6	3.5
Use of goods and services	3.7	4.3	2.6	3.3	3.0	2.9	2.8
Interest	5.2	4.1	5.8	5.4	5.1	4.7	3.7
Subsidies*	2.8	3.8	3.7	3.2	2.9	2.6	2.4
Other expenses	1.2	1.6	1.3	1.2	1.2	1.2	1.2
Capital expenditures	5.6	6.6	5.2	3.2	3.2	3.2	3.2
*Memo: Social Expenditures***	*5.9*	*6.3*	*6.3*	*6.3*	*6.3*	*6.3*	*6.3*
Overall fiscal balance	-0.4	2.7	-2.5	-1.8	-2.2	-2.2	-1.4
Primary fiscal balance	4.8	6.8	3.3	3.6	2.9	2.5	2.3
Fiscal balance excl. fossil fuel subsidies	2.3	6.5	1.2	1.4	0.7	0.4	1.0
Non-oil Primary Fiscal Balance	-8.4	-10.7	-8.9	-6.1	-5.0	-4.2	-3.6
Non-oil Primary Fiscal Balance (percent of non-oil GDP)	-12.5	-15.1	-12.7	-8.6	-6.6	-5.3	-4.4

Sources: MINFIN, World Bank estimates

* Fuel subsidies prior to 2022 were off budget (paid by Sonangol). In the baseline scenario, fuel prices remain as of May 2024.

** Spending on education, health, social protection, and housing and community services.

Table 3. Public Debt Stock and Debt Service

	Debt Stock (end of period)			Debt Service			
	2024			2025	2026	2025	2026
	in million US$	Percent of total	Percent of GDP	in million US$		Percent of GDP	
Total public debt	67,633	-	69.5	11,800.0	12,200.0	10.4	9.7
Short-term	681	1.0	0.7				
Medium and long-term	66,952	99.0	68.8				
Domestic	12,943	19.1	13.3	2,400.0	3,500.0	2.1	2.8
Short-term	584	0.9	0.6				
Medium and long-term	12,261	18.1	12.6				
External	54,593	80.7	56.1	9,400.0	8,700.0	8.3	6.9
Owed to: Commercial banks	35,617	52.7	36.6				
Owed to: Official creditors	15,765	23.3	16.2				
Owed to: Other private sect	3,211	4.7	3.3				
Short-term	97	0.1	0.1				
Medium and long-term	54,496	80.6	56				
Of which: Sonangol	3,017	4.5	3.1				
Of which: TAAG	195	0.3	0.2				

Sources: MINFIN, World Bank estimates, IMF Article IV

Table 4: External Financing Needs and Sources (million of US$)	2021	2022	2023E	2024F	2025F	2026F	2027F
					Projected		
Financing Requirements	**-3811**	**-2626**	**4129**	**552**	**275**	**732**	**1234**
Current account deficit	-8399	-11772	-2955	-4490	-4466	-4117	-3856
External debt amortization	5153	6984	7289	5851	6517	6027	5662
Other capital outflows (incl. deposits)	-565	2162	-205	-810	-1775	-1178	-572
Available Financing	**-3811**	**-2626**	**4129**	**552**	**275**	**732**	**1234**
Foreign direct investment (net)	-3298	-6640	-2119	-1928	-1341	-1057	-1006
Portfolio investment (net)	-35	923	-147	-144	-149	146	237
External debt disbursement	3381	7023	5989	3269	2630	2749	2881
Repurchases/repayments to the Fund (- = increase)	0	0	-179	-238	-499	-720	-722
Change in net reserves (- = increase)	-852	-882	585	-408	-366	-386	-156
Errors & Omissions	-3007	-3050	0	0	0	0	0

Source: IMF Country Report No. 2024/080

2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

16. **In the medium term, economic growth in Angola is expected to be driven by the non-oil sector**. Between 2024 and 2027, the economy is projected to expand by 2.7 percent per year on average. The main drivers are expected to be services and agriculture. Oil production is projected to stagnate due to oil depletion and lack of investment. On the demand side, exports are, as a result, likely to stall, while final consumption and gross fixed capital formation are expected to drive overall economic growth. Investment growth rates are projected to tapper, from 7.1 percent on average in 2021-2023 to 4 percent in 2024-2027 due to the stagnation of the oil sector. Yet, real GDP per capita growth is projected to continue to contract by 0.4 percent annually over 2024-2027, and poverty is expected to remain elevated (Table 1).

17. **After experiencing an increase in 2024, the current account surplus is expected to narrow in the coming years**. The recovery in oil prices since end-2023 (16 percent between December 2023 and April 2024) is projected to boost the current account surplus from 4.7 to 7.6 percent of GDP between 2023 and 2024. However, in the medium term, as oil exports stagnate, and oil prices decline due to a shift in demand toward sustainable energy sources, the current account surplus is projected to narrow to 1.1 percent of GDP by 2027. After 2024, the combination of high external debt amortizations and a declining current account surplus will lead to higher external financing needs, which are expected to be financed with external borrowing and a less negative FDI balance (Table 4). Additionally, the flexible exchange rate is expected to act as a first line of defense against external shocks, helping to mitigate pressure on external reserves.

18. **Starting in mid-2024, inflation is projected to ease**. Year-on-year inflation is expected to peak around 30 percent by mid-2024 and subsequently decline to 14 percent by the end of 2026. The combination of monetary policy tightening, a conservative fiscal stance, and a more transparent and rule-based FX intervention policy is expected to help contain the current inflationary pressures. The BNA is committed to continuing its transition to inflation targeting, initiated in 2019 with IMF's technical assistance. In addition, the BNA is also committed to adopt reforms to increase FX flexibility, such as by reducing fragmentation in the FX market and allow a more effective distribution of foreign currency.

19. **Despite the projected decline in oil revenues, Angola is expected to keep a primary fiscal surplus above 2 percent of GDP in the medium term to preserve fiscal sustainability.** Oil revenues are estimated to decrease from 9.7 to 5.9 percent of GDP in 2024-2027 because of the sector's structural decline and gradual decrease in oil prices. Non-oil revenues are projected to increase slowly from 6.4 to 7.4 percent of GDP in 2024-2027

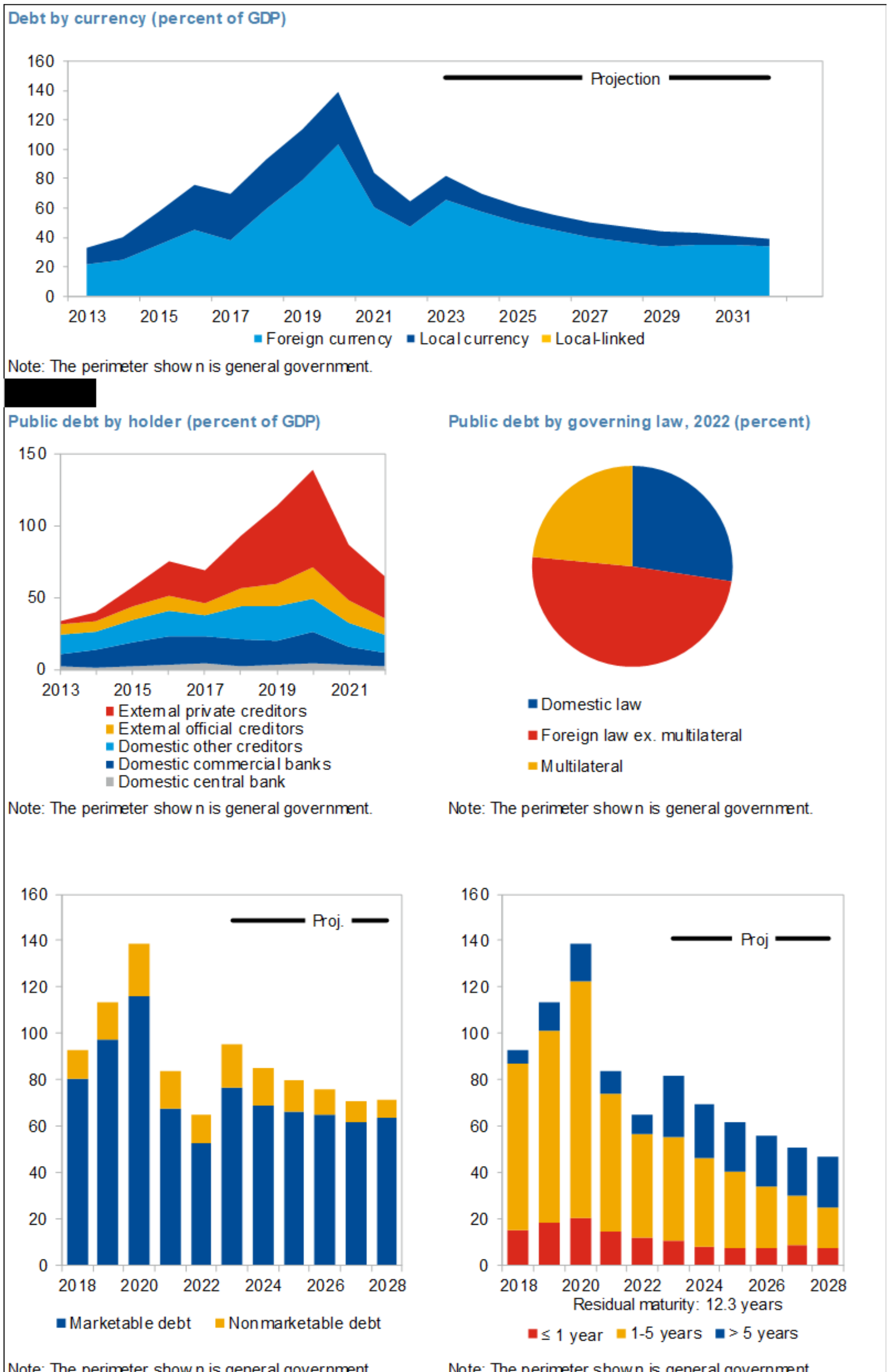
thanks to good performance of VAT. Simultaneously, the government is expected to reduce spending, primarily through lower capital expenditure as well as fuel subsidies, driven by the reform supported by this Development Policy Loan (DPL). At the same time, it is expected to gradually re-orient part of the savings from the fuel subsidy reforms towards pro-poor expenditure, notably through the expansion of the Kwenda program, also supported by this DPL (Prior action #1, see section 4.2). The increase in diesel prices in April 2024 is estimated to create fiscal savings of 0.16 and 0.21 percent of GDP in 2024 and 2025, respectively. In addition, interest payments are expected to decline slightly, on the back of decreasing global interest rates and higher concessional borrowing. Hence, total expenditure is expected to fall from 19.8 percent of GDP in 2024 to 16.4 percent of GDP in 2027. As a result, the fiscal deficit is projected to decline marginally to 1.4 percent of GDP and the primary surplus is projected to decline slightly to 2.3 percent of GDP by 2027.

20. **Although risks are high, Angola's public debt remains sustainable thanks to the expected primary surplus**. The latest IMF's Debt Sustainability Analysis (DSA) from February 2024 concluded that high risks persist in the medium term, reflecting exposure to currency risk (80 percent of public debt is denominated in foreign currency, Figure 1), over-reliance on the oil sector, and a narrow creditor base (see Annex 2). However, a projected primary fiscal surplus (2.8 percent of GDP in 2024-2027 on average[7]) thanks to continued fiscal consolidation is expected to keep the debt-to-GDP ratio contained in the medium term. In the long term, the risk of debt distress is moderate as the economy diversifies and oil resource depletion is offset by growth in non-oil sectors. The DSA projects the debt-to-GDP ratio to decline to around 50 percent by 2028 and 40 percent by 2032, below the 60-percent limit set in the 2020 Fiscal Sustainability Law (Figure 2). The deficit is expected to be financed primarily through long-term domestic debt issuances and multilateral support. The government also intends to access the international bond markets this year, as the recovery in oil prices is expected to reduce Angola's debt yield that currently exceeds 10 percent. According to the Medium-Term Debt Strategy 2024-2026, in the next few years the government intends to: (i) improve the methodology and criteria for contracting new financing, (ii) promote sustainable financing, (iii) end commodity-based financing, (iv) limit short- and medium-term debt service, and (v) prioritize long-term external financing.

21. **The economic outlook faces several downside risks, primarily driven by lower-than-expected oil prices and production**. Lower oil revenues could lead to additional public spending cuts that would drag on economic growth, as well as greater inflationary pressures resulting from a weaker currency. A more flexible exchange rate regime can lead to a cost-push shock to the sectors that rely intensively on imported inputs, such as agriculture and industry. Further monetary tightening to combat inflation would also delay the economic recovery. Increasing efforts to diversify the economy have become essential to reduce the impact of oil price volatility on public finances, economic performance, and poverty reduction. Fiscal risks remain elevated, including stemming from higher than projected fuel subsidies and higher debt service burden in case of further exchange rate depreciation, and risks of expenditure slippages on capital or social spending in the context of deteriorating living conditions. These risks are mitigated by measures supported in this DPL to shield the poor from the impact of the fuel subsidy reform and the recent track record of the government in implementing difficult reforms. There are also upside risks to the revenue outlook. Finally, making further progress in the fuel subsidy reform, as intended by the government, would provide significant fiscal space.

[7] The IMF's Article IV projects a higher primary fiscal surplus, as it assumes a reduction in fossil fuel subsidies from 3.1 percent of GDP in 2023 to 1 percent of GDP in 2027.

Figure 1. DSA: Public Debt Structure Indicators



Commentary: In the medium term, the baseline assumes (i) longer-term domestic debt but to a lesser extent in outer years; (ii) budget support from development partners, World Bank in 2023-24; and to a lesser degree from AFD and AfDB, especially in outer years. The share of the external debt, while declining, continues to constitute the bulk of total public debt. The baseline scenario continues to assume conservative external borrowing by Sonangol, amounting to a cumulative $7.2 billion in 2023–28, with a projected decline of its debt from 6.6 percent of GDP in 2020 to 0.9 percent by 2028.

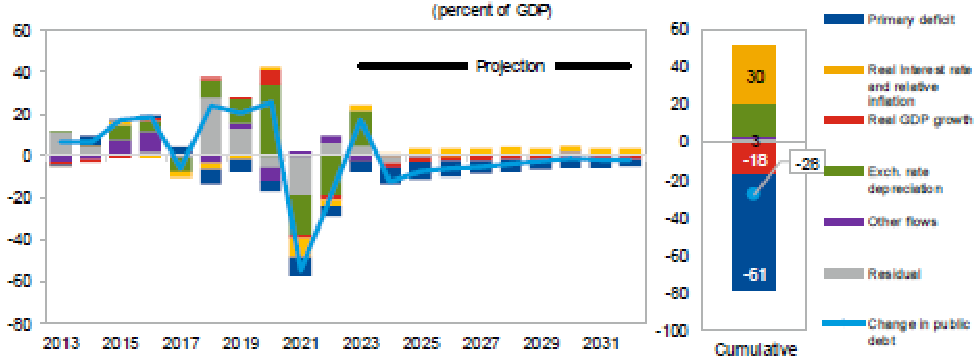
Source : IMF Article IV (2024)

Figure 2. DSA : Baseline scenario

(percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Public debt	64.8	81.7	69.5	61.9	55.9	50.6	46.9	44.1	43.0	40.8	39.1
Change in public debt	-18.9	16.9	-12.2	-7.6	-6.0	-5.2	-3.8	-2.8	-1.1	-2.1	-1.7
Contribution of identified flows	-25.4	-5.0	-8.6	-6.8	-5.7	-5.6	-4.1	-2.8	-2.9	-2.4	-1.9
Primary deficit	-4.7	-5.5	-7.8	-8.2	-7.4	-6.4	-6.0	-4.6	-4.4	-3.9	-3.4
Noninterest revenues	23.2	20.0	20.8	20.1	19.3	18.4	17.9	16.4	16.2	15.6	15.1
Noninterest expenditures	18.5	14.6	12.9	11.9	11.9	12.0	11.9	11.8	11.7	11.7	11.7
Automatic debt dynamics	-24.0	2.5	-1.0	1.0	1.5	0.9	1.7	1.5	1.3	1.1	1.1
Real interest rate and relative inflation	-2.7	2.8	1.1	3.1	3.5	2.8	3.5	3.1	2.8	2.6	2.5
Real interest rate	-9.5	-1.7	-10.1	-1.4	1.6	1.0	1.8	1.4	1.1	1.1	1.0
Relative inflation	6.8	4.4	11.2	4.4	1.9	1.8	1.6	1.7	1.7	1.5	1.5
Real growth rate	-2.5	-0.3	-2.0	-2.1	-2.0	-1.9	-1.7	-1.6	-1.6	-1.5	-1.4
Real exchange rate	-18.8	17.2	...	...	...	...	...	...	...	...	...
Other identified flows	3.3	-2.0	0.2	0.4	0.2	-0.1	0.2	0.3	0.2	0.4	0.4
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	3.3	-2.0	0.2	0.4	0.2	-0.1	0.2	0.3	0.2	0.4	0.4
Contribution of residual	6.5	3.7	-3.7	-0.7	-0.3	0.3	0.3	0.1	1.8	0.2	0.2
Gross financing needs	8.3	11.7	6.2	4.4	5.1	5.3	7.9	7.8	5.7	4.2	5.8
of which: debt service	13.0	17.2	14.1	12.6	12.6	11.8	13.9	12.4	10.1	8.1	9.2
Local currency	7.3	7.0	4.8	2.7	3.7	3.7	5.0	4.0	3.7	2.8	2.8
Foreign currency	5.7	10.2	9.3	9.9	8.8	8.0	8.9	8.4	6.4	5.3	6.4
of which: Non-oil primary balance	8.5	6.3	4.5	3.3	3.3	3.3	3.2	3.3	3.5	3.5	3.6
Memo:											
Real GDP growth (percent)	3.0	0.5	2.6	3.1	3.4	3.5	3.6	3.6	3.7	3.5	3.6
Inflation (GDP deflator; percent)	16.5	13.4	24.5	11.2	6.3	6.2	6.4	6.5	7.6	6.8	6.8
Nominal GDP growth (percent)	20.1	13.9	27.7	14.6	9.9	10.0	10.2	10.4	11.6	10.5	10.6
Effective interest rate (percent)	2.9	10.4	8.7	8.9	9.2	8.2	10.4	9.9	10.4	9.6	9.6

Contribution to Change in Public Debt
(percent of GDP)



Commentary: After increasing in 2023 to over 80 percent (mainly on the back of strong exchange rate depreciation), public debt is projected to stabilize at about 50 percent over the medium term. The medium-term improvement reflects a primary surplus and healthy nominal growth. However, as primary surpluses decline, their contribution to debt reduction will diminish. The level of public debt drops in 2029 onwards mainly on the back of the decline in external debt. Financing assumptions remain feasible under the baseline, with a temporary increase in GFNs in 2023, due to large external debt service; and a moderate increase amid large Eurobond maturities in 2028–29. The baseline assumes interest rates to move in line with inflation and spreads. Risks are on the downside for fiscal slippages on debt and GFNs, mainly reflecting oil price/production falling more than expected, among other factors. Upside risks point to (i) oil price and/or production increasing; and (ii) the recognition of potential foreign liquidity buffers. Large residuals in 2023 are due to oil price changes.

Source: IMF Article IV (2024)

2.3. IMF RELATIONS

22. **The Executive Board of the IMF concluded the Post-Financing Assessment Consultation with Angola on July 1, 2024**. It concluded that Angola's capacity to repay the Fund is adequate though subject to risks. The staff report recommended that the authorities advance the medium-term structural reforms to reduce dependence on the oil sector, improve the business environment, and promote private investment. The latest Article IV Consultation was concluded by the Executive Board of the IMF on March 8, 2024. It urged the authorities to continue the fiscal consolidation, maintain a tight monetary policy, strengthen financial stability, and pursue a successful implementation of the 2023–2027 National Development Plan. The World Bank maintains a regular and close dialogue with the IMF on the key policy reform agenda, such as fuel subsidy reforms, fiscal transparency, and tax reforms.

3. GOVERNMENT PROGRAM

23. **The GoA has prepared a National Development Plan (NDP) for the period 2023–2027.** The NDP sets out three priorities for the country in the medium term: (i) economic diversification; (ii) human capital development; and (iii) infrastructure investment. 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 manufacturing to support the creation of high value-added jobs. To promote access to jobs, develop a more skilled labor force, and reduce informality, poverty, and inequality, the GoA plans to strengthen human capital by increasing spending on education, health, and social protection. In addition, efforts to promote economic diversification will be supported by investment in infrastructure, with a focus on improving access to water, electricity, and telecommunications. To support climate change adaptation, the NDP has also prioritized the development of legislation to restrict the circulation of obsolete and highly polluting vehicles in urban centers. The policy reform on electromobility supported by this operation (see prior action #8) will contribute to this objective by strengthening mitigation effects of climate change and hence climate resilience.

4. PROPOSED OPERATION

4.1. LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

24. **This second operation of the DPL programmatic series builds on progress made in the first operation (Box 1) and supports the GoA in promoting green, resilient, and inclusive growth by: (i) reducing economic distortions and strengthening fiscal and financial sector resilience; (ii) boosting inclusion by strengthening social protection; and (iii) improving markets and infrastructures to build climate resilience.** The following filters were applied to guide the choice of reforms included in the DPL series: (i) criticality and robustness of reforms; (ii) strong analytical underpinnings to inform the 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.

25. **The operation is aligned with the World Bank Group's (WBG) strategy for Angola.** A new WBG Country Partnership Framework (CPF) for Angola is under preparation (planned delivery end FY25). The operation is aligned with the directions under the FY14-19 WBG Country Partnership Strategy (CPS) for Angola that will extend into the new CPF period, supporting economic diversification efforts and enhancing quality and access to key services, with a focus on reducing poverty and inequality and creating economic opportunities through a strong private sector. The establishment of a strong social protection program, which will support the

poorest and most vulnerable, was a key element under the CPS program and will be continued under the forthcoming CPF.[8] The operation is underpinned by key analytical work (Table 5), such as a 2019 Country Private Sector Diagnostic, a 2022 Public Finance Review, a 2022 Country Climate and Development Report (CCDR), and a forthcoming Country Economic Memorandum.

26. **This operation aligns with the mitigation, adaptation and resilience goals of the Paris Agreement (Annex 5).** The DPL-supported reform program is consistent with Angola's climate commitments, including NDC and considers the World Bank's climate analysis (CCDR). The operation will support Angola to achieve its NDC target of reducing greenhouse gas (GHG) emissions by 15 percent by 2025 through reforming fuel subsidies (PA#1), which will also help release scarce public resources to finance adaptation investments, as recommended by the CCDR; and increasing private sector participation in renewable energy transmission (PA#9). Regarding mitigation goals, all the prior actions are not likely to introduce or reinforce significant and persistent barriers to transition to the country's low-GHG emissions development pathways. Regarding adaptation and resilience goals, for all prior actions, their contributions to the DPL program development objectives (PDO) are not likely to be at risk from climate hazards.

Box 1. Results achieved under the first operation.

Reforms under Pillar 1 contributed to reducing economic distortions and strengthening fiscal resilience and transparency. In particular, the fuel subsidy reform allowed to bring domestic gasoline and diesel prices closer to the cost recovery benchmark (DPL1 RI#1). The government has also started consolidating SOEs by reducing their number from 76 in 2022 to 65 as of end-December 2023 (DPL1 RI#4). Even if there have not been notable results under DPL1 RI#2 yet, the authorities have taken important steps to implement the AML/CFT National Strategy and the BNA's AML/CFT Action Plan through the actions supported under this second DPL.

Reforms supported under Pillar 2 have already shown important results in terms of boosting inclusion and strengthening social protection. The number of families receiving a benefit under the Kwenda program has increased from 0.6 million in December 2022 to 1.04 million a year later, contributing to mitigate the impact of the fuel subsidy reform on the most vulnerable (DPL1 RI#5). The free or reduced transport fare, which introduction was supported under DPL1, faced implementation delays associated with technical issues, and benefited 1,200 passengers by December 2023 (DPL1 RI#6).

In addition, the reforms under Pillar 3 contributed to climate resilience. Thanks to the Rural Electrification Plan supported under DPL1, access to electricity has increased slightly from 43 to 44 percent of the population between December 2022 and June 2024 (DPL1 RI#7). There has also been significant progress in improving water service delivery with 7 provincial utilities reporting service levels and water quality data by mid-2024 against none at the end of 2022 (DPL1 RI#8). Due to delays in the implementation of insurance regulations, there was no increase in insurance products premium value since DPL1 (DPL1 RI#9).

Finally, this DPL series supports the implementation of the reforms started in the Angola Growth and Inclusion Development Policy Financing (2019-2022). In particular, implementing the fuel subsidy reforms, strengthening

[8] Laid out in the last Country Partnership Strategy (CPS) for Angola for FY2014-FY2016 (Report No. 76225, dated 09/26/2013), updated and extended to FY2019 by the 2018 Performance and Learning Review (PLR, Report No. 125072, dated 04/25/2018).

the integrity of the financial sector, strengthening the social protection system, and improving the quality of basic public service delivery.

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.

Prior Action (PA) #1. To further reduce fuel subsidies and associated economic, environmental, and fiscal costs, the Borrower has:
(i) increased the domestic price of diesel; and
(ii) enacted a law specific to the fight against the smuggling of petroleum products.

27. **Rationale for PA#1:** Fixed fuel prices in Angola have failed to reflect economic opportunity costs—resulting in increasing subsidies and economic distortions. In addition to their fiscal cost (estimated at 3.7 percent of GDP and a quarter of the fiscal revenues in 2023), these subsidies have important economic and environmental implications by driving the misallocation of economic activity and increasing carbon emissions. Fuel subsidies create arbitrary price differentials between domestic and international markets, thereby creating arbitrage opportunities. The exploitation of these by smugglers drive significant economic and fiscal losses for Angola and have led to localized fuel shortages and high consumer prices in local resale markets. While 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 top income groups than by those at the bottom: but the poorer groups are significantly exposed to the adverse impact of fuel price increases as basic goods and services that depend on subsidized fuel are a large part of their regular expenses.

28. **Policy content:** In June 2023, the authorities issued a decree laying out the multi-phase approach to fuel subsidy reform and adjusted the price for gasoline from Kz 160 to Kz 300 per liter (an 87.5 percent increase) leading to a 45 percent reduction in the gasoline subsidy.[9] In April 2024, the IRDP increased diesel prices from Kz 135 to Kz 200 per liter (a 48 percent increase), which is expected to translate into a 10 percent decrease in the diesel subsidy. The authorities also enacted an Anti-Smuggling Law for Oil Product Derivatives, which enhances the country's legal framework to combat smuggling and black-market activities that exploit the arbitrage opportunities created by the remaining fossil fuel subsidies. The measures supported by this prior action complement the fossil fuel subsidy reform by curbing the economic and fiscal burden of the remaining subsidies. Finally, the authorities are expected to adopt an improved communication strategy, informed by a World Bank-supported public opinion survey, to raise public awareness of the benefits of fuel subsidy reform.

29. **Expected results**: By 2026, it is expected that the prices of gasoline and diesel will be a minimum of 50 percent of the international benchmark (RI#1). A price that is more closely aligned with international prices, along with stricter legal measures against the smuggling of oil products, will help reduce smuggling and the economic and fiscal losses emanating from it. In addition, the fiscal savings from the subsidy reform are expected to allow to reorient part of the resources towards development expenditure, including catalytic public investment and social safety nets such as the Kwenda program. As fuel price adjustment is expected to reduce

[9] The IMF and the World Bank provided technical assistance to the government in establishing a fuel pricing formula, which was a trigger for the Angola Growth and Inclusion Development Policy Financing Series. However, due to successive economic shocks, such as the sharp depreciation of the currency and the impact of COVID-19, the immediate application of the formula would cause significant socioeconomic disruptions. Therefore, the government decided to gradually adjust the fuel subsidy prices before implementing the automatic pricing formula.

excessive consumption, the reform is also estimated to result in lower carbon emissions by 43.7 mtCO2e over the period 2024–2035, representing about 4 percent of annual emissions.

Objective 1.2: Strengthening fiscal and financial sector resilience.

Prior Action #2. To strengthen the integrity of the financial sector and enhance transparency of legal entities in line with the FATF Standards, the Borrower has enacted an amendment to the AML/CFT Law, which mandates that all legal persons and entities without legal personality operating in the Borrower's territory to maintain a registry of their organizational and operational information, and to preserve it for a period of 10 years.

30. **Rationale for PA#2:** Angola's mutual evaluation against the Financial Action Task Force (FATF) standards, done in 2023, highlighted important weaknesses in the country's AML/CFT regime. Without substantive progress, Angola will be at risk of being "grey listed" by the FATF, increasing reputational risk, thereby inviting higher scrutiny from foreign counterparts, increasing the cost of financial transactions, lowering private sector firms' access to US dollar bank notes, and limiting access to international financing. A sound AML/CFT regime strengthens financial sector resilience and facilitates low-risk customers' access to financial services, while reducing illicit financial flows. Transparency of legal persons is a key for an effective AML/CFT regime, without which criminals can hide behind corporate structures to obscure the ownership, source, or purpose of illicit funds. Moreover, without timely access to updated and accurate Beneficial Ownership (BO) information on legal persons, competent authorities are unable to effectively identify, trace, and recover illicit assets.

31. **Policy content:** In May 2024, the Parliament amended the AML/CFT Law, which includes measures to improve access by competent authorities to accurate and updated BO information. These include obligations: (i) on legal persons and arrangements to keep a register in country of its members, shareholder, administrators, managers, controllers, and beneficial owners; (ii) on administrators or managers of legal persons and arrangements to provide basic and BO information to competent authorities upon request; and (iii) on obliged entities (financial institutions and designated non-financial businesses and professions) to verify their customers' BO information. Also, and to further align the existing legal framework with FATF standards, the authorities are finalizing a bill on the establishment of a BO Registry and working on implementing regulations to operationalize it. It will also be critical for the authorities to address the risks posed by bearer shares by prohibiting issuance of new bearer shares and converting, immobilizing, or dematerializing existing ones.

32. **Expected results:** Access to BO information helps safeguard the integrity of the financial system and curb illicit financial flows. The AML/CFT Law amendments are a first step in the implementation of the AML/CFT National Strategy, to be complemented by the adoption of legal reforms establishing a BO registry that will collect accurate and up-to-date BO information on legal persons incorporated in Angola, and by the abolishment of bearer shares. When fully completed, these reforms are expected to remediate a strategic deficiency of Angola's AML/CFT regime. It is expected that more than 80 percent of newly registered legal persons have identified beneficial owners by 2026 (RI#2).

Prior Action #3. To improve the management of public finances and strengthen fiscal stabilization capacity, the Borrower has:
(i) consolidated the existing functions of the SWFs; and
(ii) established investment policy frameworks for the SWFs.

33. **Rationale for PA#3:** During the oil boom era, Angola did not save much of its oil revenue but created several oil funds, such as the Oil Fund (Fundo Petrolífero – FP) to finance infrastructure projects and the National Development Fund (Fundo Nacional de Desenvolvimento – FND) to finance domestic private sector projects. Neither of these funds have served a stabilization function, and their assets have decreased. In addition,

Angola has a Sovereign Wealth Fund (Fundo Soberano de Angola – FSDEA), with limited effectiveness for fiscal stabilization, whose assets also shrank 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, but it also was not fully effective due to lack of clear operating rules, and it was fully depleted in 2020.

34. **Policy content:** The government, through a Presidential Decree, consolidates the existing functions of the SWFs and establishes a clear investment policy framework for the consolidated SWFs. The consolidation of the sovereign wealth funds is expected to improve the management of oil revenue and serve as the main institutional tool to manage oil revenue volatility. In addition, the establishment of a clear investment policy framework will contribute to improve the governance of the restructured SWFs.

35. **Expected results:** It is expected that the framework for oil savings funds will change from four different funds to one single fund by 2026 (RI#3). The consolidated fund is expected to have a clear stabilization objective and appropriate governance structure, including rules on windfall revenue to be used to capitalize the fund, and investment guidelines such as a clear investment strategy, relying primarily on investment in foreign assets, transparency and independent audit of transactions and activities, benchmarking of the desired investment returns in different market segments, and competition in the appointment of investment managers. The consolidation of the SWFs will also facilitate its integration with the overall fiscal and macroeconomic management.

Prior Action #4. To reduce goods and services price distortions and discretionary price controls in key sectors, the Borrower has submitted to the National Assembly for approval:

(i) the establishment of a market rule-based framework for introducing price regulation; and

(ii) the transfer to sector regulating agencies the mandate to implement the new market rule-based framework for price regulation.

36. **Rationale for PA#4:** In Angola, the Ministry of Finance (MINFIN) has so far imposed price controls on some goods and services to achieve social and economic objectives. These controls aim to help protect consumers by addressing market failures or subsidizing the cost of essential goods. However, price controls can undermine growth and create a fiscal burden as they can morph into distortionary subsidy regimes, drive factor misallocation, and limit the effectiveness of monetary policy. As a result, price controls can discourage investment and job creation.

37. **Policy content:** The government has submitted a bill to the National Assembly to transfer the mandate of price regulation to the sectoral regulators in order to reduce inefficiencies resulting from centralized regulation and allow for the development of more sector-specific tools to address market failures. In addition, the reform is an important step towards supporting the implementation of a rules-based framework by allowing the authorities to understand the source of the market failures that require regulation, to identify less distortive policies to address the market failures than price controls, and to prioritize the gradual phasing-out of price controls based on their economic impact.

38. **Expected results:** Moving from price control to market regulation in water and energy, transport, basic foods, telecom, aviation, logistics, petroleum derivatives, education and higher education (fees), and drugs, by 2026 (RI#4), will facilitate Angola's transition to a market-based economy and promote more competitive markets. In addition, eventual and gradual elimination of price controls will promote greater fiscal equity, as high-income households tend to benefit more from the consumption of price-controlled goods and services. Reducing the fiscal burden of price subsidies would also free up resources for investment in basic infrastructure which would contribute to improving access for the most vulnerable households.

Prior Action #5. To improve the transparency of public finance and monitoring of public procurement, the Borrower has mandated the SNCP to publish public contract award information for all civilian procurement equal or exceeding Kwanza 182,000,000.

39. **Rationale for PA #5:** The 2024 Assessment of Angola Public Procurement System report (MAPS Methodology for Assessing Procurement Systems) identified deficiencies in Angola's procurement system, in particular related to transparency. Although the Public Procurement Portal publishes contract awards, not all award notices are published, especially for large public contracts, and no information on the BO of the winning companies is published. In addition, the simplified procedures for procurement – or direct contracting – represented around 90 percent of the procurement contracts in 2020. The practice of clauses of non-disclosure is widespread, further hampering transparency.

40. **Policy content:** This DPL supports the publication of all the procurement notices and contract award information for large civilian public procurement contracts[10]. To implement this reform, the Ministry of Finance´s Procurement Agency (Sistema Nacional de Contratação Pública – SNCP) enacted a Decision to mandate public contracting entities to publish key basic contract award information, for all the large civilian public procurement contracts as soon as the contracts are awarded, including the name of the contractor, amount, and contract reference.

41. **Expected results:** The reform will strengthen public procurement transparency and facilitate civil society organizations' participation in procurement process and monitoring. It is expected that by 2026, more than 90 percent of all civilian public procurement contracts exceeding Kz 182 million will be published (RI#5).

Objective 1.3: Improving the management and accountability of state-owned enterprises (SOEs).

Prior Action #6. To enhance accountability, transparency and systematic performance monitoring of SOEs, while reducing the number of SOEs that represent a fiscal risk for the Borrower's budget, the Borrower has:
(i) mandated annual and semi-annual external audits for all SOEs;
(ii) defined criteria for the selection of auditors and the scope of their audits; and
(iii) mandated the rotation of external auditors at least every four years.

42. **Rationale for PA#6**: The economic and financial performance of Angola's SOEs has been weak, with significant losses and accumulation of liabilities. While this performance is also influenced by broader economic trends, it is largely driven by inefficiencies resulting from the absence of robust monitoring, supervision, and corporate governance instruments, as well as good management practices. In 2022, the GoA adopted a new roadmap for SOE reforms (Roteiro para Reforma do Sector Empresarial Público, Decreto 13/22), which aims to resize the SOE sector, improve management efficiency, enhance monitoring of fiscal risks, and improve transparency and reporting.

43. **Policy Conten**t: Under this DPL, the government issued a Presidential Decree that enhances the rules pertaining to the external audits of SOEs, including the introduction of semi-annual audits requirements, criteria for the auditor's selection, a better-defined scope for audits, and mandatory rotation of external auditors at least every four years. This reform also aims to improve SOEs' monitoring beyond audited financial statements, towards systematic performance monitoring, contributing to improve accountability.

44. **Expected Results**: The overall SOE reform agenda—including the specific actions supported under the programmatic series and the GoA's Privatization Program (PROPRIV)—is expected to significantly reduce the

[10] According to the article 97 of the Public Procurement Law (Nº41/20, December 23), all the public procurement contracts awards with a value equal to or greater than Kz 182 million should be published.

number of SOEs operating on non-commercial terms and in need for public financial support. Specifically, the authorities expect the number of SOEs to decline from 76 in 2022 to less than 40 by 2026 (RI#6).

Pillar 2 – Boosting inclusion by strengthening social protection.

Objective 2.1. Mitigating subsidy reform impacts by strengthening social protection.

Prior Action #7. To enhance the economic resilience of the poor and further strengthen its social protection system, the Borrower has: expanded social safety nets to extremely poor households living in the poorest urban and peri-urban areas by approving the urban intervention of the Kwenda Program – Pilot phase in the Cabinda province, and expanded appropriation approved by the Borrower in its 2024 Budget Law.

45. **Rationale for PA#7**: One third of Angolan poor live in urban areas without access to social safety nets to cushion themselves against shocks, including the negative impact of the fuel subsidy reforms. In the absence of a social safety net (such as the Kwenda cash transfer program), the fuel subsidy reform is expected to disproportionately impact the poor (see section 5.1). In addition, while poverty rates are higher in rural areas (55 percent) than in urban areas (18 percent), the number of urban poor is significant, almost half of the number of rural poor (6.3 million). At the same time, in urban areas, more than half of the members of poor and vulnerable households are children under the age of 15, and over one third of these households are women-headed, making women and children in urban areas particularly vulnerable in the absence of a social safety net. Women rely largely on self-employment (with no employees), a category that includes highly informal and vulnerable work such as street vending and small-scale agriculture, the latter being vulnerable to climate shocks as well.[11] In rural areas, the Kwenda program already promotes women's economic empowerment through multiple gender-sensitive measures. First, through targeting women as the recipients of benefits, the Kwenda program eases some of the barriers women face for economic and social inclusion. By accompanying the transfers with productive inclusion measures, it contributes to enable women's participation in income generating activities as well as their access to education, supporting closing gender gaps in employment opportunities, income and welfare. Extending this support to women-headed households in urban areas is thus important to improve their opportunities and reduce their vulnerability. The program also supports the objective of strengthening the resilience to climate shocks of the most vulnerable households: about two-thirds of Kwenda beneficiaries are exposed to poverty associated with covariate shocks (e.g., droughts and floods). Urban and peri-urban households are also particularly exposed to climate risks, especially water scarcity, intense storms, coastal flooding, and disruptions to sanitation systems. Therefore, the Kwenda cash transfer program is expected to support the climate resilience of all beneficiaries, and in particular, fill a gap in the support towards climate resilience for urban and peri-urban households. In addition, the Kwenda cash transfer can support paying urgent medical expenses, alleviating hunger, enabling debt repayments, and thus avoiding negative coping mechanisms. This is particularly relevant to strengthen climate resilience as, for example, water scarcity can lead to higher basic food prices through its impact on crop yields, and floods and associated disruptions to sanitation systems can facilitate the development of waterborne diseases. It then becomes more adaptable to provide emergency support in the event of other shocks, including climate shocks and lay the ground for larger expansion in the future.

46. **Policy content**: The prior action, through the adoption of a pilot strategy, will gradually expand Kwenda program to extremely poor households living in the poorest urban and peri-urban areas. This is a key step forward to mitigate the adverse impact of the ongoing fuel subsidy reform on the urban poor and to help in enhancing their resilience. The expansion will be informed by presence of markets as well as availability of

[11] By contrast, low-skilled men have opportunities for wage employment in sectors like transportation and construction but few of these opportunities are available to low-skilled women.

certain level of social services to allow a layering of productive inclusion and accompanying human capital interventions such as incentivizing the use of health and other early childhood development services, starting with a pilot in the Cabinda province.[12] Finally, in March 2024, the authorities have also started disbursing US$50 million, split in 12 monthly installments, directly from fiscal budget to the Kwenda program, signaling improved sustainability of the social protection sector.

47. **Expected results**: It is expected that, as a result of the expansion, the total number of cash transfer households (receiving benefits of Kz 11,000 per month per household paid quarterly or semi-annually) will increase to 1.6 million by 2026 (RI#7.a). In addition, it is expected that the share of female cash transfer recipients (on behalf of the household) will increase from 60 to 70 percent of the total (RI#7.b). Finally, the number of poor urban and peri-urban beneficiary households is expected to increase from approximately 4,000 in 2024, to 104,000 in 2026 (RI#7.c). While the immediate marginal impact of this in terms of mitigating the impact of the diesel price hike in April 2024 is minimal, it is expected to strengthen the adaptiveness of the social protection system by facilitating the scale-up of the cash transfers program.

Pillar 3 – Improving markets and infrastructures to build climate resilience.

Objective 3.1–- Reducing reliance on fossil fuels to meet decarbonization goals.

Prior Action #8. To promote a more efficient and cleaner transport system, including public transport, the Borrower has adopted a regulation to accelerate the introduction of electric vehicles in the Borrower's fleet and electric buses in the formal bus system.

48. **Rationale for PA#8:** Angola is seeking to encourage a shift towards electric vehicles to reduce its reliance on fossil fuels and to meet its decarbonization goals, by reducing the dependence of the public transport system on fossil fuels. The shift towards electric vehicles contributes towards mitigating the impact of fuel subsidy reform, as it requires new business models that can also pave the way for the reorganization of the public transport market, currently dominated by the informal private taxi "candongueiros". The move towards electric vehicles can also help to gradually reduce operating costs of urban public transport, potentially contributing towards lessening the impact of higher fuel costs on user fares.

49. **Policy content:** The government has adopted an electric mobility strategy to resolve regulatory gaps that hinder the introduction of electric vehicles and the development of charging infrastructure. The regulations introduce a legal regime for e-mobility, creating an institutional arrangement, providing for the existence of operators of electricity charging points and setting conditions for their installation, provision, operation and maintenance and explicitly allowing the commercialization of electricity to charge electric vehicles. Additionally, the regulations set out the conditions under which operators obtain a license and the conditions to maintain it, as well as the technical rules that they need to meet. Specifically, they aim at: (i) creating an enabling legal and regulatory framework, (ii) defining the national charging network, (iii) increasing the tax incentives for e-mobility, (iv) promoting the use of electric vehicles in public transport, (v) guaranteeing adequate energy supply, (vi) running education campaigns, and (vii) attracting private investment for e-mobility. In this regard, future regulation is required to prioritize public transport modes and to create a new business model capable of attracting private sector investment by consolidating tax benefits for the importation of electric vehicles (EVs) and continuing with fuel pricing reform to avoid discouraging the use of electricity in the transport sector.

[12] The highly sensitive political economy considerations in urban Angola necessitate that the expansion is gradual and takes into consideration other design elements to reduce the perception of the safety nets being handouts, and does not lead rural-urban migration en masse.

50. **Expected results:** The reform targets an increase in the use of electric vehicles to reach 2 percent of the government owned fleet (RI#9.a) and 1.5 percent of the total public transportation fleet (RI#9.b) by 2026.

Objective 3.2–- Boosting investments in electricity access and transmission.

> **Prior Action #9**. To increase investment in energy transmission, the Borrower has clarified and extended the private sector's authorization to invest in electricity transmission.

51. **Rationale for PA#9:** According to official estimates, access to electricity is at 43 percent of the population in Angola. The country 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. The World Bank and the government designed a least-cost path to increase 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. Although the current regulatory framework does not prohibit private sector participation in transmission, it does not provide clarity on the modalities for investment, which, de facto, resulted in low participation from the private sector.

52. **Policy content:** The GoA, through an amendment to the General Law of Electricity, adopted reforms to generate private sector financing to expand the transmission network, unlock green electricity, increase power system resilience through a stronger interconnected system, improve social equity, and reduce emissions. The amendments to the law seek to address gaps in the current regulatory framework by clarifying the possibility of private sector participation in electricity transmission and formalizing the possibility of direct concessions to the private sector. The prior action will enable private project developers, through a build-own-transfer (BOT) model and help build new transmission lines determined as necessary.

53. **Expected results:** Clarifying the scope for private sector investment in electricity transmission is expected to help the government meet its goals towards universal access. Specifically, this would result in a 3-percentage point increase in population with access to electricity– from 43 percent in 2022 to 47 percent by 2026 (RI#10). In addition, improved electricity transmission would facilitate the displacement of diesel generation on isolated grids with a predominantly hydroelectric mix, thus reducing GHG emissions. Furthermore, cross-border transmission lines would enable Angola to export power to countries in the Southern Africa Power Pool, many of which rely on higher carbon-intensive generation sources. Moreover, the NDP aims to increase the share of renewables in the energy mix from 64 percent in 2022 to 73 percent in 2027, so the expected increase in private sector participation would prioritize electricity transmission from renewable sources. The involvement of private sector would also promote more financial discipline in the energy utility and support a more sustainable electricity consumption.

Table 5. DPL 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 Public Finance Review (2022) Angola Country Economic Memorandum (2018) and Ongoing
Prior action #4	Angola Country Private Sector Diagnostic (2018) Angola Country Economic Memorandum (2018) and Ongoing Creating Markets in Angola: Country Private Sector Diagnostic (2019)
Prior action #5	Angola Public Expenditure and Financial Accountability (PEFA) (2023) Angola Methodology for Assessing Procurement Systems (MAPS) (2024)
Prior action #6	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 inclusion by strengthening social protection	
Prior action #7	Angola Public Finance Review (2022) Angola Country Climate and Development Report (2022) Navigating Education, Motherhood, and Informal Labor: The Experiences of Young Women in Luanda (2023)
Operation Pillar 3: Improving markets and infrastructures to build climate resilience	
Prior action #8	Angola Urbanization Review (unpublished) Technical Assistance to National Institute of Road Transport (2022)
Prior action #9	Electricity Sector Improvement and Access Project (P166805) Technical Assistance - National Electrification Analysis (NEA) (2020)

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

54. **This DPL aligns with the direction of the forthcoming World Bank Group's CPF for Angola**. Its three pillars along with the upcoming CPF, reflect the priorities of the GoA, as reflected in its 2023-2027 NDP to improve human capital, strengthen infrastructure, and increase economic diversification. Additionally, the operation's focus on further reducing fuel price distortions and combating fuel smuggling (PA#1), enacting amendments to the AML/CFT Law (PA#2), reform of SWFs (PA#3), and reduction in discretion over market regulation (PA4#) align with the NDP's transversal objective of macroeconomic stability.

55. **This DPL also contributes to the WBG's mission of ending poverty and boosting prosperity on a livable planet: (i) helping create sustainable economic growth, (ii) investing in people, and (iii) building resilience to shocks and threats that can roll back decades of progress**. The DPL deepens reforms supported by the first DPL of the series to address regressive policies and subsidies in the petroleum sector, while also mitigating the impact of higher fuel prices on the poor. It better leverages sovereign wealth funds for the purposes of reducing the volatility of fiscal policy and mandate greater accountability and transparency of SOEs with the goal to boost service delivery. It will also directly invest in the Angolan people by expanding the scope of the Kwenda program. Finally, it builds the country's resilience to climate change by expanding access to energy through liberalization of the transmission market and by promoting the move towards electric vehicles in the government's own fleet and public transportation, consistent with regional focus on the energy sector as one of four priorities.[13]

4.4. CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

[13] Together with education, water, and digital.

56. **The GoA undertook broad consultations with relevant stakeholders on the reforms supported by this DPL**. The GoA solicited feedback and organized consultations with different members of civil society, political parties, and the private sector around the fuel subsidy reform strategy. The Kwenda program reforms were guided by online and offline communications activities from the Local Development Institute, the program implementer, and the communication strategy financed by the World Bank-financed Social Protection Project (P169779). The authorities have also reached an agreement with the taxi driver's representatives on the unit ride prices after the gasoline subsidy reform which led to an increase in diesel prices without major protests. Moreover, the entire series benefitted from extensive consultations held in the process of developing the 2023–2027 NDP, which was approved in 2023. Sector-specific reforms also benefited from dedicated consultations. For its part, the World Bank worked closely with the International Finance Corporation, the IMF, the African Development Bank and other development partners, during the preparation of this DPL.

5. OTHER DESIGN AND APPRAISAL ISSUES

5.1. POVERTY AND SOCIAL IMPACT

57. **This DPL's prior actions are expected to have positive long-term economic and inclusion impacts, but the fuel subsidy reform may increase poverty in the short term (see Annex 4).** They are also expected to improve the efficiency and equity of public spending, support economic diversification, and build climate resilience. Three prior actions in this operation are expected to impact poverty and equity significantly: the diesel subsidy reform (PA#1) and the expansion of the cash transfer program (PA#7) have interlinked effects with PA#7 partially mitigating the impact of PA#1. PA#9 is also expected to have positive distributional effects by supporting higher access to electricity. Diesel subsidies in Angola are regressive as they provide more benefits to wealthier households.[14] Due to their impact on the prices of basic goods and services, fuel subsidies reduce poverty - but they are significantly less cost-effective than other social spending programs.[15] In particular, the Kwenda program yields a higher poverty-reducing effect at significantly lower cost. The recent increase in diesel prices by 48 percent is expected to raise the overall price level by 1.0 percent, with fish and transportation seeing increases of 3.5 and 3.9 percent, respectively.[16] Without mitigating measures, the increase in diesel price is estimated to increase poverty by about 0.4 percentage points or 121,000 people, including 80,000 people in urban areas.[17]

58. **Expanding the Kwenda program to include urban areas has the potential to mostly offset the increase in urban poverty**. PA#7 expands the program into urban areas for the first time. This expansion is expected to provide benefits to 104,000 households. The net effect of price increases associated with the diesel subsidy reform and the urban Kwenda expansion would be an increase of 7,000 individuals in poverty in urban areas. However, these benefits will not arrive in time to offset the near-term impacts of the higher diesel prices.

[14] While the richest 10 percent of the population received more than 40 percent of subsidies on diesel, the poorest 40 percent of the population received just 8 percent of subsidies on diesel. Only 16 percent of Angolans purchased fuels for vehicles or generators - the rest of the population benefits from subsidized fuel prices only indirectly through lower prices on other goods and services.

[15] As reflected by their lower value of the Kakwani index: from -0.11 for gasoline subsidies to 0.27 for Kerosene subsidies against 0.36 education in-kind transfers and 0.95 for the Kwenda cash transfer program.

[16] Public transportation prices are fixed centrally for both formal and informal providers. A price hike of 33 percent was announced in May 2024. This new price partly reflects the increase in diesel price.

[17] The urban population is expected to experience a larger shock due to their heavier reliance on public transportation and purchased food (World Bank 2020 Poverty Assessment).

Looking ahead to the future phases of fuel subsidy reform, various simulations show that allocating 25 to 30 percent of fiscal savings (around 1.0 percent of GDP) to targeted interventions is enough to fully compensate for the impact of a total removal of fuel subsidy, whether on the prices of fish and transportation or on the welfare of the poorest 30 percent. PA#7 is also expected to benefit poor women in particular, most of whom rely on self-employment.

5.2 ENVIRONMENTAL, FORESTS, AND OTHER NATURAL RESOURCE ASPECTS

59. **Consistent with the World Bank Development Policy Financing (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 DPL are likely to have an impact on the environment, forests, and natural resources.** The prior actions likely to have significant effects on the environment, forests, and natural resources are detailed in Annex 4. Consolidation of the SWFs and establishment of the investment policy frameworks under PA#3 will integrate environmental, climate and labor rights commitments through dedicated provisions and these will have positive environmental effects. Facilitating the Civil Society Organizations (CSOs) role in procurement monitoring under PA#5, would lead to positive environmental outcomes especially in relation to large-scale public and private investment projects (e.g., transport and hydropower projects) if CSOs are technically competent and able to recruit and pay specialists as needed to monitor all environmental and social due-diligence requirements associated with civilian contracts exceeding the threshold volume. PA#9 will lead to more investments in energy transmission with their associated environmental, social, health and safety (ESHS) environmental risks. These risks are covered under the revised Environmental Impact Assessment Regulations No. 117/20 of April 22, 2020, mandates a prior environmental assessment for energy transmission facilities. However, the Ministry of Environment is under-resourced and portrays a weak monitoring and enforcement of regulations. Adequately resourced and trained institutions are key to ensuring effective reporting and enforcement. To bridge enforcement and environmental compliance gaps, the following measures will be adopted: the World Bank-financed Tertiary Education, Science, and Technology Project (P179154) has mainstreamed into its design a longstanding capacity building program to address Environmental and Social Risk Management (ESRM) capacity constraints. A capacity need assessment is under finalization and the outcome of the assessment will inform the development of a cross-disciplinary curriculum in ESRM tailored to Angola.

5.3. PFM, DISBURSEMENT AND AUDITING ASPECTS

60. **The public financial management (PFM), the budget transparency, and the foreign exchange rate control environment are satisfactory for this DPL.** The general principle of the PFM framework is defined in the 2010 Constitution, and it is complemented by additional legislation. The MINFIN publishes the annual government budget on its website along with in-year financial reports.[18] 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 Tribunal de Contas approved the Opinion on the General State Account for the year 2022 in May 2024. The National Assembly approved the report on August 13, 2024.

61. **PFM reforms in Angola are supported by various institutions**. Key reforms related to the medium-term fiscal framework, fiscal risks, and medium-term expenditure are well advanced and aim at improving the execution of the budget while ensuring debt sustainability. Other Treasury reforms ongoing in 2024 include arrears

[18] Portal Ministério das Finanças de Angola. Orçamento Geral do Estado.

prevention and strengthening of cash management, and risk management and reporting. Additionally, in 2023, the World Bank started technical assistance programs focusing on PFM at the subnational level.

62. **On the procurement front,** the Public Procurement Law (Law 41/20, December 23, 2020) introduced the use of an Electronic Public Procurement System (Sistema Nacional da Contratação Pública Electrónica) to cover the entire procurement cycle, from procurement planning to invoice settlement, allowing buyers and sellers to perform transactions electronically. The introduction of the Electronic Public Procurement System into Angola's public procurement landscape is a remarkable step forward and its use needs to be mandatory for all public entities. Other functionalities are being developed such as a database registry of contracts and contract execution. The World Bank-financed project Strengthening Governance for enhanced Service Delivery Project (P178040), is promoting the improvement in the public financial and land management capacity and the increase of the amount and reliability of fiscal transfers to selected municipalities in Angola, as well as the expansion of the use of e-Procurement System in participating municipalities. This is expected to lead to greater expenditure efficiency and considerable public savings.

63. **Disbursement, Accounting and Auditing.** The Borrower is the government represented by the Ministry of Finance. The financing will be released in a single tranche of US$500 million equivalent upon effectiveness and provided that the World Bank is satisfied: (i) with the program implemented by the Borrower, and (ii) the adequacy of the Borrower's macroeconomic policy framework. The operation will follow the World Bank's standard disbursement procedures for development policy financing. Upon approval of the 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.

64. **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.

65. **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 financing 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.

66. **Audit Arrangements.** The World Bank reserves the right to have an audit conducted if, in the World Bank's opinion, the control environment ceases to be effective during implementation. In such a case, the Court of Accounts (*Tribunal de Contas*), on request from the World Bank, will have the bank account into which the IBRD funds are credited (both in USD 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

67. **The Ministry of Finance will collect and monitor information related to program implementation and progress towards achieving the results.** The Ministry of Finance and the Minister of Planning will be responsible for coordinating necessary actions among the agencies involved in the reform program supported by this DPL series. The World Bank has worked closely with Ministry of Finance and line ministries to define

results indicators that are clearly spelled out and measurable, giving preference to those collected regularly to avoid an additional reporting burden. For example, some indicators are included in the NDP, which has a robust results framework that is closely monitored by Ministry of Planning. Other indicators are already being regularly produced by the BNA.

68. ***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 in order 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

69. **The overall risk of this DPL is assessed as substantial**. Political and Governance, Macroeconomic and Fiduciary risks are rated high, while Sector Strategies and Policies; Institutional Capacity for Implementation and Sustainability; Environment and Social; and Stakeholder risks are assessed as substantial.

70. **Political and Governance risks are high due to the high level of political sensitivity associated with some of the reforms**. While the DPL-supported reform will address regressive subsidies as well as parallel market and the opportunity for fuel smuggling, their removal will have an outsized impact on the poor and thus lead to political and governance risks, such as civil unrest. Efforts to mitigate these risks include expanding cash-transfers program (Kwenda) and improving communication.

71. **Macroeconomic risks are high due to the high exposure to the oil sector**. Angola's overdependence on the oil sector poses a major risk to macroeconomic stability and growth, as the oil sector is the main source of fiscal and export revenues. Thus, stronger-than-expected decline in oil prices and/or weakness in crude oil production may result in significant macro-fiscal imbalances, including high risk of debt distress. However, the authorities' strong commitment and efforts to diversify the economy has been translated in robust growth of the non-oil economy. In addition, the authorities have requested the IMF technical assistance to address the macroeconomic risks from the oil dependence. The reforms supported by this operation also contribute to reduce the oil-related fiscal procyclicality.

72. **Sector Strategies and Policies risks are substantial due to the complexity of the DPL-supported reforms**. The multi-sectoral reforms, aimed at transforming the country from a government-led, oil-dependent economy to a private-sector led, diversified, and inclusive growth model, require substantial government buy-in and imply significant sectoral risks. These risks are partially mitigated by the support through parallel, sector-specific World Bank-financed operations.

73. **Institutional Capacity for Implementation and Sustainability risks are substantial due to the limited capacity within Angola´s institutions to execute the complex reforms**. The multisectoral reforms require both high-

level and technical coordination and information sharing between central and sectoral ministries, as well as between SOEs and autonomous agencies. To mitigate these risks, the World Bank has built a multi-agency reform coalition and engaged in extensive technical and political dialogue with relevant stakeholders. Many of the agencies and ministries involved also are recipients of technical assistance from parallel World Bank engagements and other development partners.

74. **Fiduciary risks are high from inherent weaknesses within the country's PFM system**. The government's systems are underpinned by a relatively new and evolving legal and regulatory framework, as explained in Section 5.3. While the government is committed to enhancing transparency and accountability in the management of public resources and strengthening PFM, key weaknesses remain—in particular, around budget credibility, commitment controls, and internal controls. Efforts to mitigate these risks include the implementation of reforms, such as reforms to improve PFM in subnational level, outlined in Section 5.3.

75. **Environmental and Social risks are substantial due to the expected impact of the DPL-supported reforms on certain groups**. Increases in gasoline and diesel prices will disproportionately impact the poor given the indirect impact of fuel price increase on the price of basic goods, and to a lesser extent, because of a high percentage of their income spent on fuel consumption. Hence, adequate social mitigation actions are needed. The expansion of the Kwenda program, as well as expected improvement in service delivery in health and education from activities supported by the ongoing World Bank-financed operations will contribute to attenuating the impacts of the reforms on the poor.

76. **Stakeholder risks are substantial due to the influence of potential vested interests opposed to some of the DPL-supported reforms**. This may include vested interests involved in fuel smuggling, mismanagement within public institutions, illegal financial transactions, and beneficiaries of the status quo in the electricity transmission market. To mitigate these risks, high-level political support has been constructed for the reform agenda and clear communication of the benefits of the reforms has been developed to ensure that the potential winners are aware of the benefits of the policy reforms.

Table 6: Summary Risk Ratings

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

ANNEX 1: POLICY AND RESULTS MATRIX

DETAILED RESULTS FRAMEWORK

Prior Actions		Results		
Prior Actions under DPL 1	**Prior Actions for DPL 2**	**Indicator Name**	**Baseline**	**Target**
Pillar 1 --- Reducing economic distortions and strengthening fiscal and financial sector resilience				
PA#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 Série – No. 99*); 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	**PA#1**. To further reduce fuel subsidies and associated economic, environmental, and fiscal costs, the Borrower has: (i) increased the domestic price of diesel; and (ii) enacted a law specific to the fight against the smuggling of petroleum products.	**RI#1**. Domestic gasoline and diesel prices relative to international benchmark in percent)[19].	35 for gasoline, and 22 for diesel (2022)	50 for both fuels (2026)
PA#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 Série – No. 49*); and (b) adopting AML/CFT Action Plan for BNA, as evidenced by BNA's document: *"Plano de Acção – Prevenção e Combate ao Branqueamento de Capitais,*	**PA#2**. To strengthen the integrity of the financial sector and enhance transparency of legal entities in line with the FATF Standards, the Borrower has enacted an amendment to the AML/CFT Law, which mandates that all legal persons and entities without legal personality operating in the Borrower's territory to maintain a registry of their organizational and operational information, and to preserve it for a period of 10 years.	**RI#2**. Newly registered legal persons with identified beneficial owners (in percent)	0 (2022)	More than 80 (2026)

[19] U.S. regular gasoline prices and on-highway diesel fuel prices from the U.S. Energy Information Administration. US fuel prices serve as an international benchmark due to the absence of explicit subsidies. However, it is important to recognize that implicit subsidies exist because of low or nonexistent environmental and consumptions taxes.

Prior Actions		Results		
Financiamento do Terrorismo e Proliferação de Armas de Destruição em Massa – Janeiro 2023”.				
	PA#3. To improve the management of public finances and strengthen fiscal stabilization capacity, the Borrower has: (i) consolidated the existing functions of the SWFs; and (ii) established investment policy frameworks for the SWFs.	**RI#3.** Number of existing oil savings funds	4 (2022)	1 (2026)
	PA#4. To reduce goods and services price distortions and discretionary price controls in key sectors, the Borrower has submitted to the National Assembly for approval: (i) the establishment of a market rule-based framework for introducing price regulation; and (ii) the transfer to sector regulating agencies the mandate to implement the new market rule-based framework for price regulation.	**RI#4.** Sectors moving from price control to market regulation	0 (2022)	9 (2026)
	PA#5. To improve the transparency of public finance and monitoring of public procurement, the Borrower has mandated the SNCP to publish public contract award information for all civilian procurement equal or exceeding Kwanza 182,000,000.	**RI #5.** Civilian public procurement contracts, exceeding Kwanza 182 million, published (in percent)	0 (2022)	More than 90 (2026)
PA#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 Série – No. 56*); and (b) separating	**PA#6.** To enhance accountability, transparency and systematic performance monitoring of SOEs, while reducing the number of SOEs that represent a fiscal risk for the Borrower’s budget, the Borrower has: (i) mandated annual and semi-annual external audits for all SOEs; (ii) defined criteria for the selection of auditors and the	**RI#6.** Number of state-owned enterprises.	76 (2022)	Fewer than 40 (2026)

Prior Actions		Results		
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 Série – No. 97*).	scope of their audits; and (iii) mandated the rotation of external auditors at least every four years.			
Pillar 2 --- Boosting inclusion by strengthening social protection				
PA#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 Série – No. 99*).	**PA#7.** To enhance the economic resilience of the poor and further strengthen its social protection system, the Borrower has: expanded social safety nets to extremely poor households living in the poorest urban and peri-urban areas by approving the urban intervention of the Kwenda Program – Pilot phase in the Cabinda province, and expanded appropriation approved by the Borrower in its 2024 Budget Law.	**RI#7**. Improved coverage of cash transfers and institutional capacity for 'last mile' delivery:		
		a. Total number of cash transfer beneficiary households (in million).	0.6 (2022)	1.6 (2026)
		b. Female cash transfer recipients on behalf of the household (in percent of total)[20]	60 (2024)	70 (2026)
		c. Number of poor urban and peri-urban beneficiary households (thousands)	4 (2024)	104 (2026)
PA#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 Série – No. 81*).		**RI#8**. Number of targeted passengers per day with free or reduced fare.	0 (2022)	300,000 (2026)
Pillar 3- Improving markets and infrastructures to build climate resilience				
	PA#8. To promote a more efficient and cleaner transport system, including public transport, the	**RI#9**. Share of electrical vehicle used		

[20] During household registration stage, the program prioritizes women in households to enroll as cash transfer recipients on behalf of the household. As such, this does not refer only to female headed households but rather the share of female cash transfer recipients among all cash transfer recipients.

Prior Actions		Results		
	Borrower has adopted a regulation to accelerate the introduction of electric vehicles in the Borrower's fleet and electric buses in the formal bus system.	a. by the Government (in percent) b. in public transportation (in percent)	0 (2023) 0 (2023)	2 (2026) 1.5(2026)
PA#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 Série – No. 97*).	**PA#9**. To increase investment in energy transmission, the Borrower has clarified and extended the private sector's authorization to invest in electricity transmission.	**RI#10**. Population with access to electricity (in percent of total)	43 (2022)	47 (2026)
PA#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 Série – No. 97); 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 Série – No. 97); 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 Série –No. 81).		**RI#11**. Number of provincial utilities adequately reporting service levels and water quality data	0 (2022)	At least 15 (2026)

RESULTS INDICATORS BY PILLAR

Baseline	Closing Period
Reducing economic distortions and strengthening fiscal and financial sector resilience	
Domestic gasoline and diesel prices relative to international benchmark (Percentage)	
Nov/2022	May/2026
35 percent for gasoline and 22 percent for diesel in 2022 compared to international benchmark	50 percent relative to international benchmark for both fuel in 2026
Newly registered legal persons with identified beneficial owners (in percent) (Percentage)	
Dec/2022	Dec/2026
0	More than 80
Number of existing oil savings funds (Number)	
Dec/2022	Dec/2026
4	1
Sectors moving from price control to market regulation (Number)	
Dec/2022	Dec/2026
0	9
Civilian public procurement contracts, exceeding Kwanza 182 million, published (Percentage)	
Dec/2022	Dec/2026
0	90
Number of state-owned enterprises. (Number)	
Dec/2022	Dec/2026
76	Fewer than 40
Boosting inclusion by strengthening social protection	
Total number of cash transfer beneficiary households (in million). (Number)	
Dec/2022	Dec/2026
0.60	1.60
➢Female cash recipient on behalf of the household (in percent of total) (Percentage)	
Jun/2024	Dec/2026
60	70

➢Number of poor urban and peri-urban beneficiary households (Number (Thousand))	
Jun/2024	Dec/2026
4	104
Number of targeted passengers per day with free or reduced fare. (Number)	
Dec/2022	Dec/2026
0	300,000
Improving markets and infrastructures to build climate resilience.	
Share of electrical vehicle used by the government (Percentage)	
Dec/2023	Dec/2026
0	2
➢Share of electrical vehicle used in total public transportation (Percentage)	
Dec/2023	Dec/2026
0	1.50
Population with access to electricity (Percentage)	
Dec/2022	Dec/2026
43	47
Provincial utilities adequately reporting service levels and water quality data (Number)	
Dec/2022	Dec/2026
0	At least 15

ANNEX 2: FUND RELATIONS ANNEX

PR 24/260

Post Financing Assessment (PFA) Consultation with Angola

FOR IMMEDIATE RELEASE

Washington, DC – July 1, 2024: The Executive Board of the International Monetary Fund (IMF) concluded the Post Financing Consultation (PFA) with Angola.[1]

Angola's capacity to repay the Fund is adequate though subject to risks. Angola remained resilient in the face of significant challenges in 2023, including weaker oil production and prices. The authorities' efforts to follow through on economic reforms started during the EFF 2018–21, including in the areas of fiscal management, revenue mobilization, debt management, monetary policy, and financial stability, have helped enhance the resilience of the Angola economy.

Output growth remained positive at 0.9 percent in 2023, thanks to the recovery in oil production in Q4; and is expected to stabilize at an average of 3.2 percent in the medium term, aided by the authorities' continued structural reform and diversification agenda. Inflation increased to its highest level in recent years, due to currency depreciation and supply constraints. However, inflation is expected to start declining in the second half of 2024 with improved monetary policy transmission and fading supply shocks.

Spending adjustments helped contain the impact of weaker oil prices and lower production in 2023, though the gains from fiscal consolidation were lower-than-anticipated. The nonoil primary fiscal deficit (NOPFD), estimated at 4.4 percent of GDP in 2024, is expected to steadily decline in the medium-term on modestly improving non-oil revenues, moderately lower current and capital expenditures, and savings from fuel subsidy reform.

Angola's oil dependence and large external debt continue to pose fiscal risks but targets under the Fiscal Sustainability Law are still projected to be reached. Downside risks to the outlook include (i) a decline in the domestic oil production or a significant fall in the international oil prices; (ii) slippages in the fuel subsidy reform; and (iii) negative spillovers from international capital markets.

Executive Board Assessment[2]

The recovery from the 2023 shock is underway, the baseline outlook is favorable, but risks remain tilted to the downside. Angola was simultaneously hit by a decline in oil production and an increase in external debt payments in 2023. The ensuing sharp exchange rate depreciation helped preserve external buffers and mitigate the fiscal impact. However, reduced FX earnings contributed to exchange rate depreciation and inflationary pressures, and reduced non-oil economic growth, underlying the need to improve monetary operations and the functioning of the FX market. The baseline outlook envisages a gradually improving growth performance but the significant exposure to the oil sector creates significant risks.

Angola's capacity to repay the Fund is adequate, with manageable risks. Under the baseline, Angola's projected repayments to the Fund will increase over the medium-term, peaking in 2026. Under a severe shock scenario, the projected capacity to repay indicators would weaken but remain manageable. Steps to mitigate this shock, including allowing the exchange rate to function as a shock absorber, continuing with the fuel subsidy reform and rationalizing spending, would be crucial.

Sustained fiscal adjustment is required to mitigate risks. It is critical to rationalize spending in the near-term and continue the fuel subsidy reform (with mitigation measures to support the vulnerable and a proactive communication strategy). The authorities should also build additional buffers via tax policy measures to mobilize non-oil domestic revenues and make further progress on the fiscal structural agenda, including public financial management and public investment management reforms.

Continued efforts on enhancing the monetary policy framework are needed to reduce inflation and support non-oil medium-term growth. Maintaining a tighter bias in monetary policy in the short-term and improving interbank liquidity management—coupled with a gradual move toward greater exchange rate flexibility—would help ease inflation, better anchor inflation expectations, and reduce public and private sector borrowing costs. Policy coordination between the MoF and the BNA on money market operations is essential for effective interbank liquidity management and would help improve both fiscal and price stability outturns.

Continued efforts are needed to bolster financial stability. The BNA has made progress in operationalizing new frameworks for bank supervision and resolution but needs more decisive implementation and enforcement. To safeguard financial stability and reduce contingent fiscal risk, the BNA should prepare for a decisive resolution or liquidation of problem banks, as necessary, while protecting small depositors and minimizing costs to tax-payers. Ongoing efforts to establish fiscal backup funding for the DPF and to strengthen legal protection of the BNA should be expediated.

Implementing broad ranging structural reforms is vital to improve business environment and maintain growth in the context of a long-term decline of the oil sector. The implementation of the NDP should be consistent with a medium-term fiscal framework and would benefit from the PIMA recommendations. Addressing issues related to governance, gender, and climate change remains critical to achieving economic diversification and sustainable growth.

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[1] After completing an IMF lending program, a country may be subject to a Post Financing Assessment (PFA). It aims to identify risks to a country's medium-term viability and provide early warnings on risks to the IMF's balance sheets. For more details click here.

[2] The Executive Board takes decisions under its lapse-of-time procedure when it is agreed by the Board that a proposal can be considered without convening formal discussions.

Angola: Selected Economic Indicators, 2023–25

	2023	2024	2025
	Prel.	Proj.	
Real economy (percent change, except where otherwise indicated)			
Real gross domestic product	0.9	2.4	2.8
Oil sector	-2.4	0.8	1.1
Non-oil sector	1.5	2.7	3.1
Nominal gross domestic product (GDP)	14.4	29.6	18.6
Oil sector	9.5	32.3	8.7
Non-oil sector	15.3	29.1	20.4
GDP deflator	13.4	26.5	15.3
Non-oil GDP deflator	13.6	25.7	16.8
Consumer prices (annual average)	13.6	25.7	16.3
Consumer prices (end of period)	20.0	22.1	15.4
Gross domestic product (billions of kwanzas)	75,046	97,233	115,278
Oil gross domestic product (billions of kwanzas)	11,569	15,306	16,632
Non-oil gross domestic product (billions of kwanzas)	63,478	81,928	98,646
Gross domestic product (billions of U.S. dollars)	109.5	112.6	118.5
Gross domestic product per capita (U.S. dollars)	2,963	2,945	2,993
Central government (percent of GDP)			
Total revenue	17.4	18.1	17.2
Of which: Oil-related	10.3	10.7	9.7
Of which: Non-oil tax	6.1	6.3	6.4
Total expenditure	19.3	16.7	15.9
Current expenditure	15.2	13.9	13.1
Capital spending	4.1	2.9	2.9
Overall fiscal balance	-1.9	1.3	1.2
Non-oil primary fiscal balance	-6.4	-4.4	-3.4
Non-oil primary fiscal balance (percent of non-oil GDP)	-7.6	-5.2	-4.0
Money and credit (end of period, percent change)			
Broad money (M2)	37.8	21.2	18.6
Percent of GDP	20.8	19.5	19.5
Velocity (GDP/M2)	4.8	5.1	5.1
Velocity (non-oil GDP/M2)	4.1	4.3	4.4
Credit to the private sector (annual percent change)	28.8	20.3	12.5
Balance of payments			
Trade balance (percent of GDP)	19.9	18.8	17.5
Exports of goods, f.o.b. (percent of GDP)	33.7	32.7	31.1
Of which: Oil and gas exports (percent of GDP)	31.7	30.5	28.4
Imports of goods, f.o.b. (percent of GDP)	13.8	13.9	13.6
Terms of trade (percent change)	-19.7	-1.8	-5.8
Current account balance (percent of GDP)	3.8	3.4	2.2
Gross international reserves (end of period, millions of U.S. dollars)	14,727	15,135	15,501
Gross international reserves (months of next year's imports)	7.2	7.2	7.1
Exchange rate			
Official exchange rate (average, kwanzas per U.S. dollar)	685	...	...
Official exchange rate (end of period, kwanzas per U.S. dollar)	829	...	...
Public debt (percent of GDP)			
Public sector debt (gross)[1]	73.9	58.5	52.1
Of which: Central Government debt	68.4	55.3	49.8
Oil			
Oil and gas production (millions of barrels per day)	1.205	1.237	1.253
Oil and gas exports (billions of U.S. dollars)	34.7	34.4	33.7
Angola oil price (average, U.S. dollars per barrel)	80.6	81.0	76.7
Brent oil price (average, U.S. dollars per barrel)	82.3	82.5	77.8

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, and guaranteed debt.

ANNEX 3: LETTER OF DEVELOPMENT POLICY

REPÚBLICA DE ANGOLA
Ministério do Planeamento
Gabinete do Ministro

Ao
Exmo Senhor
Ajay Banga
Presidente do Grupo Banco Mundial

1818 H Street, NW
Washington, DC. 20433
EUA

V/REFERÊNCIA	DATA	N/REFERÊNCIA
	06-09-2024	353/GAB.MINPLAN/2024

Assunto: Carta de Políticas de Desenvolvimento da Segunda Operação de Empréstimo de Políticas de Desenvolvimento para um Crescimento Verde, Resiliente, Inclusivo e Diversificação de Angola

Exmo Senhor,

Em nome do Governo da República de Angola, tenho o prazer de fornecer a Carta de Políticas de Desenvolvimento da Segunda Operação de Empréstimo de Políticas de Desenvolvimento, para um Crescimento e Diversificação Verde, Resiliente, Inclusivo (P179513), no âmbito do apoio que recebemos do Banco Mundial nos nossos esforços para reforçarmos as bases para o crescimento de médio e longo prazo, por via de reformas estruturais que visam (i) a redução de distorções na nossa economia, (ii) o aumento da resiliência das finanças públicas e integridade do sistema financeiro, (iii) a promoção da inclusão por meio do reforço da proteção social e de reformas de melhoria do funcionamento dos mercados e (iv) a promoção de maior infraestruturas no sector dos transportes, tendo em conta o reforço da resiliência climática.

Esta carta descreve o contexto macroeconómico, perspectivas e as reformas que, com sucesso temos vindo a implementar, com o valioso apoio técnico do Banco Mundial, como parte deste programa de políticas.

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I.DIRECÇÃO DAS POLÍTICAS DO GOVERNO E DESENVOLVIMENTOS MACROECONÓMICOS RECENTES

1. Em meio aos desafios e oportunidades de um ambiente global incerto, a política governamental de Angola busca fortalecer, crescer e diversificar a economia, ao mesmo tempo em que aumenta o compromisso do Governo com a responsabilidade fiscal, social e ambiental.

2. Desde 2018 que o Governo da República de Angola vem implementado as seguintes reformas de sustentabilidade de finanças públicas, para estabilizar e impulsionar a economia angolana:

   (i) Racionalizamos a despesa pública para fortalecer o equilíbrio fiscal estrutural e reforçar a sustentabilidade das finanças públicas, através da remoção contínua dos subsídios aos combustíveis e da racionalização da maioria dos subsídios, através da reforma do sector empresarial público;

   (ii) Institucionalizamos uma contribuição especial sobre as operações cambiais de invisíveis correntes, como forma de mobilizar mais receitas e assim reforçar os recursos disponíveis para o apoio aos sectores social e económico;

   (iii) Temos progredido na diversificação da economia para além do petróleo: nos sectores da agricultura (terras cultivadas e rendimentos mais elevados em culturas como o milho e a mandioca), mineração (foram lançados novos projectos de exploração e expandiram-se as operações existentes) e telecomunicações (emergência de um pequeno, mas crescente ecossistema de start-ups tecnológicas);

   (iv) Aceleramos a implementação do programa de reforma do sector empresarial público, visando alterar o paradigma actual caracterizado por um número elevado de empresas com débil desempenho económico-financeiro e restrições de liquidez, que tem desencadeado consideráveis riscos fiscais para as contas públicas. Foi aprovado o Roteiro para a Reforma do Sector Empresarial Público, por meio da publicação do Decreto Presidencial nº 13/22, de 18 de Janeiro de 2022, a ser executado entre os anos 2022 e 2025;

(v) Institucionalizamos e deveremos operacionalizar o Quadro de Despesa de Médio Prazo subordinado aos limites a fixar pelo Quadro Fiscal de Médio Prazo, nos termos da Lei da Sustentabilidade das Finanças Públicas, uma vez estando já aprovado o Plano de Desenvolvimento Nacional 2023-2027;

(vi) Reforçamos a gestão activa da dívida, com ênfase nas operações de gestão de passivos, visando conter as pressões de tesouraria decorrentes da programação orçamental para 2024, abrir espaço fiscal para o crescimento económico e maior desenvolvimento social, e aumentar a resiliência aos choques da política fiscal no médio e longo prazo;

(vii) Envidamos esforços para tornar o Orçamento Geral do Estado mais sustentável, através da racionalização da despesa pública para fortalecer o saldo fiscal estrutural e reforçar a sustentabilidade das finanças públicas;e

(viii) Desenvolvemos o capital humano para melhorar a vida dos angolanos, através do desenvolvimento de competências e criação de emprego e aumentar a dependência do país fora do sector petrolífero como parte da diversificação, garantindo ao mesmo tempo a segurança alimentar.

3. Reconhecendo os desafios que enfrenta a economia nacional, o governo da República de Angola tem respondido com três prioridades, que se consubstanciam num pacote amplo de medidas permanentes, temporárias e outras várias estruturais: (1) fortalecer o rendimento e dinamizar o seu acesso pelas pessoas; (2) investir mais na economia e nas empresas; e (3) tornar o Orçamento Geral do Estado mais sustentável.

4. O Governo da República de Angola reconhece que as incertezas globais e as ameaças constantes resultantes de mudanças climáticas. Assim, a nossa visão antecipa e fortalece as bases para uma economia mais forte, mais empregos e maior responsabilidade fiscal, social e ambiental. A jornada de transformação econômica continua a progredir, no interesse do povo de Angola.

II. PERSPECTIVAS MACROECONÓMICAS PARA 2024

5. Em 2023, apesar da receita petrolífera e não petrolífera terem registado um crescimento na ordem de 0,5% e 6,3%, respectivamente, em 2023, a despesa fiscal global cresceu 16% face a 2022, no ano de 2023, dando origem em 2023 a um Saldo Fiscal Global negativo de 2,8% do PIB, em resultado de uma receita fiscal de 13,1 biliões de Kwanzas e uma despesa fiscal de 14,9 biliões de Kwanzas, contrário ao superavit de 0,9% do PIB inicialmente previsto no OGE 2023.

6. O aumento da despesa fiscal global acima do previsto foi unicamente induzida pelas despesas de juros mais elevadas em virtude das condições de financiamento mais restritivas no quarto trimestre deram origem a pagamentos de juros mais elevados, especialmente sobre a dívida interna, que aumentou ao longo deste período, e pelas despesas com os subsídios aos combustíveis igualmente maiores do que inicialmente antecipados no Orçamento Geral do Estado 2023, devido aos preços mais elevados da gasolina e gasóleo e maiores níveis de consumo de combustível no país, que inclusive compensou as poupanças líquidas estimadas decorrentes da reforma dos subsídios aos combustíveis.

7. Em 2024, a política fiscal angolana continua ancorada ao seu objectivo de fortalecer a sustentabilidade das finanças públicas.

8. As projecções fiscais para 2024 antecipam um superavit fiscal de 0,02% do PIB, em resultado de fluxos globais de receita fiscal de 20,08% do PIB e de despesa fiscal, que comporta a despesa primária mais os juros da dívida, de 20,06% do PIB.

9. As despesas com os juros da dívida estão inscritas no orçamento em Kz 4,56 biliões (6,2% do PIB) e reflectem um aumento de 39,3% relativamente às projecções de fecho de 2023.

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10. A despesa fiscal primária, que exclui os juros da dívida, avaliada em Kz 10,03 biliões regista um aumento de 7,59%, quando comparada com a estimativa de fecho de 2023, situada em Kz 9,42 biliões.

11. E, relativamente às suas principais componentes importa destacar as seguintes orientações de política fiscal do Orçamento Geral do Estado:

(i) Melhorar a qualidade da despesa através da contínua remoção dos subsídios aos combustíveis. Prevê-se uma redução dos custos dos subsídios aos combustíveis para 2,5% do PIB, em 2024, impulsionada pelas perspectivas de continuidade de redução das despesas com os subsídios aos combustíveis.

(ii) Expandir a base tributária e implementar reformas tributárias pró-crescimento por via da revisão dos Códigos do Imposto Industrial, do Imposto de Valor Acrescentado, do Imposto sobre Jogos e o Imposto Predial, e da automatização do processo de controlo do cumprimento das obrigações declarativas fiscais, bem como pela reintrodução da cobrança da Contribuição Especial sobre Operações Cambiais de Invisíveis Correntes. Adicionalmente, ambiciona-se fortalecer a capacidade de combate à evasão e elisão fiscal, reforçando a capacidade de fiscalização, cobrança e execução, nomeadamente através de um maior uso de dados e de ferramentas digitais. De igual modo, busca-se fomentar o cumprimento voluntário das obrigações tributárias, através da redução das barreiras ao cumprimento destas obrigações e aposta na comunicação com os contribuintes e fortalecimento das parcerias com toda a comunidade fiscal.

(iii) Redimensionar o SEP via a implementação de várias medidas como a revisão da Lei das Empresas Públicas, a transformação do IGAPE em Sociedade Gestora de Participações Sociais (SGPS), a separação das Empresas Públicas com orientação política (empresas públicas) das Empresas com orientação comercial (Sociedades Comerciais de Capitais Públicos), e finalizar o PROPRIV.

(iv) Reestruturar os Fundos Públicos por via da Nova Lei dos Fundos Público e da redução e consolidação de 17 fundos actualmente existentes para 5 fundos públicos.

(v) Despesas de capital. Em relação ao PIB, a despesa de capital registará uma redução ligeira de 0,3 pontos percentuais, saindo de 3,9% do PIB em 2023 para 3,6% do PIB em 2024, concentrando-se os esforços de investimentos em projetos-chave com os maiores dividendos de crescimento.

(vi) Folha Salarial. O Executivo continuará a manter o controlo do crescimento da massa salarial em níveis comportáveis com a evolução do aumento de recursos não petrolíferos. Em 2024, entretanto, prevê-se aumentos salariais nominais limitados e proporcionais na ordem dos 5%, além de promoções e progressões salariais naturais. Planeiam-se, igualmente, novas contratações limitadas ao longo de 2024, nas áreas de educação e saúde, para apoiar os objectivos sociais prioritários.

(vii) Bens e Serviços. Contempla um aumento ligeiro de 2,8% do PIB, em 2023, para 3,6% do PIB, em 2024, estando o maior esforço na acomodação das necessidades nas áreas prioritárias de saúde, educação e saneamento básico.

(viii) Melhorar o reporte das finanças públicas com a adopção das Normas Internacionais de Contabilidade Aplicada ao Sector Público (IPSAS) e migração para o GFSM 2014.

III. REFORMAS REALIZADAS NO QUADRO DO PROGRAMA DE POLÍTICAS DA SEGUNDA OPERAÇÃO

12. Este programa alavancará os esforços do governo para reforçar as acções do Estado angolano em três (3) áreas principais: (i) reduzir as distorções económicas e reforçar a resiliência das finanças públicas e do sector financeiro; (ii) fomentar a inclusão através do reforço da proteção social; e iii)

promover a melhoria do funcionamento dos mercados e das infraestruturas com o objectivo de fortalecer a resiliência climática. As acções em cada uma dessas três áreas são explicadas a seguir.

Pilar 1 – Reduzir as Distorções Económicas e Reforçar a Resiliência das Finanças Públicas e do Sector financeiro

13. O Governo de Angola manteve o compromisso de continuar a implementar a desafiante, mas necessária reforma dos subsídios aos combustíveis. Em Junho de 2023, o governo deu início a transição dos preços dos combustíveis para os níveis de mercado, e implementou o incremento do preço da gasolina em cerca de 87.5%%. Já em Abril de 2024, reduzimos ainda mais as despesas públicas associadas aos combustíveis e os custos económicos, ambientais e fiscais associados, (a) aumentando o preço doméstico do gasóleo em 48% através de decisão tornada pública pela Circular Externa nº 014/DG/IRDP/2024) do Instituto Regulador dos Derivados do Petróleo, de 22 de abril de 2024 (IRDP- https://www.irdp.gov.ao/) sobre o ajuste gradual dos preços dos produtos derivados de petróleo; b) com vista a combater prácticas ilegais no mercado de combustíveis, aprovamos a nova Lei de Combate ao Contrabando de Combustíveis Lei n.º 5/24 de 23 de abril de 2024. É ainda compromisso do Governo continuar com a reforma dos subsídios aos combustíveis visando reforçar as despesas sociais e para investimentos nos sectores produtivos.

14. Implementamos acções para fortalecer a integridade do sector financeiro e aumentar a transparência das entidades jurídicas em conformidade com as Normas do Grupo de Acção Financeira (GAFI), por via da aprovação da (a) Lei n.º 11/24 que altera a Lei n.º 5/20, de 27 de Janeiro [2020], sobre a prevenção e combate ao branqueamento de capitais, ao financiamento do terrorismo e à proliferação de armas de destruição maciça, de 25 de junho de 2024 e publicada no Diário da República, Série I, n.º 126, de 4 de julho de 2024; e da (b) Lei n.º 9/24 (CFT) que altera a Lei n.º 19/18, de 25 de agosto de 2017, sobre a prevenção e combate ao terrorismo, de 25 de junho de 2024

e publicada no Diário da República, Série I, n.º 125, de 3 de julho de 2024. Entre outras melhorias, essa lei contribui para melhorar das entidades legais ao facilitar o acesso a informações atualizadas sobre os beneficiários efectivos das entidades legais.

15. Reforçamos o quadro de gestão das finanças públicas ao nível da capacidade de estabilização fiscal, pela adopção de medidas que visaram (a) a consolidação da governança e mandatos do Fundo Soberano de Angola (FSDEA), incluindo a sua natureza de instituição de estabilidade fiscal, conforme o Certificado de Aprovação Nº06/24 do Secretariado do Conselho de Ministros através do Decreto Presidencial que aprova a alteração do Estatuto Orgânico do Fundo Soberano de Angola, por sua vez, aprovado pelo Decreto Presidencial n.º 212/19, de 15 de Julho; (b) actualização do regime jurídico de gestão do Fundo Soberano de Angola (FSDEA), conforme o certificado acima mencionado através do Decreto Presidencial que aprova o Regulamento de Gestão do Fundo Soberano de Angola, ora, aprovado pelo Decreto Presidencial n.º 214/19, de 15 de Julho; e (c) revisão da política de investimento do Fundo Soberano de Angola (FSDEA), conforme o [Certificado de Aprovação do Secretariado do Conselho de Ministros Nº 06/2024] através do Decreto Presidencial que aprova a Política de Investimento do Fundo Soberano de Angola (FSDEA) para 2024-2028.

16. Reduzimos as distorções de preços e controles de preços discricionários em sectores-chave, pela aprovação pelo Conselho de Ministros e remessa à Assembleia Nacional do Projecto de Lei de Autorização Legislativa sobre um novo Regime Jurídico Aplicável à Regulação de Preços, datado de 21 de Agosto de 2024, conforme o [Certificado n.º 04/24 do Secretariado do Conselho de Ministros]. A referida reforma visa (i) promover um quadro mais baseado em regras de mercado para a introdução da regulamentação de preços; e (ii) a transferência para as agências reguladoras da economia das funções relativas à regulação dos preços dos respectivos mercados. O Governo angolano compromete-se a continuar engajado em implementar reformas adicionais que visam adoptar as melhores práticas internacionais

que visam a melhoria do mecanismo de regulação de preços, incluindo o mecanismo institucional para a regulação de preços, bem como os critérios normativos. O Governo também está comprometido promover o desenvolvimento de princípios metodológicos visando garantir instrumentos regulatórios alternativos à regulação de preços, incluindo a consideração de mecanismos que permitam uma regulação de preços baseada em incentivos para garantir a eficiência económica.

17. Melhoramos a transparência das finanças públicas no âmbito das aquisições públicas, por via da decisão, ao abrigo do Instrutivo N.º 01/SNCP/MINFIN/2024 de 27 de Agosto, Sobre os Procedimentos para a Publicação de Adjucação/Contratos Públicos, de divulgação de informações sobre a adjudicação de contratos públicos para todas as aquisições civis que excedam Kwanza 182 milhões no website do Serviço Nacional de Contratação Pública (SNCP).

18. Aumentamos a responsabilização, transparência e monitoramento sistemático do desempenho das empresas estatais, com a aprovação do Decreto Presidencial n.º 79/24 que define as regras aplicáveis ao procedimento de auditoria externa às demonstrações financeiras do sector público empresarial, datado de 28 de fevereiro de 2024, e publicado no Diário da República, 1.ª série, n.º 62, de 2 de abril de 2024. Com esta medida, passamos a determinar o reforço das (i) auditorias externas anuais e semestrais para todas as empresas estatais; (ii) definindo critérios para a selecção de auditores e o escopo de suas auditorias; e (iii) a rotação de auditores externos pelo menos a cada quatro anos.

Pilar 2 – Fomentar a Inclusão através do reforço da proteção social

19. Aumentamos a resiliência económica dos desfavorecidos e fortalecemos ainda mais o sistema de protecção social, expandindo de modo gradual as redes de segurança social nas zonas periurbanas e urbanas, visando uma maior cobertura das famílias extremamente pobres, o que incluirá transferências monetárias para grupos vulneráveis específicos e pacotes de

21. Realizamos reforma ao nível do sector da energia com vista a promover um aumento do investimento na transmissão de energia ao esclarecer ainda mais a autorização da participação do sector privado, através da aprovação pelo Conselho de Ministros para submissão à Assembleia Nacional, da alteração da Lei Geral da Electricidade, conforme [Certificado n.º 03/24 do Secretariado do Conselho de Ministros]. Adicionalmente, estamos comprometidos a complementar este processo de reforma através da aprovação de legislação/regulamentação secundária que clarifica os procedimentos através dos quais os investidores privados podem investir no segmento de transmissão para ajudar o governo a alcançar os objectivos de políticas no setor da electricidade. Consideramos esta reforma crucial para alavancar o crescimento económico e torná-lo mais baseado no setor privado.

Finalmente, em nome do Governo de Angola, gostaria de expressar os nossos agradecimentos ao Banco Mundial pelo apoio contínuo e acolhimento em todos os níveis, e reiteramos o nosso total empenho em optimizar a utilização dos recursos de forma a garantir que haja um crescimento estável e sustentado da economia.

Sem outro assunto de momento, aceite os protestos da nossa elevada estima e consideração.

GABINETE DO MINISTRO DO PLANEAMENTO, Luanda, aos 06 de Setembro de 2024.

O MINISTRO

República de Angola
Ministério do Planeamento
Gabinete do Ministro

Victor Hugo Guilherme

C/C: **Excelência Ministra das Finanças** - Vera Esperança dos S. D. de Sousa

Avenida Iº Congresso do MPLA
Edifício CIF Luanda One, 10º Andar
Luanda
ANGOLA

Letter of Development Policies (Translated Version)

Excellency. Mr. Ajay Banga

World Bank Group President

1818 H Street, NW

Washington, DC. 20433

USA

CC: Her Excellency the Minister of Finance, Dr. Vera Daves de Sousa.

___/___/_____/GMF-MINFIN/2024

SUBJECT: Letter of Development Policies of the Second Development Policy Loan for Green, Resilient, Inclusive Growth and Diversification of Angola.

Dear Mr. President,

On behalf of the Government of the Republic of Angola, I am pleased to provide the Letter of Development Policies of the Second Development Policy Lending Operation for Green, Resilient, Inclusive (P179513) Growth and Diversification, as part of the support we have received from the World Bank in our efforts to strengthen the foundations for growth in the medium and long term through structural reforms that aim to reduce economic distortions in our economy, increase the resilience of public finances and the integrity of the financial system, promote inclusion by strengthening social protection and reforms to improve the functioning of markets and promote greater infrastructure in the transport sector with a view to strengthening climate resilience.

This letter provides a description of the macroeconomic context, outlook, and describes the reforms we have successfully implemented as part of this policy program, with the valuable technical support of the World Bank.

I. DIRECTION OF GOVERNMENT POLICIES AND RECENT MACROECONOMIC DEVELOPMENTS

1. Amid the challenges and opportunities of an uncertain global environment, Angola's government policy seeks to strengthen, grow, and diversify the economy, while enhancing the Government's commitment to fiscal, social, and environmental responsibility.

2. Recently, the Government of the Republic of Angola has implemented the following public finance sustainability reforms to stabilize and boost the Angolan economy:

- We rationalize public spending to strengthen the structural fiscal balance and enhance the sustainability of public finances, through the continued removal of fuel subsidies and the rationalization of most subsidies through public enterprise sector reform.
- We have institutionalized a special contribution on current invisible foreign exchange operations, as a way to mobilize more revenue and thus strengthen the resources available to support the social and economic sectors.
- We have made progress in diversifying the economy beyond oil: in the sectors of agriculture (cultivated land and higher yields in crops such as maize and cassava), mining (new exploration projects have been launched and existing operations expanded) and telecommunications (emergence of a small but growing ecosystem of tech start-ups).
- Acceleration of the implementation of the public enterprise sector reform program, aiming to change the current paradigm characterized by a high number of companies with weak economic and financial performance and liquidity constraints, which has triggered considerable fiscal risks for public accounts. The Roadmap for the Reform of the Public Enterprise Sector was approved, through the publication of Presidential Decree No. 13/22, of January 18, 2022, to be implemented between the years 2022 and 2025;
- Institutionalization and operationalization of the Medium-Term Expenditure Framework subject to the limits to be set by the Medium-Term Fiscal Framework under the terms of the Law on the Sustainability of Public Finance once the National Development Plan 2023-2027 has already been approved.
- We have strengthened active debt management, with an emphasis on liability management operations, aiming to contain cash pressures stemming from the 2024 budget programming, open fiscal space for economic growth and greater social development, and increase resilience to fiscal policy shocks in the medium and long term.
- We strive to make the General State Budget more sustainable through the rationalization of public spending to strengthen the structural fiscal balance and strengthen the sustainability of public finances.
- We develop human capital to improve the lives of Angolans through skills development and job creation and increase the country's dependence outside the oil sector as part of diversification, while ensuring food security.

3. Recognizing the challenges facing the national economy, the government of the Republic of Angola has responded with three priorities, which are embodied in a broad package of permanent, temporary and other structural measures: **(1) strengthen income and boost people's access to it; (2) invest more in the economy and businesses; and (3) make the General State Budget more sustainable.**

4. The Government of the Republic of Angola recognizes the global uncertainties, and the constant threats of disasters related to climate change. Our vision thus anticipates and strengthens the foundations for a stronger economy, more jobs, and greater fiscal, social, and environmental responsibility. The journey of economic transformation continues to progress, in the interest of the people of Angola.

II. MACROECONOMIC OUTLOOK FOR 2024

5. In 2023, although oil and non-oil revenue grew by 0.5% and 6.3%, respectively, in 2023, overall tax expenditure grew by 16% compared to 2022, in 2023, giving rise to a negative Overall Fiscal Balance of 2.8% of GDP in 2023, as a result of tax revenue of 13.1 trillion Kwanzas and tax expenditure of 14.9 trillion Kwanzas, contrary to the surplus of 0.9% of GDP initially forecast in the 2023 State Budget.

6. The higher-than-expected increase in overall tax expenditure was solely driven by higher interest expenditure as a result of tighter financing conditions in the fourth quarter gave rise to higher interest payments, especially on domestic debt, which increased over this period, and by fuel subsidy expenditure also higher than initially anticipated in the 2023 General State Budget due to higher petrol and diesel prices and higher levels of fuel consumption in the country, which even offset the estimated net savings from the reform of fuel subsidies.

7. In 2024, Angolan fiscal policy remains anchored to its objective of strengthening the sustainability of public finances.

8. The fiscal projections for 2024 anticipate a fiscal surplus of 0.02% of GDP, as a result of overall tax revenue flows of 20.08% of GDP and fiscal expenditure, which includes primary expenditure plus interest on debt, of 20.06% of GDP.

9. Debt interest expenses are entered in the budget at Kz 4.56 trillion (6.2% of GDP) and reflect an increase of 39.3% compared to the projections at the end of 2023.

10. Primary tax expenditure, which excludes interest on debt, valued at Kz 10.03 trillion registers an increase of 7.59%, when compared to the closing estimate for 2023, at Kz 9.42 trillion.

11. And regarding its main components, it is important to highlight the following fiscal policy guidelines of the General State Budget:

- **Improve the quality of spending through the continued removal of fuel subsidies.** Fuel subsidy costs are projected to decline to 2.5 percent of GDP in 2024, boosted by prospects for continued reduction in spending on fuel subsidies.

- **Expand the tax base and implement pro-growth tax reforms** through the revision of the Industrial Tax, Value Added Tax, Gaming Tax and Property Tax Codes, and by automating the process of monitoring compliance with tax reporting obligations, as well as by reintroducing the collection of the Special Levy on Current Invisible Foreign Exchange Transactions. In addition, it aims to strengthen the capacity to combat tax evasion and avoidance, strengthening the capacity for inspection, collection and enforcement, namely through greater use of data and digital tools. Likewise, it seeks to encourage voluntary compliance with tax obligations, through the reduction of barriers to compliance with these obligations and focuses on communication with taxpayers and strengthening partnerships with the entire tax community.
- **Resizing the SOEs through the implementation of several measures** such as the revision of the Law on Public Companies, the transformation of IGAPE into a Holding Company (Sociedade Gestora de Participações Sociais, SGPS), the separation of Public Companies with political orientation (public companies) from companies with a commercial orientation (Commercial Companies of Public Capital), and finalizing PROPRIV.
- **Restructure Public Funds** through the New Public Funds Law and the reduction and consolidation of 17 currently existing funds to 5 public funds**.**
- **Capital expenditures.** Relative to GDP, capital expenditure will decrease slightly by 0.3 percentage points, from 3.9% of GDP in 2023 to 3.6% of GDP in 2024, with investment efforts focusing on key projects with the highest growth dividends.
- **Wage Bill.** The Executive will continue to maintain control of the growth of the wage bill at levels that are compatible with the evolution of the increase in non-oil resources. In 2024, however, nominal and proportional salary increases in the order of 5% are expected, in addition to natural promotions and salary progressions. New limited hires are also planned throughout 2024, in the areas of education and health, to support priority social objectives.
- **Goods and Services.** It contemplates a slight increase from 2.8% of GDP in 2023 to 3.6% of GDP in 2024, with greater effort in accommodating needs in the priority areas of health, education and basic sanitation.
- **Improve public financial reporting** with the adoption of International Public Sector Accounting Standards (IPSAS) and migration to GFSM 2014.

III. REFORMS IMPLEMENTED UNDER THE POLICY PROGRAM OF THE SECOND OPERATION DPL

12. This program will leverage the government's efforts to strengthen Angolan State actions in three (3) key areas: (i) reduce economic distortions and strengthen the resilience of public finances and the financial sector; (ii) foster inclusion by strengthening social protection; and (iii) promote the improvement of the functioning of markets and infrastructure with the aim of strengthening climate resilience. Actions in each of these three areas are explained below.

Pillar 1 – Reducing Economic Distortions and Strengthening the Resilience of Public Finances and the Financial Sector

13. The Government of Angola remained committed to continue implementing the challenging but necessary fuel subsidy reform. In June 2023, the government began the transition of fuel prices to market levels and implemented the increase in the price of gasoline by about 87.5%. In April 2024, we further reduced public expenses associated with fuels and the associated economic, environmental and fiscal costs, (a) increasing the domestic price of diesel by 48% through a decision made public by External Circular No. 014/DG/IRDP/2024) of the Petroleum Derivatives Regulatory Institute, of April 22, 2024 (IRDP- https://www.irdp.gov.ao/) on the gradual adjustment of the prices of petroleum products; b) in order to combat illegal practices in the fuel market, we approved the new Law to Combat Fuel Smuggling, Law No. 5/24, of April 23, 2024. It is also the Government's commitment to continue with the reform of fuel subsidies in order to strengthen social spending and for investments in the productive sectors.

14. We have implemented actions to strengthen the integrity of the financial sector and increase the transparency of legal entities in accordance with the Financial Action Task Force (FATF) Rules, through the approval of (a) Law No. 11/24 amending Law No. 5/20, of 27 January [2020], on preventing and combating money laundering, terrorist financing and the proliferation of weapons of mass destruction, of 25 June 2024 and published in the Official Gazette, Series I, no. 126, of 4 July 2024; and (b) Law No. 9/24 (CFT) amending Law No. 19/18, of 25 August 2017, on preventing and combating terrorism, of 25 June 2024 and published in the Official Gazette, Series I, No. 125, of 3 July 2024. Among other improvements, this law contributes to the improvement of legal entities by facilitating access to up-to-date information on the beneficial owners of legal entities.

15. We strengthen the public financial management framework in terms of fiscal stabilization capacity, through the adoption of measures aimed at (a) consolidating the governance and mandates of the Sovereign Wealth Fund of Angola (FSDEA), including its nature as an institution of fiscal stability , in accordance with the Certificate of Approval No. 06/24 of the Secretariat of the Council of Ministers through the Presidential Decree approving the amendment of the Organic Statute of the Sovereign Wealth Fund of Angola, in turn, approved by Presidential Decree no. 212/19, of 15 July; (b) updating of the legal regime for the management of the Sovereign Fund of Angola (FSDEA), in accordance with the above-mentioned certificate through the Presidential Decree approving the Management Regulation of the Sovereign

Wealth Fund of Angola, approved by Presidential Decree No. 214/19, of 15 July; and (c) revision of the investment policy of the Sovereign Wealth Fund of Angola (FSDEA), in accordance with the [Certificate of Approval of the Secretariat of the Council of Ministers No. 06/2024] through the Presidential Decree approving the Investment Policy of the Sovereign Fund of Angola (FSDEA) for 2024-2028.

16. We have reduced price distortions and discretionary price controls in key sectors, by the approval by the Council of Ministers and submission to the National Assembly of the Draft Law of Legislative Authorization on a New Legal Regime Applicable to Price Regulation, dated August 21, 2024, according to the [Certificate No. 04/24 of the Secretariat of the Council of Ministers]. The reform aims to (i) promote a more market-based framework for the introduction of price regulation; and (ii) the transfer of the functions related to the regulation of the prices of the respective markets to the regulatory agencies of the economy. The Angolan Government commits to remain engaged in implementing additional reforms aimed at adopting the best international practices aimed at improving the price regulation mechanism, including the institutional mechanisms for price regulation, as well as the normative criteria. The Government is also committed to promoting the development of methodological principles aimed at ensuring alternative regulatory instruments to price regulation, including the consideration of mechanisms that allow incentive-based price regulation to ensure economic efficiency.

17. We have improved the transparency of public finances in the field of public procurement, through the decision, under Instruction No. 01/SNCP/MINFIN/2024 of 27 August, On the Procedures for the Publication of Public Procurement/Public Contracts, to disclose information on the award of public contracts for all civil procurement exceeding Kwanza 182 million on the website of the National Public Procurement Service (SNCP).

18. We have increased accountability, transparency and systematic monitoring of the performance of state-owned enterprises, with the approval of Presidential Decree No. 79/24 that defines the rules applicable to the external audit procedure of the financial statements of the corporate public sector, dated February 28, 2024, and published in the Official Gazette, Series 1, No. 62, of April 2, 2024. With this measure, we now determine the reinforcement of (i) annual and semi-annual external audits for all state-owned companies; (ii) defining criteria for the selection of auditors and the scope of their audits; and (iii) the rotation of external auditors at least every four years.

Pillar 2 – Fostering Inclusion by strengthening social protection

19. We are increasing the economic resilience of the disadvantaged and further strengthening the social protection system by gradually expanding social safety nets in peri-urban and urban areas to increase coverage of the extremely poor, including cash transfers for specific vulnerable groups and bundles of services for productive inclusion and human

capital development. This expansion of the cash transfer program will be based on the experience and lessons from the implementation of the pilot phase that has been carried out by the Institute for Local Development (FAS), under the Government's Kwenda program, to expand cash transfer in peri-urban areas, namely in the provinces of Benguela and Cabinda since 2022. Additionally, the Government has been implementing this cash transfer program with the support of World Bank, and hopes to leverage this expansion with the approval of the second phase of the *Enhancing the Social Protection System for Human Capital Resilience* project, which will be submitted for approval to the World Bank's Board of Directors on the estimated date of September 12, 2024. To this end, the Government of Angola will approve a Presidential Decree approving the second phase of the project Improving the Social Protection System for Human Capital Resilience, which includes the gradual expansion of the cash transfer program for urban and peri-urban areas.

Pillar 3 - Improving Well-Functioning Markets and Infrastructure with the aim of strengthening greater climate resilience

20. We promote the emergence of a more efficient and cleaner car fleet, through the approval of the Executive's Strategy for Electromobility, and the consideration and submission to the National Assembly of the Legislative Authorization Law Proposal that authorizes the Holder of the Executive Power to legislate in the form of a Presidential Legislative Decree, on the Legal Regime of Electromobility, aiming to accelerate the introduction of electric vehicles in the country and including electric buses in the public transport system. In addition, the Government of Angola intends to conduct regular updates, every 2 or 3 years, of the electromobility strategy in order to reflect the rapid technological progress that has taken place in this sector and ensure the continuity of the decarbonization process in the sector.

21. We have carried out a reform at the level of the energy sector with a view to promoting an increase in investment in energy transmission by further clarifying the authorization of the participation of the private sector, through the approval by the Council of Ministers for submission to the National Assembly, of the amendment of the General Electricity Law, according to Certificate No. 03/24 of the Secretariat of the Council of Ministers. Additionally, we are committed to complementing this reform process by passing secondary legislation/regulation that clarifies the procedures through which private investors can invest in the transmission segment to help the government achieve policy objectives in the electricity sector. We see this reform as crucial to leverage economic growth and make it more private sector-based.

Finally, on behalf of the Government of Angola, I would like to express our thanks to the World Bank for its continuous support and hospitality at all levels, and we reiterate our full commitment to optimizing the use of resources in order to ensure stable and sustained growth of the economy.

With no other subject at the moment, we subscribe with high esteem and consideration.

OFFICE OF THE MINISTER OF PLANNING, in Luanda, September 6, 2024.

The Minister,

Victor Hugo Guilherme

ANNEX 4: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS TABLE

Prior Actions	Significant positive or negative environment effects	Significant positive or negative poverty, social or distributional effects
Operation Pillar 1: Reducing economic distortions and strengthening fiscal and financial sector resilience		
PA#1: To further reduce fuel subsidies and associated economic, environmental, and fiscal costs, the Borrower has: (i) increased the domestic price of diesel; and (ii) enacted a law specific to the fight against the smuggling of petroleum products.	**Positive effects**. It contributes to reduce environmental and safety hazards as it will contribute to limit the proliferation of filling stations and illegal petroleum product transport with their associated negative environmental impacts and safety hazards.	**Positive distributional effects,** but poverty increasing in the near term.
PA#2: To strengthen the integrity of the financial sector and enhance transparency of legal entities in line with the FATF Standards, the Borrower has enacted an amendment to the AML/CFT Law, which mandates that all legal persons and entities without legal personality operating in the Borrower's territory to maintain a registry of their organizational and operational information, and to preserve it for a period of 10 years.	**Positive effects.** It includes beneficial ownership register to determine the ownership structure of logging companies/fight against illegal logging. The register will help minimize the risk of money laundering and terrorist financing and improve tax administration. The extent of forest and other wooded land in Angola is estimated at 58,480 million hectares, 47 percent of the country's 12,467 million hectares of land area. Angola - Timber Risk Profile (Preferred by Nature, 2021) indicates several legality risks in Angola's timber supply chains including illegal transfer of Annual Forest Harvesting Licenses between national to foreign companies.	**Neutral**
PA#3: To improve the management of public finances and strengthen fiscal stabilization capacity, the Borrower has: (i) consolidated the existing functions of the SWFs; and (ii) established investment policy frameworks for the SWFs.	**Positive effects**. Investment policy frameworks to integrate environmental, climate and labor rights.	**Neutral**
PA #4: To reduce goods and services price distortions and discretionary price controls in key sectors, the Borrower has submitted to the National Assembly for approval: (i) the establishment of a market rule-based framework for introducing price regulation; and (ii) the transfer to sector regulating agencies the mandate to implement the	**Neutral**	**Neutral**, but with potential implications if price controls are later adjusted as expected.

new market rule-based framework for price regulation.		
PA#5: To improve the transparency of public finance and monitoring of public procurement, the Borrower has mandated the SNCP to publish public contract award information for all civilian procurement equal or exceeding Kwanza 182,000,000.	**Positive effects**. CSOs to monitor all related Environmental and Social due diligences	**Neutral**
PA#6: To enhance accountability, transparency and systematic performance monitoring of SOEs, while reducing the number of SOEs that represent a fiscal risk for the Borrower's budget, the Borrower has: (i) mandated annual and semi-annual external audits for all SOEs; (ii) defined criteria for the selection of auditors and the scope of their audits; and (iii) mandated the rotation of external auditors at least every four years.	**Neutral**	**Neutral**
Operation Pillar 2: Boosting inclusion by strengthening social protection		
PA#7: To enhance the economic resilience of the poor and further strengthen its social protection system, the Borrower has: expanded social safety nets to extremely poor households living in the poorest urban and peri-urban areas by approving the urban intervention of the Kwenda Program – Pilot phase in the Cabinda province, and expanded appropriation approved by the Borrower in its 2024 Budget Law.	**Positive effects**. It mitigates the occupational health and safety hazards along the social safety nets delivery chain	**Positive distribution effects** and poverty reduction.
Operation Pillar 3: Improving markets and infrastructures to build climate resilience		
PA#8: To promote a more efficient and cleaner transport system, including public transport, the Borrower has adopted a regulation to accelerate the introduction of electric vehicles in the Borrower's fleet and electric buses in the formal bus system.	**Positive effects.** It is likely to have positive effects on the environment since these actions are expected to result in reduced carbon emissions.	Neutral
PA#9: To increase investment in energy transmission, the Borrower has clarified	**Negative effects**. It will lead to more investments.	**Positive distributional effects**

and extended the private sector's authorization to invest in electricity transmission.		

ANNEX 5: PARIS ALIGNMENT TABLE

Second Green, Resilient, Inclusive Growth and Diversification DPL	
Program Development Objective: 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 inclusion by strengthening social protection; and (iii) improving markets and infrastructures to build climate resilience.	
Step 1: Considering our climate analysis (e.g., Country Climate and Development Reports or CCDRs), is the operation consistent with the country climate commitments, including for instance, the NDC, NAP, LTS, and other relevant strategies?	**Answer:** Yes **Explanation:** The operation is consistent with Angola's climate commitments as set forth in the Nationally Determined Contributions (NDC). It supports strengthening climate resilience through (i) expanding access to energy through liberalization of the transmission market; and (ii) strengthening water resource management.
MITIGATION GOALS: ASSESSING AND REDUCING THE RISKS	
Pillar 1: Reducing economic distortions and strengthening fiscal and financial sector resilience	
Prior Action #1: To further reduce fuel subsidies and associated economic, environmental, and fiscal costs, the Borrower has: (i) increased the domestic price of diesel; and (ii) enacted a law specific to the fight against the smuggling of petroleum products.	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer:** No. **Explanation:** Prior action 1 supports reducing fuel subsidies and reinforce the penalties for the smuggling of petroleum products. Thus, the reform is estimated to reduce carbon emissions by 43.7 mtCO2e (about 4 percent of annual emissions).
Conclusion for Prior Action 1: No increase in GHG emissions should be expected from this prior action.	
Prior Action 2: To strengthen the integrity of the financial sector and enhance transparency of legal entities in line with the FATF Standards, the Borrower has enacted an amendment to the AML/CFT Law, which mandates that all legal persons and entities without legal personality operating in the Borrower's territory to maintain a registry of their organizational and operational information, and to preserve it for a period of 10 years.	
Step M2.1: Is the action likely to cause a significant increase in GHG emissions?	**Answer:** No. **Explanation:** Prior action 2 supports strengthening the integrity of the financial sector and enhancing transparency of legal persons and arrangements in line with the FATF standards and will not contribute to increased GHG emissions.
Conclusion for Prior Action 2: No increase in GHG emissions should be expected from this prior action.	
Prior Action 3: To improve the management of public finances and strengthen fiscal stabilization capacity, the Borrower has: (i) consolidated the existing functions of the SWFs; and (ii) established investment policy frameworks for the SWFs.	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer:** No. **Explanation:** This prior action will contribute to improving the management of public finances and will not lead to increased GHG emissions. The investment policy framework stipulates that investments related to the oil sector may not exceed 5 percent of assets. The SWFs have also adhered to the Santiago Principles, which promote compliance with all applicable regulatory and disclosure requirements of the host countries, including environmental regulations.
Conclusion for Prior Action 3: No increase in GHG emissions should be expected from this prior action.	
Prior Action 4: To reduce goods and services price distortions and discretionary price controls in key sectors, the Borrower has submitted to the National Assembly for approval: (i) the establishment of a market rule-based framework for introducing price regulation; and (ii) the transfer to sector regulating agencies the mandate to implement the new market rule-based framework for price regulation.	
Step M2.1: Is the action likely to cause a significant increase in GHG emissions?	**Answer:** No. **Explanation:** Prior action 4 supports reduction in price distortions and the discretion to impose price controls in key sectors and is not expected to contribute to increased GHG emissions in the country.
Conclusion for Prior Action 4: No increase in GHG emissions should be expected from this prior action.	

Prior Action 5: To improve the transparency of public finance and monitoring of public procurement, the Borrower has mandated the SNCP to publish public contract award information for all civilian procurement equal or exceeding Kwanza 182,000,000.	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer:** No. **Explanation:** Prior action 5 will contribute to enhancing the transparency of public procurement and will not lead to increased GHG emissions.
Conclusion for Prior Action 5: No increase in GHG emissions should be expected from publishing large-value public civilian procurement contracts.	
Prior Action 6: To enhance accountability, transparency and systematic performance monitoring of SOEs, while reducing the number of SOEs that represent a fiscal risk for the Borrower's budget, the Borrower has: (i) mandated annual and semi-annual external audits for all SOEs; (ii) defined criteria for the selection of auditors and the scope of their audits; and (iii) mandated the rotation of external auditors at least every four years.	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer:** No. **Explanation:** Prior action 6 will contribute to enhancing the accountability and transparency of SOEs and will not lead to increased GHG emissions.
Conclusion for Prior Action 6: No increase in GHG emissions should be expected from mandating annual and semi-annual external audits for all SOEs.	
Pillar 2: Boosting inclusion by strengthening social protection	
Prior Action 7: To enhance the economic resilience of the poor and further strengthen its social protection system, the Borrower has: expanded social safety nets to extremely poor households living in the poorest urban and peri-urban areas by approving the urban intervention of the Kwenda Program – Pilot phase in the Cabinda province, and expanded appropriation approved by the Borrower in its 2024 Budget Law.	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer:** No **Explanation:** Prior action 7 will enhance economic resilience of the poor and strengthen the social protection system. The action will not cause an increase in GHG emissions.
Conclusion for Prior Action 7: No increase in GHG emissions should be expected from expanding the social protection system to extreme poor households.	
Pillar 3: Improving markets and infrastructures to build climate resilience	
Prior Action 8: To promote a more efficient and cleaner transport system, including public transport, the Borrower has adopted a regulation to accelerate the introduction of electric vehicles in the Borrower's fleet and electric buses in the formal bus system.	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer:** No **Explanation:** Prior action 8, aimed at increasing electric vehicles in the government fleet and electric buses in the formal bus system, will not cause an increase in GHG emissions. Therefore, PA#8 will support the country's transition to a low GHG emission pathway by reducing reliance on fossil fuel-based public bus transport systems - one of the main sources of GHG emissions.
Conclusion for Prior Action 8: No increase in GHG emissions should be expected from increasing electric vehicles in the public transport system.	
Prior Action 9: To increase investment in energy transmission, the Borrower has clarified and extended the private sector's authorization to invest in electricity transmission.	
Step M2.1: Is the prior action likely to cause a significant increase in GHG emissions?	**Answer:** No **Explanation:** Prior action 9, aimed at increasing investment in energy transmission, will not cause an increase in GHG emissions. The PA#9 is expected to unlock green electricity as new transmission lines will allow the direct displacement of diesel generation currently being used in isolated grids with a predominantly hydro-based energy mix. Cross-border transmission lines will also allow Angola to export power to neighbouring countries in the Southern Africa Power Pool (SAPP) where some countries have higher carbon-intensity generation mixes. In addition, increased private sector participation will also lead to more

	fiscal discipline in the energy sector, reduce fuel subsidies in the energy generation, and promote a more sustainable electricity consumption.
Conclusion for Prior Action 9: No increase in GHG emissions should be expected from allowing private sector investment in transmission.	
MITIGATION GOALS – Conclusion of the Paris Alignment Assessment for the Program: All prior actions under the mitigation are Paris aligned. They are not expected to increase GHG emissions.	
ADAPTATION AND RESILIENCE GOALS: ASSESSING AND MANAGING THE RISKS	
Pillar 1: Reducing economic distortions and strengthening fiscal and financial sector resilience	
Prior Action #1: To further reduce fuel subsidies and associated economic, environmental, and fiscal costs, the Borrower has: (i) increased the domestic price of diesel; and (ii) enacted a law specific to the fight against the smuggling of petroleum products.	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action's contribution to the Development Objective(s)?	**Answer:** No. **Explanation:** Risks from climate hazards are unlikely to adversely affect reforms to reduce fuel subsidies and ensure efficiency in the downstream oil industry.
Conclusion for Prior Action 1: Climate hazard risks will not affect the contribution of this prior action.	
Prior Action #2: To strengthen the integrity of the financial sector and enhance transparency of legal entities in line with the FATF Standards, the Borrower has enacted an amendment to the AML/CFT Law, which mandates that all legal persons and entities without legal personality operating in the Borrower's territory to maintain a registry of their organizational and operational information, and to preserve it for a period of 10 years.	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action's contribution to the Development Objective	**Answer:** No. **Explanation:** Risks from climate hazards are unlikely to adversely affect reforms to strengthen the integrity of the financial sector and enhance transparency of legal persons and arrangements in line with the FATF standards.
Conclusion for Prior Action 2: Climate hazard risks will not affect contribution of this prior action.	
Prior Action #3: To improve the management of public finances and strengthen fiscal stabilization capacity, the Borrower has: (i) consolidated the existing functions of the SWFs; and (ii) established investment policy frameworks for the SWFs.	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action's contribution to the Development Objective(s)?	**Answer:** No. **Explanation:** Climate hazard risks are not expected to affect measures to improve the management of public finances. In addition, the revised investment policy framework considers the "Santiago Principles", which recommend that SWFs have a sound risk management framework, including the development of contingency plans to ensure business continuity in the event of a natural disaster.
Conclusion for Prior Action 3: Risks from climate hazards will not affect this prior action's contributions.	
Prior Action #4: To reduce goods and services price distortions and discretionary price controls in key sectors, the Borrower has submitted to the National Assembly for approval: (i) the establishment of a market rule-based framework for introducing price regulation; and (ii) the transfer to sector regulating agencies the mandate to implement the new market rule-based framework for price regulation.	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action's contribution to the Development Objective	**Answer:** No. **Explanation:** Risks from climate hazards are unlikely to adversely affect reforms to reduce price distortions and the discretion to impose price controls in key sectors.
Conclusion for Prior Action 4: Climate hazard risks will not affect contribution of this prior action.	
Prior Action #5: To improve the transparency of public finance and monitoring of public procurement, the Borrower has mandated the SNCP to publish public contract award information for all civilian procurement equal or exceeding Kwanza 182,000,000.	
Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action's contribution to the Development Objective(s)?	**Answer:** No. **Explanation:** Climate hazard risks are not expected to affect measures to enhance public procurement transparency.
Conclusion for Prior Action 5: Risks from climate hazards will not affect this prior action's contribution.	

<table>
<tr><td colspan="2">Prior Action #6: To enhance accountability, transparency and systematic performance monitoring of SOEs, while reducing the number of SOEs that represent a fiscal risk for the Borrower’s budget, the Borrower has: (i) mandated annual and semi-annual external audits for all SOEs; (ii) defined criteria for the selection of auditors and the scope of their audits; and (iii) mandated the rotation of external auditors at least every four years.</td></tr>
<tr><td>Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action’s contribution to the Development Objective(s)?</td><td>Answer: No. Explanation: Climate hazard risks are not expected to affect measures to enhance the accountability and transparency of SOEs.</td></tr>
<tr><td colspan="2">Conclusion for Prior Action 6: Risks from climate hazards will not affect prior action #6 contribution to the PDOs.</td></tr>
<tr><td colspan="2">Pillar 2: Boosting inclusion by strengthening social protection</td></tr>
<tr><td colspan="2">Prior Action #7: To enhance the economic resilience of the poor and further strengthen its social protection system, the Borrower has: expanded social safety nets to extremely poor households living in the poorest urban and peri-urban areas by approving the urban intervention of the Kwenda Program – Pilot phase in the Cabinda province, and expanded appropriation approved by the Borrower in its 2024 Budget Law.</td></tr>
<tr><td>Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action’s contribution to the Development Objective(s)?</td><td>Answer: No. Explanation: Climate hazard risks are not expected to affect measures to enhance economic resilience of the poor and strengthen the social protection system. PA#7 is also expected to act as an emergency shock response, including to adverse climatic events, by scaling up cash transfers to affected vulnerable households.</td></tr>
<tr><td colspan="2">Conclusion for Prior Action 7: Risks from climate hazards will not affect prior action #7 contribution to the PDO.</td></tr>
<tr><td colspan="2">Pillar 3: Improving markets and infrastructures to build climate resilience</td></tr>
<tr><td colspan="2">Prior Action #8: To promote a more efficient and cleaner transport system, including public transport, the Borrower has adopted a regulation to accelerate the introduction of electric vehicles in the Borrower’s fleet and electric buses in the formal bus system.</td></tr>
<tr><td>Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action’s contribution to the Development Objective(s)?</td><td>Answer: No. Explanation: Climate hazard risks are not expected to affect measures to increase introduction of electric vehicles in the public transport system.</td></tr>
<tr><td colspan="2">Conclusion for Prior Action 8: Climate hazards are not expected to adversely affect the implementation of the prior action.</td></tr>
<tr><td colspan="2">Prior Action #9: To increase investment in energy transmission, the Borrower has clarified and extended the private sector’s authorization to invest in electricity transmission.</td></tr>
<tr><td>Step A2: Are risks from climate hazards likely to have an adverse effect on the prior action’s contribution to the Development Objective(s)?</td><td>Answer: No. Explanation: Climate hazard risks are not expected to affect measures to increase investment in energy transmission.</td></tr>
<tr><td colspan="2">Conclusion for Prior Action 9: Climate hazards are not expected to adversely affect the implementation of the prior action.</td></tr>
<tr><td colspan="2">ADAPTATION AND RESILIENCE GOALS – Conclusion of the Paris Alignment Assessment for the Program: All prior actions under adaptation and resilience are not expected to be adversely affected by climate hazards.</td></tr>
<tr><td colspan="2">OVERALL CONCLUSION OF PARIS ALIGNMENT ASSESSMENT: The operation is Paris Aligned for both Climate Mitigation and Climate Adaptation.</td></tr>
</table>

ANNEX 6: MATRIX OF KEY CHANGES TO ORIGINAL POLICY MATRIX

Original Pillars, Indicative Triggers, and Indicators	Updated DPL Results Framework	Comments
Pillar 1 - Reducing economic distortions and strengthening fiscal and financial sector resilience	**Pillar 1 - Reducing economic distortions and strengthening fiscal and financial sector resilience**	**No Change**
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.	**Prior Action #1.** To further reduce fuel subsidies and associated economic, environmental, and fiscal costs, the Borrower has: (i) increased the domestic price of diesel; and (ii) enacted a law specific to the fight against the smuggling of petroleum products.	The PA language has been adjusted to reflect that the elimination of gasoline subsidies has been reconfigured in a more gradual framework to allow for better mitigation and communication measures to be put in place.
Results Indicator #1: Domestic gasoline and diesel prices relative to cost recovering benchmark. **Baseline:** 31 percent for gasoline, 23 percent for diesel (2022). **Target:** At least 95 percent both fuels (2025).	**Result Indicator #1:** Domestic gasoline and diesel prices relative to international benchmark (in percent). **Baseline:** 35 for gasoline, 22 for diesel (2022). **Target:** 50 for both fuels (2026)	The target was adjusted – both the date and the level – to reflect the need for a more gradual approach to fuel subsidy reform to mitigate adequately the social impact of the reform.
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.	**Prior Action #2:** To strengthen the integrity of the financial sector and enhance transparency of legal entities in line with the FATF Standards, the Borrower has enacted an amendment to the AML/CFT Law, which mandates that all legal persons and entities without legal personality operating in the Borrower's territory to maintain a registry of their organizational and operational information, and to preserve it for a period of 10 years.	Changes reflect a more precise formulation.
Results Indicator #2: Legal persons included in the beneficial ownership registry and risk-based verifications conducted (percentage). **Baseline**: 0 (2022). **Target:** 50 percent of legal persons registered, and 75 percent of high-risk legal persons verified (2025).	**Result Indicator #2:** Newly registered legal persons with identified beneficial owners (in percent). **Baseline:** 0 (2022) **Target:** more than 80 (2026)	The language of the results indicator has been revised to better reflect the status and sequencing of the legal reforms adopted by the authorities to strengthen transparency of legal persons. The draft law creating the BO registry has not yet been adopted, therefore the reference to the registry was removed. In addition, the authorities have not yet launched the risk assessment of legal persons.

		Therefore, the reference to risk-based verification has been removed to focus on identification. The new result indicator focuses on the collection of BO information of legal persons, but not limited to the BO registry (having a BO registry is not a FATF requirement, BO information can be collected by other means). The target and timeline have been adjusted accordingly.
Indicative Trigger #3: To improve the management of public finances, the Borrower consolidates and strengthens the governance of fiscal stabilization funds.	**Prior Action #3**: To improve the management of public finances and strengthen fiscal stabilization capacity, the Borrower has: (i) consolidated the existing functions of the SWFs; and (ii) established investment policy frameworks for the SWFs.	Changes reflect a more precise formulation.
Results Indicator #3: Fiscal stabilization fund set up and operating under appropriate rules. **Baseline:** No (2022). **Target:** Yes (2025).	**Result Indicator #3:** Number of existing oil saving funds **Baseline:** 4 (2022) **Target**: 1 (2026)	The Result Indicator has been modified to better reflect the impact of the prior action.
	Prior Action #4: To reduce goods and services price distortions and discretionary price controls in key sectors, the Borrower has submitted to the National Assembly for approval: (i) the establishment of a market rule-based framework for introducing price regulation; and (ii) the transfer to sector regulating agencies the mandate to implement the new market rule-based framework for price regulation.	In Angola, price controls are in place on a number of goods and services to achieve social and economic objectives but creating economic distortions. The reform supported by this new PA #4 is expected to facilitate Angola's transition to a market-based economy and promote more competitive market outcomes, and hence is directly linked to Pillar 1 objective of reducing economic distortions, strengthening the policy matrix.
	Result Indicator #4: Sectors moving from price control to market regulation. **Baseline:** 0 (2022) **Target:** 9 (2026)	This new RI #4 strengthens the results framework to measure progress in achieving less distortionary price setting mechanisms (as supported under PA #4) in 9 key sectors: water and energy, transport, basic foods, telecom, aviation, logistics, petroleum derivatives, education and higher education (fees) and, drugs.

	Prior Action #5: To improve the transparency of public finance and monitoring of public procurement, the Borrower has mandated the SNCP to publish public contract award information for all civilian procurement equal or exceeding Kwanza 182,000,000.	The reform supported by this new PA #5 aims at addressing deficiencies in Angola's procurement system, in particular related to transparency. By supporting the publication of large civilian public contracts, the PA contributes to strengthen public procurement transparency which also contributes to reducing economic distortions and supporting fiscal resilience, consistent with Pillar 1 objectives.
	Result Indicator #5: Civilian public procurement contracts, exceeding Kz 182 million, published (in percent) **Baseline:** 0 (2022) **Target:** More than 90 (2026)	This new RI #5 strengthens the results framework to measure progress achieved through the implementation of PA #5
Indicative Trigger #4: To enhance the accountability of SOEs, the Borrower introduces systematic performance monitoring for SOEs.	**Prior Action #6:** To enhance accountability, transparency and systematic performance monitoring of SOEs, while reducing the number of SOEs that represent a fiscal risk for the Borrower's budget, the Borrower has: (i) mandated annual and semi-annual external audits for all SOEs; (ii) defined criteria for the selection of auditors and the scope of their audits; and (iii) mandated the rotation of external auditors at least every four years.	The formulation of the PA has been strengthened to focus on concrete actions that will support SOEs' accountability, transparency, and performance monitoring.
Results Indicator #4: Number of state-owned enterprises **Baseline:** 76 (2022). **Target:** Fewer than 40 (2025).	**Result Indicator #6:** Number of state-owned enterprises **Baseline:** 76 (2022) **Target:** Fewer than 40 (2026)	No major changes. The target date has been adjusted to align with the closure of the programmatic series.
Pillar 2 - Boosting equity by strengthening social inclusion	**Pillar 2 - Boosting inclusion by strengthening social protection**	**Minor changes to enhance clarity and specificity.**
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.	**Prior Action #7:** To enhance the economic resilience of the poor and further strengthen its social protection system, the Borrower has: expanded social safety nets to extremely poor households living in the poorest urban and peri-urban areas by approving the urban intervention of the Kwenda Program – Pilot phase in the Cabinda province, and expanded	Changes reflect a more precise formulation with a concrete action plan that reflects the gradual approach towards the institutionalization of the Kwenda program, as the implementation of the pilot will inform the program's broader urban expansion.

	appropriation approved by the Borrower in its 2024 Budget Law.	
Results Indicator #5: Number of families receiving updated benefit amount, of which female-headed households (percentage) **Baseline:** 0.6 million (2022). **Target:** At least 1.6 million and at least 60 percent female-headed (2025).	**Result Indicator #7:** Improved coverage of cash transfers and institutional capacity for 'last mile' delivery: a. Total number of cash transfer beneficiary households (in million) b. Female cash transfer recipients on behalf of the household (in percent of total) c. Number of number of poor urban and peri-urban beneficiary households (thousands) **Baseline:** a. 0.6 (2022) b. 60 (2024) c. 4 (2024) **Target:** a. 1.6 (2026) b. 70 (2026) c. 104 (2026)	The Result Indicator has been reformulated to better capture the impact of the prior action. The target date has also been adjusted to align with the closure of the programmatic series.
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.	Dropped.	With the highly informal nature of many minibuses, further technical preparations are needed to avoid potentially significant fiscal leakages.
Results Indicator #6: Number of targeted passengers per day with free or reduced fare. **Baseline:** 0 (2022). **Target:** > 500,000 (2025).	**Result Indicator #8:** Number of targeted passengers per day with free or reduced fare. **Baseline:** 0 (2022) **Target:** 300,000 (2026)	The target has been adjusted to reflect slower progress on the reform, which is illustrated by the removal of Indicative Trigger #6 from this operation.
Pillar 3 – Improving markets and infrastructures to build climate resilience	**Pillar 3 – Improving markets and infrastructures to build climate resilience**	**No change**
	Prior Action #8: To promote a more efficient and cleaner transport system, including public transport, the Borrower has adopted a regulation to accelerate the introduction of electric vehicles in the Borrower's fleet and electric buses in the formal bus system.	This new PA #8 aims to support Angola's decarbonization goals by reducing its reliance on fossil fuels, hence supporting Pillar 3 objectives.
	Result Indicator #9: Share of electrical vehicles used: a. by the Government (in percent of total) b. in total public transportation (in percent of total)	This new RI#8 allows to measure the progress on PA#8, and hence strengthens the results framework.

	Baseline: a. 0 (2023) b. 0 (2023) **Target:** a. 2 (2026) b. 1.5 (2026)	
Indicative Trigger #7: To increase investment in energy transmission, the Borrower approves legislation to allow private sector investment in transmission.	**Prior Action #9:** To increase investment in energy transmission, the Borrower has clarified and extended the private sector's authorization to invest in electricity transmission.	Minor changes that reflect a more precise formulation.
Results Indicator #7: Increase in the percentage of the population with access to electricity. **Baseline:** 45 percent (2022). **Target:** 47 percent (2025).	**Result Indicator #10:** Population with access to electricity (in percent of total) **Baseline:** 43 (2022) **Target:** 47 (2026)	No major changes. The target date has been adjusted to align with the closure of the programmatic series.
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.	Dropped	The government has proposed to postpone the implementation of these measures due to ongoing fiscal consolidation efforts and SOE reform. However, the Bank's team has agreed to continue technical discussions with the authorities to ensure that these measures are effectively implemented once the macro-fiscal conditions are appropriate.
Results Indicator #8: Number of provincial utilities adequately reporting service levels and water quality data. **Baseline:** 0 (2022). **Target:** At least 15 (2025).	**Results Indicator #11:** Number of provincial utilities adequately reporting service levels and water quality data **Baseline:** 0 (2022). **Target:** at least 15 (2026).	No major changes. The target date has been adjusted to align with the closure of the programmatic series.
Indicative Trigger #9: To support the development and uptake of agricultural insurance, the Borrower creates an agricultural insurance fund.	Dropped.	With ongoing technical support from the IFC, this reform is in progress, but it will be implemented after the completion of the feasibility studies.
Results Indicator #9: Total annual premium value on all insurance products. **Baseline:** Kz 278 billion, 0.61 percent of GDP (2021). **Target:** At least 1.2 percent of GDP (2025)	Dropped.	This RI is no longer relevant for the Results Framework given that it was primarily linked to the implementation of Indicative Trigger #9 which has been dropped in this second DPL in the series.
Indicative Trigger #10: To reduce greenhouse gas emissions from oil and gas production, the Borrower implements an enforcement mechanism including	Dropped.	More time is needed to complete background technical work and stakeholders' consultations.

material sanctions on gas flaring and venting.		
Results Indicator #10: Decline in gas flaring intensity barrel of oil produced. **Baseline:** 4.4 m3 per barrel in 2021. **Target:** Less than 2.5 m3 per barrel by 2025.	Dropped.	This RI is no longer relevant for the Results Framework given that it specifically measured progress along Indicative Trigger #10 which has been dropped in this second DPL in the series.