



The World Bank

Third Angola Growth and Inclusion Development Policy Financing (P169983)

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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

THIRD ANGOLA GROWTH AND INCLUSION DEVELOPMENT POLICY LOAN

February 28, 2022

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

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Republic of Angola

GOVERNMENT FISCAL YEAR

January 1 – December 31

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of date: January 31, 2021)

Currency Unit: Angolan Kwanza (Kz)

US\$1.00 = Kz 586.4

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank	Kz	Angolan Kwanza (currency)
AFD	<i>Agence Française de Développement</i> (French Development Agency)	LDP	Letter of Development Policy
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism	LIC	Low Income Countries
AQR	Asset Quality Review	LSPA	Payment System Law
ARC	<i>Autoridade Reguladora da Concorrência</i> (Competition Regulatory Authority)	MFD	Maximizing Finance for Development
BNB	<i>Banco Nacional de Angola</i> (Central Bank of Angola)	MINEA	Ministry of Energy and Water
BPC	<i>Banco de Poupança e Crédito</i> (Bank of Savings and Credit)	MTDS	Medium-term Debt Management Strategy
CBR	Correspondent Banking Relations	MTFF	Medium-term Fiscal Framework
CCDR	country Climate and development report	NDP	National Development Plan
CEM	Country Economic Memorandum	NPC	National Payment Council
CGE	<i>Conta Geral do Estado</i> (General Accounts of the State)	NPLs	Non-Performing Loans
CPF	Country Partnership Framework	NRW	Non-Revenue Water
CPSD	Country Private Sector Diagnostic	OPEC	Organization of Petroleum Exporting Countries
CPS	Country Partnership Strategy	PA	Prior Action
DGF	Deposit Guarantee Fund	PDISA2	Second Water Sectoral Institutional Development Project
DPF	Development Policy Financing	PEM	<i>Programa de Estabilização Macroeconómica</i> (Macroeconomic Stabilization Program)
DSSI	Debt Service Suspension Initiative	PEPs	Politically Exposed Person
EFR	Economic and Financial Regime	PER	Public Expenditure Review
EFF	Extended Fund Facility	PFM	Public Financial Management
EIA	Environmental Impact Assessment	PPP	Public Private Partnerships
EITI	Extractive Industry Transparency Initiative	PROPRIV	Reform and Privatization Program
ENDE	<i>Empresa Nacional de Distribuição de Energia</i> (National Energy Distribution Company)	PSIA	Poverty and Social Impact Analysis

ESMAP	Energy Sector Management Assistance Program	PWSUs	Provincial Water and Sanitation Utilities
FATF	Financial Action Task Force	RAS	Reimbursable Advisory Services
FAS	<i>Fundo de Apoio Social</i> (Social Support Fund)	RECLIMA	Water Security and Climate Resilience Project
FDI	Foreign Direct Investment	RCP	Representative Concentration Pathways
FIL	Financial Institutions Law	RFDRP	<i>Reserva Financeira do Diferencial da Receita do Petróleo</i> (Oil Revenue Differential Financial Reserve)
FX	Foreign Exchange	RNT	<i>Rede Nacional de Transporte</i> (National Transport Network)
GABHIC	<i>Gabinete para a Administração da Bacia Hidrográfica do rio Cunene</i> (Office for the Management of the Cunene River Basin)	SSA	Sub-Saharan Africa
GCI	Global Competitiveness Index	SCD	Systematic Country Diagnostic
IMF	International Monetary Fund	SDR	Special Drawing Rights
GDP	Gross Domestic Product	SETIC	Public Finance Information and Communication Technology Service
GoA	Government of Angola	SOE	State-Owned Enterprise
GHG	Greenhouse Gas	SNCPE	e-procurement system
IBRD	International Bank for Reconstruction and Development	SONANGOL	<i>Sociedade Nacional de Combustíveis de Angola</i> (National Oil Company)
IDREA	<i>inquérito de despesas e receitas de emprego de Angola</i> (Household Survey)	TA	Technical Assistance
ICUs	Intensive Care Unities	TAAG	<i>Transportes Aéreos Angolanos</i> (Angolan Air Transport)
IFC	International Finance Corporation	VAT	Value Added Tax
IPREC	<i>Instituto Regulador de Preços e Concorrência</i> (Price and Competition Regulation Institute)	WB	World Bank
IGAPE	<i>Instituto de Gestão de Activos e Participações do Estado</i> (Institute for the Management of State Assets and Participations)	WBG	World Bank Group
INACOM	<i>Instituto Angolano das Comunicações</i> (The Telecommunications Sector Regulator)	WSIDP-II	Water Sector Institutional Development Project
IPF	Investment Project Financing		
IPREC	<i>Instituto Regulador de Preços e Concorrência</i> (Price and Competition Regulation Institute)		
IRSEA	Regulatory Agency in Charge of Water and Electricity Tariffs		

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REPUBLIC OF ANGOLA

THIRD ANGOLA GROWTH AND INCLUSION DEVELOPMENT POLICY FINANCING

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**SUMMARY OF PROPOSED FINANCING AND PROGRAM****BASIC INFORMATION**

Project ID	Programmatic	If programmatic, position in series
P169983	Yes	3rd in a series of 3

Proposed Development Objective(s)

The development objective is to support the Government of Angola to achieve more sustainable and inclusive growth, through (i) a macro-financial and institutional environment that is conducive to private-sector led growth; and (ii) financial and social inclusion.

Organizations

Borrower:	REPUBLIC OF ANGOLA
Implementing Agency:	MINISTRY OF FINANCE OF THE REPUBLIC OF ANGOLA

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

Total Financing	500.00
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DETAILS

International Bank for Reconstruction and Development (IBRD)	500.00
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INSTITUTIONAL DATA**Climate Change and Disaster Screening**

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

Overall Risk Rating

Substantial



Results

Indicator Name	Baseline	Target
Number of quarterly fiscal accounts published per calendar year, with lags no longer than 45 days for each quarter.	0 (2018)	4 (2023)
Stock of external public debt (Central government, Sonangol and TAAG Angola Airlines), excluding to multilateral lenders.	US\$45.6 billion (2019)	Less than US\$45 billion (2023)
Share of the total deposit accounts insured by a Deposit Guarantee Fund (DGF)	0% (2018)	90% (2023)
Percentage of Banks covering at least two third of systems that have in place approved resolution plans consistent with the Financial Institutions Law (FIL) requirement	0% (2020)	Banks representing not less than 65 percent of total banking sector assets (2023)
Government transfers to State Owned Enterprise (SOEs) (operational subsidies, capital transfers) as a share of GDP.	5% (2017)	2% (2023)
Share of SOEs reporting quarterly financial statements to Ministry of Finance (within 60 days of the end of the quarter)	0% (2019)	60% (2023)
Number of enforcement decisions issued by the Competition Regulatory Authority (<i>Autoridade Reguladora da Concorrência, ARC</i>)	0 (2018)	5 (cumulative by 2023)
FDI inflows (non-oil sector) as a share of GDP	0.2% (2018)	1% (2023)
Annual Revenue Requirements of electric utilities established based on sound methodology, underpinning the process towards application of cost-reflective tariffs	No (2018)	Yes (2023)
Number of beneficiaries of cash transfers (individuals)	0 (2018)	2,000,000 of which 55% are women (2023)
Share of the adult population with a transaction account	49% population, and 41% among women (2019)	60% population, and 55% among women (2023)
Water Utility tariffs based on cost-recovery principle, systematically adjusted.	Ad hoc price adjustments not based on cost recovery or market principles (2018)	Water utility tariffs systematically and progressively adjusted towards cost-recovery levels (2023)
Number of water resources users registered in the national cadaster which will have to pay the bulk water abstraction tariff of the economic and financial regime, promoting the sustainable use of water resources in the face of climate risks and setting the foundation for drought preparedness	0 (2018)	100 (2023)



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

1. INTRODUCTION AND COUNTRY CONTEXT

1. **The proposed Development Policy Financing (DPF), the third in a series of three, supports the Government of Angola (GoA) in undertaking key reforms aimed at building stronger foundations for economic diversification, job creation, resilience to climate and economic shocks, and poverty reduction.** Angola, a lower-middle income country of 32 million people and Sub-Saharan Africa's (SSA) second-largest oil producer, is overly dependent on petroleum, which in 2021 still accounted for over 90 percent of exports, 60 percent of fiscal revenues and 33 percent of Gross Domestic Product (GDP). This has made growth and macroeconomic management highly vulnerable to external shocks, stunted the non-oil economy, and generated few jobs. Governance challenges common to many resource-rich countries have constrained the benefits from Angola's oil wealth. As a result, many Angolans benefited little from economic growth and about half the country's population remains in poverty. The administration that took office in 2017 launched an ambitious structural reform program aimed at addressing the country's governance, economic and social challenges, with a specific focus on increased public sector transparency and the creation of an environment that is conducive to inclusive, diversified and more resilient economic growth. The reforms are supported by the World Bank through this DPF series and complementary lending and non-lending activities, as well as a three-year International Monetary Fund (IMF) Extended Fund Facility (EFF), which concluded successfully in December 2021.

2. **Angola exited from a five-year recession in 2021 helped by improved economic management.** During the period of high oil prices in 2005 to 2014, Angola recorded rapid economic growth, though growing oil wealth also resulted in an overvalued currency. When oil prices declined in 2015, Angola fell into a recession, with a cumulative decline of 3.8 percent in real GDP from 2015 to 2019. The sharp drop in oil prices in early 2020 brought on by the Coronavirus Disease 2019 (COVID-19), coupled with measures put in place to contain the pandemic, further exacerbated the economic downturn, and GDP declined by 5.4 percent in 2020. With higher oil prices and the lifting of mobility restrictions in 2021, growth is expected to have turned modestly positive, at 0.4 percent. The floating of the exchange rate since 2018 has served as a shock absorber and will support economic diversification but, in the short-term, has led to higher inflation. Rapid currency depreciation also contributed to a steep rise in the debt-to-GDP ratio to 131 percent in 2020, but as oil prices and the currency recovered and fiscal prudence was maintained, the ratio is projected to have declined to 95 percent in 2021.

3. **The COVID-19 pandemic exacerbated already-high poverty.** Like many other resource-rich countries, Angola had difficulty channeling oil revenues towards overcoming human development and social challenges. Poverty remained high even during the boom years and has further increased since 2015 due to a combination of loss of employment earnings and higher food inflation. The pandemic exacerbated this trend, and it is estimated that in 2021 more than 53 percent of Angolans live on less than US\$1.90 (purchasing power adjusted 2011 US\$). At 0.36 in 2020, Angola has among the lowest Human Capital Index levels globally, reflecting poor outcomes in schooling and health. COVID-19-related interruptions in services, including closure of primary schools for 11 months, are expected to have further undermined human capital development. Angola made strong progress in COVID-19 vaccinations, and as of February 25, 2022, 31.6 percent of the population (nearly 60 percent of the adult population) had received at least one dose of the vaccine, compared to 10.9 percent in SSA.

4. **Angola is highly exposed to extreme climate events, which contributes to greater vulnerability to poverty.** The South of Angola has suffered recurrent droughts over the years, and the most recent (between



November 2020 and January 2021) was the worst recorded drought in the last 40 years.¹ Effects of climate change may increase both the frequency and the magnitude of future droughts, particularly in the south but also in other parts of the country. Water availability is projected to decrease in the future in southern regions of the country, posing challenges not only to water supply and agriculture but also to electricity production. The length of dry seasons, frequency of dry spells as well as temperatures are expected to increase.² This will hurt agricultural productivity, lead to further migration to cities and urban centers, and increase the overall vulnerability of populations in climate sensitive areas. Climate change will also lead to higher frequency of floods in Angola's largest cities where more than 60 percent of the population resides.

5. **To address these challenges, the Angolan authorities have strengthened macroeconomic management, are improving the business environment while reforming SOEs, building social protection systems, and adopting policies to combat and adapt to climate change.** Reforms undertaken include the introduction of a more flexible and transparent exchange rate regime, robust fiscal consolidation measures that supported debt reduction, and the promotion of financial sector stability. Other key reforms aim to combat corruption, strengthen protections against money laundering, and enhance transparency in public investments. Reforms to improve the business environment, level the playing field within the private sector, in particular for (SMEs), and expand access to credit through the introduction of digital financial services have also been significant. In parallel, the government has worked to reduce the legacy of state presence in the private sector through an ambitious privatization and SOE reform program. Angola has submitted a revised Nationally Determined Contribution under the Paris framework updated in May 2021³ stating its commitment to decarbonization and addressing adaptation challenges with a strong focus on the water sector. Furthermore, the government is strengthening its social protection system. Implementation of the reform agenda has continued despite the significant impacts from COVID-19.

6. **This DPF series supports key aspects of the government's reform agenda and significant progress is already evident.** The results include greater fiscal transparency through a fiscal responsibility law, more comprehensive and timely General Government Accounts, fiscal and debt bulletins, reporting and full budgeting of fuel subsidy costs, and the adoption of a debt management strategy and preparation of an annual borrowing plan. Over 80 percent of deposit accounts are insured by a newly established Deposit Insurance Fund, supporting financial stability. The approval of the Payments Systems Laws in 2021 and associated regulation in 2022 will promote financial inclusion and digital financial services with three new payments service providers licensed. This reform is already leveraged, with 69 percent of current beneficiaries from the cash transfer program having received their benefit through digital payments. The cash transfer program has registered 500,000 households so far and is expected to lead to a five percent reduction in poverty once fully rolled out. Implementation of the privatization program is ongoing, with the privatization of 73 entities completed at the end of 2021 and another 67 in the process of being privatized. Finally, in line with measures aimed to expand non-oil sectors, there has been an increase of 44 percent in non-extractive exports since 2018, reaching US\$283.4 million in 2020.

7. **Reforms under the DPF series reinforce and complement ongoing and proposed World Bank-financed operations and technical assistance and International Finance Corporation (IFC) private sector engagements.** The World Bank engages comprehensively in Angola through lending and non-lending instruments in support of poverty reduction, human capital development, and economic diversification. These engagements include support to the government's new Kwenda poverty-targeted cash transfer program (P169779), pandemic support for COVID-19 vaccine purchase and distribution and systems strengthening (P176630), and a Girls' Empowerment

¹ "Angola Brief | World Food Programme." n.d. Accessed July 8, 2021. <https://www.wfp.org/countries/angola>.

² Angola Country Climate Development Report (2022) Under preparation

³ <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Angola%20First/NDC%20Angola.pdf>



and Learning Project (P168699) that aims to keep girls in secondary school—a key measure to strengthen human capital and reduce fertility among adolescent girls. Ongoing and proposed new engagements in the agriculture sector aim to strengthen agricultural, technical, and institutional capacity for improved climate resilience and food and nutrition security—critical for the country’s economic diversification efforts—while a planned Climate Resilience and Water Security Project (P177004) will strengthen water and sanitation services, the development of water resources, and institutional capacity for climate resilience in the water sector. SOE reforms and financial sector and business environment strengthening are supported through ongoing Reimbursable Advisory Services (RAS). Reforms aimed at creating more open and competitive markets are also supported through IFC’s growing engagement, which focuses on agriculture, telecommunications, financial services, and renewable energy. The DPF series serves as a strong complement to these engagements, supporting implementation of key underlying reforms in the various sectors and contributes to the development of a more diversified and climate resilient economy, in line with the Green, Resilient, Inclusive Development (GRID) approach.

8. **General elections are due to take place in the second half of 2022⁴.** President João Lourenço, representing the People's Movement for the Liberation of Angola (MPLA) was first elected in 2017 and is seeking reelection in 2022.

9. **Continued strong engagements with World Bank, IMF and other development partners are expected to sustain the reform momentum.** After the successful conclusion of its latest program in December 2021 the IMF expects to remain closely engaged with the GoA, including through ongoing technical assistance. Continued policy dialogue and technical engagement with the World Bank across multiple areas and agencies, a prudent 2022 budget, as well as the need to attract foreign direct investment and regain access to international credit markets all reinforce the sustainability of key reforms. Based on the incoming government priorities and interest, the Bank remains open to continue engaging in promoting the next phase of reforms including through future DPFs beyond this series. The government also remains committed to working with other development partners - including the IMF, the African Development Bank, the European Union and the *Agence Française de Développement* (AFD- French Development Agency) (the latter two are also providing budget support) – to implement the reform agenda.

2. MACROECONOMIC POLICY FRAMEWORK

2.1. RECENT ECONOMIC DEVELOPMENTS

10. **COVID-19 aggravated the recessionary dynamics that the Angolan economy has experienced since 2015.** As a result of falling oil output and the COVID-19-related impact on services, Angola’s GDP contracted by 5.4 percent in 2020 (Table 1). This follows a long recessionary cycle triggered by the oil price decline of 2014-16 that resulted in lower oil production due to a contraction in investments in the sector, as well as a slowdown in infrastructure investments as concerns over debt sustainability drove the need for fiscal retrenchment. As maintenance and previously planned investments were disrupted by COVID-19 and lower oil prices further deterred investments, oil production fell by 13.7 percent in 2020 to 1.23 Mb/d⁵, bringing the cumulative decline since 2015 to 31 percent. The COVID-19 pandemic also drastically but temporarily reduced activity in parts of the

⁴ An election date has not yet been set. The Angolan constitution requires elections for the National Assembly and President every five years and the last election took place on August 23, 2017.

⁵ Million barrels per day.



non-oil economy (trade and in-person services), as the government took measures to reduce virus transmission.

11. **Angola's economy is expected to come out of the 5-year recession in 2021, but given the ongoing pandemic and falling oil output, the recovery remains fragile.** Oil production has declined further in 2021 to just over 1.1 mb/d, about 10 percent below the average of the previous year. The relaxation of mobility restrictions helped revive non-oil sectors, with a strong year-on-year recovery in services in the first half of 2021. As a result, despite a 11.1 percent decline in the oil sector, real GDP expanded by 0.8 percent in the third quarter of 2021. In addition to the recovery in services, growth in primary sectors also picked up due to a recovery in fisheries and import substitution in agriculture induced by the weaker exchange rate. The non-oil industrial sector improved in early 2021, although the construction sector continued to be held back by low fiscal spending and tighter credit.

12. **Exports and imports contracted in 2020, but higher oil prices boosted exports and the current account in 2021.** Oil exports suffered from low prices and falling production in 2020, which led to a reduction of 40.3 percent of total exports (in US\$ terms). Imports also declined sharply (by 32 percent) due to trade and investment bottlenecks and the currency depreciation. The reversal of the oil price decline by the end of 2020 improved terms of trade and boosted export revenues despite lower production: in the first half of 2021, the oil price recovery translated into a 47 percent increase of oil exports year-on-year to US\$13.8 billion. Non-extractive exports (e.g., fish, fruits, and wood), while still modest overall, more than doubled, highlighting the potential for non-oil exports. Despite a 17 percent year-on-year increase in imports (mainly machinery, fuels, and food) in the same period, the current account balance turned from a deficit of US\$0.1 billion in the first half of 2020 into a surplus of US\$3.7 billion in the first half of 2021. As a share of GDP, the current account surplus is projected to increase to 4.2 percent in 2021 from 1.5 percent in 2020.

13. **With higher oil prices, the Kwanza appreciated in 2021 and reserves have increased.** The exchange rate, sensitive to oil prices and concerns about debt sustainability, had depreciated by 38 percent in 2020. As oil prices recovered, it stabilized, appreciating by 13.4 percent in 2021. As a result, of the nominal appreciation of the domestic currency and elevated inflation, the real effective exchange rate also appreciated. The more flexible exchange rate regime contributed to a narrowing of the historically large spread between official and parallel FX markets to 12.6 percent in November 2021. Central Bank net reserves reached US\$9.7 billion in December 2021, helped by the improved current account and the allocation of IMF's Special Drawing Rights (SDR) of US\$1 billion in August 2021. Import coverage remains adequate at about 11 months.

14. **Inflationary pressures led to a tightening in monetary policy.** Consumer prices rose by 27.0 percent in 2021 from 25.1 percent in 2020. Food inflation at 33.7 percent in 2021 has been a key driver of inflation. Rising global commodity prices, import restrictions earlier in 2021, and domestic crop failures due to the drought pushed prices upwards. In addition, the lagged effect of the monetary policy measures implemented in 2020 to mitigate the impact of COVID-19 shock has also contributed to inflation. The monetary aggregate (M2) expanded by 24.5 percent in 2020, leading the central bank to adjust monetary policy in 2021. In July, it raised the policy rate to 20 percent (from 15.5 percent), which led to a 9.5 percent contraction of M2 by end-2021.

15. **The government mostly saved the additional revenues from higher oil prices.** Fiscal revenues are expected to increase 48 percent in 2021, mainly driven by a 67 percent increase in oil revenues (all in nominal terms). Non-oil tax revenues are projected to increase by 31 percent as result of the positive impact of tax reform measures, especially the VAT. Meanwhile, government spending is projected to increase by only 17 percent due to continued fiscal restraint and a lower interest bill. Currency appreciation and debt reprofiling agreements reached in 2020 also reduced interest payments due in 2021. The non-oil primary deficit, an indication of Angola's structural fiscal position, is expected to improve from 5.8 to 5.1 percent of GDP in 2021, close to the medium-



term target of 5 percent enshrined in the Fiscal Responsibility Law.

16. **Helped by higher nominal GDP and continued fiscal discipline, public debt is projected to decline to about 95 percent of GDP by the end of 2021, leading to upgrades by all three credit rating agencies.** Higher oil prices, a stronger Kwanza and an expected fiscal surplus of 2.8 percent of GDP in 2021 will reverse the trend of rising debt to GDP, which had been driven primarily by currency depreciation since 2018. The stock of public external debt (Central government, TAAG, and SONANGOL) increased from US\$49.8 billion at the end of 2019 to US\$50.2 billion by June 2021. Higher oil prices and the reduction in debt levels resulted in a reduction of Angola's risk perception. The spread on Angolan bonds (as measured by the Emerging Market Bond Index Global, EMBIG), which had reached a record 2,500 basis points in April 2020, declined to below 700 basis points a year later and has remained stable since then, only slightly above pre-pandemic levels. In addition, Angola received an upgrade from Moody's (from Caa1 to B3) in September, and in early 2022 both Fitch and Standard and Poor's also upgraded Angola's credit ratings from CCC to B-.

17. **Financial sector stability indicators have slightly improved, though risks remain elevated.** NPLs declined to 19.9 percent in October 2021 from a high of 35.8 percent in March 2020. This is mainly due to the write-off of NPLs by the largest public bank and their transfer to Recredit, a public Asset Management Company. The capital adequacy ratio stood at 23.1 percent in October 2021, well above the minimum threshold. There has been significant progress in the restructuring of the largest public bank, BPC, and a second bank with significant state shareholding (*Banco Económico*- Economic Bank) is advancing with its restructuring plans in line with the recently approved Financial Institutions Law. Four private banks have addressed capital shortfalls identified in the banking sector asset quality review (AQR). Before the pandemic, banks were taking a conservative posture in lending to SMEs. Therefore, pandemic may have caused little damage to balance sheets. Early indications suggest that banks have further retrenched lending to the private sector, with private sector lending to GDP ratio decreasing to an estimated 11.4 percent of GDP at the end of 2020 from 13.4 percent at the end of 2019.

2.2. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

18. **Growth is projected to accelerate modestly in the medium-term.** As oil production is set to slightly recover and non-oil growth accelerates, growth is expected to reach about 3 percent in 2022 (Table 1). In later years, a stagnant oil sector is expected to be offset by higher growth in non-oil activities, especially agriculture, and a recovery in construction. Agriculture is expected to continue benefiting from the efforts to diversify the economy, through measures to facilitate access to inputs and capital and the flexible exchange rate. The recovery of the construction sector will be driven by the government's program of infrastructure development in the municipalities. As COVID-19 restrictions are lifted and the broader economy recovers, services growth will accelerate. This outlook for the non-oil economy also reflects the expected positive but gradual impact of market-creating and macroeconomic reforms, such as the more flexible currency, privatization, and sectoral reforms promoting economic diversification and private investment. The impact of global decarbonization efforts on oil sector investments and the natural depletion of oil reserves are expected to maintain oil production at historically low levels and declining in the longer term.

19. **The current account surplus is expected to narrow gradually.** Oil exports are projected to remain on a declining trend, while non-oil exports pick up more gradually and imports are expected to recover as the economy grows and the demand for external goods and services increases. The flexible exchange rate is expected to mitigate the demand pressures on external reserves and serve as a first line of defense against external shocks. External financing requirements resulting from the large external debt service are expected to be financed by



bilateral and multilateral loans, bond issuances and, increasingly, foreign direct investment.

20. **Monetary tightening, normalization of supply conditions, and a stable exchange rate will lead to gradual disinflation.** The tighter monetary policy, stable exchange rate, and improved supply conditions through structural reforms, removal of restrictive measures and normalization of rainfall are expected to gradually reduce inflation to single digits by 2024. However, climbing global commodity prices, restrictive trade policies, and possibly new adverse weather conditions pose substantial risks of further inflationary pressures in the near-term.

21. **Fiscal adjustment is expected to continue as the government uses about half of oil revenues towards debt reduction.** The proposed 2022 budget foresees a moderate real increase in expenditures, following tight expenditure control of 2020-21. The government is also planning targeted tax reductions, including of Value-Added Tax rates on some food products not previously included in the reduced rate. Full accounting of fuel subsidies will raise on-budget expenditures that were previously largely absorbed by the national oil company, but do not represent a change in the fiscal stance. Beyond 2022, the overall primary balance is expected to stabilize at a surplus around 6 percent of GDP with the non-oil primary balance stabilizing at a deficit of 5 percent of GDP (Table 2). Primary current expenditures, including on the wage bill, are broadly stable in real terms but declining as percent of GDP. Wage bill restraint has been driven by modest nominal wage growth and limited hiring in most areas except social sectors.

22. **Social expenditures are projected to expand in 2022 and beyond.** Expenditures on health, education, social protection, and community and housing services (excluding fuel subsidies) received a larger budget allocation for 2022 and are expected to increase from 5.7 to 6.6 percent of GDP. The phase out of fuel subsidies would free up fiscal space that can be used for increased social expenditures, including the scaled-up Kwenda program, which already received a significant increase in the 2022 budget.

23. **Public debt is expected to be sustainable as currency stability, economic growth and fiscal prudence gradually reduce the debt to GDP burden.** Following the sharp drop of the debt-to-GDP ratio in 2021, fiscal discipline together with higher nominal growth and a more stable exchange rate are expected to result in a steady decline of the public debt-to-GDP ratio, approaching the target of 60 percent in the medium term. According to the World Bank Debt Sustainability Analysis prepared for this proposed DPF (see Figures 1 and 2), public debt is expected to fall from 135 percent of GDP in 2020 to 94.7 percent in 2021 and to 72.5 percent by 2024.

24. **Angola's continued dependence on oil pose high risks to the outlook.** Oil revenues will remain critical for fiscal and external balances, which remain vulnerable to fluctuation in oil prices and production. An oil price shock may trigger currency depreciation, as seen in the first half of 2020, which would result in a ballooning of the external debt (as a percent of GDP), while reducing the availability of oil-derived revenues to service it. Materialization of such risks could necessitate additional mitigation measures including, potentially, debt relief.⁶ Policy uncertainty around the 2022 elections also increase risks in the near-term. Despite the strong global economic recovery, the recurrent uncertainty resulting from the pandemic pose additional risks. Tighter global financial conditions also pose risks as Angola anticipates returning to the international capital markets as Eurobonds mature in the mid-2020s.

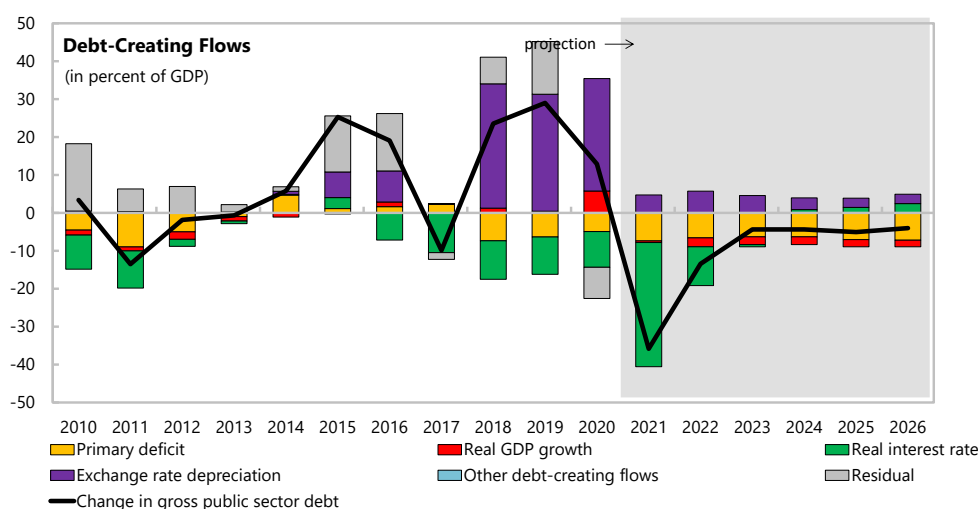
25. **The macroeconomic framework is deemed adequate for the purpose of the proposed operation, based on improved fundamentals and the government's prudent policy stance and commitment to implementing reforms.** Angola was making progress towards restoring macroeconomic stability before the onset of the COVID-

⁶ See GoA's policy memorandum under the third review of the current IMF program (published September 21, 2020) <https://www.imf.org/en/Publications/CR/Issues/2020/09/18/Angola-Third-Review-under-the-Extended-Arrangement-Under-the-Extended-Fund-Facility-Requests-49758>



19 crisis, underpinned by a flexible exchange rate regime, sound monetary policy, fiscal consolidation, and institutional reforms. The policy response to the crisis has been adequate, supporting livelihoods while maintaining prudent macro policies. Servicing Angola's large external debt has become more feasible with higher oil prices but still requires significant fiscal discipline and saving a large share of oil revenues. While the anticipated fiscal effort is significant, the government has demonstrated in 2018-19 as well as in 2021 that it can deliver on large primary surpluses even while protecting social spending. Despite the 2022 general elections, the government remains committed to a prudent stance, as demonstrated by the 2022 budget proposal built around a conservative oil price assumption of US\$59 per barrel. The government's commitment to sound policies and structural reforms is also demonstrated by the successful conclusion of the IMF program in December 2021. Reforms to improve the business environment and spur competition, as part of the economic diversification agenda, as well as efforts to invest in human capital, will be instrumental to enhance private sector-led growth. This will help reduce pro-cyclicality from commodity dependency and support macroeconomic stability.

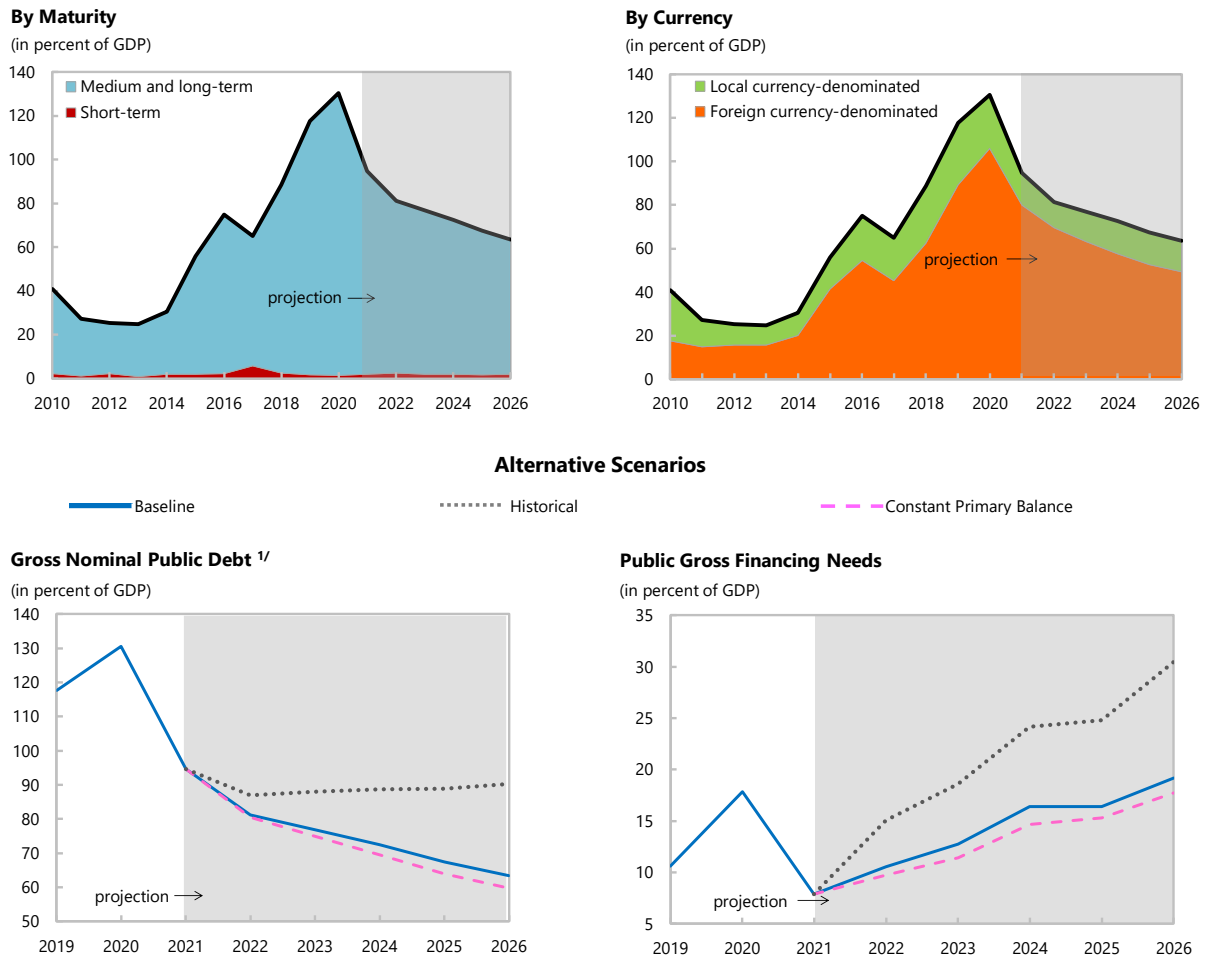
Figure 1. Contributions to public debt developments (2010-2026, percent of GDP)



Source: World Bank Debt Sustainability Analysis



Figure 2. Angola DSA: Level and Composition of Debt



Source: World Bank Debt Sustainability Analysis



Table 1. Angola: Key Macroeconomic Indicators, 2018-2024

	2018	2019	2020	2021E	2022F	2023F	2024F
						Projected	
National Accounts and Prices <i>(Annual percentage change, unless otherwise indicated)</i>							
Real gross domestic product	-2.0	-0.6	-5.4	0.4	3.1	3.0	2.9
Oil sector	-9.4	-6.5	-8.0	-9.9	1.2	0.0	0.0
Non-oil sector	1.5	2.3	-4.0	5.0	3.8	4.1	4.0
Private Consumption (growth)	-3.4	-1.6	-4.0	2.5	2.7	3.8	3.8
Gross Fixed Investment (growth)	-5.5	-3.1	-1.4	-5.9	7.6	8.9	6.1
Exports (growth)	-7.6	0.8	-6.2	-9.2	1.4	0.5	0.5
Imports (growth)	-16.0	0.0	-23.5	7.0	6.0	5.0	8.0
GDP deflator	29.1	21.1	16.0	39.1	18.5	9.5	6.0
Oil sector	99.1	38.2	7.8	67.4	12.1	11.5	5.9
Non-oil sector	21.9	13.9	19.8	28.6	21.5	8.9	6.2
Consumer prices (annual average)	19.6	17.1	22.3	25.6	23.0	13.5	7.8
Consumer prices (end of period)	18.6	16.9	25.1	26.1	19.1	9.5	7.5
Gross domestic product (local currency unit billion)	25,628	30,833	33,836	47,272	57,724	65,128	71,062
Gross domestic product (US\$ billion)	101.4	84.5	58.5	-	89	-	-
Gross domestic product per capita (US\$)	3,290	2,656	1,780	-	-	-	-
Fiscal Accounts <i>(As a percentage of GDP, unless otherwise indicated)</i>							
Revenues	23.1	21.2	20.8	22.1	21.4	20.9	20.7
Of which: Oil-related	14.8	12.8	10.7	12.8	12.0	11.7	11.4
Of which: Non-oil revenues	6.6	6.8	8.8	8.2	8.3	8.2	8.3
Expenditures	20.5	20.4	22.7	19.3	20.9	18.8	19.2
Current Expenditures	15.9	16.8	17.5	15.5	17.3	15.1	15.7
o/w interest	4.7	5.6	6.8	5.2	5.2	4.1	4.8
Capital	4.6	3.7	5.2	3.8	3.7	3.7	3.5
Primary fiscal balance	7.4	6.4	4.9	7.8	5.7	6.2	6.2
Overall fiscal balance	2.6	0.8	-1.9	2.8	0.4	2.1	1.5
Non-oil Primary Fiscal Balance	-6.9	-6.5	-5.8	-4.4	-6.4	-5.4	-5.1
Non-oil Primary Fiscal Balance (percent of non-oil GDP)	-9.9	-9.5	-8.2	-6.3	-9.4	-7.6	-7.1
Total public debt	88.6	117.6	130.5	94.7	81.2	76.9	72.5
Credit to the private sector	12.8	21.7	-8.8	9.4	24.1	21.5	15.8
Broad money M2	23.6	30.2	24.3	15.8	12.8	12.1	12.0
External accounts <i>(As a percentage of GDP, unless otherwise indicated)</i>							
Trade balance	24.6	24.4	19.5	28.1	26.3	24.8	23.3
Exports of goods and services	40.2	41.1	35.8	41.6	38.6	38.4	37.5
Imports of goods and services	15.6	16.7	16.3	13.5	12.3	13.6	14.2
Foreign direct investment (net inflows)	-6.4	-2.1	-3.3	-3.3	-0.3	0.6	1.0
Current account balance	7.3	6.1	1.5	3.1	5.9	7.3	5.2
Gross international reserves (end of period, US\$ millions)	16,170	17,211	14,879	-	-	-	-
Net reserves (US\$ billion)	10,646	11,712	8,767	-	-	-	-
Gross reserves (months of next year's imports)	5.7	9.3	5.3	-	-	-	-
Nominal exchange rate - average	253	365	578	-	-	-	-
Nominal exchange rate - end of period	309	482	656	-	-	-	-
Memo							
Angola oil price (average, US\$ per barrel)	69.7	63.0	42.9	66.5	70.8	66.4	66.8
Oil production (millions of barrels per day)	1.57	1.42	1.23	1.11	1.12	1.12	1.12

Sources: MINFIN (Minister of Finance), BNA (Banco Nacional de Angola, Angola Central Bank), and World Bank estimates



Table 2. Angola: Key Fiscal Indicators, 2018-2024 (percent of GDP)

	2017	2018	2019	2020	2021E	2022F	2023F	2024F
	Projected							
	(As a percentage of GDP, unless otherwise indicated)							
Overall balance	-5.9	2.6	0.8	-1.9	2.8	0.4	2.1	1.5
Primary fiscal balance	-2.3	7.4	6.4	4.9	7.8	5.7	6.2	6.2
Non-oil Primary Fiscal Balance	-11.3	-6.9	-6.5	-5.8	-4.4	-6.4	-5.4	-5.1
Non-oil Primary Fiscal Balance (percent of non-oil GDP)	-14.3	-9.9	-9.5	-8.2	-6.3	-9.4	-7.6	-7.1
Revenue	17.5	23.1	21.2	20.8	22.1	21.4	20.9	20.7
Taxes	16.7	21.4	19.6	19.5	12.8	20.4	19.9	19.7
Oil	9.5	14.8	12.8	10.7	8.2	12.0	11.7	11.4
Non-oil	7.2	6.6	6.8	8.8	8.0	8.3	8.2	8.3
Social contributions	0.8	0.8	1.0	0.9	0.7	0.6	0.5	0.5
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue	0.0	1.0	0.5	0.4	0.4	0.4	0.4	0.4
Expenditure	23.4	20.5	20.4	22.7	19.3	20.9	18.8	19.2
Current expenditures	17.6	15.9	16.8	17.5	15.5	17.3	15.1	15.7
Compensation of employees	7.0	6.0	6.5	6.1	5.3	4.9	4.7	4.4
Use of goods and services	4.1	2.9	2.7	2.9	3.2	4.1	3.6	3.2
Interest	3.6	4.7	5.6	6.8	5.2	5.2	4.1	4.8
Subsidies	0.5	0.3	0.3	0.1	0.4	1.8	1.6	1.3
Other expense	1.9	1.8	1.7	1.6	1.4	1.2	1.0	1.0
Capital expenditures	5.9	4.6	3.7	5.2	3.8	3.7	3.7	3.5

Sources: MINFIN (Minister of Finance), and World Bank estimates

Table 3. Angola: Fiscal Financing Needs and Sources, 2019-2024

	2019	2020F	2021F	2022F	2023F	2024F
	Projected					
	(As a percentage of GDP, unless otherwise indicated)					
Gross financing needs	12.1	20.4	8.2	11.7	11.0	15.0
Primary deficit	-6.4	-4.9	-7.8	-5.7	-6.2	-6.2
Debt service	16.9	22.6	16.0	17.3	17.3	21.2
Interest	5.6	6.8	5.2	5.2	4.1	4.8
Domestic	2.6	3.2	2.6	2.3	1.8	2.0
External	3.0	3.6	2.6	3.0	2.3	2.8
Ammortization	11.3	15.7	10.8	12.1	13.1	16.5
Domestic	4.6	10.9	5.3	6.5	9.0	11.1
External	6.7	4.8	5.5	5.6	4.1	5.3
Other debt creating flows ¹⁾	1.5	2.7	0.0	0.0	0.0	0.0
Gross financing sources	13.0	20.4	8.2	11.7	11.0	15.0
Debt issuance	12.1	13.0	7.6	11.0	12.1	15.6
Domestic debt disbursements	4.9	6.9	1.2	8.4	8.4	12.1
External debt disbursements	7.2	6.2	6.3	2.6	3.7	3.5
o/w IMF program	1.3	2.1	3.7	0.0	0.0	0.0
o/w World Bank budget support	0.6	1.2	0.7	0.0	0.0	0.0
Deposit withdrawals (+)	0.9	4.6	0.4	0.5	-1.2	-0.7
FSDEA asset sales	0.0	2.6	0.0	0.0	0.0	0.0
Privatizations	0.0	0.2	0.3	0.2	0.1	0.1
Financing gap	-0.9	0.0	0.0	0.0	0.0	0.0

Sources: MINFIN (Minister of Finance), BNA (Banco Nacional de Angola, Angola Central Bank), and World Bank estimates

1) Includes arrears clearance, recapitalizations



Table 4. Angola: External Financing Requirements and Sources, 2019-2024

	2019	2020	2021F	2022F	2023F	2024F
					Projected	
	<i>(US\$ million)</i>					
Gross financing needs	4,860.7	5,748.1	4,391.8	2,054.9	2,139.2	3,815.9
Current account deficit	-5,137.3	-871.9	-2,377.2	-5,180.1	-6,090.8	-4,479.1
External debt amortization	9,998.0	6,620.0	6,769.0	7,235.0	8,230.0	8,295.0
Government	5,512.0	2,778.0	2,633.0	2,777.0	4,128.0	4,467.0
Sonangol	1,508.0	1,101.0	1,642.0	1,624.0	1,622.0	1,571.0
Banks	217.0	155.0	-716.0	-261.0	-277.0	-294.0
Other private (net)	2,761.0	2,586.0	3,210.0	3,095.0	2,561.0	2,287.0
IMF repayments	0.0	0.0	0.0	0.0	196.0	264.0
Gross financing sources	5,926.7	8,536.9	3,886.8	1,202.9	2,047.2	3,284.9
Capital account (net)	2.1	1.2	1.2	1.3	1.3	1.4
Foreign direct investment (net)	-1,749.1	-1,957.0	-2,513.7	-228.9	515.7	863.6
External borrowing (ex IFIs)	8,571.0	3,919.0	3,235.0	4,129.0	5,469.0	6,713.0
Government	6,434.0	1,931.0	2,360.0	2,529.0	4,369.0	4,913.0
o/w Eurobond issuance	3,000.0	0.0	0.0	0.0	2,000.0	2,000.0
Sonangol	1,500.0	1,500.0	1,300.0	2,000.0	1,300.0	1,200.0
Banks	637.0	488.0	-425.0	-400.0	-200.0	600.0
World Bank ¹⁾	500.0	0.0	700.0	500.0	0.0	0.0
IMF	495.0	1,019.0	2,016.0	0.0	0.0	0.0
Other IFIs ¹⁾	487.0	165.0	120.0	268.0	268.0	0.0
Foreign deposits (net)	-2,379.3	5,389.7	328.3	-3,466.5	-4,206.8	-4,293.1
Change in reserve assets (+ = increase)	1,066.0	2,788.8	-460.0	-1,000.0	-92.0	-263.0

Sources: MINFIN (Minister of Finance), BNA (Banco Nacional de Angola, Angola Central Bank), and World Bank estimates

1) Only includes budget support operations

2.3. IMF RELATIONS

26. **Angola's macroeconomic reforms have been supported by an IMF EFF that was successfully completed in December 2021.** A three-year EFF with Angola was approved in December 2018 and successfully concluded in December 2021. The program supported the implementation of the GoA's Macroeconomic Stabilization Program including fiscal consolidation, increased exchange rate flexibility, and financial sector stability, with an initial financing volume of US\$3.7 billion. Other pillars of the program include improving the business environment, updating the AML/CFT legal framework, and improving governance. The EFF includes conditionalities on public debt, including zero ceilings on new oil-collateralized debt and new external debt payment arrears, limits on the public debt stock, and a floor on social expenditures. The EFF relied on close collaboration with the World Bank, including on subsidy reforms and social protection systems. The EFF allowed Angola to maintain the current reform momentum and the program has remained on track despite the COVID-19 induced shock to the global economy. At the time of the third review (concluded in September 2020) the program was augmented to US\$4.5



billion. The program concluded following a sixth review on December 22, 2021. The IMF expects to remain closely engaged with the GoA, including through ongoing technical assistance.

3. GOVERNMENT PROGRAM

27. **The 2018-2022 National Development Plan (NDP) sets out the medium-term development objectives for Angola.** It is aligned with the National Planning System Law⁷ and with the long-term plan Angola 2025, which was revised and extended to 2050. The NDP contains ten higher order objectives with six government priorities: (i) human development and welfare; (ii) sustainable, diversified, and inclusive economic development; (iii) infrastructure development; (iv) peace consolidation, strengthening democracy, good governance, decentralization and state reform; (v) harmonious territorial development; and (vi) ensuring Angola's stability and territorial integrity and strengthening Angola's role regionally and internationally. In August 2020, the government conducted a mid-term review of the NDP to reflect a socio-economic context marked by a five-year economic recession and the COVID-19 pandemic. Based on the review, the government reduced the number of programs (from 83 to 70) and the number of projects (25 percent - from 3,433 to 2,570). The revised NDP prioritizes programs that have secured financing and contribute to economic diversification and human capital.

28. **The authorities have significantly advanced reforms to regain macroeconomic stability and create a business environment conducive to diversification and inclusive growth.** In 2018, the GoA adopted a Macroeconomic Stabilization Program (PEM) to promote macroeconomic and financial stability. The PEM contained policies and measures to address imbalances in the FX market and in the current account; promote fiscal consolidation and debt sustainability; strengthen the monetary policy and financial system; and reduce inflation. Under this framework, the government introduced a more flexible and transparent exchange rate regime, adopted robust fiscal consolidation measures, maintained a restrictive monetary policy which contributed to a reduction in the inflation rate; and concluded an Asset Quality Review (AQR) for the banking sector. The government also adopted measures to improve the business environment, such as the Law on the Recovery of Enterprises and Insolvency and a new Private Investment Law, and to reduce the state's footprint in the economy through a privatization program and SOE reforms.

29. **The government has shown a commitment to fighting corruption and to improving governance, accountability, and transparency.** It has implemented a set of anti-corruption reforms, including investigations of high-level officials, some of whom have been jailed and/or had their assets frozen. The legal framework for stolen asset recovery has been reformed, allowing first for voluntary repatriation of resources under an amnesty period, and subsequently through coercive repatriation and confiscation of assets in lieu of stolen assets. As a result, stolen assets valued at more than US\$5 billion have been returned. Based on the Attorney General's Strategic Plan for Preventing and Combating Corruption (2018-2022), a more comprehensive anti-corruption strategy is expected to be completed in the first half of 2022 under the leadership of the President's office. The GoA approved in 2019 a revised Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Law in line with the global Financial Action Task Force recommendations regarding enhanced due diligence and application of AML/CFT regulations to Politically Exposed Persons (PEPs). Further, the BNA has passed updated AML/CFT regulation for financial institutions and included AML/CFT aspects in the fit and proper requirements for banks' management in the Financial Institutions Law submitted to parliament. Finally, to improve transparency and governance in the oil sector, the government intends to join the Extractive Industry

⁷ The National Planning System Law (Law nº1/2011) establishes the main guidelines for the preparation, execution, monitoring, and assessment of the national planning with the aim to promote economic development.



Transparency Initiative (EITI) and in 2020 established a National EITI Coordination Committee. Angola expects to conclude the adherence process by the first quarter of 2022. Perceptions of corruption have improved, and Angola's ranking in the Transparency International's Corruption Perception Index has improved from 167 in 2017 to 136 in 2021.

30. **The GoA has made commitments to Climate Change mitigation and is addressing adaptation challenges.** Under its NDC, Angola pledged to reduce greenhouse gas emissions by 36 percent by 2030 as compared to a business-as-usual scenario (base year 2015). To do so, Angola aims to expand electrification through an additional 3 GW of renewable energy capacity, and to sequester two million tons of CO₂-equivalent per year through reforestation by 2030. The NDC focuses adaptation measures on agriculture, fisheries, coastal zones, forests, ecosystems and biodiversity, and water resources. While the government has engaged in short-term relief for affected populations, institutional improvements in the water sector (Policy Area 2.2 and 2.3) are part of a longer-term approach to build resilience against water insecurity resulting from climate change. With an expected increase in the frequency and intensity of droughts, river-floods and other climate-related events, the establishment of a comprehensive cash transfer program enabled by digital payments (Policy Area 2.1) is also essential to have systems in place to quickly provide support to affected populations.

4. PROPOSED OPERATION

4.1. LINK TO GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

Link to Government Program

31. **The proposed DPO is fully aligned with the government's priorities and reflects the World Bank's current engagement in Angola.** The proposed operation builds on extensive policy dialogue structured around analytical work, including the 2018 Country Economic Memorandum (CEM), 2018 Systematic Country Diagnostic (SCD), 2019 Country Private Sector Diagnostic (CPSD); technical assistance (Technical Assistance and Reimbursable Advisory Services); and other ongoing and planned World Bank Group engagements. The following interdependent filters were applied to guide the choice of sectors and reforms included in the DPF series: (i) criticality and robustness of reforms; (ii) presence of strong analytical underpinnings to inform the choice of actions; (iii) robustness of implementation arrangements to support reforms including through complementary investment operations and TA; (iv) government ownership to implement the reforms; and (v) coordination with other development partners; and (vi) alignment with World Bank priorities including the GRID framework. To ensure sustainability of investments made and continue support to a government reform program, the World Bank will continue to work with the authorities to identify future priority areas for engagement—lending and non-lending. This may include potential follow-up DPF in support of critical reforms once a new government is in place.

Operation description

32. **The series' Program Development Objective (PDO) is to support the Government of Angola to achieve more sustainable, resilient, and inclusive growth, through (i) a macro-financial and institutional environment that is conducive to private sector led growth; and (ii) financial and social inclusion.** Targeted reforms under the two objectives mutually reinforce and complement each other and are expected to make the country and its population more resilient to shocks (including those caused or exacerbated by climate change), raise investor confidence, and foster fiscal sustainability and private-sector-led, inclusive growth over the medium-term. The



proposed DPF is organized around two pillars, each addressing policy areas that contribute to these objectives:

- **Pillar 1: Strengthening the macro-financial and institutional environment.** Policy areas include: Strengthening transparency for fiscal and debt sustainability (1.1); Leveling the playing field for private investment (1.2); and Supporting a financially sustainable and greener energy sector (1.3). Areas 1.2 and 1.3 will contribute to improving the availability and affordability of critical infrastructure services for the population and the non-oil private sector while promoting transparency and competition. Reforms in these policy areas are expected to support poverty reduction by creating the underlying conditions for faster and more inclusive growth outside of the natural resource sector.
- **Pillar 2: Building resilience of the poor and vulnerable to economic and climate shocks.** Policy areas include: Protecting the poor and vulnerable from economic and climate shock and increasing access to finance (2.1) and Boosting the financial and physical resilience of the water sector (2.2). Reforms in these policy areas aim to directly reduce poverty and vulnerability to climate and economic shocks. They are complementary, as the reforms to promote access to finance will also support the delivery of social protection payments through digital payments, hence improving transparency and outreach of the social protection program. The reforms to water pricing complement reforms to ensure sustainable management of water basins.

The content of the pillars has been adjusted in the second and this proposed third DPF to respond to the changes in the context brought about by the COVID-19 pandemic and increased salience of climate-related risks following the droughts of 2021 and Angola's updated NDC submission.

33. **The proposed DPF will contribute to the government's efforts to promote a green, resilient, and inclusive post-COVID-19 recovery.** Although Angola estimated to have exited a five-year recession that was further exacerbated by the COVID-19 shock, growth remains fragile in the medium-term and is still below the population growth rate. This proposed third DPF, with a financing of US\$500 million, will support the government's ongoing response to the COVID-19 pandemic and 2021 droughts along with their socioeconomic consequences, though with a focus on the structural reform agenda building towards greater resilience to future economic and climate shocks.

Lessons learned

34. **The design of the current programmatic series incorporates lessons learned from the 2015 DPF for Angola. Four broad lessons emerge from the experience with the 2015 Angola Fiscal Management DPF (P155323) that are of relevance for the current series.** First, the need to be realistic in establishing targets and timetables. Second, the need to complement policy reform with institutional capacity building and calibrate the goals and timing according to the level of capacity available to implement the program. Third, the need to ensure broad ownership and commitment to reforms by the government, so that the program is not severely affected by changes to key counterparts. The fourth lesson relates to the importance of establishing a process for preparing and supervising the operation. Reflecting these lessons, the current operation focuses on reforms that benefit from strong political support at the highest level. All prior actions are further supported by sector-specific World Bank supported operations and/or technical support (through RAS or other Advisory Services and Analytics, ASA). The government has also put in place a Technical Steering Committee, led by the Ministry of Finance, and consisting of dedicated focal points for each prior action, to ensure program implementation.



4.2. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

35. **Prior actions under this proposed third DPF are in line with the indicative triggers proposed in DPF2.** Most of the triggers foreseen at approval of DPF2 are prior actions for this proposed DPF3 though some prior actions have been revised due to the heightened constraints faced by the government as a result of the pandemic-driven deterioration of economic conditions. In particular, the government is not in a position to implement reforms concerning fuel subsidies, which would affect retail fuel prices, according to the original timeline. The government remains engaged with the World Bank and the IMF in the preparation of a roadmap to implement a sustainable reform, but in this operation the fuel subsidy reform has therefore been substituted by a policy action on increased transparency of fuel subsidies, which is an important step towards the ultimate subsidy phase-out. The authorities have, nevertheless, maintained their strong commitment to the reform program, where significant progress has already been made in a number of areas.



Table 5: Summary of Changes in Prior Actions and Triggers from DPF1 to DPF3

Trigger for DPF3 (at DPF1 approval)	Trigger for DPF3 (at DPF2 approval)	Prior Action for DPF3	Reason for change (if any)
<p>Trigger 1: In order to promote transparency and efficient management of natural resources, the GoA has (i) established the working rules of the fiscal stabilization fund (RFDRP) in a Presidential Decree, and (ii) started issuing comprehensive quarterly fiscal and debt reports following international good practices.</p>	<p>Trigger 1a): To promote fiscal transparency and improve fiscal planning and risk management, the GoA has published a fiscal strategy document, including an analysis of contingent liabilities and other fiscal risks and a MTFF.</p> <p>Trigger 1b): To improve the transparency of the public debt, the GoA has (i) published the key terms of all loans contracted or guaranteed by the government, so far as it is not prevented by confidentiality and (ii) has issued an instruction to avoid and limit contractual confidentiality in future loan contracts.</p>	<p>Prior Action 1a): The Borrower has promoted the transparency and efficiency of public expenditure, particularly social expenditure, by publishing a medium-term fiscal framework as well as quarterly monitoring reports on social expenditures.</p> <p>Prior Action 1b): The Borrower has transparently accounted for fuel subsidies by publishing quarterly information on said fuel subsidies and making an allocation for the full estimate of the cost of fuel subsidies in the 2022 annual budget.</p> <p>Prior Action 1c): The Borrower has improved the transparency of the public debt by publishing annually the key terms of all loans contracted or guaranteed by the Borrower starting from 2020, and adopting standard contractual terms to be incorporated in all foreign debt loans.</p>	<p>Action focused on MTFF. The fiscal strategy document will need more time for technical consultation and preparation. The reporting of social expenditures under budget execution reports was recognized as a transparency measure and added to this prior action.</p> <p>Introduced greater transparency in fuel subsidies (see Trigger 4a below).</p> <p>No substantial change (laid out content of the policy action more precisely).</p>
<p>Trigger 2: In order to avoid and reduce cost of eventual bank failures, the BNA has strengthened the bank resolution framework by issuing the necessary regulations and developing a bank procedures manual.</p>	<p>Trigger 2: Further to the FIL, the BNA has strengthened the bank supervision and resolution framework by issuing the necessary regulations.</p>		<p>Dropped. The BNA has concluded the regulations for supervision, with the IMF taking the lead on the TA and including these reforms in their Program Benchmarks.</p>
<p>Trigger 3: In order to ensure that private partners and investments are procured in a competitive and transparent way, the GoA has (i) published regular and complete progress reports of the privatization program in line with international best practice; (ii) completed phase one of the privatization program; and (iii) published a PPP program in compliance with the PPP law and regulations.</p>	<p>Trigger 3: The GoA has advanced the privatization program for an additional 6 SOEs from the national reference list and published progress reports covering the number of bids received, the price, terms and identification of the winning bidder.</p>	<p>Prior Action 2a): The Borrower has advanced the privatization program for an additional five assets from the national priority list and published a program progress report covering the number of bids received, the price, terms, and identification of the winning bidder.</p>	<p>Number of SOEs reduced to 5 based on program progress. Reference list changed to new national priority list, approved in June 2021.</p>
<p>Trigger 5: To strengthen the regulatory and competition framework for the telecom sector, the government has: (i) amended the INACOM Organic Law to strengthen its independence and enable new and expanded roles as sector regulator; (ii) review</p>	<p>Trigger 5a): To improve the functioning of markets, the GoA has adopted legislation to reform the framework of fixed and monitored prices, limiting interventions to cases of market failure.</p>	<p>Prior Action 2b) The Borrower has improved the implementation of economic regulation, including competition policy and phasing out of price controls, by adopting a legislation that provides for operational independence of</p>	<p>Replaced action on the regulation of prices affecting competitive sectors as these reforms require further development by the government and</p>



and update spectrum policy to facilitate competition and investment; (iii) establish criteria and procedures for market assessments, determinations of dominance and imposition of economic regulation; (iv) establish procedures for resolving disputes between network operators; (v) develop framework for non-discriminatory, cost-based wholesale access to terrestrial fiber, towers and other passive infrastructure; and (vi) allow for public spending on universal service, through the INACOM-administered universal service fund, as necessary or advisable to improve geographic coverage.	Trigger 5b): To promote private investment and expansion of telecom networks, the GoA, through INACOM, has updated the infrastructure sharing regulation in-line with good practices and published rules for non-discriminatory pricing for infrastructure sharing.	regulatory entities. Prior Action 2c): The Borrower has promoted private investment and expansion of telecom networks to update the infrastructure sharing regulation in-line with international good practices.	demand more time to mature into effective regulatory improvements. Secondary regulation (rules for non-discriminatory pricing) removed as this will need to be prepared after infrastructure sharing regulation has been approved Trigger 3 joined with Trigger 5a) and 5b) as all three measures share the objective to level the playing field for private investment. IGAPE, a regulatory entity covered by by PA 2c), is both responsible for privatizations and the framework for fixed and monitored prices in Trigger 5a).
	Trigger 4a): To better align fuel prices with economic cost and enhance transparency, the GoA adopts an automatic fuel price adjustment mechanism that limits per-unit subsidy amounts and provides for their transparency. Trigger 4b): To ensure efficient pricing and access of low-income households to electricity, the GoA approves a new the electricity tariff schedule (lifeline tariff and tariff structure by customer bracket), based on distributional analysis.	Prior Action 3a): The Borrower has brought the electricity sector on a path towards cost-recovery tariff levels by approving annual revenue requirements for generation, transmission and distribution for the 2022-2023 period. Prior Action 3b): The Borrower accelerated the expansion of variable renewable energy generation capacity by giving priority to dispatching electricity from renewable energy plants connected to the grid and establishing	Focus of 4a) shifted to transparency. More preparation required for subsidy phase-out, especially given COVID-19 crisis and the need to adequately prepare a response to adverse impacts (e.g., through social protection measures). Trigger 4b) the wording was revised to reflect the next milestone achieved in the tariff setting process towards cost-recovery levels: the determination by IRSEA of ARR for the three public utilities. The tariff adjustment process is expected to be effective in the next tariff period 2024-2027 PA 3b) was added to focus attention on the need to expand solar and wind capacity to reduce average cost of generation and increase resilience.



	<p>Trigger 4c): To promote financially sustainable delivery and expansion of water supply services, the GoA has approved (i) IRSEA's amended bylaws (<i>estatuto orgânico</i>), granting it regulatory independence and (ii) the IRSEA board has approved necessary norms for the implementation of new water supply tariff regulations.</p>	principles for providing financial support to the operators of renewable energy plants.	Trigger 4c has been moved to PA5 as part of the new water pillar
<p>Trigger 6: In order to improve the effectiveness of the social protection system, the GoA has set up programs to link ex-beneficiaries of the temporary cash transfer program to human development services and productive opportunities.</p> <p>Trigger 7: In order to expand access to finance for cash transfers recipients and help ensure program efficiency, security, and transparency, the government has issued regulations to pay related benefits using non-cash means such as a payment card or mobile money transfers.</p>	<p>Trigger 6 a): The GoA has institutionalized electronic payments for the provision of cash transfers.</p> <p>Trigger 6 b): To improve the transparency and efficiency of social spending, the GoA has established targets and a mechanism for monitoring social expenditures.</p> <p>Trigger 7: Further to the Payments Systems and Services Law, the GoA has adopted the Presidential Decree for the National Payment Council's mandate, scope, and objective and the BNA has issued (i) the regulation on the operations of the NPC and (ii) the additional regulations on the licensing, supervision, and minimum capital requirement for new payments services providers.</p>	<p>Prior Action 4a): The Borrower has institutionalized electronic payments for the provision of cash transfers.</p> <p>Prior Action 4b): The Borrower has strengthened its payment system oversight policy and defined the mandate, scope, and objectives of its technical commission for the development of its payment system.</p>	<p>No change in 6 a).</p> <p>6 b) was retained in PA1, which grouped transparency measures.</p> <p>No substantive change: however, given that these reforms are being leveraged to promote electronic payments for cash transfers these two reforms are now in a single prior action.</p>
		Prior Action 5: The Borrower has approved regulatory instruments to promote the financially sustainable delivery and expansion of water services.	Compared to Trigger 4c, part (i) of the trigger was dropped as change in IRSEA bylaws required approval of a new law on independent agencies and subsequently technical preparation and consultation with stakeholders. This is not needed to implement tariff reform.



		Prior Action 6: The Borrower has approved a bulk water use tariff and given GABHIC the mandate for the application of the economic and financial regime on the use of water resources as well as for climate preparedness and response in order to promote sustainable, efficient and climate-resilient use of water resources nation-wide.	This is a new prior action to strengthen resilience of the water sector in the context of climate change
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Pillar 1: Strengthening the macro-financial and institutional environment.

Objective 1.1. Strengthening transparency for fiscal and debt sustainability

36. **The prior actions under this policy area support reforms towards greater fiscal and debt transparency.**

37. **A medium-term fiscal framework is a key tool for fiscal management and transparency.** Historically, through increased spending and borrowing during oil booms, fiscal policy in Angola has augmented the volatility in economic activity caused by oil prices instead of smoothing it. To overcome this volatility and put fiscal policy on a more sustainable trajectory, Angola approved a new fiscal framework under the Fiscal Responsibility Law (Prior Action under DPF2). This law provides a tool to improve fiscal policy by introducing clear policy targets and more effective fiscal stabilization mechanisms. It also adds fiscal transparency requirements that will improve scrutiny and effectiveness of fiscal policy. To operationalize the law and achieve compliance with the fiscal rules approved through it, fiscal planning needs to be enhanced with concrete planning tools such as the medium-term fiscal framework (MTFF). The government will start publishing the MTFF in April 2022, and as a precursor to this publication it has published the key projections of the MTFF on its website.

38. **Increasing the quantity and quality of social spending has become a greater priority given the significant social impact of the economic downturn exacerbated by the COVID-19 shock.** Social expenditure is defined as the Central government's annual spending on education, health, social protection and housing and community services. Despite the fiscal challenges Angola faced in 2020, social expenditures increased by 10 percent to Kz 1,906 billion in 2020, supporting the policy response to the COVID-19 pandemic. With the increase in social expenditures, the floor under the IMF program⁸ was exceeded in 2020 and the same is expected for 2021. In 2021, the budget for social expenditures increased by 22 percent to Kz 2,877 billion of which 32 percent had been executed by the first half of the year. In the 2022 budget proposal, social expenditures are slated to increase by 28 percent to Kz 3,527 billion, driven by growth in all subsectors, especially housing and community services.

Prior Action 1 for DPF1: The Borrower, through MINFIN, has improved the transparency and efficiency of public debt management and operations, by introducing the first medium-term debt management strategy (MTDS) and an annual borrowing plan

Prior Action 1a) for DPF2: To improve fiscal management and sustainability, the Borrower has approved the Public Finance Sustainability Law which includes a fiscal rule based on the non-oil primary balance, debt targets and a requirement for publication of a fiscal strategy

Prior Action 1a) for DPF3: The Borrower has promoted the transparency and efficiency of public expenditure, particularly social expenditure, by publishing a medium-term fiscal framework as well as quarterly monitoring reports on social expenditures

39. **Substance and criticality.** Medium term fiscal frameworks are an essential element of fiscal planning, extending the horizon of fiscal policy making beyond the annual budget process and informing this process to ensure consistency and sustainability. Although the approval of the annual budget law remains the step in which key decisions on budgetary policy are adopted, most fiscal measures have

⁸ The floor is defined in nominal Kwanza, and the 2021 floor (Kz 2,721 billion) amounts to about 6 percent of GDP (IMF 2021).



budgetary implications that go well beyond the usual yearly budgetary cycle. The MTFF aims to strengthen fiscal discipline by making more apparent the impact of current policies on the fiscal balance in the coming years. The MTFF that the GoA created as part of the 2022 budget process includes economic and fiscal projections going four years beyond 2022. The prior action in this proposed operation also creates a monitoring system for social expenditures through the quarterly budget execution reports which the Government already publishes on a regular basis. This is a mechanism for accountability and transparency, showing society the resources that the government is effectively spending in the social sector.

40. **Expected results:** The publication of the MTFF is expected to increase the strategic orientation of the budget and to facilitate monitoring by providing benchmarks against which budgetary developments can be assessed over time. The regular reporting on social expenditures and their tracking is expected to improve transparency and raise awareness on how much public resources are dedicated to social sectors and how these resources are spent. Over time, this is expected to be expanded to also show results achieved and measures of spending efficacy and efficiency.

41. **Fuel prices in Angola do not reflect economic or environmental costs and are not adjusted regularly, giving way to large subsidies that benefit the well-off and create opportunities for diversion.** Fuel prices are controlled by the government, which has tended to hold them fixed (in nominal local currency terms) for an extended period, while their costs fluctuate with international oil prices and are affected by changes in the exchange rate and transportation costs. This arrangement has given room to large subsidies that are paid mostly by Sonangol (with only partial compensation through tax relief). In 2021, fuel subsidies are estimated to be 1.8 percent of GDP (see Annex 5 for more detail on fuel subsidies and the policy challenges of fuel subsidy reform). While fuel subsidies are poorly targeted, their removal requires careful preparation, especially to ensure adequate compensation for the poor and vulnerable as well as adequate coordination with the public transport and energy sectors. Given the need to better manage poverty and social impacts, especially at this time of the COVID-19 induced crisis, GoA has decided to prepare more thoroughly for this reform, with assistance from the World Bank and the IMF, which has required a delay in the phase-out of fuel subsidies to early-2023.

Prior Action 4a) for DPF2: *To enhance the efficiency of the petroleum sector and the transparency of fuel subsidies, the Borrower has issued a decree establishing market-based pricing principles for (i) crude oil supplied to the domestic refinery and (ii) costing of refined products for quantifying fuel subsidies*

Prior Action 1b) for DPF3: *The Borrower has transparently accounted for fuel subsidies by publishing quarterly information on said fuel subsidies and making an allocation for the full estimate of the cost of fuel subsidies in the 2022 annual budget*

42. **Substance and criticality.** A critical step towards the phase out of fuel subsidies is to increase their transparency so that the public is aware of the extent of government expenditures required to keep fuel prices unchanged. The 2022 budget will for the first time reflect the full cost of fuel subsidies, including gasoline and diesel subsidies, projected at Kz 872.8 billion or 1.4 percent of GDP. Subsidies result from below-market pricing by Sonangol, which until 2021 absorbed much of their cost. The government has also begun to publish quarterly data on fuel subsidy costs incurred on its website.⁹ The calculation of subsidy costs follows the pricing formula developed with technical assistance from the World Bank and formally adopted by the government of Angola in December 2020 (DPF2 prior action).

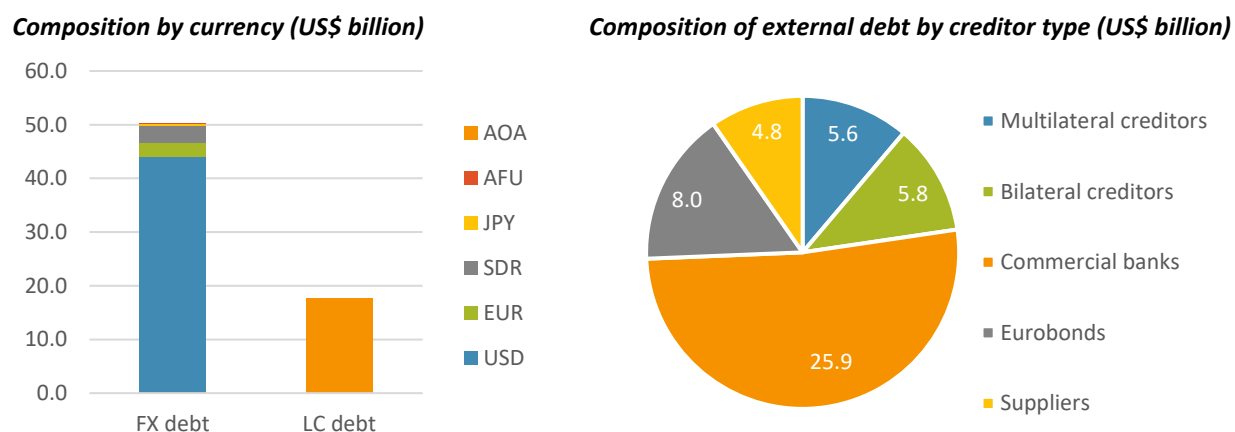
⁹ Data for the second quarter of 2021 were published on October 29, 2021 here: <https://igape.minfin.gov.ao/PortallGAPE/#!/sala-de-imprensa/noticias/9556/publicacao-trimestral-dos-custos-com-combustiveis-e-subsidios>



43. **Expected results.** There will be increased transparency in subsidies through regular quarterly reporting of costs and realistic projection of subsidy costs in the annual budget. This is expected to increase awareness in government and civil society about the cost of fuel subsidization, which is a pre-condition for a successful subsidy removal. The GoA is also engaged, with technical support from the World Bank and IMF, on technical work to evaluate options for phasing out subsidies, including their social and economic impact, and to identify potential targeted measures that would mitigate the impact on poor and vulnerable populations.

44. **Angola's debt portfolio is complex, and transparency has been limited in the past.** At the end of 2020, the Angolan Government (Central government, Sonangol and TAAG) had a total external debt of US\$50.1 billion. Of this, US\$8 billion was in Eurobonds and US\$5.6 billion are owed to multilateral institutions, mostly the IMF, World Bank and African Development Bank (AfDB). The remainder of about US\$36.5 billion is owed to a wide range of official and private creditors. The external debt includes about US\$14 billion in loans that benefit from a debt service reserve account funded through oil sales. Participation in the DSSI has entailed a higher level of transparency with official creditors. To inform the Angolan legislature and the general public, the government publishes an annual report of its debt position and new loans in the General Accounts of the State, as well as quarterly debt bulletins¹⁰.

Figure 3: Composition of Angola's Central Government Debt (at end-2020)



Source: Ministry of Finance, World Bank calculation

Prior Action 1c) for DP2: To improve fiscal and debt transparency, the Borrower has published the stock of oil collateralized debt and balances of dedicated debt service accounts.

Prior Action 1c) for DP3: The Borrower has improved the transparency of the public debt by publishing annually the key terms of all loans contracted or guaranteed by the Borrower each year starting from 2020, and adopting standard contractual terms to be incorporated in all foreign debt loans.

45. **Substance and criticality.** Recognizing the importance of providing timely, consistent and detailed information to market participants and the general public, the GoA has continued to improve the quality of public debt information made public. The Debt Management Unit (*Unidade de Gestão da Dívida*, UGD) publishes timely quarterly bulletins with key indicators of domestic and external debt and will continue

¹⁰ The latest debt bulletins are published here: <https://ugd.minfin.gov.ao/PortalUGD/#!/publicacoes/boletim-da-divida-publica>



to improve the bulletins going forward. Further to feedback from the Government's auditor, the Court of Accounts (*Tribunal de Contas*), the General Accounts of the State (*Conta Geral do Estado* – CGE) have been continuously improved, including with respect to information on debt and debt transactions. DPO2 supported the publication of the stock of oil-collateralized debt in the CGE, and this prior action will reinforce these improvements by expanding the details disclosed on individual loans contracted each year. It will provide greater information to market participants and facilitate scrutiny by parliament and the public. Meanwhile, the adoption of standard language providing for disclosure of key terms of loan agreements represents a step to reduce the use of confidentiality clauses in future loan agreements. Including this provision in the standard form contract, which is the template the GoA uses for negotiations of individual loan contracts with commercial and some official creditors, will facilitate future disclosures by avoiding the need to obtain consent from individual creditors, and will help manage party expectations and relationships as Angola institutionalizes greater public disclosure of transaction-level public debt information, such as that provided in the first part of the prior action.

46. **Expected results:** By the end of the DPF series (end of 2022) the Government will publish within 45 days of the end of the relevant quarter, quarterly debt and fiscal bulletins that will include information on the terms of debt (including information on cost and maturity). Moreover, starting with the CGE 2021, the Government will publish additional details on debt contracted during that year. Loans signed in 2022 are already expected to contain the standard language on the disclosure of terms. This is expected to reduce transaction costs of disclosure, including for the issuance of market securities such as Eurobonds, where documentation includes disclosure of terms of existing debt. While debt reprofiling has reduced external repayments, the reforms improving fiscal and debt management are ultimately expected to result in a gradual reduction (in US Dollar terms) in the stock of Angola's external public debt.

Objective 1.2. Leveling the playing field for private investment

47. **This policy area supports private-sector-led growth by introducing measures to enable private sector entry in activities historically dominated by the public sector, foster competition, and reduce barriers to new market entrants.** The Country Private Sector Diagnostic (2019) found that insufficient market contestability caused by high barriers to entry, excessive price controls, and a playing field tilted towards incumbent firms (often SOEs) inhibited the development of competitive sectors to drive economic diversification. Angola's current government has shown commitment to reforming the economy, including by limiting government intervention in competitive markets. The objective has been to revise specific policies and regulations for certain products and sectors and establish horizontal rules for the economy, reducing asymmetries and possible distortions, and creating conditions to expand private investments in the country.

48. **Reforming the underperforming SOE sector and revisiting the role of the state from direct actor to facilitator of private sector activity are necessary to unlock Angola's productive potential.**¹¹ The government has demonstrated its commitment to reforming the sector, through the drafting of a reform strategy with a focus on the priority sectors of energy, extractive industries, and telecommunications. The reforms include divestment of shares via the PROPRIV (privatization program), reorganization of strategic SOEs, and winding down of unviable companies. In addition, the strategy aims to put in place a system

¹¹ See: WBG (2019): Creating Markets in Angola - Opportunities for Development Through the Private Sector. Country Private Sector Diagnostic. <http://documents.worldbank.org/curated/en/606291556800753914/Creating-Markets-in-Angola-Opportunities-for-Development-Through-the-Private-Sector>.



for monitoring of fiscal risks related to SOEs. Furthermore, the GoA has continued publishing financial statements and audit reports of SOEs, which is important for transparency and accountability. The publication of a privatization program and PPP regulation (supported in DPF2) paves the way for reducing the State's footprint and increasing private sector participation in the economy, while mitigating associated risks. These objectives are also supported by the GoA's efforts to join the Extractive Industries Transparency Initiative as mentioned in paragraph 29.

49. **The financial performance of the SOE sector has suffered from the effects of the COVID-19 crisis and resulting global economic slowdown.** The SOE sector has gone from an operating profit of Kz 156.1 billion (US\$ 0.3 billion) in 2017 to a loss of Kz 526.1 billion (approximately US\$1 in 2020), due mostly to losses at Sonangol (lower oil prices) and TAAG (slowdown in air traffic due to COVID-19). These losses are putting additional pressure on the Angola's already fragile public finances, making it urgent for the GoA to reform the sector and reduce its exposure to SOE losses and debt.

50. **The government continues to implement an ambitious program to reform its SOE sector and when appropriate to privatize companies or enter into PPP agreements.** The 2019-2022 SOE Reform and Privatization Program (PROPRIV) outlined the principles for the selection of SOEs to be privatized and the institutional framework for the management and execution of the program. The operational plan included a preliminary list of priority sectors and companies, and the legal framework has been updated with the issuance of two new laws, one on Privatization and another on PPPs in 2019.¹² This proposed operation supports reforms to ensure the transparent and competitive implementation of the privatization and PPP programs through regular reporting and further regulation in line with international good practices.¹³ By the end of 2021, 73 state assets, generally smaller industrial and agricultural ones, many of them non-operational, had been privatized. In 2021 the government conducted a review of the program and the state of SOEs on the privatization list and based on this assessment have now developed a list of 67 SOEs that they believe can be privatized by June 2022. This list includes several important SOEs: banks, an insurance company, and some smaller telecom assets as well as non-core subsidiaries of Sonangol. One of the Banks, BCI, was sold to local investors in 2021 and the large state-owned insurance company, ENSA, is very advanced in the privatization process. Many of the largest relevant SOEs including Sonangol, Angola Telecom, Angola Cables, TAAG and SGA are now slated for restructuring prior to privatization.¹⁴

51. **The World Bank and IFC are supporting SOE reform, the privatization program and PPP framework through the Angola State Owned Enterprise and Privatization RAS (P170303).** The RAS focuses on strengthening the oversight capacity of the government asset manager (IGAPE), advising on strategy for privatization of priority non-oil assets and supporting the design and implementation of PPP regulations. This is a joint World Bank-IFC RAS, with the World Bank's engagement focusing on improving governance of SOEs and PPPs and IFC focused on supporting the government in implementing the

¹² The Public-Private Partnerships Law (No. 11/19) and implementing regulations (Presidential Decree 316/19); and the Privatization Law (No.10/19) were all enacted in 2019.

¹³ While there is no industry standard, international good practice is referred to the *PPP Reference Guide*, which has been endorsed by a wide range of DFIs and UN Agencies. Characteristic of good international practice for PPPs include the following: (i) selected projects are aligned with the Government's development strategy; (ii) open and transparent competitive selection process; (iii) projects are financial, socially, and environmentally sustainable and generate the greatest economic return for society; (iv) systematic consultation with stakeholders; and (v) represents value for money and does not incur unsustainable fiscal liabilities on the government.

¹⁴ The national reference list was part of the ProPriv program (annex in the presidential decree) and contained 32 of the largest and most market-relevant assets under the program. A second list, prepared in June 2021, lists 92 assets that are deemed ready to be privatized by 2022. The assets considered under Prior Action 3 are on both lists, ensuring their relevance and readiness.



privatization program, helping it identify key market and regulatory issues and key company level issues that need to be resolved prior to hiring transaction advisors.

Prior Action 3 for DPF1: *The Borrower has taken the necessary steps to reduce fiscal pressures from SOEs and ensure that SOEs are commercially viable by strengthening the legal and institutional framework for SOE oversight and privatization.*

Prior Action 3 for DPF2: *To improve the accountability of the SOE sector and the delivery of public services, the Borrower, has (i) published an aggregated SOE report with financial and operational performance indicators, (ii) approved a privatization program and initiated the privatization of two SOEs from the national reference list, and (iii) issued PPP regulations in line with good international practices.*

Prior Action 2a) for DPF3: *The Borrower has advanced the privatization program for an additional five assets from the national priority list and published program progress reports that include the number of bids received, the price received, and identification of the winning bidder.*

52. **Substance and criticality.** Continuing to advance on the privatization program in critical sectors such as finance and telecoms will improve private sector dynamism and competition in these sectors and sends an important signal to the market on the continued progress of the GoA's reform program. The focus on less complex but still economically significant transactions is an appropriate response to this reality while continuing to signal to the market that the reform effort continues. Specifically, of the five assets to be sold that are considered under this prior action, three are in the financial sector (in addition to the two already advanced under DPF2), one in telecommunications and one is a downstream subsidiary of Sonangol. To improve the transparency of the privatization program, the Ministry of Finance has published a dashboard, that provides information on results achieved (including disclosures on completed bidding processes) and ongoing privatizations¹⁵.

53. **Expected results.** Reforms in this policy area aim at four separate but related outcomes: (i) reduced state control of economic activities that are better served by private investment, competition and innovation (ii) reduced GoA exposure to SOE debt and losses which have significantly burdened public finances and fiscal revenue from privatizations, which can be used to reduce the public debt; (iii) improved GoA oversight of the remaining SOEs and (iv) establishment of a well-functioning PPP program that ensures that only projects that are well suited to private involvement and that fit the public investment plan are chosen and developed as PPPs. The indicators tracked in the policy area as part of the results framework are: Government transfers to SOEs (operational subsidies, capital transfers) as a share of GDP, which stood at 5 percent in 2017, with a targeted decline to 2 percent by 2023. As part of improved SOE oversight, it is expected that SOEs will increasingly report timely financial data to the Ministry of Finance (IGAPE), with 60 percent expected to report quarterly results within 60 days by the end of 2023.

54. **The GOA implemented several reforms to promote competition and improve regulation, and the next steps in this agenda involve revamping the institutional design of entities involved in economic regulation, including antitrust and price regulations, boosting their technical independence in policy implementation.** The GoA introduced reforms to reduce barriers to foreign investment, develop a competition policy framework and create a competition authority (*Autoridade Reguladora da Concorrência*, ARC), and started to phase out price regulations that may distort competition. These

¹⁵ Available at:

<https://www.ucm.minfin.gov.ao/cs/groups/public/documents/document/aw4y/mzi1/~edisp/minfin2325795.pdf>



reforms were supported by previous operations of this DPF series. While the ARC initially inherited the price control mandate from the former Price and Competition Regulation Institute (*Instituto Regulador de Preços e Concorrência*, IPREC), this mandate was later moved to IGAPE, an organ under the Ministry of Finance overseeing SOEs and other State assets (Presidential Decree No. 110/19 published on April 16, 2019). ARC is therefore focused on its core mandate of enforcing antitrust policy and advocating for pro-competition policies and regulations. In 2020, the government adopted a decree (Ministry of Finance Decree 257/20, of October 30, 2020) that reduced the number of goods and services subject to monitored prices, removing price control of sectors that were both (i) prone to competition and (ii) capable of being supplied by the domestic private sector. In late October 2021, the government issued legislation setting the criteria for the establishment and functioning of independent regulatory entities (Law no. 27/2021).

Prior Action 5 for DPF1: *The Borrower has taken measures to level the playing field for private investments by approving: (i) a new private investment law that eliminates local shareholder requirements for foreign investors, (ii) a new competition law; and (iii) the establishment of a Competition Regulatory Authority (ARC), as evidenced by Presidential Decree No. 313/18 of December 21, 2018.*

Prior Action 5 for DPF2: *To implement an effective competition policy framework, the Borrower has (i) through the ARC approved and adopted enforcement instruments for protecting markets from non-competitive behavior, (ii) and has issued an executive decree reducing the number of goods subject to price controls.*

Prior Action 2b) for DPF3: *The Borrower has improved the implementation of economic regulation, including competition policy and phasing out of price controls, by adopting a legislation that provides for operational independence of regulatory entities.*

55. **Substance and criticality.** After implementing a broad set of reforms improving regulations affecting competition and price controls (and specific sectors, such as electricity, water and fuels), the GoA approved Law No. 27/2021 establishing the rules to boost the independence of current and future regulatory entities. The objective of the law is to insulate regulators from the undue influence of external stakeholders, public and private, increasing the likelihood that the new body of regulations, including in other policies areas supported under the programmatic series (e.g., telecommunication, utility prices, competition enforcement) are effectively implemented. In line with good international practice, the law sets minimum standards guiding the establishment of independent regulators, granting them autonomy to manage their human and financial resources, technical independence to make decisions under their legal mandate while imposing transparency, monitoring, and accountability requirements to oversee their activities. The law also establishes key rules of engagement governing the role of key officials, including objective criteria for their appointment and removal, implementation of fixed terms, safeguards against conflicts of interest while in office and cooling-off periods once terms are completed.

56. **Expected results.** Having regulatory entities with a minimum degree of independence, vis-à-vis both external stakeholders and internal conflicts of interest, is crucial to produce effective policy outcomes. This is particularly true regarding policies that are aimed at fighting vested interests and opening markets to entry, such as competition policy. The reforms supported under DPF1 and DPF2 were crucial to provide a robust basis for the development of an effective competition policy and enforcement agency in Angola, issuing a competition law, its bylaw and secondary regulations aligned with the experiences of both mature jurisdictions and peer countries. The same happened with the support to reduce the undue regulation of prices in competitive sectors. To achieve their desired impact, these new



rules depend on the implementation capacity of government regulators. Empowering regulatory entities with the mechanisms necessary to insulate themselves from external influences will significantly increase the likelihood that well-designed regulations are translated into technically sound decisions in the affected sectors. In practical terms, it is expected that in the upcoming months all current economic regulators (e.g., ARC and sector regulators in utility services) have their respective regulations amended to become compliant with the rules established by the Law 27/2021. Ultimately, reforms under this policy area are expected to result in more active competition enforcement (to be measured by number of enforcement decision issued by the ARC), reduced barriers to entry and therefore more competitive and efficient markets.

57. **The regulatory framework for Angola's telecom sector requires an update that promotes an open and competitive broadband market.** While Angola has multiple operators in the telecom market, limited network sharing among self-provisioning operators has resulted in duplicate investments in infrastructure and significant barriers for the smaller and newer operators. This is stifling competition, delaying overall expansion of broadband network coverage and keeping the price of digital services unaffordable for the majority of the Angolan population. As some segments of the broadband infrastructure require high fixed costs they cannot be economically replicated. Therefore, it is good practice for policymakers and regulators to promote sharing of such infrastructure along open access lines to increase economic efficiencies and speed-up sector development while allowing operators to recoup from their initial investments at appropriate rates. Sharable access infrastructure typically includes passive infrastructure such as fiberoptic cables (including fiberoptic cables owned by electricity and railroads companies), towers, poles, ducts, conduits and rights of way, but it can be extended also to cover active equipment (such as base stations) and national roaming agreements among operators. Infrastructure sharing will be particularly essential for ensuring the viability of rural coverage in Angola, which is critical for economic diversification and for narrowing the digital divide.

58. **The GoA aims to expand access to broadband through increased availability of infrastructure and lowering the cost of communications services.** The GoA has identified the promotion of infrastructure-sharing between network operators as one way of achieving this objective. While promoting the sharing of infrastructure, the existing 2014 regulation on infrastructure-sharing (Presidential Decree 166/14) does not provide clear guidelines on the provision of transparent and fair access to sharable infrastructure. This has led to limited sharing and when sharing does happen it often involves high pricing and suboptimal arrangements for the operator seeking access (e.g., preferred location for connection denied). Several operators have submitted requests to INACOM (*Instituto Angolano das Comunicações*), the telecommunications sector regulator, to reassess the access procedures and pricing as they find them to be above cost and exorbitant.

Prior Action 2c) for DPF3: The Borrower has promoted private investment and expansion of telecom networks to update the infrastructure sharing regulation in-line with international good practices

59. **Substance and criticality.** The updated regulation which clarifies and strengthens elements - such as non-discriminatory pricing, definition of dominance, models for sharing, types of infrastructure sharing and dispute resolution – will increase the predictability and confidence in the enabling environment for sharing infrastructure, and therefore increase investment and network coverage.

60. **Expected results.** Expected outcomes include increased sharing of broadband infrastructure among operators, including those of alternative utility providers such as electricity and railroads, and



expansion of broadband coverage. While the passing of the new regulation is expected to bring much needed clarity on the rules for sharing infrastructure, INACOM will need to continue developing the secondary regulatory instruments that will be needed to provide detailed procedural guidelines for the implementation and enforcement of the regulation. Ultimately, these reforms are expected to result in a competitive telecommunications market, with improved absorption of technologies, higher quality of services and lower costs for Angolan consumers.

Objective 1.3. Supporting a financially sustainable and greener energy sector

61. **Financial shortfalls in Angola's electricity sector due to lack of cost-recovery has ramifications for growth, poverty reduction, and the investment climate.** Despite a one-time 97 percent increase of the average retail tariff in 2019, electricity tariffs remain among the lowest in the world at an average of US\$2.4 c/kWh (12.8 kZ) below a cost-recovery tariff of US\$7.8 c/kWh (40.9 kZ). The annual tariff shortfall is currently estimated at around 70 percent of average cost-recovery tariff or US\$696 million (366.7 billion kZ). These tariff shortfalls are compounded by the relatively higher cost of generation in isolated grids that do not benefit from lower cost large hydro. The insufficient tariff revenue cascades losses across the entire value chain and affects the ability of operators to properly maintain existing assets or expand service in line with the demands of Angola's growing population. Inadequate access to electricity services is an important determinant of poverty as well as of disparities across regions and between urban and rural areas. Lack of access to reliable electricity supply is a key constraint to the development of the agro-processing sector and the digital economy, thus limiting economic diversification. Fiscal transfers provided to utilities impose a large burden on public finances; yet, the social benefits of low electricity tariffs are limited as only 46 percent of the population, mostly better-off Angolans, are connected to the grid.

62. **The absence of an established tariff-adjustment mechanisms for both electricity and water creates uncertainty for operators and prospective investors.** Prior to the supported reform, the tariff-setting process was prone to political interference, with a limited role of the water supply and electricity regulator (IRSEA), resulting in a lack of transparency and predictability of tariff decisions.¹⁶ Similarly, the mechanisms for delivering on-budget subsidies lacked transparency and adequate quantification, affecting macro-fiscal management on the one hand, and preventing adequate financial planning by utilities on the other. The uncertainty related to tariffs compounds the risk perception of private sponsors and operators, hence further deterring private investment.

63. **The financial shortfalls, coupled with the current institutional mandates in the sector, limit Angola's ability to enhance resilience of the power sector.** The dominance of hydropower in Angola, currently comprising 60 percent of installed capacity, exposes the power system to impacts of climate change. Climate projections suggest that Southern and Southeastern Angola would become dryer. This can have negative impacts on hydropower production, for example, in the Qunene River that borders Namibia. Building climate resilience in the energy sector requires a range of actions, which includes improved system planning and forecasts, diversification of the renewable energy mix and watershed protection. Angola's plan to develop its untapped potential on solar and wind would therefore need to be prioritized to reduce the exposure to the climate-related variability. For this to materialize, the regulations in Angola would need to be revised to create a conducive environment for the technical operation of variable renewable energy plants and to attract private capital into the sector. With the current financial

¹⁶ IRSEA was created in March 2016 through the Joint Executive Decree no. 59/16.



shortfalls hinder, power utilities have limited credibility as partners of private investors, discouraging private sector interest in operating and investing in the electricity sector.

Prior Action 4 for DPF1: *The Borrower has initiated a utilities pricing and subsidies reform by carrying out an electricity tariff revision, as evidenced by the issuance and publication of a Ministerial Decree endorsing a new electricity tariff revision.*

Prior Action 3a) for DPF3: The Borrower has brought the electricity sector on a path towards cost-recovery tariff levels by approving annual revenue requirements for generation, transmission and distribution for the 2022-2023 period.

Prior Action 3b) for DPF3: *The Borrower accelerated the expansion of variable renewable energy generation capacity by giving priority to dispatching electricity from renewable energy plants connected to the grid and establishing principles for providing financial support to the operators of renewable energy plants.*

64. **Substance and criticality.** Tariff reforms geared towards cost-recovery and elimination of distortive subsidies will improve the financial viability of utilities, which is a pre-condition for improving service and attracting private participation, while mitigating the impact of such reforms on the poor and vulnerable. The GoA approved Presidential Decree n. 178/20 on June 25, 2020 (DPF2 Prior Action) which adopted a robust methodology for setting and periodically adjusting the Annual Revenue Requirement (ARR) of regulated companies in the electricity sector to run operations efficiently, and established the competence of IRSEA, the regulatory agency, to systematically apply that methodology. In light of the current socio-political context, this prior action is a critical first step towards reaching cost-recovery tariffs during the next tariff period 2024-2027. More precisely, the prior action incorporates significant improvements to the tariff regime and sets the basic methodological framework to reach cost-recovery levels and remove electricity subsidies by 2027. For the first time, the Regulator has applied the ARR methodology, which has brought transparency on the revenues required by PRODEL, RNT and ENDE to operate efficiently, and on the size of annual tariff shortfall (subsidies). However, the Regulator requires significant capacity strengthening through technical consultancy support to better assess tariff proposals and cost-related information by the three public utilities for the next tariff period and others following it. Thus, IRSEA has requested TA from the World Bank through the Electricity Sector Improvement and Access Project (P166805) to (i) strengthen robustness in determination of the ARR of the three utilities for future tariff periods, and (ii) define the unsubsidized tariff structure (with cost-reflective rates in all categories) for the next tariff period 2024-2027. The GoA will then be able to determine the level of subsidies for low-income customers and define a trajectory for progressive tariff adjustments towards cost-recovery levels during the 2024-2027 tariff period. Finally, the gradual tariff adjustments expected in the next tariff period 2024-2027 are expected to reduce Greenhouse Gas GHG emissions due to lower generation resulting from decreasing electricity demand of selected consumer categories in response to tariff increases.

65. **Expected Results.** Ultimately, the reforms in the electricity and water sector are expected to fundamentally change the way that these services are priced, moving from ad hoc price adjustments that were far below cost recovery towards a market-based model of utility tariffs based on the cost-recovery principle. In this new model, prices are expected to be systematically adjusted in line with market forces, but provisions are to be made to protect the poorest consumers. As tariff schedules are adjusted towards cost-recovery, the financial standing of electricity and water utilities will improve, and so will investment capacity and service quality. The predictability and transparency of pricing and the improved



creditworthiness of these sectors will encourage private participation. The regulations revising sector mandates to accelerate the deployment of VRE capacity is also a critical enabler for private sector participation in sustainably expanding generation capacity. This, coupled with improved system efficiency and service delivery will strengthen resilience to climate variability by diversifying the electricity mix, to droughts by improving their reliability of access to water, and floods by reducing user's exposure to public health risks. In addition, GHG emissions will be reduced through increased RE capacity and potentially as electricity utilities reduce losses.

Pillar 2: Building resilience of the poor and vulnerable to economic and climate shocks

66. **The effects of climate change in Angola are projected to increase both the frequency and the magnitude of droughts and floods in the future, particularly in the southern part of Angola where impacts from past drought events have been severe, as well as lead to higher temperatures nationwide.** Mean temperature is projected to increase everywhere in Angola across all climate scenarios used (Angola CCDR, forthcoming). Under RCP4.5 mean temperatures are projected to increase between 1 and 2°C from near to mid-term future. Under RCP8.5 mean temperature are projected to increase between 1 and 3.5°C from the near-to mid-term future. As mean surface temperatures increase, climate extremes – chiefly drought and flooding – are also projected to increase in many parts of Angola. The number of days exceeding 30°C temperature are projected to increase, on average, between 60 and 90 days in the south of the country over the near to mid-future. Thus, regions that are already hot will become even hotter and have more days exceeding critical thresholds. The severity of heavy precipitation events is projected to increase in the future during the wet season. Rainfall events are, however, likely to be fewer, with longer dry periods with no rain in between.¹⁷ Regional variations exist across Angola; for instance, in the North Coast region, where increases in rainfall during the wet season are expected to be strongest, there is a likelihood of increased water availability, but a drier future is also possible in that region as in the rest of the country.

67. **This pillar directly addresses the need to build resilience to economic and climate shocks by supporting a social protection and payments systems that can reach those vulnerable to climate disasters, and by directly supporting the improved management of water resources.** Given Angola's climate vulnerabilities described above, adaptation measures in the water sector will be critical to build resilience; this is in line with Angola's focus on the sector as part of its NDC.

Objective 2.1. Protecting the poor and vulnerable from economic and climate shocks and increasing access to finance

68. **Angola ranks poorly in human development given its level of income and compared to peers.** While the GoA has historically deployed different social protection programs, the overall system was poorly coordinated and targeted. According to a 2018 Social Protection Public Expenditure Review, pensions to the military and public servants represented a large share of expenditures on social protection, while social assistance coverage remained low and existing social expenditures remained largely ineffective to reach the poor and vulnerable.

¹⁷ Even if changes in rainfall are small, increased temperatures will likely increase evaporative demand of the atmosphere and rainfall surplus (i.e., an excess of rainfall over the evaporative demand) is likely to decline, which would mean that groundwater recharge and surface runoff, and thus usable water resources, will also likely be reduced.



69. **Starting in early 2020, the authorities with support from the World Bank launched a cash transfer program (named Kwenda, meaning “to go forward” or “advance”) to benefit poor and vulnerable households.** This program aims to identify and make quarterly cash transfers during a period of one year to 1.6 million poor and vulnerable households at a total cost of US\$420 million (US\$320 million from International Bank for Reconstruction and Development (IBRD) and US\$100 million from the government). It also seeks to institutionalize social assistance programming. Kwenda, originally designed as a program to compensate the removal of oil subsidies, has progressively evolved into a national flagship poverty alleviation program. Kwenda is successfully implemented by the Social Action Fund (*Fundo de Apoio Social*, FAS), and once fully expanded will be one of the largest social assistance programs in Sub-Saharan Africa.

70. **The institutionalization of Kwenda and adjustments to respond to changing social needs are important challenges for the future of the program.** The program currently makes fixed quarterly payments (set at Kz 25,500 per quarter in 2020) for a year to each beneficiary. Institutionalization of Kwenda will require that the program parameters are revised to meet the government vision of a flagship poverty reduction program that is here to stay. This will include increasing the duration of benefits for each beneficiary, modification of payments to account for loss in purchasing power in light of double digit inflation and having a coherent link to economic inclusion to allow households to progressively graduate out of poverty, and human capital formation. In the medium-term, institutionalization of the program may require strengthening the Integrated Social Assistance Centers where households can seek social assistance and that of the network of Community Development Agents (community human capital agents) who are critical part of the delivery of the program.

71. **Moreover, Kwenda provides a platform to tackle the negative impacts of climate change linked weather shocks that are increasingly frequent and severe.** The number of disaster events in Angola has increased from 7 during the 1995-1999 period to 64 events in 2015-2019. Going forward, global warming is expected to worsen the situation. Analysis of the IDREA 2018/19 survey shows that the provinces of Cunene, Huila, Bie, and Moxico have the highest share of households’ vulnerability to poverty associated with covariate shocks (e.g., droughts). These are followed by the provinces of Cuanza Sul, Huambo, and Malanje. With the exception of Moxico, the six provinces are also the provinces affected by frequent droughts over the period 2012-2019. At the same time, these are also provinces that have amongst the highest poverty rate, and in fact, about half of Kwenda beneficiaries belong to them. This implies that a large proportion of households likely to be affected by these covariate shocks, will already be enrolled to receive cash transfers through Kwenda. Between half and two-thirds of households that were vulnerable to poverty due to covariate shocks in 2018-19, will receive Kwenda cash transfers by 2023. As a result, Kwenda could serve as a good basis for improving household’s inherent resilience to shocks, and post-shock response.

72. **In doing so, investments in social protection delivery systems will go a long way in identifying households affected by shocks as well as rapidly delivering benefits to them.** As part of the Kwenda project, the GOA is making substantive investments in social protection delivery systems. This includes social registry of all households in the targeted poor communities, an innovative grievance redress mechanism with near-real-time tracking of beneficiary feedback, and importantly, electronic delivery of cash transfers through the financial sector (e-payments). E-payments not just improves efficiency in the provision of cash transfers but also fiduciary accountability. It also promotes financial inclusion in these remote rural areas where Kwenda operates as these transfers provide a business case for financial sector operators to invest there. Once this happens, a shock responsive social protection system can quite easily



tap into the existing financial infrastructure in these areas that are also the areas that have the highest exposure to climate shocks for provision of benefits to its existing beneficiary households as well as new ones. The prior action on e-payments in this DPF effectively builds the DPF 1 and DPF 2 prior actions that established the social registry and reoriented Kwenda to be poverty targeted program, respectively.

73. **Kwenda promotes female participation by adopting gender-sensitive measures to improve women's economic prospects and empowerment.** According to the IDREA, 70 percent of total households and 69 percent of poor households in Angola are male-headed. This variable is self-reported and reflects intra-household relations and social norms in Angola. While the program is characteristically poverty targeted and does not specifically target women, it promotes female participation by adopting gender-sensitive measures to improve female economic prospects and empowerment. Kwenda has recruited more women as frontline staff (ADECOS or community workers) who do community sensitization to encourage women from eligible households to be the household representative, i.e., the one who is registered and receives the benefit; and they can provide a coaching role and engage on sensitive subjects (such as gender-based violence or family planning). Polygamous unions are common, especially among the poor, in which case the beneficiary in a polygamous household is always the female. Significantly, through targeting women, Kwenda also eases some of the multiple gendered barriers they face to being economically and socially included. Women and men in Angola differ in their control over assets, labor force participation and earnings. Through providing cash transfers to preferably women, Kwenda can contribute to close the income gap between women and men, in the short-term through the transfers themselves, in the medium-term through participation in income generating activities, and in the long term through access to education. Cash transfers have been shown to empower women, including by reducing the physical abuse of women by men, increasing women's decision-making power, and curbing risky sexual behavior (Bastagli et al. 2016). Paying cash transfers directly to women has been shown in some contexts to lead to greater household spending on children's needs, a reflection of greater empowerment and differential preferences in spending among men and women. This, in turn, could generate intergenerational positive effects in the household.

Prior Action 6 for DPF1: *The Borrower, through MASFAMU, has taken the necessary steps for the establishment of a nation-wide cash transfer program by creating a unified social registry (Cadastro Social Único) as the building block for a nationwide cash transfer program.*

Prior Action 6 for DPF2: *To create a social protection system for the poor, the Borrower, has issued a decree setting up a poverty-targeted cash transfer program using the Cadastro Único.*

Prior Action 4a) for DPF3: *The Borrower has institutionalized electronic payments for the provision of cash transfers.*

74. **Substance and criticality.** In reforms supported by previous operations in this programmatic series, GoA set-up a poverty-targeted cash transfer program with a goal of reaching 1.6 million poor and vulnerable households nationwide once the program is fully rolled out by 2023 (prior action in DPF2). To do this, the government built a unified, single social registry (*Cadastro Único*) as the basis for the program (prior action in DPF2). The program is implemented by the Social Support Fund (FAS). As of January 20, 2022, 503,000 households have been registered in the social registry of which 247,000 have received at



least one quarterly cash transfer.¹⁸ The program promotes female participation and as a result, close to 60 percent of beneficiaries are female headed households' women.

75. **Expected results.** The cash transfer program and the underlying delivery systems, including e-payments, will allow the GoA to more efficiently respond to other crises and shocks, including climate-related crises such as floods and droughts, by quickly identifying and targeting beneficiaries of emergency assistance, and delivery benefits rapidly within the critical window of time before households engage in negative coping mechanisms such as distress sale of productive assets and dropping out of schools, that have long-term adverse effects. Adaptive social protection programs can help to build the resilience of poor and vulnerable households to shocks by directly investing in their capacity to prepare, cope, and adapt. For example, drawing on climate early warning systems, Angola could anticipate climate-related events and develop means of targeting and distributing relief to those affected. With the acceleration and extension of the Kwenda program, the number of poor households registered in the *Cadastro Único* and receiving cash transfers will increase rapidly. A full rollout of the program is expected to reach 1.6 million families by end-2023 with an interim target of 800,000 families, representing at least 2,000, 000 individual beneficiaries of which 55 percent are women by end-2023. The full rollout is estimated to reduce the share of households living on less than US\$1.62 per day (the local poverty definition which has been used for targeting of Kwenda) by 4.7 percent.

76. **To strengthen its financial sector, develop the payments system, enable digital financial services (DFS), and promote financial inclusion, Angola is reforming the legal and regulatory framework governing its payment infrastructures and services.** Access to and cost of finance are critical binding constraints for economic development in Angola. An inclusive financial system that provides cost-effective access to financial services is therefore crucial for supporting economic and social development. The current updated legal framework, anchored on the Angola National Payment System Law of 2020, is still incomplete in terms of the updating of the secondary regulatory acts required to fully promote the entrance of new players in the market, support the adoption of new digital financial products and services and the inter-operability among market players. Therefore, a revised regulatory framework is needed to complete the development of DFS enhanced by the new Law. This will allow for a wide range of different DFS providers and equip the Angolan Payments System with modern regulations, while offering innovative and inclusive services.

77. **Digital Financial Services offer significant potential to meet the financial needs unbanked consumers and traditionally excluded groups.** DFS providers (both banks and nonbanks) can offer financial services profitably in areas where bank branches and automated teller machines are not available to consumers who have historically been unprofitable to serve. Financial inclusion remains low. The digital startup ecosystem in the capital is dynamic, yet it is also nascent and underfunded. Although there are few mobile money accounts, the introduction of a mobile payment product by the largest telecom operator in August of 2021 is expected to expand the use of mobile money in the country over time¹⁹. The 2019 Financial Inclusion and Capability Demand Side Survey undertaken by the World Bank concluded that only 49 percent of adults in Angola had access to a transactional account, a commonly used measure for international comparison. There are significant gender and geographic differences in overall financial inclusion rates. Women are 14 percentage points less likely than men to be financially included—with 41 percent of women having access to an account, compared to 55 percent of men. Access

¹⁸ Up-to-date information on Kwenda rollout is provided by FAS at: <https://tinyurl.com/3dc5fej5>

¹⁹ <https://www.jornaldeangola.ao/ao/noticias/unitel-money-inicia-servicos-de-transferencias-monetarias/>



to finance for rural households is 30 percentage points less than for urban households—29 percent of adults in rural areas have access to an account compared with 58 percent of urban of those residing in urban areas. With mobile phone usage reaching 64 percent of the population, Angola has great potential to expand the use of DFS which remains quite low compared to its peers²⁰.

78. **The expansion of DFS can especially benefit women and rural populations.** This reform would also boost financial inclusion of women by strengthening their engagement with the formal economy and improving their overall economic well-being as was the case in other SSA countries. Digitalization of payments can increase bank account ownership and access to credit among women by lowering costs and removing mobility constraints. Digital Financial Services can also allow small-scale female entrepreneurs to participate in markets by providing closer links between buyers and sellers. Digital tools can support business owners – especially women, given the specific obstacles they face – by bypassing social norms in order to help them operate more effectively in the marketplace by improving their skills through virtual trainings and facilitating access to information (e.g., regulatory and legal provisions). Additionally, given the big gap in access to financial services between urban and rural areas, DFS can help to greatly expand access to finance in rural areas, especially through the delivery of social benefits.

79. **Digital Financial Services can help the rural poor to mitigate, transition and adapt to climate-related income shocks.** Given the low levels of financial access in rural areas, DFS can facilitate access to cash transfers after climate shocks thus building resilience within local communities. Similarly, the use of savings accounts and micro-loans to fund climate-smart agriculture can help the rural poor smooth consumption and fund reconversions during periods of drought or low yields. Another relevant feature of the revised regulatory framework is the promotion of agent banking which will also promote outreach of financial services to under-served areas where full bank branches are not feasible. The limited access in rural areas limits Angolans' ability to receive timely cash transfers after climate change shocks, save money safely or access credit when needed. Digital Financial Services can facilitate access to savings, helping the rural poor smooth consumption in times of unexpected events and provide a safer way to store money than saving informally in livestock or other goods that may be negatively affected by climate change. Similarly, DFS can provide more rapid and cost-effective channels to provide cash transfers to vulnerable populations, thus increasing their ability to build resiliency and coping mechanisms in case of climate shocks. The governments of Fiji and the Philippines have used digital financial services to reach vulnerable populations in the aftermath of extreme climate events and to disburse cash to emergency workers helping to clear and repair roads, buildings, schools, and hospitals²¹. The regulatory reforms also require new payments service providers to provide for business continuity and contingency plans to create simplified solutions to recover system functions have backup communications and data protection systems and use cloud solutions for data storage and protection.

80. **A National Payments Council (NPC) brings together a broad range of relevant actors from the public and private sector.** This includes representatives of payment services users and providers (both banks and non-bank), various BNA departments, the Telecom Regulator, current Switch Operator, Telecom providers, and other relevant authorities. Further to the presidential decree that was issued in March 2021, the BNA has activated the NPC, and two sessions were held so far in 2021. The NPC has

²⁰ Mobile money is still not widely used in Angola. The country's 9.2 mobile money accounts per 1,000 adults is outsized by its neighbors, where the regional average nears 650 such accounts per 1,000 adults.

²¹ Making the connection between mobile money and climate change, Mobile for Development, <https://www.gsma.com/mobilefordevelopment/blog/making-the-connection-between-mobile-money-and-climate-change/#:~:text=In%20Fiji%20and%20the%20Philippines,%2C%20buildings%2C%20schools%20and%20hospitals.>



brought together the BNA, Ministry of Finance, representatives of banks, insurance companies, and the private sector and has resulted in the creation of working groups on innovation, service quality and fraud prevention, and instant payments. Additionally, the BNA has adopted the Instant Payments Strategy and selected a vendor to establish an inter-operable payment switch that would allow for a range of market players to provide payments services instantaneously. The BNA also established a Fintech Innovation Lab to provide a “sandbox environment” for start-ups pending the passage of the law and related regulations. Based on the new law, the BNA has already authorized the main telecom operator in the country to provide mobile payments and licensed two additional PSPs.

Prior Action 7 for DPF1: *The Borrower, through BNA, has taken the necessary measures to strengthen and modernize the national payments system, by restructuring the BNA’s payments systems unit to ensure independent and adequate oversight.*

Prior Action 7 for DPF2: *To enable digital financial services and promote financial inclusion, the Borrower has approved the Payments System Law.*

Prior Action 4b) for DPF3: *The Borrower has strengthened its payment system oversight policy and defined the mandate, scope and objectives of its technical commission for the development of its payment system.*

81. **Substance and criticality.** With technical assistance from the World Bank, the GoA has prepared a new National Payment System Law (LSPA) and the related regulations for the NPC. The law (Lei 40/20) was approved by the National Assembly and published in the official gazette on December 16, 2020. The LSPA establishes a general framework on financial market infrastructures, electronic money, and provision of payment services by agents, and it allows for the opening of the financial sector to non-bank institutions such as payment institutions and electronic money institutions. Jointly, this improves the supply of payment services and allows segments of the population that previously were excluded from the financial sector to have access to these services. Further to the law, the BNA, has passed the package of implementing regulations. These are: (i) Regulation on Financial Markets Infrastructure; (ii) Regulation on the Provisions of Payments Services; and (iii) Regulation on Payments Schemes. These regulations provide the additional requirements related to new PSPs, including offer and access to payment accounts for any new payments scheme, and for the efficient operation of the underlying payments systems infrastructure. The set of new regulations will furthermore strengthen BNA supervision and monitoring of new payments service providers (i.e., non-banks) as well as new products and services. The regulations new set of rules concerning consumer protection, with new provisions regulating the rights and duties of the parties. In addition, the new National Payment System Law also regulates data privacy in its Article 92, allowing for the treatment of personal data by PSPs under the framework established by the Law on Protection of Personal Data and the oversight of the Data Protection Agency.

82. **Expected results.** The reforms in this policy area are expected to result in greater financial inclusion, which can be measured as the increase in the share of adult population with a transaction account. This is expected to rise from 49 percent in 2019²² to 60 percent by 2023 and also to increase access to women from 41 percent to 55 percent, thereby reducing the gender gap. As mentioned in the preceding section on the Social Protection program, these reforms are being catalyzed through the digitization of Kwenda program payments hence contributing to this overall result on financial inclusion. In addition to the package of reforms supported under the DPF and underpinned by the Financial Sector

²² The baseline is based on the demand side Financial Inclusion and Capability Survey conducted by the Bank under the Financial Sector RAS and disseminated publicly in October 2020.



RAS technical assistance, the BNA is working to upgrade the payments systems financial infrastructure to enable the establishment of a mobile switch. There are also financial literacy initiatives spearheaded by the BNA that target new users of financial services.

Objective 2.2. Boosting the financial and physical resilience of the water sector

83. **Better governance for water utilities and a sustainable business model are needed to enhance the climate resilience of the water sector in Angola.** Sustainable and climate-resilient utilities are critical for Angola to prepare for and manage current and future climate risks such as droughts, floods, and projected decreases in water availability as noted earlier. Water insecurity is already prevalent in Angola and expected to become more severe due to the impact of climate change. Improved regulation will promote efficient use of existing water resources, including demand management and reducing non-revenue water and increasing cost recovery. This improved financial sustainability is also expected to lead to service expansion and continued water service delivery in the face of climate change, and potential diminishing water availability projected in the mid-term future.

84. **In parallel, a reduction of the massive tanker truck water delivery industry which represents a high-carbon footprint in the water sector in Angola, thus contributing to mitigation efforts.** The design of piped network supply service expansion projects will seek to optimize the use of gravity-based distribution systems. Enabled by this tariff reform, the Second Water Sectoral Institutional Development Project (PDISA2 -P151224) the Water Security and Climate Resilience Project (RECLIMA – P177004, once approved and effective) will support physical investments in network expansion in urban centers of 14 provinces and significantly reduce tanker truck service. This tariff reform directly supports energy efficiency, as it includes submitting to the regulator an energy audit of the utility, and energy efficiency investments will be financed by PDISA2 and RECLIMA. The 14 provinces include Luanda, where the new Luanda Bitá Water Supply Project will provide piped water supply to 2 million people, and Public Water Company (Empresa Pública de Águas) will benefit from technical assistance under PDISA2 and RECLIMA to reduce Non-Revenue Water (NRW), do energy audits and increase energy efficiency, to comply with tariff regulations.

85. **The water tariff reforms have been and continue to be supported by the World Bank.** The first Water Sector Institutional Development Project (P096360) and the second (ongoing) Water Sector Institutional Development Project (WSIDP-II, P151224) support the strengthening key institutions. Dedicated support to IRSEA has been ongoing, including for the development of water and sanitation regulatory instruments (reporting requirements, service standards, cost accounting standards, and tariff calculation, application procedures). Under WSIDP-II the World Bank continues to strengthen IRSEA's capacity to implement regulation reforms towards cost recovery of water and sanitation services and long-term sustainability of the sector. The regulatory tariff reform is closely aligned with the GoA's National Water Plan (Plano Nacional da Água) and Water law (Lei de Águas), both of which are important policy instrument that contribute to the country's optimization of water use and climate adaptation efforts. Reforms will allow improving the financial solvency of utilities, therefore ensuring investments in the maintenance (and repairs) of infrastructure to increase operational efficiency by promoting lower-carbon options, and improve the resilience of the system and users to climate hazards such as droughts. Efforts to improve energy efficiency and decrease water losses (non-revenue water) will reduce the vulnerability of users to climate induced droughts and floods while reducing GHG emissions of service



delivery. Disruptions in the systems caused by floods in wet years will be reduced, mitigating the risk of greater exposure to water borne diseases during flood events²³.

Prior Action 5 for DPF3: The Borrower has approved regulatory instruments to promote the financially sustainable delivery and expansion of water services.

86. **Substance and criticality.** Tariff reforms geared towards cost-recovery and their consolidation and harmonization across provinces will enable the financial viability of utilities, which is a pre-condition for improving service and long-term sustainability. Building on the approval and publication of the methodology for the calculation of tariffs under DPO2, the prior action under the proposed operation entails the approval by the regulator of the instruments to implement the calculation of tariffs and the application of the framework across Angola. This includes the support documents (Norms and Instructions) to guide the implementation of the new Regulatory Framework by the Water Utilities in Angola, and a model of the business plan and the automatic tariff adjustment formula. In this process, it will be essential to effectively accompany Provincial Water and Sanitation Utilities (PWSUs) in the implementation of the new regulatory framework (supported by World Bank TA to IRSEA and the PWSUs). It is also fundamental to develop the information system to collect technical, economic, and operational information from the PWSUs and to continue with the capacity building program for IRSEA staff. Finally, following approval of the necessary norms for new water tariff regulations and their implementation, IRSEA must be strengthened to properly exercise its function of surveillance and oversight of PWSUs.

87. **Expected Results.** Ultimately, the reforms in the water sector are expected to fundamentally change the way that these services are priced, moving from ad-hoc price adjustments that were far below cost recovery towards a market-based model of utility tariffs based on the cost-recovery principle. In this new model, prices are expected to be systematically adjusted in line with market forces, but provisions are to be made to protect the poorest consumers. As tariffs schedules are adjusted towards cost-recovery, the financial standing of water utilities will improve, and so will investment capacity, service quality and capacity to withstand intensifying climate risks – chiefly increasing droughts and flooding – along with more scarce water resources projected with climate change. The predictability and transparency of pricing and the improved creditworthiness of these sectors through better regulation will also encourage private participation. The new tariff regulation includes NRW variables in its formula to incentivize utilities to take action towards reducing water losses, promoting an efficient and economic use of water, a higher service reliability and increased capacity to adapt to future climate impacts and projected water scarcity. Improved climate risk resilience and continued water service delivery will strengthen overall resilience of the sector and capacity to withstand rising climate shocks and future diminishing water reserves. In addition, reduced treatment and energy costs and positive impacts in the utility's revenues will lead to opportunities to re-invest and expand coverage to ensure planning for water resources usage in a climate friendly manner. Improved system efficiency and service delivery will strengthen resilience to droughts by improving reliability of access to water, and floods by reducing user's exposure to public health risks. Finally, GHG emissions are likely to be reduced as more reliable water services will significantly reduce the need for supplemental water transported by diesel powered water tanker trucks (e.g., the Bitá Project alone will replace the need for 6,300 tanker truck trips per day to supply some southern neighborhoods of Luanda).

²³ WB 2020, Diagnosing Angola's Ailing WASH Sector; Water Security and Climate Resilience in the South of Angola; and PDISA's II Additional Financing Project Paper 2021



88. **The proposed operation also supports reforms towards the establishment of Angola's integrated and climate resilient water resources management frameworks, promoting the sustainable use of water resources and establishing the foundations for climate preparedness and response with basin-level institutions.** Climate risks are being felt across Angola, with water scarcity being specially felt during the dry season, even in areas not previously deemed at risk, urging the implementation of water resources management frameworks to face intensifying climate threats. These reforms recognize the economic value of water for productive sectors at the basin scale, the user-payer principles, the social and environmental values of water, the principle of equity; as well as the need to have institutions at the basin scale that plan and manage water resources and its services with a special focus on climate variability and preparedness and response measures to deal with extreme events as these increase in magnitude and intensity in the near and longer terms. Improved water management to address rising climate risks is needed nation-wide, and the bulk water abstraction tariff policy will directly support that goal. In addition, the approval of the legal statutes of the Basin Administration Office for the Cunene, Cuvelai and Cubango basins, GABHIC, the first to be created in Angola, and the attributions of implementing the Economic and Financial regime and climate preparedness mandates, sets the stage nation-wide for the creation of all other basin agencies. (GABHICs basins have suffered from severe drought over the last 10 years, and the Cuvelai is also prone to floods during the rainy season). The creation of three additional Basin Administration Offices (Zambezi Basin, Benguela Coastal Basins, and Keve and Longa Basins) and the approval of their legal statutes are being prepared with the same mandates. Management of extreme climate-related shocks, overall climate and water variability, is central to Integrated Water Resources Management. The proposed reforms directly address climate change risks and set the foundation for improved management of climate variability and change in the water sector.

89. **Additionally, the reforms supported will directly contribute to the fulfillment of the recently approved NDCs, and are well aligned with the overall water sector reforms,** with INRH as the policy agency for water resources management and the basin administration offices (such as GABHIC, Gabinete de Administracao das Bacias do Cunene, Cuvelai e Cubango) to implement the national policies in their respective river basins. It builds on ongoing efforts under the Second Water Sectoral Institutional Development Project (PDISA2), providing support to INRH in licensing and registration of users, and the design and elaboration of the EFR, of which the bulk water abstraction tariff is a central part. PDISA2 will also support a pilot in the Kwanza River basin. Furthermore, the RECLIMA Project will provide technical assistance and capacity building support to GABHIC for the implementation of the EFR, as well as the preparation of drought preparedness and contingency plans at the basin scale, with specific measures to be applied to the use regime in times of scarcity.

Prior Action 6 for DPF3: The Borrower has approved a bulk water use tariff and given GABHIC the mandate for the application of the economic and financial regime on the use of water resources as well as for climate preparedness and response in order to promote sustainable, efficient and climate-resilient use of water resources nation-wide

90. **Substance and criticality.** This is an urgent climate adaptation measure in the face of predicted potential water availability scarcity under a warmer climate future in Angola. As climate variability increases, bulk water supply provides an essential climate adaptation buffer to secure water access and the productivity of key economic sectors such as agriculture, hydropower, urban centers, industry, tourism, and the environment. The approval of the bulk water use abstraction tariff ("*regime juridico da taxa de captação de água do domínio hídrico*") promotes the sustainable use of water resources through the economic valuing of water as a limited resource, therefore preserving it in the face of drought and



scarcity, and rationing water resources for future use. The tariff doesn't apply to traditional and livelihoods uses and is not expected to impact the poor. The approval of the organic statutes of GABHIC attributing the legal mandate to Basin Administrations apply the EFR, including the abstraction tariff, assign and enable the basin institutions nation-wide to build climate preparedness by implementing these reforms. The EFR on the use of water resources will directly support the addressing climate change risks and their impacts on the water use of productive sectors (i.e. irrigation agriculture, hydropower, industry, urban and the environment), and enhance Angola's capacity to adapt to a changing climate, by enhancing and optimizing allocations of water as an increasingly variable and scarce resource.

91. **Expected Results.** The reforms will tackle climate change risks by strengthening water resources management in Angola through the sustainable, efficient and climate-resilient use of water, projected to become an increasingly variable and scarce resource under medium and longer-term future climate in Angola. Improved climate preparedness nation-wide is an expected result of passing the bulk water abstraction tariff and empowering the basin administration agencies with the mandate to implement the Economic and Financial Regime and manage water resources and their uses considering current and future climate risks, and thus addressing climate change risks and their impacts on economic sectors. In addition, the basin agency mandate to prepare and respond to floods and droughts has an intrinsic stakeholder engagement dimension (well reflected in their statutes), which will in turn strengthen the basin's capacity to prepare and respond to future extremes bringing in local stakeholder adaptation needs. Drought preparedness through participatory planning and training, under the new enabling mandate of GABHIC, will be supported by a parallel operation.

Table 6: DPF Prior Actions and Analytical Underpinnings

Prior Actions	Analytical Underpinnings
Operation Pillar 1: Strengthening the macro-financial and institutional environment	
Prior Action #1	World Bank. 2013. Beyond the Annual Budget : Global Experience with Medium-Term Expenditure Frameworks. Washington, DC: Technical Assistance Report on Angola, Angola Fuel Price Subsidy Reform. IMF Country Report No. 15/28. Fuel Price Subsidies and Their Reform Options in Angola (World Bank, 2019)
Prior Action #2	Angola SOE Diagnostic (World Bank Group 2019) Creating Markets in Angola. Country Private Sector Diagnostic (World Bank Group, 2019) Country Private Sector Diagnostic: Creating markets in Angola Opportunities for Development Through the Private Sector (World Bank Group, 2018). A Step Ahead: Competition Policy for shared Prosperity and Inclusive Growth (World Bank, 2017). Breaking Down Barriers: Unlocking Africa's Potential through Vigorous Competition Policy (World Bank Group, 2016). IEE-ACP Angola Investment Climate TA (P176061) Angola Digital Infrastructure Reform Roadmap (World Bank Group, 2020). Review of Telecommunications Infrastructure Sharing Regulation in Angola (World Bank, 2021).
Prior Action #3	Angola Cost of Service Study (World Bank Group, forthcoming 2020) Fabrizio, S. et al. (2015). Angola Energy Sector Engagement Programmatic TA Program (P169765)



Operation Pillar 2: Building resilience of the poor and vulnerable to economic and climate shocks	
Prior Action #4	Angola Social Protection Public Expenditure Review (PER) (World Bank Group, 2018) G2Px Angola Digitalization of Cash Transfer Payments and Financial Inclusion (World Bank Group, 2022) WBG (2018) Angola Financial Sector Development Strategy 2018-2022 WB/IMF (2013) Financial Sector Assessment Program Payment Aspects of Financial Inclusion (the Committee on Payments and Market Infrastructures and the World Bank Group, 2016)WBG (2019): Angola Digital Infrastructure Reform
Prior Action #5	Revisiting Subsidies for Water and Sanitation Services (World Bank Group, 2019).
Prior Action #6	Analytical work conducted along with the Second Water Sectoral Institutional Development Project (PDISA2 -P151224, 2018) and the Angola CCDR (forthcoming)

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

92. The DPF series reflects the priorities and objectives of the 2018 World Bank Group (WBG) Performance and Learning Review (PLR - Report No. 125072) for Angola which updated and extended the FY14–FY16 World Bank Group Country Partnership Strategy (CPS Report No. 762250) for Angola through FY19. Policy areas supported under the DPF series contribute to the two CPS focus areas; complement investment lending under the CPS; and create policy underpinnings that can, together with the IFC, harness private sector opportunities and contribute to stronger and more inclusive growth. For example, DPF support to fiscal rules and transparency (Prior Action 1) aligns with the CPS objective under Focus Area 1 which seeks to strengthen resilience to macroeconomic risks. Measures supported under the proposed operation will strengthen fiscal management and reduce pro-cyclicality of fiscal expenditures. Support under the DPF to strengthen the management and commercial viability of SOEs, increase access to finance; and improve the competition framework are aligned with CPS Focus Area 1 on promoting diversified growth and competitiveness, specifically the objective to improve the business environment and deepen financial inclusion. The actions in the DPF series on levelling the playing field for private investment are also aligned with CPS Focus Area 2 of laying the groundwork for expanded access to cost-effective economic services (water, electricity, telecommunications, transport connectivity). The proposed operation is aligned with the preliminary broad strategic directions of a forthcoming Country Partnership Framework (CPF), including economic diversification, climate resilient recovery, and human capital development (CPF preparation delayed due to COVID-19 and associated changes to government priorities and need for support). These areas are further supported by ongoing and recently completed Analytical and Advisory Services and lending operations, including the 2018 Country Economic Memorandum (P162993); the joint World Bank and IFC 2019 CPSD (P167838 and IFC Advisory Services); Angola Energy Sector Engagement Programmatic TA Program (P169765); Angola Energy subsidy reform (P168918); the ongoing Angola Business Environment RAS (P163713) and Financial Sector RAS (P147800); Investment Enabling Environment - African, Caribbean and Pacific Countries Angola Investment Climate TA (P176061); Angola Digital Infrastructure Reform Roadmap (P170015); Smallholder Agriculture Development and Commercialization Project (P154447); and the Luanda Bitá Water Supply Guarantee



(P163572). The DPF series is also aligned with conclusions and analysis from the 2018 SCD, which highlights economic diversification and human capital investment as key reform areas.

93. **The agenda on protecting the poor and vulnerable under DPF Pillar 2 is closely related to CPS Focus Area 2 to increase efficiency of social programs and strengthen social protection by reducing broad-based subsidies and establishing a safety net system that targets the poor and vulnerable.** As such, the DPF complements World Bank engagements in social protection and health, including a Local Development Project (P105101) and a Social Safety Net Project (P169779) as well as the Health System Performance Strengthening Project (P160948). Promoting financial inclusion through DFS is linked to the CPS Objective improve the business environment and deepen financial inclusion and technical assistance is being provided under the ongoing Financial Sector RAS. Given its promotion of climate resilience in key sectors, the DPF series is also aligned with the 2021 GRID Framework.

4.4. CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

94. **The authorities undertook exhaustive consultations with a wide range of stakeholders on some of the specific reforms supported by this DPF series.** Some of these reforms are included in the PEM and the NDP 2018-2022. Reforms aimed at improving private investment and competition resulted from a participatory and inclusive consultation process led by the Ministry of Economy and Planning which included stakeholders from public institutions and local governments, the private sector, development partners, civil society organizations, professional associations, the academia and the parliament. Authorities have also conducted consultations on the design of a long-term social protection system; the temporary cash transfer program; and the strengthening of the management and commercial viability of SOEs. As reforms are rolled out the GoA is engaging in continuous consultations with the private sector, trade unions and other beneficiaries such as community-based organizations, faith-based organizations, women's organizations and traditional leaders. The Angola Energy Subsidy Reform (P168918), and Angola Energy Sector Engagement Programmatic TA (P169765 which support pricing and subsidies reform in the fuel and power sector are also providing technical assistance to the government for developing a communication strategy. The Social Safety Net Project (P169779) also includes a communication strategy to improve the populations understanding of the cash transfer program. The government (via FAS) is communication progress on enrollment and transfers through a designated website.²⁴

95. **During the process of preparing the DPF series, the World Bank collaborated with the IFC, the IMF, the AfDB, and the AFD.** The proposed DPF program is consistent with IMF policy advice, as outlined in 2018 Article IV staff report and the EFF program document and latest review (sixth review, completed December 22, 2021). Particularly, the World Bank has consulted with the IMF on macroeconomic developments, including fiscal and debt projections, the analysis of debt sustainability and the elaboration of the Medium-Term Debt Strategy (MTDS). The two institutions also collaborate closely on supporting the GoA's efforts towards fuel subsidy reform. The AfDB is also currently preparing a budget support operation for Angola and is planning to complement the policy areas of the DPF series. AFD is considering a budget support operation which would support parts of the policy matrix of this programmatic series.

²⁴ The website can be accessed at:

<https://app.powerbi.com/view?r=eyJrIjoibGMzOWUzZGQtZWZWM3My00ZjgzLTkwODktZjcxOGY5ZjJjMzdjIiwidCI6ImM2Y2FIYjgxlWU5ODAtNDQ3MC1hY2Y2LTc4ZjAzN2NINDRlOSIsImMiOiJ9>



The AFD is also leading the preparation of a Public Expenditure and Financial Accountability (PEFA) assessment, which is aligned with reforms under pillar 1 of the programmatic DPF series.

5. OTHER DESIGN AND APPRAISAL ISSUES

5.1. POVERTY AND SOCIAL IMPACT

96. **Policy reforms supported by this operation are expected to support private sector growth and improved effectiveness of public spending, creating more economic opportunities for Angolans, as well as protect poor households against shocks, increase their access to finance, and increase gender inclusion.** While most prior actions are expected to be distributionally neutral in the short-term, they are expected to contribute to improved economic and social outcomes by supporting the building of stronger institutions, more functional markets, and measures to mitigate against climate change risk. Prior Actions will protect the electricity and water sectors from underinvestment in services and maintenance, encourage renewable energy generation, and support sustainable water usage. These are expected to improve electricity and water services and mitigate the impact of droughts and floods on households. The support to sustainable water usage is particularly important in a country where over 70 percent of rural households are vulnerable to being unable to meet basic needs in the event of an adverse shock and agriculture -largely subsistence and small family farms - accounts for 56 percent of employment. There is also a potential for Prior Action 2c to result in reduction in prices in the medium term, especially in the telecom sector. Finally, steps to modernize the Kwenda program through the introduction of electronic payments as well as a concerted effort to increase access to digital finance are expected to reduce poverty and support women's increased access to finance.

97. **Prior Actions 1 and 2 are expected to be distributionally neutral in the short-term while having the potential to foster inclusive growth and poverty reduction in the medium- to long-term through steps to protect against economic volatility, improve effectiveness of public spending, and support more efficient provision of services.**

- **Prior Action 1** supports fiscal planning and debt transparency and is expected to improve fiscal and debt management. These reforms do not have direct poverty or distributional implications, but improved fiscal and debt management could help reduce economic volatility and safeguard social expenditures during times of revenue shortfalls. Increased transparency in the cost of fuel subsidies, which were analyzed in DPO2 and shown to be regressive, is neutral but expected to inform a future subsidy reform agenda that increases the effectiveness of public spending.
- **Prior Action 2a** supports privatization of five SOEs without a strong rationale for public ownership, with an eye towards ensuring a transparent process, while increasing efficiency of public spending and improving service delivery. The five newly privatized SOEs are in the financial sector (3), telecommunications (1), and a downstream subsidiary of Sonangol. It is not expected that the privatization of these assets will impact prices or quality/coverage of services in the near-term while it is expected to lead to improvements in service delivery in the medium-term.
- **Prior Actions 2b and 2c** may have some positive effects on welfare in the medium-term, especially in the telecom sector where prices may fall. Prior Action (PA) 2b, a law supporting independence of regulators, is unlikely to result in higher consumer prices in the short term. It is expected that,

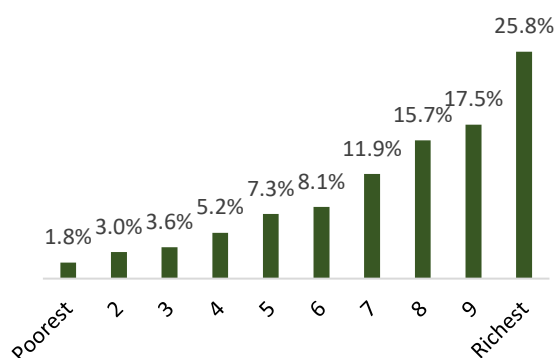


by increasing competition in these sectors, there will be improvements in services and potentially more competitive consumer prices in the long-term, resulting in potential expansion of access and affordability. PA 2c, which encourages sharing of broadband infrastructure among telecom operators, including those of alternative utility providers such as electricity and railroads, and expansion of broadband coverage is expected to lower consumer costs in the medium to long-term.

98. **Prior Actions 3a and 3b are expected to support the expansion of renewable energy generation and maintain critical electricity services while protecting against welfare reductions and higher poverty arising from increased consumer.** While electricity subsidies in Angola are regressive, these subsidies also have noticeable direct and indirect benefits for poor and lower-income households. Survey-based estimates suggest that the richest 10 percent of the population receive more than a quarter of subsidies on electricity, while the poorest half of the population (those living on less than a US\$1.90 per day) received just over 20 percent of subsidies (Figure 5).

Even so, low-income households benefit from subsidized tariffs, both directly (for those who have access to these utilities) and indirectly (through lower consumer costs). The importance of indirect effects can

Figure 5 - Incidence of electricity subsidies by income deciles



Source: World Bank estimates based on IDREA 2018-2019 and AngoSim microsimulation model

be seen based in the simulated welfare implications of early proposals for the electricity tariff adjustments. These presented an average welfare loss of 1 percent for the poorest quintile (1.6 for the richest quintile), but 78 percent of this welfare reduction was attributable to indirect effects – that is, the impact of higher electricity costs on the consumer goods that they purchase. Prior Action 3a, which defers changes to the electricity tariffs while guaranteeing that costs are adequately financed (through GoA financing as needed to cover revenue shortfalls), protects households from increased inflationary pressures in the near-term while protecting against inefficiencies and service cuts associated with revenue shortfalls. Looking ahead, considering

both direct and indirect effects will be important in designing tariff reforms and mitigation measures that achieve cost-recovery while mitigating welfare losses for the poorest households. Prior Action 3b takes important steps to expand renewable energy generation in Angola, increasing the resiliency of the power grid and reducing the average cost of generation. This is expected to result in improved service quality and reduced pressure to increase tariffs on lower income households in the future.

99. **By increasing access to digital financial services, including for the poorest, Prior Actions 4a and 4b are expected to contribute to poverty reduction and women's access to finance through financial inclusion and improved economic opportunities.** Prior Action 4a introduces electronic payments for the distribution of social protection payments targeted to Angola's poorest families while Prior Action 4b improves access to credit and financial services, including digital financial services. As shown in other countries, the expansion of digital financial services, including mobile money, can reduce operating and



transaction costs and provide affordable accounts for unbanked individuals and small businesses²⁵. However, mobile payment systems, which have expanded greatly in other Africa countries, have not yet taken up in Angola – representing an important area of potential for inclusive financial development. The increased access supported by these prior actions is expected to disproportionately affect lower income adults, particularly women, who are currently less likely to have access to these services. Transitioning to electronic payments of the Kwenda program (PA 4a) is a further and direct step to increase access to finance for the poorest households, the majority of which are represented in the program by women. Increased financial inclusion is expected to have direct impacts on welfare, through poverty reduction, increased gender equality, and by helping families better absorb the impacts of negative income shocks, including through facilitating access to remittances²⁶.

100. **Prior Actions 5 and 6 are expected to protect against future welfare shocks by supporting sustainable water usage through improved water resources management, a crucial step in improving preparedness for droughts and floods.** Prior Action 5 approves norms for tariff adjustments as needed for cost recovery in order to ensure the continued provision of water services. No tariff adjustments are needed currently since the current tariff schedule is enough to cover operational costs. Instead, the utilities will focus on increasing efficiency through loss reduction. Prior action 6 supports improvements to water resources management and climate change adaptation. This is particularly important in Angola, a country which experienced 64 large-scale hydrometeorological events between 2015 and 2019, including a multi-year drought affecting a large part of its territory, and where a significant proportion of the population does not have insurance or sufficient savings to absorb climate related shocks. Recent World Bank estimates find that 72 percent of rural households and 19 percent of urban households are vulnerable to not being able to meet their basic nutritional needs in the event of an adverse shock (that is, they are already unable to meet their needs or at a high risk of not meeting their needs in the event of an adverse shock). Proactive steps like Prior Action 6 that work to reduce the risk of water shortages and potential damage from floods is particularly important to protect these vulnerable and largely rural households.

5.2. ENVIRONMENTAL, FORESTS, AND OTHER NATURAL RESOURCE ASPECTS

101. **Angola has made significant strides in developing its environmental legislation and administrative frameworks.** Over the 20 years, it has made significant progress in mainstreaming environmental sustainability into decision making processes, starting first with the Environment Framework Law (EFL) No.5/98, of June 19, 1998 (Lei de Bases do Ambiente), and the Decree No. 51/04 of July 23, 2004 established in accordance with Article 16 of the EFL, which regulates Environmental and Social Impact Assessment (ESIA) in Angola. The National Institute for Environmental Management (approved by the Presidential Decree No. 11/11 of 7 January 7, 2011) is responsible for the implementation and monitoring of environmental policies. Despite Angola having a well-defined institutional framework for environment, forests and natural resources management, there are knowledge and skills gaps, and limited stakeholder engagement experience in the Member Country's system for reducing adverse environmental effects.

²⁵ Suri, T., and W. Jack (2016). "The long-run poverty and gender impacts of mobile money." *Science*, 354(6317): 1288-1292.

²⁶ Suri, T. and W. Jack (2014). "Risk sharing and transactions costs: Evidence from Kenya's mobile money revolution." *American Economic Review*, 104(01): 183-223.



102. **The World Bank has assessed whether the country policies supported by this DPF are likely to have an impact on the environment, forests, and natural resources.** While some policy actions are not expected to have any impact, the assessment shows that prior actions 3 and 5 is likely to have a positive impact on the country's environment, forests, and natural resources if the following mitigation measures are incorporated in the design of PA 3: (i) provisions that support the access of low-income households to energy, such as lifeline tariffs and cash or in-kind transfers that help the poor access clean cooking fuels. Any increase, in price could lead to higher deforestation as result of an increase in the use of traditional fuels such as wood and vegetal charcoal (for domestic use); (ii) the new electricity tariff schedule and new water tariff regulations take into account incentives to reduce the wasteful or inefficient water use in conveying effluent as well as energy efficiency; (iii) at the same time, it would be necessary to develop a minimum standard of water consumption and quality that should meet international standards; (iv) change in tariff structure and levels, and enacting new water tariff regulations shall include public hearings to inform consultations between the government and the affected populations.

103. **Meanwhile, activities under Prior Action 2 are likely to lead to more future investments,** which may contribute to negative environmental impacts if proper mitigation measures are not in place. Major new investments can be expected in the financial, logistics, telecoms and power sectors. Clear regulations from a capable regulator are critical for privatization program success (PA 2a), and the government must put into place a series of relevant cross-sector regulations applicable to the five assets considered under PA 2a, including health and safety, environmental protection. Companies involved in the transportation of liquid fuel and gas from storage facilities to wholesale and retail outlets require sound health and safety, environmental rules. Environmental, Social, Health and Safety (ESHS) regulatory capacity may need to be upgraded to manage new contracts under regulation of privatized entities. The World Bank financed projects Accelerating Job creation and Economic Transformation (P178035) and Angola Agricultural Transformation Project (P177305) under preparation will incorporate regulatory ESHS capacity building. Updating the infrastructure sharing regulation in-line with international good practices under PA 2c is expected lead to less duplication of infrastructures (reduction in environmental footprint) but could also lead to more future investments. However, for investments under PA 2c, the EIA process is mandatory and must be done before any project commences, and regulations should include provisions that address climate change and environmental permitting requirements.

5.3. PFM, DISBURSEMENT AND AUDITING ASPECTS

104. **PFM in Angola is underpinned by a relatively new and evolving legal and regulatory framework.** The 2010 Constitution is at the apex of this framework, establishing the general principles for PFM. The framework is also composed of various laws, regulations and decrees that are intended to guide the translation of these principles into practice to establish the duties and responsibilities of relevant officials. Main laws of the framework include Public Finance Sustainability Law, law no.37/20, 30 October, General State Budget Law, No. 15/10 14 July, Presidential Decree General State Budget no. 130/19, 7 May, and Coercive Repatriation and Extended Property Loss Law, No.15/18, 26 December. These laws and regulations have been developed and revised in recent years in several areas, including revenue administration, procurement, debt management, SOEs, internal controls and external scrutiny. The government's aim is to strengthen transparency and accountability in the management of public finances in the country. The move to modernize the framework is rooted in the government's vision for enhancing transparency in the country, and this move demonstrates its commitment to improving governance and



strengthening the PFM environment. Key reforms have recently been introduced by the government to strengthen expenditure management and control, through the preparation of a Fiscal Responsibility Law and the operationalization of a financial control function within government agencies. In addition, measures have been taken to improve transparency and management of public investment projects. The national budget is published and made available on the website of the Ministry of Finance.

105. **In regard to public procurement, Angola has been implementing reforms at good pace in the last two years, led by *Serviço Nacional de Contratação Pública (SNCP)* under the leadership of the Ministry of Finance.** The public contract law was revised in December 2020 (Public Contract Law 43/20, of 23 December) and is complemented by several regulations, including for framework contracts. The new public contract law, also applicable at the provincial level, unifies, in the same diploma, the procurement and execution of contracts for public works, acquisition of goods and services, and also concessions for public works or public services. The new framework promotes the use of the Electronic Public Procurement System (*Sistema Nacional da Contratação Pública Electrónica - SNCPE*) to foster competition and transparency. The government has adopted a strategy to prevent and mitigate corruption in public procurement.

106. **Results from the pilot of the e-procurement system (SNCPE) are encouraging and its expansion to additional entities and municipalities could lead to greater expenditure efficiency and considerable public savings.** The e-procurement platform developed by the SNCP was approved in 2017 as the basic tool for executing procurement processes in public procurement units. It aims to cover the entire procurement cycle, from procurement planning to invoice settlement. The e-GP was piloted in 2018 in MINFIN and the Ministry of Health with encouraging results in terms of savings and attraction of new suppliers. As of March 2020, total savings were estimated at 99.4 billion Kwanzas (US\$171.5 million equivalent) corresponding to 38 percent of the initial estimated amount planned by the procurement units. The system currently comprises modules for planning and procurement processes while other functionalities are being developed such as a database registry of contracts and contract execution. The SNCPE's expansion plan aims to reach 237 public procurement entities by 2022, including elected municipalities. The e-GP is developed in house by SETIC (Public Finance Information and Communication Technology Service). SNCP is now working on the deployment of the system nationwide.

107. **This rapid reform calendar is challenged by the need to train all the actors of the public procurement system, including the use of the electronic platform, namely SNCP staff, public procurement practitioners, private sector, auditors.** This is an ongoing process but requires significant financial resources, as well as the deployment of the e-Procurement system. Therefore, while reforms are ongoing, the funding and sustainability of such reforms will be a challenge in the coming years. This will include the professionalization of public procurement practitioners with clear standards for accreditation and a professional career path that would allow current high turnover among this staff. MAPS exercise is being jointly conducted with the support from the AfDB and AFD. The World Bank is participating in the exercise launched in September 2021.

108. **The foreign exchange control environment is satisfactory despite some weaknesses in internal audit, the legal framework, and the Central Bank's governance structures.** A new law enacted in 2021 granted more strengthened the BNA's institutional, administrative and financial independence. The latest 2019 IMF Safeguard Assessment of BNA remains valid, and the foreign exchange control environment is satisfactory. However, there appear to be some areas that require strengthening, including reserves management and accounting controls. Despite these weaknesses, the assessment also reflects a series of reforms that have been undertaken by the BNA which is under new management, particularly with respect



to internal governance and the control environment. The BNA is implementing a new foreign reserves management framework and is in the process of establishing an Audit Committee, and its financial statements are audited by a reputable firm of accountants. In addition, the IMF continues to monitor the implementation of these reforms through an existing TA program with the government. The BNA annual financial statements and Audit reports are published on the BNA's website. The latest audit report available is for the year 2020. It contained a qualified audit opinion, with reservations based on the valuation of certain assets, the treatment of the impact of inflation and certain aspects of the valuation of pension liabilities.

109. Flow of funds arrangements that are typical for development policy loans will be adopted for the proposed operation. It is envisaged that upon approval of the proposed operation and at the request of the Borrower, the World Bank will disburse the loan proceeds into a bank account held in the BNA. The account is denominated in foreign currency and forms part of the country's official foreign exchange reserves. The BNA will immediately credit the disbursed amounts to the single treasury account managed by the government, which will then account for the receipt of the loan in its budget management system, using regular budget management procedures. The government will provide a confirmation to the World Bank that: (i) the loan proceeds were received into the foreign currency denominated account; 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. If the proceeds of the loan are used for ineligible purposes as defined in the Loan Agreement, the World Bank would require the government to refund the amount. The World Bank assesses that the reforms that are being undertaken by the government to address identified weaknesses in PFM and its commitment to the implementation of these reforms are satisfactory. As a result of this and based on conclusions of the FX control environment, no additional fiduciary arrangements are necessary for the operation.

5.4. MONITORING, EVALUATION AND ACCOUNTABILITY

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

111. 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 Operation may submit complaints to the responsible country authorities, appropriate local/national grievance redress mechanisms, or the World Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the World Bank's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures. 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 World Bank Inspection Panel, please visit www.inspectionpanel.org.

6. SUMMARY OF RISKS AND MITIGATION

112. **The overall risk of the proposed operation is assessed as substantial.** This rating is due to substantial Macroeconomic risks, which are primarily based on Angola's dependency on the oil sector and high debt levels. Institutional capacity risks are assessed as substantial due to the constraints the government faces to implement a complex reform agenda in an adverse environment shaped by a pandemic and fiscal crisis. Political and Governance, Macroeconomic, Sector Strategies and Policies, Institutional Capacity, Fiduciary, Environmental and Social, and Stakeholder risks are assessed as substantial. Risks related to the Technical Design of the Program are also rated as Substantial. COVID-19, the associated economic crisis and the fiscal stress increased risks to the program relative to its conception (when it was already rated as high); however, developments since the approval of DPF2 (March 2021) have slightly reduced risks.

113. **Substantial Institutional Capacity risks derive from the limited capacity for coordination and implementation within Angola's institutions to execute the complex reforms agenda.** The supported reforms are multisectoral, requiring coordination and information flow between central and sectorial ministries as well as SOEs and more autonomous agencies such as IGAP and IRSEA. To mitigate these risks, the World Bank has been engaging with the President's office which is in charge of coordinating government actions and has complemented the support to reforms with technical assistance and policy advice through analytical work, reimbursable advisory services and investment financing operations. The World Bank Business Environment Reform RAS project is expected to strengthen the GoA's high-level capacity to oversee the implementation of complex economic reforms by improving coordination, implementation monitoring and the identification of solutions to bottlenecks. These engagements also reduce risks related to complex and ambitious sector strategies. Nevertheless, especially in the context of the COVID-19 pandemic and fiscal crisis in Angola, residual from institutional capacity constraints and those related to sector strategies and policies remain substantial.

114. **Macroeconomic risks are substantial due to the fragile global economic environment, vulnerability to external shocks, elevated public debt, decreasing oil production, and slow growth.** High debt levels and large financing needs in the short- and medium-term, combined with dependence on volatile oil revenues make Angola particularly vulnerable. The fragile global economic environment, with an uncertain future trajectory of the COVID-19 pandemic with risks of new virus variants affecting in particular countries in southern Africa, adds to this risk. Short-term risks are partially mitigated by the demonstrated willingness of some creditors to reprofile bilateral debt, the government's commitment and longer track record of fiscal adjustments and push for reforms even in difficult circumstances, including significant debt-to GDP reduction in 2021. In the medium term, Angola's macroeconomic vulnerabilities are expected to be reduced by a successful transition to an economy less dependent on oil and oil-financed public sector activities, with more diversified and private sector driven production pattern.

115. **Substantial Political and Governance emerge from the electoral calendar and potential resistance to the reform program.** The operation supports reforms that affect adversely many interest groups with strong political ties. Also, public support to the operation's objectives may start to fade if



reforms are not well communicated, and the benefits are slower to materialize. General elections scheduled in the latter half of 2022 may slow reform implementation. The high-level political commitment to the reform agenda and the coordination with other development partners contribute to mitigate these risks. A successful implementation of the reform agenda will contribute to attract private investment, and consequently to boost economic activity in coming years, which may reduce political resistance from vested interests and strengthen public support for the reform agenda.

116. **Stakeholders' risks are also substantial.** Relevant vested interests in opposition to reforms aimed at improving competition and efficiency could include incumbents with dominant market positions (especially telecommunications sector) and interests associated with SOEs, and energy and water provision. High level political support for the reform agenda partly mitigates this risk. A multi-stakeholder communication strategy will also contribute to strengthen the public support and to reduce uncertainties regarding the benefits of reforms.

117. **Risks related to sector strategies and policies are substantial.** The GoA is undertaking far-reaching, multi-sectoral reforms that seeks to transform the country from a government-led, oil-dependent economy to a private-sector led, diversified growth model, with increased social and financial inclusion. This requires reforms to be well-designed and adequately sequenced. of reforms. This risk is partially mitigated by the presence of support through sector-specific World Bank operations, RAS and/or TA.

118. **Technical design risks are substantial.** The Program includes complex reforms covering a range of macro, financial sector, business environment, infrastructure, and social protection areas which require a range of expertise and capacities. This risk is mitigated by long standing and ongoing IPF and advisory engagements in all these areas and.

119. **Substantial Environmental and Social risks result from the expected impacts on some groups.** As many SOEs are likely overstaffed, the privatization and PPP programs may lead to workers being laid-off. In addition, five years of recession and high inflation may result in reform fatigue among elected leaders and the population. Absence of economic recovery and reform fatigue ahead of the presidential and legislative elections scheduled for 2022 also poses substantial political and governance risk. The implementation of a social protection system will contribute to attenuate the impacts of the reforms on the poor, as well as expected improvement in service delivery on health and education from technical assistance and investment financing operations supported by the World Bank.

120. **Given existing weakness in the fiduciary environment in Angola, risks in this area are also substantial.** Angola's PFM system is underpinned by a relatively new and evolving legal and regulatory framework. The GoA is committed to enhancing transparency and accountability in the management of public resources and strengthening the PFM environment. Although there are strengths resulting from recent reforms in the budget preparation process, some key weaknesses remain. These are particularly in budget credibility, commitment controls and the internal control environment. The implementation of reforms outlined in section 5.3, some of which are supported by TA from the World Bank or IMF, will continue to mitigate fiduciary risks and help improve the financial management environment.



Table X: Summary Risk Ratings

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



ANNEX 1: POLICY AND RESULTS MATRIX

POLICY MATRIX			Results		
Prior Actions under DPF 1	Prior Actions under DPF 2	Prior Actions under DPF 3	Results Indicator	Baseline	Target
Pillar 1--- Strengthening the macro-financial and institutional environment.					
Policy Area 1.1: Strengthening transparency for fiscal and debt sustainability					
<p>Prior Action 1: The Borrower, through MINFIN, has improved the transparency and efficiency of public debt management and operations, by introducing the first medium-term debt management strategy (MTDS) and an annual borrowing plan, as evidenced by: (i) the publication of the MTDS in MINFIN's Debt Management Unit on March 26, 2019; and (ii) publication of the annual borrowing plan in MINFIN's Debt Management Unit website on February 5, 2019.</p>	<p>Prior Action 1a): To improve fiscal management and sustainability, the Borrower has approved the Public Finance Sustainability Law which includes a fiscal rule based on the non-oil primary balance, debt targets and a requirement for publication of a fiscal strategy.</p> <p>Prior Action 1b): To improve fiscal and debt transparency, the Borrower has published the stock of oil collateralized debt and balances of dedicated debt service accounts.</p>	<p>Prior Action 1a): The Borrower has promoted the transparency and efficiency of public expenditure, particularly social expenditure, by publishing a medium-term fiscal framework as well as quarterly monitoring reports on social expenditures.</p> <p>Prior Action 1b): The Borrower has transparently accounted for fuel subsidies by publishing quarterly information on said fuel subsidies and making an allocation for the full estimate of the cost of fuel subsidies in the 2022 annual budget.</p> <p>Prior Action 1c): The Borrower has improved the transparency of the public debt by publishing annually the key terms of all loans contracted or guaranteed by the Borrower starting from 2020, and adopting standard contractual terms to be incorporated in all foreign debt loans.</p>	<p>Number of quarterly fiscal accounts published per calendar year, with lags no longer than 45 days for each quarter</p> <p>Stock of external public debt (Central government, Sonangol and TAAG), excluding multilateral lenders</p>	<p>0 (2018)</p> <p>US\$45.6 billion (2019)</p>	<p>4 (2023)</p> <p>Less than US\$44 billion (2023)</p>
Policy Area: Strengthening financial sector resilience					
<p>Prior Action 2: The Borrower has strengthened the resilience of the banking system by establishing a Deposit</p>	<p>Prior Action 2: To strengthen the regulatory and legal framework for banking supervision and resolution, the Borrower</p>		<p>Share of the total deposit accounts insured by a Deposit Guarantee Fund</p>	<p>0% (2018)</p>	<p>90% (2023)</p>



Guarantee Fund (DGF) and approving implementing regulations for the DGF, as evidenced by Presidential Decree No. 195/18 of August 22, 2018 creating the DGF, published in the Diário da República on August 22, 2018; and by BNA's Avisos No. 1/19 and 2/19 both of January 11, 2019, regulating the DGF, published in the Diário da República on January 11, 2019.	through the Council of Ministers has approved the draft revised Financial Institutions Law and submitted that draft law to the National Assembly for approval.		(DGF) Percentage of Banks covering at least two third of systems that have in place approved resolution plans consistent with the Financial Institutions Law requirement	0% (2020)	Banks representing not less than 65 percent of total banking sector assets (2023)
Policy Area 1.2: Leveling the playing field for private sector investments					
Prior Action 3: The Borrower has taken the necessary steps to reduce fiscal pressures from SOEs and ensure that SOEs are commercially viable by strengthening the legal and institutional framework for SOE oversight and privatization.	Prior Action 3: To improve the accountability of the SOE sector and the delivery of public services, the Borrower, has (i) published an aggregated SOE report with financial and operational performance indicators, (ii) approved a privatization program and initiated the privatization of two SOEs from the national reference list, and (iii) issued PPP regulations in line with good international practices.	Prior Action 2a): The Borrower has advanced the privatization program for an additional five assets from the national priority list and published progress reports covering the number of bids received, the price, terms, and identification of the winning bidder.	Government transfers to SOEs (operational subsidies, capital transfers) as a share of GDP	5% (2017)	2% (2023)
Prior Action 5: The Borrower has taken measures to level the playing field for private investments by approving: (i) a new private investment law that eliminates local shareholder requirements for foreign investors, (ii) a new competition law; and (iii) the establishment of a Competition Regulatory Authority (ARC), as evidenced by Presidential Decree No. 313/18 of December 21, 2018.	Prior Action 5: To implement an effective competition policy framework, the Borrower has (i) through the ARC approved and adopted enforcement instruments for protecting markets from non-competitive behavior, (ii) and has issued an executive decree reducing the number of goods subject to price controls.	Prior Action 2b): The Borrower has improved the implementation of economic regulation, including competition policy and phasing out of price controls, by adopting a legislation that provides for operational independence of regulatory entities.	Share of SOEs reporting quarterly financial statements to Ministry of Finance (within 60 days of the end of the quarter)	0% (2019)	60% (2023)
		Prior Action 2c): The Borrower has promoted private investment and expansion of telecom networks to update the infrastructure sharing regulation in-line with international good practices.	Number of enforcement decisions issued by the ARC	0 (2018)	5 (2023)
			FDI inflows (non-oil sector) as a share of GDP	0.2% (2017)	1% (2023)
Policy Area 1.3: Supporting a financially sustainable and greener energy sector					



<p>Prior Action 4: The Borrower has initiated a utilities pricing and subsidies reform by carrying out an electricity tariff revision, as evidenced by the issuance and publication of a Ministerial Decree endorsing a new electricity tariff revision.</p>	<p>Prior Action 4a): To enhance the efficiency of the petroleum sector and the transparency of fuel subsidies, the Borrower has issued a decree establishing market-based pricing principles for (i) crude oil supplied to the domestic refinery and (ii) costing of refined products for quantifying fuel subsidies.</p> <p>Prior action 4b): To improve the efficiency and quality of electricity and water services provision, the Borrower, has issued decrees (i) approving the methodology for establishing revenue requirements for water and electricity utilities; and (ii) transferring full authority to set and enforce revenue requirements for electricity and water utilities to the respective regulators.</p>	<p>Prior Action 3a): The Borrower has brought the electricity sector on a path towards cost-recovery tariff levels by approving annual revenue requirements for generation, transmission and distribution for the 2022-2023 period.</p> <p>Prior Action 3b): The Borrower accelerated the expansion of variable renewable energy generation capacity by giving priority to dispatching electricity from renewable energy plants connected to the grid and establishing principles for providing financial support to the operators of renewable energy plants.</p>	<p>Annual Revenue Requirements of electric utilities established based on sound methodology, underpinning the process towards application of cost-reflective tariffs</p>	<p>No (2018)</p>	<p>Yes (2023)</p>
<p>Pillar 2--: Building resilience of the poor and vulnerable to economic and climate shocks.</p>					
<p>Prior Actions under DPF 1</p>	<p>Prior Actions under DPF 2</p>	<p>Prior Actions under DPF 3</p>	<p>Results Indicator:</p>	<p>Baseline</p>	<p>Target</p>
<p>Policy Area 2.1: Protecting the poor and vulnerable from economic and climate shocks and increasing access to finance</p>					
<p>Prior Action 6: The Borrower, through MASFAMU, has taken the necessary steps for the establishment of a nation-wide cash transfer program by creating a unified social registry (<i>Cadastro Social Único</i>) as the building block for a nationwide cash transfer program, as evidenced by Presidential Decree No. 136/2019 of May 10, 2019.</p>	<p>Prior Action 6: To create a social protection system for the poor, the Borrower, has issued a decree setting up a poverty-targeted cash transfer program using the Cadastro Único.</p>	<p>Prior Action 4a): The Borrower has institutionalized electronic payments for the provision of cash transfers.</p>	<p>Number of beneficiaries of cash transfers</p>	<p>0 (2018)</p>	<p>2,000,000 (2023) of which at least 55% are women</p>



<p>Prior Action 7: The Borrower, through BNA, has taken the necessary measures to strengthen and modernize the national payments system, by restructuring the BNA's payments systems unit to ensure independent and adequate oversight, as evidenced by BNA's Despacho No. 28/2019 of March 6, 2019.</p>	<p>Prior Action 7: To enable digital financial services and promote financial inclusion, the Borrower has approved the Payments System Law.</p>	<p>Prior Action 4b): The Borrower has strengthened its payment system oversight policy and defined the mandate, scope and objectives of its technical commission for the development of its payment system.</p>	<p>Share of the adult population with a transaction account</p>	<p>49% Overall 41% women (2019)</p>	<p>60% Overall 55% women (2023)</p>
<p>Objective 2.2. Boosting the financial and physical resilience of the water sector</p>					
		<p>Prior Action 5: The Borrower has approved regulatory instruments to promote the financially sustainable delivery and expansion of water services.</p>	<p>Water Utility tariffs based on cost-recovery principle, systematically adjusted</p>	<p>Ad hoc price adjustments not based on cost recovery or market principles (2018)</p>	<p>Water Utility tariffs systematically and progressively adjusted towards cost-recovery levels (2023)</p>



		Prior Action 6: The Borrower has approved a bulk water use tariff and given GABHIC the mandate for the application of the economic and financial regime on the use of water resources as well as for climate preparedness and response in order to promote sustainable, efficient and climate-resilient use of water resources nation-wide.	Number of water resources users registered in the national cadaster which will have to pay the bulk water abstraction tariff of the Economic and Financial regime, promoting the sustainable use of water resources in the face of climate risks and setting the foundation for drought preparedness	0 (2018)	100 (2023)
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ANNEX 2: FUND RELATIONS ANNEX

IMF Executive Board Completes Sixth Review of the Extended Fund Facility Arrangement for Angola and Concludes 2021 Article IV Consultation

December 22, 2021

- The IMF Executive Board decision allows for an immediate disbursement of about \$748 million to Angola.
- Angola's economy is returning to positive growth as the effect of the COVID-19 pandemic abates.
- The authorities' policy stance remains sound, and they remain committed to their plan of economic reforms following the conclusion of the Fund-supported program.

Washington, DC : The Executive Board of the International Monetary Fund (IMF) today completed the sixth review of Angola's economic program supported by an extended arrangement under the Extended Fund Facility (EFF) and concluded the Article IV consultation [1] with Angola. The Board's decision allows for an immediate disbursement of SDR 535.1 million (about \$748 million), bringing total disbursements under the arrangement to SDR 3.2134 billion (about \$4.5 billion). In completing the review, the Executive Board also approved waivers of nonobservance of the performance criterion on net international reserves of the Banco Nacional de Angola.

Angola's three-year extended arrangement was approved by the Executive Board on December 7, 2018, in the amount of SDR 2.673 billion (about \$3.7 billion at the time of approval). It aims to restore external and fiscal sustainability, improve governance, and diversify the economy to promote sustainable, private sector-led economic growth. At the time of the third review, the Executive Board also approved the authorities' request for an augmentation of access of SDR 540 million (about \$765 million at the time of approval) to support the authorities' efforts to mitigate the impact of COVID-19 and sustain structural reform implementation.

The impact of the COVID-19 pandemic on the Angolan economy has begun to abate amid higher oil prices and less disruptive containment measures. Non-oil growth has started to recover and is expected to contribute to a broad stabilization of overall output in 2021. Inflation has reached over 25 percent, driven by supply-side factors. Continued fiscal restraint should deliver a substantial overall surplus in 2021, while higher oil prices are supporting a high current account surplus.

Angola's overall growth is projected to turn positive in 2022 and reach around 4 percent in the medium term, bolstered by the implementation of planned growth-enhancing structural reforms. Inflation should gradually ease starting in 2022 as global food inflation moderates and the central bank maintains a tight policy stance. A continued prudent fiscal stance, embedded in the 2022 budget plans, will support a rapid decline in the public debt-to-GDP ratio, while protecting key health and social spending.

At the conclusion of the Executive Board's discussion, Ms. Antoinette Sayeh, Deputy Managing Director and Acting Chair, made the following statement:



“The Angolan authorities’ prudent policies have contributed to strengthening stability and sustainability under the program, despite difficult economic conditions. Aided recently by higher oil prices, this policy discipline and commitment to reforms, have also begun to improve economic performance, placing Angola on a path to recovery from the multiple shocks and multi-year recession it has endured.

“The authorities’ disciplined fiscal policy is helping deliver a sharp drop in the public debt-to-GDP ratio in 2021, strengthening debt sustainability while protecting social spending amid the pandemic. The 2022 budget aims to consolidate the fiscal retrenchment. Sustaining the reduction in public debt towards the authorities’ medium-term target will require continued fiscal discipline supported by structural fiscal reforms. Fiscal policy will also need to mitigate the impact of oil-price shocks. This could be achieved by saving future windfalls from high oil prices and protecting priority spending in downturns.

“The National Bank of Angola (BNA) has appropriately tightened the monetary policy stance to address persistently high inflation, which stems mostly from supply-side factors. With an increase in the policy rate and restrained money growth, this stance is expected to begin bringing down inflation next year. Nevertheless, going forward, the central bank needs to stand ready to further tighten monetary policy should inflation accelerate again, or expectations of high inflation become entrenched. The BNA’s plans to transition toward an inflation-targeting monetary policy framework and commitment to a flexible exchange rate regime are welcome.

“Building on substantial progress on financial sector reforms, the authorities need to continue their efforts to ensure the health of the sector. Since the start of the program, they have reinforced the sector’s capitalization, as well as the legal framework for its regulation and supervision. They now need to complete both the modernization of the regulatory framework and the restructuring and recapitalization of the two largest troubled public banks. Implementation of plans to address the still high level of non-performing loans is also important.

“Diversifying the economy through continued deep structural reforms is essential for achieving inclusive growth and consolidating economic sustainability. Rapid expansion of non-oil output requires the implementation of ongoing reforms to strengthen governance, improve the business environment, and to promote private investment and trade openness, as well as the development of human capital and infrastructure. The authorities should also promote the conditions for faster development of key economic sectors, such as agriculture, telecommunications, and finance.”

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



Table 1. Angola: Main Economic Indicators, 2020–25

	2020		2021		2022		2023		2024		2025	
	5th Rev	Actual	5th Rev	Proj.	5th Rev	Proj.	5th Rev	Proj.	5th Rev	Proj.	5th Rev	Proj.
Real economy (percent change, except where otherwise indicated)												
Real gross domestic product	-5.2	-5.2	-0.1	0.1	2.4	2.9	3.4	3.3	3.7	3.7	3.9	3.9
Oil sector	-8.0	-8.0	-7.0	-10.6	0.0	1.6	0.0	0.0	0.0	0.0	0.0	0.0
Non-oil sector	-4.0	-4.0	2.3	3.9	3.4	3.4	4.7	4.7	5.0	5.0	5.0	5.0
Nominal gross domestic product (GDP)	9.7	9.7	32.1	39.1	14.5	23.0	11.3	13.5	10.3	11.5	9.9	10.1
Oil sector	-8.7	-7.4	52.0	63.3	5.6	15.3	1.2	-2.7	1.3	-1.8	1.7	-1.5
Non-oil sector	18.0	17.4	25.3	30.6	18.2	26.4	15.0	20.0	13.2	15.8	12.3	13.3
GDP deflator	15.8	15.8	32.3	39.0	11.8	19.5	7.6	9.8	6.3	7.5	5.8	5.9
Non-oil GDP deflator	22.9	22.3	22.5	25.7	14.3	22.2	9.9	14.6	7.9	10.3	7.0	7.9
Consumer prices (annual average)	22.3	22.3	22.5	25.7	14.3	22.2	9.9	14.6	7.9	10.3	7.0	7.9
Consumer prices (end of period)	25.1	25.1	19.5	26.8	11.0	18.0	9.0	12.0	7.0	9.0	7.0	7.0
Gross domestic product (billions of kwanzas)	33,836	33,832	44,713	47,071	51,189	57,892	56,958	65,702	62,815	73,243	69,042	80,629
Oil gross domestic product (billions of kwanzas)	8,692	8,815	13,208	14,391	13,952	16,592	14,121	16,139	14,306	15,849	14,542	15,605
Non-oil gross domestic product (billions of kwanzas)	25,145	25,017	31,505	32,680	37,237	41,299	42,837	49,562	48,509	57,394	54,500	65,024
Gross domestic product (billions of U.S. dollars)	58.5	58.5	66.7	73.7	68.0	89.0	72.0	94.6	77.0	100.3	83.0	107.4
Gross domestic product per capita (U.S. dollars)	1,886	1,885	2,086	2,307	2,065	2,704	2,122	2,791	2,205	2,871	2,306	2,985
Central government (percent of GDP)												
Total revenue	20.8	20.8	22.6	22.1	22.1	21.6	21.3	19.9	20.7	18.9	20.2	18.1
Of which: Oil-related	10.7	10.7	13.2	12.8	12.2	12.7	11.1	10.9	10.2	9.6	9.4	8.5
Of which: Non-oil tax	8.8	8.8	8.2	8.2	8.7	7.8	9.0	8.1	9.2	8.5	9.4	8.7
Total expenditure	22.7	22.7	20.4	19.3	20.1	19.1	19.2	18.3	18.5	17.6	17.9	18.0
Current expenditure	17.5	17.5	16.9	15.6	16.6	15.8	15.8	14.9	15.2	14.3	14.6	14.6
Capital spending	5.2	5.2	3.5	3.7	3.5	3.3	3.4	3.3	3.3	3.3	3.3	3.3
Overall fiscal balance	-1.9	-1.9	2.2	2.8	2.0	2.4	2.1	1.6	2.2	1.3	2.3	0.1
Non-oil primary fiscal balance	-5.5	-5.5	-4.8	-4.4	-4.4	-5.2	-3.7	-4.8	-3.1	-4.3	-2.8	-4.0
Non-oil primary fiscal balance (percent of non-oil GDP)	-7.4	-7.5	-6.8	-6.3	-6.1	-7.3	-4.9	-6.4	-4.0	-5.5	-3.6	-4.9
Money and credit (end of period, percent change)												
Broad money (M2)	24.3	24.3	15.8	3.0	12.8	12.0	12.1	12.0	12.0	11.9	9.7	11.8
Percent of GDP	37.5	37.5	32.9	27.8	32.4	25.3	32.7	25.0	33.2	25.1	33.1	25.5
Velocity (GDP/M2)	2.7	2.7	3.0	3.6	3.1	4.0	3.1	4.0	3.0	4.0	3.0	3.9
Velocity (non-oil GDP/M2)	2.0	2.0	2.1	2.5	2.2	2.8	2.3	3.0	2.3	3.1	2.4	3.2
Credit to the private sector (annual percent change)	-8.4	-7.7	9.4	13.0	24.1	12.5	21.5	19.3	15.8	16.2	15.0	15.0
Balance of payments												
Trade balance (percent of GDP)	19.5	19.5	25.0	27.5	22.3	25.0	20.5	19.9	18.9	16.8	17.9	15.2
Exports of goods, f.o.b. (percent of GDP)	35.8	35.8	41.8	43.5	39.1	40.8	36.1	35.5	33.9	31.9	32.6	29.5
Of which: Oil and gas exports (percent of GDP)	33.5	33.5	39.6	40.9	36.5	38.3	33.2	32.9	30.5	29.0	28.2	25.8
Imports of goods, f.o.b. (percent of GDP)	16.3	16.3	16.8	15.9	16.8	15.8	15.6	15.6	15.1	15.1	14.7	14.4
Terms of trade (percent change)	-36.5	-36.6	34.4	51.2	-8.2	5.4	-2.4	-6.6	-1.3	-5.5	-0.2	-4.3
Current account balance (percent of GDP)	1.5	1.5	5.2	10.8	3.1	9.5	2.7	5.4	1.7	3.4	1.3	2.1
Gross international reserves (excluding pledged repo securities)												
End of period, millions of U.S. dollars	10,878	10,978	13,643	14,056	14,776	14,756	14,776	14,596	14,776	14,286	14,776	14,077
Months of next year's imports	7.1	7.4	8.8	8.1	9.6	8.1	9.2	7.8	8.7	7.5	8.6	7.2
Gross international reserves (including pledged repo securities)												
End of period, millions of U.S. dollars	14,779	14,879	14,776	15,188	14,776	14,756	14,776	14,596	14,776	14,286	14,776	14,077
Net international reserves (end of period, millions of U.S. dollars)	8,280	8,379	8,996	9,440	10,128	10,140	10,220	10,176	10,483	10,129	11,033	10,474
Exchange rate												
Official exchange rate (average, kwanzas per U.S. dollar)	578	578	...	...	...	...	...	...	...	...	...	...
Official exchange rate (end of period, kwanzas per U.S. dollar)	656	656	...	...	...	...	...	...	...	...	...	...
Public debt (percent of GDP)												
Public sector debt (gross) ¹	135.1	135.1	113.3	95.9	102.7	78.9	95.9	73.6	85.8	67.4	76.7	62.8
Of which: Central Government debt	125.2	125.3	103.9	89.5	92.8	72.9	85.8	68.5	76.9	63.0	68.8	58.9
Oil												
Oil and gas production (millions of barrels per day)	1,369	1,388	1,274	1,258	1,274	1,282	1,274	1,282	1,270	1,279	1,274	1,282
Oil and gas exports (billions of U.S. dollars)	19.6	19.6	26.4	30.1	24.8	34.1	23.9	31.1	23.5	29.0	23.4	27.7
Angola oil price (average, U.S. dollars per barrel)	41.1	41.3	57.8	68.3	54.4	76.0	52.4	69.2	51.5	64.6	51.3	61.6
Brent oil price (average, U.S. dollars per barrel)	42.3	42.3	59.7	70.2	56.2	77.8	54.1	71.0	53.0	66.1	52.4	62.7

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



David Malpass

President of the World Bank Group
1818 H Street, NW
Washington, DC. 20433
EUA

17th February 2022

0417 /19/01/GMF-MINFIN/2022

SUBJECT: Development Policy Operation in the Amount of USD 500 Million to Support Fiscal Reforms and Resilient and Inclusive Economic Development

Honourable Mr. President,

On behalf of the Angolan Government, I have the honour to present to you the Development Policy Report about the third tranche of USD 500 million regarding the fiscal support operation.

The attached report aims at presenting the current status of the Angolan economic situation, perspectives, and structural reforms recently put into place. In addition, the report describes the reforms that were successfully implemented as part of the Development Policy operation with the valuable support from the World Bank Group.

Please accept, Honourable Mr. president, the assurance of my highest consideration and esteem.

OFFICE OF THE FINANCE MINISTER

The Minister

Vera Daves de Sousa



GOVERNO DE
ANGOLA

Ministério das Finanças

MEMORANDO

**Operação de Políticas de Desenvolvimento no Montante de USD
500 Milhões para apoio de Reformas Fiscais e Desenvolvimento
Económico mais Resiliente e Inclusivo**

Fevereiro 2022



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I. ENQUADRAMENTO

O presente Memorando, tem como objectivo apresentar, em nome do Governo de Angola, a Carta de Políticas de Desenvolvimento concenente à terceira e última tranche de **USD 500,00 milhões**, referentes à operação de apoio orçamental.

Esta carta apresenta uma actualização sobre nossa situação económica, suas perspectivas, relata em síntese as reformas estruturais que implementamos nos últimos anos e descreve as reformas que realizamos com sucesso como parte desta operação de políticas de desenvolvimento com o valioso apoio do Banco Mundial.

II. DESENVOLVIMENTO ECONÓMICO RECENTE E PERSPECTIVAS PARA 2022

- 1. A economia nacional tem apresentado sinais de recuperação do choque severo da pandemia da Covid-19.** Em 2021, a estabilidade económica melhorou, comparativamente ao ano de 2020, influenciada pela recuperação do preço de petróleo no mercado internacional e pela forte resposta de políticas públicas, incluindo a promoção do crescimento do sector não petrolífero. No entanto, o impacto da pandemia persiste em várias dimensões, notadamente a produção de petróleo deprimida e fatores do lado da oferta que contribuem para a inflação elevada.
- 2. Mesmo neste contexto desafiante, continuamos comprometidos com nosso programa de reforma e estabilização,** que tem contado com apoio imprescindível de instituições multilaterais, como o Banco Mundial e o Fundo Monetário Internacional, sendo que, com este último, cumprimos com sucesso um programa de três anos, cujo término foi em Dezembro de 2021. Essas parcerias têm ajudado Angola a sair da crise e a reforçar a estabilidade macroeconómica e a criar bases para um crescimento sustentável e inclusivo para além da crise.
- 3. Recuperação económica induzida pelo sector não petrolífero.** As estatísticas recentes apontam que a economia cresceu 0.8% no terceiro trimestre de 2021, em termos homólogos, o que sinaliza a recuperação económica. Em termos globais, estima-se um crescimento real em 2021 de 0.2%, influenciado pelo sector não petrolífero com uma taxa de crescimento de 5.2%, suficiente para compensar a contração do sector petrolífero de 10.6%. Para o ano de 2022, esperamos por um crescimento económico mais robusto, projectado em 2.4% e deverá ser suportado pelo sector não petrolífero e petrolífero com crescimentos de 3.1% e 1.6%, respectivamente.





4. **A inflação permanece alta, impulsionada por factores de oferta devido aos efeitos da pandemia da Covid-19.** Embora o crescimento do agregado monetário tenha diminuído como resultado de medidas de contração monetária, o Índice de Preços ao Consumidor aumentou para 27.03% em Dezembro de 2021, em termos homólogos. Não obstante as medidas de aperto, a inflação persistiu devido a factores de oferta, especialmente altos preços globais de alimentos e restrições de oferta de importações, que foram exacerbados pela pandemia. Para 2022, esperamos que a flexibilização dos preços globais dos alimentos, juntamente com a supervisão contínua da política monetária e as medidas tomadas em sede do Orçamento Geral do Estado que concorrem para a redução de preços de alimentos, levem a uma desaceleração gradual da inflação em 2022, pelo que esperamos uma inflação de 18%.
5. **Mantivemos a disciplina fiscal para reduzir o défice e a dívida.** As contas fiscais beneficiaram de aumento de receitas resultante do elevado preço de petróleo e também do bom desempenho das receitas não petrolíferas, combinada com a contenção de gastos. Por conta disso, estima-se um saldo fiscal global superavitário em 2021 na ordem de 3% do PIB e um défice primário não petrolífero de 4.1% do PIB. Para 2022, considerando melhorias nos fundamentos fiscais, a política fiscal deverá ser expansionista com vista a apoiar o crescimento económico esperado e preservar os gastos sociais, sem, no entanto, comprometer os objectivos da sustentabilidade das contas públicas. Assim sendo, espera-se por um saldo fiscal global equilibrado e um défice primário não petrolífero de 5.3% do PIB.
6. **Estamos colocando a mais alta prioridade na vacinação para combater a pandemia de COVID-19.** Até o dia 14 de Fevereiro de 2022, 10.930.913 cidadãos (69.33% da população-alvo) receberam pelo menos uma dose de uma vacina COVID-19, dos quais 5.235.368 cidadãos (33.21% da população-alvo) receberam dose completa ou dose única de uma Vacina para o COVID-19, e temos um elevado compromisso em acelerar a taxa de vacinação expresso no Orçamento Geral do Estado 2022.
7. **Nossas medidas de contenção foram significativamente aprimoradas e têm sido implementadas com bastante eficácia para combater casos de COVID-19,** de forma a minimizar o impacto económico, e os efeitos têm sido positivos, pois os casos confirmados, a taxa de teste de positividade e as mortes começaram a diminuir. À semelhança dos anos de 2020 e 2021, o Governo reitera, em 2022, o seu compromisso no combate contra essa pandemia, tendo estabelecido dentre as suas principais



prioridades o Controle da Pandemia para Salvar Vidas e Preservar a Retoma do Crescimento Económico. Para o efeito, o Governo tem apostado na vacinação, pois, reconhece que a mesma constitui a ferramenta mais eficaz para a equação salvar vida vis-à-vis a revitalizar a actividade económica dos países, pelo que, para o ano de 2022 o Governo estabeleceu a meta de vacinação de 95% da população elegível.

8. **A conta corrente para 2021 apresenta *superavit* substancial.** O *superavit* na conta corrente no terceiro trimestre de 2021 se fortaleceu para mais de 12% do PIB, impulsionado por valores mais altos de exportação de petróleo.
9. **O sector bancário, encontra-se bem capitalizado, não obstante ainda permanecer vulnerável a choques.** Os créditos mal parados continuam elevados, embora estáveis e concentrados em poucos bancos. O BNA está a acompanhar de perto a potencial deterioração da qualidade dos ativos dos bancos, na sequência do impacto da pandemia de COVID-19 e das respetivas restrições. Para 2022, e esperamos que a estabilidade financeira continue sólida, uma vez que o BNA continua a melhorar a sua supervisão, a resolução bancária e o Quadro macro – prudencial.

III. POLÍTICAS MACROECONÓMICAS E REFORMAS ESTRUTURAIS

10. No quadro do programa de reformas, várias iniciativas foram desenvolvidas no domínio das Finanças Públicas, Cambial, Monetário e do Sistema Financeiro.

A. Política Fiscal

11. **Nossa política fiscal está ancorada em nosso objectivo de fortalecer a sustentabilidade da dívida pública.** Nossa postura fiscal é projectada para fornecer uma trajetória de declínio sustentado do rácio dívida pública/PIB, que pretendemos reduzir para 60% do PIB no longo prazo, conforme estipulado pela Lei de Sustentabilidade das Finanças Públicas. Também está calibrada para reduzir e manter nossas necessidades médias de financiamento bruto de longo prazo em níveis consistentes com a sustentabilidade da dívida pública.
12. **Preparamos um orçamento para 2022 que orientado para promover uma maior transparência fiscal e a consolidação dos ganhos fiscais alcançados com a implementação do nosso programa de reforma com o apoio do Fundo Monetário Internacional.** O orçamento visa aproveitar as reformas de receitas que introduzimos em 2020, mantendo a disciplina de despesas. Ao mesmo tempo, priorizaremos os gastos com



os principais projectos de investimento público, o combate à COVID-19 e os gastos sociais com saúde e educação. **A nível do orçamento destaca-se:**

- **Receitas não petrolíferas.** Esperamos que todas as categorias de receita tenham um forte desempenho à medida que a economia não petrolífera continua a se recuperar e nossos esforços contínuos para melhorar a administração tributária e os ganhos de arrecadação. Introduziremos alguns ajustes de alíquota de impostos direccionados para mitigar o impacto da crise económica e apoiar a recuperação de nossa economia: (i) expandir a cesta de bens básicos à qual se aplica uma alíquota de IVA menor de 5%, para limitar a inflação de preços enfrentados pelos consumidores; (ii) reduzir a taxa de retenção na fonte sobre pagamentos por serviços prestados por não residentes para 6,5 por cento para ajudar a apoiar o investimento no setor petrolífero; e (iii) reduzir temporariamente a alíquota do IVA nas vendas de hotéis e restaurantes para 7% para ajudar na recuperação pós-pandemia do setor. Estimamos o custo total dessas medidas em 0,3% do PIB;
- **Remuneração dos empregados.** Continuamos a manter o controlo da massa salarial, e permitimos um aumento limitado da massa salarial nominais, para viabilizar as alterações naturais da folha salarial, ajuste dos salários na administração pública e novas contratações limitadas ao longo de 2022 nas áreas da educação e saúde para apoiar nossos objectivos sociais prioritários;
- **Bens e serviços.** Aumentamos ligeiramente os gastos com novos bens e serviços em relação ao PIB, para acomodar as necessidades em nossas áreas prioritárias de saúde e educação.
- **Transferências e subsídios.** Melhoramos a eficiência alocativa das despesas com os subsídios aos preços dos combustíveis, na medida em que a partir do Orçamento de 2022 incluímos explicitamente o custo total dos subsídios aos combustíveis (gasolina e no diesel).
- **Despesas de capital.** Mantivemos a despesa de capital em relação ao PIB a um nível globalmente estável, enquanto focamos nossas despesas em projectos-chave geradores de maiores dividendos de crescimento.
- **Regularização de Atrasados.** Ao abrigo do Programa com o FMI o governo cumpriu os compromissos de acumulação líquida de pagamentos em atrasos, e o tratamento dos atrasados conta com um novo modelo de gestão e regularização ao abrigo de um



Decreto Presidencial emitido em 2020 que passa a conta com a participação da Inspeção Geral da Administração Pública com a responsabilidade de realizar a certificação prévia das dívidas reclamadas. Para o ano de 2022, o Governo prevê regularizar atrasados no montante de Kz 450 mil milhões atrasos, de modo a libertarmos liquides para as empresas.

- **Gestão da dívida pública.** Continuamos a implementar uma estratégia de gestão da dívida prudente e proactiva para apoiar e fortalecer ainda mais a sustentabilidade das finanças públicas. Aproveitamos ao máximo o alívio da dívida fornecido pelo G20 ao abrigo do DSSI (*Debt Service Suspension Initiative*) até o final de 2021. Também estamos activamente a alongar o prazo médio de nossa dívida interna, e a acessar com prudência a linhas de crédito externas para financiar projectos de investimento público. Também reservamos uma parte da recente alocação do Direito Especial de Saque (SDR) para uso fiscal; e o Governo continua comprometido em continuar a sua política de não colocar o petróleo como garantia ou colateral na contratação de novas dívidas externas.

Principais Reformas no Domínio das Finanças Públicas:

13. **No domínio das Finanças Públicas**, destaque para o reforço da transparência das Finanças Públicas com a aprovação da Lei da Sustentabilidade das Finanças Públicas, que além de promover maior transparência apresenta instrumentos modernos de Gestão das Finanças Públicas e estabelece que a política fiscal deve ser formulada e executada para garantir a sustentabilidade das finanças públicas, assegurando o objectivo de reduzir de forma consistente e sistemática a Dívida Pública. Em um primeiro momento, no âmbito desta operação de desenvolvimento de políticas, publicamos pela primeira vez projecções fiscais de médio prazo e estamos comprometidos em preparar um quadro de despesas de médio prazo que traduza as prioridades políticas e de alocação estratégica de recursos no âmbito do futuro Plano de Desenvolvimento Nacional 2023-2027, de modo a auxiliar na gestão estratégica das despesas e prover uma visão de médio-prazo das prioridades do Governo para os gastos públicos, notadamente os sectores sociais.

14. Ainda no domínio da Finanças Pública, foram realizados avanços significativos a nível da **Política Tributária**, com realce para a conclusão da digitalização de três maiores impostos, nomeadamente, o IVA (Imposto sobre Valor Acrescentado), o IEC (Imposto Especial de Consumo), e IVM (Imposto sobre Veículos Motorizados). Esses avanços permitiram a arrecadação de cerca de 70% da receita não petrolífera através de canais





electrónicos, contribuindo assim para a digitalização da economia, um conceito que tem ganho bastante relevo, sobretudo com o emergir da pandemia. Temos estado a melhorar progressivamente a gestão do IVA (Imposto Sobre Valor Acrescentado).

15. Também temos realizado melhorias ao nível da **qualidade da despesa pública**, sendo que neste domínio, em Janeiro de 2021 entrou em vigor a **nova Lei dos Contratos Públicos**, que visa, de entre outros objectivos, pôr cobro às dificuldades manifestadas pelas Entidades Públicas Contratantes na sua aplicação, torná-la mais prática e de fácil aplicação e cumprimento, bem como promover maior concorrência entre os operadores económicos.

16. Esta Lei, veio reforçar a necessidade de expansão do Sistema Nacional de Contratação Pública Electrónica (SNCPE), enquanto um dos objectivos constantes do Plano de Desenvolvimento Nacional (PDN) 2018-2022, com a introdução do Procedimento Dinâmico Electrónico, que se afigura num procedimento mais célere, com implementação em 3 etapas – Anúncio, Leilão e Adjudicação –, e de tramitação inteiramente electrónica.

17. Registamos melhoria no domínio da transparência das compras, com o compromisso de publicar planos de aquisições para dois terços das transações já cumpridas. Os nomes de quase todas as empresas beneficiárias dos contratos foram publicados na plataforma de registo de compras públicas em 2021. Com base neste progresso, pretendemos trabalhar no sentido de lançar as bases para a publicação de informações sobre os beneficiários efectivos nos contratos de contratação pública, amplamente em conformidade com as normas do GAFI. Para o efeito, trabalharemos para identificar os entraves jurídicos à publicação de beneficiários efetivos em contratos públicos. Também estamos a realizar um diagnóstico do sistema de contratação pública com o apoio do Banco Africano de Desenvolvimento, que servirá de base para melhorarmos o nosso sistema de compras públicas.

18. A nível do **Sector Empresarial Público (SEP)**, temos implementado com sucesso o nosso Programa de Privatizações (PROPRIV). O Programa de Privatização em curso registou avanços positivos apesar das adversidades da Covid-19. Até Dezembro de 2021, privatizamos **73 empresas e activos**, dos quais 9 em 2019, 25 em 2020 e 35 em 2021. As empresas privatizadas até Dezembro de 2021 representam 52,1% do total de empresas/activos previstos, ou seja, 140, estando por privatizar em 2022 67 processos.

19. Inicialmente o programa previa a privatização 195 empresas/activos de diversos sectores de actividade para o período de 2019 – 2022. No entanto, ao longo deste período o

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universo de activos e empresas a privatizar foi actualizado, em decorrência dos processos de reavaliação e recuperação dos activos do Estado, pelo que, actualmente, o programa contempla um total de 140 empresas. De reforçar que o governo avançou com a privatização de 5 empresas da lista nacional de referências, e como parte desta operação de desenvolvimento de políticas aumentou a transparência do processo de privatização com a publicação no web site do Ministério das Finanças de um *dashboard* que fornece informações dos resultados alcançados e das privatizações em curso. É igualmente destaque no quadrante do SEP o processo de privatização que tem sido levado a cabo desde 2019 sendo que em 2021 registou-se um marco com a privatização pela primeira vez, na história de Angola, de um Banco Público na bolsa de valores.

20. Também estamos a trabalhar na reestruturação e redimensionamento do sector empresarial do Estado, e para isto o Governo de Angola aprovou já um Roteiro da Reforma do Sector Empresarial que vai orientar todo o processo de reformas, com o objectivo de: (i) minimizar a presença do Estado como empresário, (ii) separar o papel do Estado enquanto accionista, supervisor e regulador, (iii) incrementar a eficiência da gestão, para a maximização do valor gerado para o país e (iv) aumentar os níveis de transparência e de qualidade do reporte financeiro das empresas incluídas nesse sector.

21. **Programa de transferência de Renda.** Continuamos a progredir com bastante sucesso no registo de famílias, tendo já sido registado pouco mais de 500.000 famílias, pouco mais de 247 mil famílias já recebem pagamentos e vamos continuar a trabalhar para alcançarmos a meta de 1,6 milhões de famílias. Estamos a trabalhar para aumentar a penetração dos serviços bancários e do dinheiro móvel no âmbito do programa. Com o apoio do Banco Mundial, avaliamos a possibilidade de ajuste dos valores das transferências monetárias para preservar o poder de compra e a Comissão Interministerial do Programa Kwenda já tomou a decisão para avançar com o esse ajuste. Como parte desta operação de políticas de desenvolvimento, trabalhamos com o Banco Nacional de Angola para implementarmos reformas nas áreas dos serviços de pagamentos e dos arranjos de pagamentos, e avisos do Banco Central sobre o assunto foram emitidos o que vai ajudar a aumentar o alcance e potencial do programa Kwenda.

22. **Subsídios de combustível.** Como partes desta operação de políticas de desenvolvimento, aumentamos a transparência com a publicação do custo total dos subsídios aos combustíveis para o primeiro e segundo trimestres. Estes ascenderam a 0,44 e 0,43 por cento do PIB, respectivamente, prevendo-se que o custo total dos



subsídios para todo o ano atinja 1.9 por cento do PIB. Continuamos comprometidos com o objectivo de eliminar gradualmente os subsídios implícitos aos combustíveis quando o programa de transferência de renda atingir uma massa crítica de famílias. Ao longo de 2022, trabalharemos com o Banco Mundial e o Fundo Monetário Internacional na elaboração de um Programa ou Roteiro Preparatório para a Reforma dos Subsídios aos Combustíveis, com a definição de mecanismos que assegurem a minimização do seu impacto sobre os pobres.

23. No sector da energia e águas, estamos focados na realização da reforma tarifária no sector da electricidade e das águas. Como parte desta operação de desenvolvimento de políticas, o regulador do sector, IRSEA determinou a Receita Anual Requerida (RAR) das empresas públicas PRODEL (produção), da RNT (transporte) e da ENDE (distribuição) para cada ano do período 2022-2023, aplicando a metodologia aprovada por Decreto Presidencial 120/20 de 25 de junho de 2020; e, o regulador continuará a trabalhar para reforçar a robustez na determinação dos RAR das três concessionárias de energia elétrica para o próximo período tarifário 2024-2027 e vai compartilhar com o Governo os valores dos encargos em cada categoria da estrutura tarifária que permitiriam ao sector eléctrico obter receitas para operar de forma eficiente sem subsídios até 2027. Com base nessas determinações, continuaremos a trabalhar para promover uma oferta de energia mais eficiente, de modo que na base da determinação da RAR pelo regulador das três empresas concessionárias elaboraremos um programa de correcção tarifária, com o objectivo de reduzir progressivamente os subsídios à electricidade durante o período tarifário 2024-2027, garantindo a protecção dos usuários de baixa renda. Enquanto a recelta tarifaria não seja suficiente para cobrir os custos totais de fornecimento eficiente do serviço, comprometemo-nos a incluir os montantes de défice de receita, ou seja, a diferença entre a receitas anuais requeridas determinadas pelo IRSEA e as receitas tarifarias, na Lei do Orçamento Geral do Estado Anual para assegurar o financiamento necessário para a operação eficiente do sector. Em relação ao sector das águas, também como parte desta operação de desenvolvimento de políticas, o IRSEA aprovou as normas necessárias para a implementação do novo regulamento tarifário. Adicionalmente, para a promoção de um uso racional e sustentável dos recursos hídricos, especialmente nas zonas afectadas pela seca, o governo implementou a legislação que aprova o tarifário de uso de água em grande escala.

24. **Gestão de Atrasados.** Contamos com um recente Decreto Presidencial que estabelece o envolvimento da IGAE (Inspeção Geral da Administração do Estado) no processo de

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aprovação das despesas incorridas fora do SIGFE (Sistema Integrado de Gestão Financeira do Estado), com o objectivo de fortalecer o processo de gestão dos atrasados e desincentivar seu acúmulo. Além disso, estamos contemplando medidas para fazer cumprir com mais eficiência a regulamentação existente que responsabiliza os funcionários orçamentários pessoalmente por exceder seus limites de gastos ou ignorar os procedimentos de aprovação padrão. Também melhoramos a componente sistémica ou tecnológica da gestão dos atrasados e continuamos a trabalhar na componente pedagógica com os gestores públicas, visando melhor e aumentar a literacia sobre conformidade da despesa pública.

25. Investimento público e PPPs. Pretendemos publicar relatórios de avaliação dos grandes projetos à medida que forem disponibilizados pelas unidades orçamentais (com início previsto para janeiro de 2022, com pelo menos 67 grandes projectos). Também vamos reforçar a capacidade de gestão do investimento público, incluindo a inclusão de considerações sobre mudanças climáticas e o planeamento e a definição de custos plurianuais do investimento público. Estabelecemos já um cronograma de ações para implementar as recomendações do relatório do PIMA 2019 com ênfase inicial na avaliação do projeto com recurso da abordagem de custeio *bottom - up*.

26. No que diz respeito às PPPs, estamos neste momento a avaliar duas propostas que foram seleccionadas em concurso público para a estação de tratamento de lixo de Luanda denominada projeto "Aterro dos Mulenvos" e que deverá ter início no ano 2022. Além disso, o Banco Mundial já concluiu os estudos preliminares de viabilidade para quatro projectos piloto de PPP, que estamos avaliando agora. Prevemos que todos os custos directos desses projetos, além dos estudos de viabilidade (que foram financiados pelo orçamento), sejam repassados aos parceiros do sector privado. Não obstante, o Ministério das Finanças e o Gabinete de PPP do Ministério da Economia e Planeamento estão empenhados em avaliar, monitorizar de perto e limitar todos os passivos contingentes, incluindo nos contratos de concessão de longo prazo, como o projecto do Corredor do Lobito. O Governo reconhece o facto de as PPPs serem uma realidade nova para Angola, pelo que destaca a importância de capacitar os seus quadros no tocante às várias nuances relacionadas a este assunto, como por exemplo a questão da adaptação às mudanças climática no planeamento de investimentos públicos.

27. Transparência fiscal e relatórios. Houve alguns avanços na transparência e nos relatórios fiscais, incluindo uma publicação regular no site do Ministério das Finanças do



Relatório Trimestral de Execução Orçamental, com uma seção dedicada aos gastos relacionados à crise, e aos gastos sociais (educação e saúde) para garantir um maior monitoramento e reporte. Adicionalmente, aumentámos a transparência da dívida pública com a publicação anual dos principais termos contratuais de todos os todos empréstimos contraídos ou garantidos pelo governo, bem como a padronização do formato do contrato de modo a possibilitar a divulgação das principais cláusulas contratuais. Além disso, o Governo de Angola tem vindo a realizar inspeções sobre as despesas da COVID-19 pela Inspeção Geral das Finanças abrangendo o Ministério da Saúde e os Governos Provinciais. Além disso, uma vez que o relatório de despesas relacionadas com a crise faz parte da Conta Geral do Estado, deve ser auditado pelo Tribunal de Contas, aprovado pelo parlamento e publicado antes do final do ano.

28. No médio prazo, atingir nossa meta de dívida exigirá disciplina fiscal contínua, reduzindo ainda mais o défice fiscal primário não petrolífero ao longo do tempo.

Nosso caminho de redução da dívida pode contar com os fluxos de receita existentes, desde que as despesas permaneçam praticamente inalteradas em relação ao PIB, o que, por sua vez, exige controles contínuos cuidadosos, tanto no planeamento orçamental, como nos estágios de execução. Ao mesmo tempo, planeamos suavizar o impacto de nossa política fiscal na economia real, mantendo a contenção fiscal ao longo do ciclo do preço do petróleo. De acordo com a Lei de Sustentabilidade das Finanças Públicas, esses esforços envolverão a redução mais rápida da dívida e a criação de amortecedores fiscais adicionais quando os preços do petróleo estiverem altos, como estamos fazendo atualmente, e um afrouxamento relativo apropriado de nossa postura fiscal caso os preços do petróleo caiam. Também buscaremos oportunidades para gerir nossos passivos para reduzir vulnerabilidades, como picos de pagamento de dívidas. **Para apoiar todos esses esforços, continuaremos a implementar importantes reformas fiscais estruturais para melhorar a gestão da dívida, transparência, governança e prestação de contas.**

B. Política Monetária e Cambial

29. Em 2021, o Banco Nacional de Angola restringiu a política monetária para conter as pressões inflacionárias: em Maio, o Banco Central aumentou o coeficiente de reserva em moeda estrangeira de 17 por cento para 22 por cento, alinhando-o com o nosso rácio de reservas obrigatórias denominado em kwanzas; em Julho, aumentou a taxa directora de 15,5 por cento para 20 por cento, a facilidade permanente de liquidez de 19,88 por cento para 25 por cento e a facilidade permanente de absorção de liquidez a 7 dias de 12 para



15 por cento.; e manteve o seu ritmo constante de absorção de liquidez doméstica por meio de operações de mercado aberto. Como resultado, as condições monetárias ficaram mais restritivas.

30. Embora reconheçamos que a inflação persistentemente decorre, principalmente, de factores do lado da oferta em resultado da Covid-19, também estamos cautelosos do facto de que o risco de que as expectativas de inflação possam criar inércia. Deste modo, para lidar com factores do lado da oferta, o governo tomou medidas temporárias para facilitar as importações de bens básicos, incluindo a suspensão de algumas tarifas de importação e requisitos de licenciamento. Além disso, em sede do Orçamento de 2022 alargou a redução da taxa do Imposto sobre o Valor Acrescentado.

31. **O BNA continua comprometido com uma taxa de câmbio determinada pelo mercado.** A actividade do BNA no mercado cambial (FX) mantém-se mínima desde a introdução em 2020 da plataforma de negociação FX, e continuará mínima apenas para limitar a volatilidade excessiva da taxa de câmbio. A flexibilidade cambial serviu bem como amortecedor durante a crise da pandemia.

32. **O BNA tem sinalizado o compromisso de reforçar as reservas internacionais e para fins de precaução, à medida que as condições externas continuem a melhorar.** A taxa de câmbio mais flexível e a intervenção cambial limitada têm permitido ao BNA preservar as reservas, enquanto a alocação de Direito Especial de Saque (SDR) de agosto de 2021 permitiu aumentar níveis de reservas.

Principais Reformas no Domínio Monetário e Cambial:

33. **No domínio Cambial,** a flexibilização mercado cambial tem gerado efeitos positivos à economia nacional como um todo e às contas externas em particular, na medida que a taxa de câmbio tem funcionado como verdadeiro amortecedor aos choques externos, com destaque à queda do preço de petróleo nos mercados internacionais, diminuindo, deste modo, a pressão sobre as reservas internacionais líquidas e salvaguardando, assim, a sustentabilidade externa.

34. Ainda no domínio cambial, importa destacar a expansão de participantes na plataforma de negociação da Bloomberg que, passa igualmente a contar com as companhias aéreas e as seguradoras. Essa medida insere-se no âmbito da flexibilização e normalização cambial com vista conferir maior transparência e eficiência ao mercado.





35. No domínio monetário, foi aprovada, em 2021, a nova Lei do Banco Nacional de Angola (BNA) que trouxe várias alterações com realce para o aumento da autonomia institucional, administrativa, financeira e patrimonial. Outrossim, a nova Lei do BNA confere ao banco Central m mandato de garantir a estabilidade de preços de forma a assegurar a preservação do valor da moeda nacional, o que permite a concentração de foco do BNA no controle da inflação.

C. Políticas do Sector Financeiro

36. Nossas políticas para o sector financeiro visam garantir sua solidez e, ao mesmo tempo, aumentar sua contribuição para o crescimento económico inclusivo e minimização dos riscos macroprudenciais. Com esses objectivos em mente, estamos comprometidos em finalizar a reestruturação dos bancos públicos e reduzir o papel do Estado no sector bancário. Em 2021, o Banco BCI foi privatizado em bolsa, constituindo um marco para as bolsas de valores de Angola. Estamos comprometidos em avançar com o desinvestimento das participações minoritárias do Estado em outros três bancos. Além disso, o Governo continua a implementar o plano de reestruturação do maior banco público e pretende acelerar a redução de sua ainda significativa carteira de créditos mal parados, estabelecendo metas de redução de créditos mal parados com prazo determinado. Continuamos, igualmente, comprometidos em cumprir as metas estabelecidas para a Recredit, bem como em dar continuidade à publicação de seus relatórios de desempenho semestrais.

37. Para reforçar a solidez do sector financeiro no futuro, está a ser implementada legislação secundária para operacionalizar a Lei das Instituições Financeiras. Em relação aos marcos microprudencial e macroprudencial, publicamos dezasseis instrumentos jurídicos secundários. Como referência, publicamos os regulamentos sobre a supervisão prudencial, que inclui a Governança Corporativa e o Quadro de Capital. Pretendemos emitir um instrumento jurídico secundário adicional para instituições de crédito não bancárias até março de 2022. Estamos a avançar em paralelo com a reorganização interna do BNA para permitir a criação da Unidade de Resolução e assegurar a sua independência operacional do Departamento de Fiscalização em linha com as melhores práticas internacionais. Enquanto isso, estamos a trabalhar em arranjos transitórios para estarmos preparados para implementar medidas de resolução, se necessário.



38. O BNA tem estado a aumentar seus esforços para monitorar e reduzir o nível de crédito mal parado, que continua alto. Foram introduzidas regulamentações mais rígidas para incentivar os bancos a reduzir os créditos mal parados, que estão concentrados em bancos mais fracos, e o BNA afirma que intensificará ainda mais seu monitoramento de supervisão com atenção especial às carteiras de crédito dos bancos afetadas pela COVID-19 e aos bancos mais fracos. Assim, deverão ser introduzidas metas de redução de inadimplência com prazos definidos para cada banco. Nesse processo, o BNA tem manifestado que fornecerá aos bancos orientações sobre estratégias eficazes de redução de créditos mal parados. Por fim, o BNA tem manifestado que intensificará os seus esforços para garantir que os bancos mantenham padrões prudentes e transparentes na classificação de suas exposições de crédito e na estimativa de suas necessidades de provisão para imparidade, pelo que o BNA não tenciona introduzir quaisquer outras medidas de moratória.

39. As autoridades Angolanas continuarão a trabalhar na implementação da estrutura AML/CFT, bem como na preparação para a próxima avaliação AML/CFT. Estamos a tomar medidas para implementar eficazmente a lei *Anti-Money Laundering/Combating the Financing of Terrorism* (AML/CFT) e o regulamento de apoio (por exemplo, aviso BNA 14/2020), e estamos a trabalhar para garantir que as instituições financeiras angolanas e outras entidades que reportam estão a cumprir o requisito AML/CFT, implementando uma abordagem de supervisão baseada nos riscos. A avaliação AML/CFT pelo Grupo de Combate à Lavagem de Dinheiro da África Oriental e Austral ocorrerá no neste ano, e estamos a nos esforçar para atender ao maior número possível de padrões.

D. Reformas Estruturais e de Governança

40. As reformas da governança, incluindo a luta contra a corrupção e a recuperação de activos, continuam a ser uma prioridade fundamental. O Governo está a trabalhar para apresentar a candidatura de Angola até o final de março de 2022 para nos tornarmos membros da Iniciativa de Transparência das Indústrias Extrativas (EITI). O Governo fez um balanço das várias iniciativas anticorrupção em Angola e pretendemos publicar uma estratégia governamental abrangente até ao final de março de 2022 na imprensa nacional, explorando as sinergias positivas entre todas as agências governamentais envolvidas. Também buscaremos assistência técnica para nos ajudar a realizar uma série de reuniões de consulta neste ano com uma ampla gama de organizações da sociedade civil e empresas para a implementação da estratégia. O Governo está a considerar a melhor



forma de melhorar a parceria com o sistema da ONU em relação aos esforços anticorrupção, de acordo com a Convenção da ONU sobre Anticorrupção e outras normas internacionais relevantes.

41. O Governo está comprometido as questões relacionadas com as mudanças climáticas, e tem implementado políticas para aumentar a resiliência do País e promover energias renováveis. Em Maio de 2021, Angola submeteu uma revisão das Contribuições Nacionalmente Determinadas, com objectivos ambiciosos de redução de emissões de carbono e identificando sectores prioritários para a adaptação às mudanças climáticas. No âmbito da contribuição de Angola para a redução das nossas emissões de carbono, já contamos com mais de 70 por cento da nossa energia provinda de fontes renováveis.

42. A oferta de energia renováveis no país vai tender a aumentar com a política implementada para promover as energias renováveis. Importa realçar que para possibilitar uma capacidade adicional de energia renovável, o governo aprovou o decreto que modifica o mandato institucional no fornecimento de electricidade, que contribuirá para definir a capacidade anual de geração de energia renovável a ser incorporado no sector eléctrico, e dará prioridade ao despacho das energias renováveis. Em um dos sectores mais sensíveis às mudanças climáticas, o da água, estamos implementando reformas que vão melhorar a gestão dos recursos hídricos, atribuindo à GABHIC autoridade para melhor planear acções de gestão das nossas bacias hídricas.

43. **O Governo compromete-se em prosseguir com as reformas estruturais para desbloquear o potencial de crescimento não petrolífero de Angola a médio prazo.** Consideramos a diversificação económica uma "questão de vida ou morte" para Angola e estamos mais motivados do que nunca para criar as condições para um crescimento sustentável e inclusivo. Este ano, completaremos a implementação do nosso Plano de Desenvolvimento Nacional para 2018-2022, que avançou nas reformas apesar de algumas das condições económicas mais difíceis desde a independência.

44. Olhando para o futuro, estamos comprometidos em buscar reformas para alcançar um crescimento robusto, inclusivo e sustentável. As prioridades são: continuar a reforçar a estabilidade macroeconómica e a sustentabilidade da dívida, tornar o crescimento mais inclusivo, de base mais diversificada e sustentável (incluindo através da melhoria da igualdade de acesso à educação de qualidade, formação técnica e profissional e cuidados de saúde, água potável e saneamento, electricidade, internet e crédito, com o objetivo de reduzir a principais desigualdades socioeconómicas entre género, urbano-rural e outras



divisões, também por meio de programas de transferência direcionados), impulsionar a luta contra a corrupção, recuperar os activos e geri-los de apropriada e profissionalmente, continuar a melhorar a governança, construir resiliência às mudanças climáticas e melhorar as condições para o crescimento económico impulsionado pelo sector privado. Para este último, estamos a desencadear reformas amplas em toda a economia para melhorar o ambiente de negócios e promover o investimento privado nas seguintes áreas:

- **Política de Concorrência.** Avançamos na implementação da política de concorrência com o estabelecimento do quadro legal e institucional de acordo com a Lei da Concorrência de 2018 e decretos presidenciais associados. A Autoridade da Concorrência autónoma estabelecida pela lei está a trabalhar para implementar o quadro de forma eficaz, desenvolvendo prioridades de capacitação nas áreas de capital humano, ferramentas de TI, bases de dados e a transição para uma organização totalmente independente;
- **Política regulatória.** Estamos a dar passos importantes para promover uma maior independência regulatória, principalmente com a promulgação da nova Lei das Entidades Administrativas Independentes em outubro de 2021, que garante a autonomia funcional das agências reguladoras. O nosso foco está agora na implementação desta nova lei, através da criação de novos reguladores do sector ou ajustes ao estatuto das instituições públicas existentes abrangidas por esta lei;
- **A infraestrutura.** Continuaremos a colmatar as lacunas de infraestruturas em Angola, com vista a aumentar a igualdade de acesso à mesma por toda a população, recorrendo ao investimento público onde há espaço, continuando a aumentar a sua eficiência e incentivando o investimento privado. Continuaremos a examinar as mudanças regulatórias com esse objectivo em mente;
- **Comércio.** Maximizaremos os benefícios potenciais da Área de Livre Comércio Continental Africana (AfCFTA) para Angola, reduzindo significativamente as tarifas, bem como as barreiras não tarifárias. Para o efeito, Angola já está a apresentar uma oferta tarifária para o AfCFTA, que beneficiou de consultas com o sector privado e está alinhada com os processos de integração ao nível da Comunidade de Desenvolvimento da África Austral (SADC). Da mesma forma, para o comércio de serviços, está a ser preparada uma respectiva oferta para cinco sectores prioritários (serviços profissionais, finanças, telecomunicações, turismo e transporte) enquanto participamos das negociações em andamento para a implementação do Acordo que

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cria o AfCFTA. Além disso, pretendemos perseguir estratégias de diversificação que passem não só pelo fomento das exportações, mas também pela promoção da competitividade de forma a potenciar a produção nacional.

45. Ainda no domínio das reformas estruturais, o **Governo mantém o seu engajamento na adaptação da economia de Angola às mudanças climáticas**, pelo que, a título ilustrativo, nos comprometemos em desenvolver um sector agrícola resiliente ao clima, aumentando o crédito aos agricultores, promovendo o investimento em infraestrutura resiliente ao clima (inclusive pelo sector privado), investindo em treinamento e melhorando o acesso aos equipamentos e insumos, inclusive por meio da criação de condições que promovam Produção.

46. Estamos igualmente focados no desenvolvimento de sectores-chave, que vão além da agricultura, como telecomunicações e sector financeiro como oportunidades para distribuir os benefícios de forma mais ampla e dinamizar a economia.

- **Telecomunicações.** Abriremos o sector ao investimento privado, reduziremos a propriedade cruzada do governo nas operadoras e implementaremos regras de compartilhamento de infraestrutura com base nas melhores práticas globais para aumentar a concorrência no sector, com o objetivo de melhorar a qualidade do serviço e o acesso mais amplo e igualitário. O governo mantém-se comprometido em continuar a trabalhar nos regulamentos secundários do compartilhamento das infraestruturas para garantir uma implementação alinhada às melhores práticas internacionais. Como parte desta operação de políticas de desenvolvimento, o Governo aprovou e publicou um novo Decreto Presidencial que promove a quebra de monopólios naturais, através do acesso pelos operadores e a utilização compartilhada de infraestruturas de telecomunicações electrónicas. Este novo regime jurídico aplica-se tanto ao acesso, à partilha e à utilização de infraestruturas aptas ao alojamento de redes de comunicações electrónicas assim como à sua construção.

Trata-se de uma readequação importante do quadro jurídico-legal de suporte à partilha de infraestruturas de telecomunicações electrónicas bastante importante e histórica no país, que vai promover a racionalização do investimento em infraestruturas de comunicações electrónicas, sem dispensar os investimentos próprios. Das operadoras, mas visa promover um investimento mais eficiente evitando duplicações de investimentos em infraestruturas e a canalização de recursos para investimentos no alargamento da cobertura das redes de comunicação às áreas até hoje não



atendidas, em especial as zonas rurais, e a melhoria da qualidade dos serviços. Com esta reforma, o Governo pretende promover também uma melhor relação preço e qualidade em promoção de um maior mercado de consumo de comunicações electrónicas.

- **Setor Financeiro.** Para impulsionar o crédito ao sector privado, iremos: implementar os regulamentos de apoio necessários e outras medidas para garantir a implementação da lei de insolvência corporativa recentemente adotada; continuar a tomar medidas para criar as condições para o desenvolvimento de um gabinete de risco de crédito e de um registo eletrónico de bens móveis; promover o crédito ao sector privado, inclusive desenvolvendo mercados de capitais domésticos e reduzindo o *crowding-out*, diminuindo a dívida do governo no mercado doméstico; e fomentar o acesso ao crédito, especialmente por parte das PME (Pequenas e Médias Empresas) e particulares, através do reforço dos serviços de apoio às empresas e das facilidades de garantia/seguro de crédito. Continuaremos a promover a inclusão financeira por meio da expansão dos serviços bancários móveis e da infraestrutura digital em todo o país.

IV. CONSIDERAÇÕES FINAIS

47. Excelentíssimo Senhor Presidente, o ambiente em que se tem levado a cabo as reformas supracitadas e as reformas em curso é bastante desafiante, tendo o desafio aumentado com o surgimento da pandemia da COVID, pelo que as autoridades angolanas contam com o apoio do Banco Mundial, que tem sido um parceiro imprescindível nessa jornada de reformas, através da operação de apoio as políticas de desenvolvimento no valor **USD 500 milhões**.

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

GABINETE DA MINISTRA DAS FINANÇAS, Luanda, 17 de Fevereiro de 2022.



Letter of Development Policy (Unofficial Translation):



MEMORANDUM

**500 Million USD Development Policy Operation to support Fiscal
Reforms and more Resilient and Inclusive Economic
Development**

February 2022



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I. INTRODUCTION

The purpose of this Memorandum is to present, on behalf of the Government of Angola, the Letter of Development Policy with respect to the third and final tranche of USD 500 million, related to the budget support operation.

This Letter provides an update on our economic situation and its prospects, gives an overview of the structural reforms we have implemented in recent years, and describes the reforms we have successfully carried out as part of this development policy operation with the valuable support of the World Bank.

II. RECENT ECONOMIC DEVELOPMENT AND 2022 OUTLOOK

1. **The national economy has shown signs of recovery from the severe shock of the Covid-19 pandemic.** In 2021, economic stability has improved compared to 2020, influenced by the recovery of oil prices in the international market and the strong public policy response, including the promotion of growth in the non-oil sector. However, the impact of the pandemic persists in several dimensions, notably depressed oil production and supply-side factors contributing to high inflation.
2. **Even in this challenging context, we remain committed to our program of economic reforms and stabilization,** which has relied on the indispensable support of multilateral institutions such as the World Bank and the International Monetary Fund, and with the latter we have successfully completed a three-year program ending in December 2021. These partnerships have helped Angola to emerge from the crisis and to strengthen macroeconomic stability and to lay the foundations for sustainable and inclusive growth beyond the crisis.
3. **Economic recovery induced by the non-oil sector.** Recent data indicate that the economy grew 0.8% in the third quarter of 2021, year-on-year, signaling economic recovery. Overall, real growth in 2021 is estimated at 0.2%, influenced by the non-oil sector with a growth rate of 5.2%, sufficient to offset the contraction in the oil sector of 10.6%. For the year 2022, we look forward to more robust economic growth, projected at 2.4% and should be supported by the non-oil and oil sectors with growths of 3.1% and 1.6%, respectively.
4. **Inflation remains high, driven by supply factors due to the effects of the Covid-19 pandemic.** Although growth in the monetary aggregate slowed as a result of monetary



tightening measures, the consumer price index rose to 27.03% year-on-year in December 2021. Notwithstanding the tightening measures, inflation persisted due to supply factors, especially high global food prices and import supply constraints, which were exacerbated by the pandemic. For 2022, we expect that the easing of global food prices, together with continued monetary policy surveillance and the measures taken in the State Budget to reduce food prices, will lead to a gradual deceleration of inflation in 2022, so that we expect inflation to be 18%.

5. **We maintained fiscal discipline to reduce the deficit and debt.** Fiscal accounts benefited from increased revenues resulting from high oil prices and also from the good performance of non-oil revenues, combined with spending restraint. Because of this, an overall surplus fiscal balance in 2021 is estimated at around 3% of GDP and a non-oil primary deficit of 4.1% of GDP. For 2022, considering improvements in fiscal fundamentals, fiscal policy should be expansionary in order to support the expected economic growth and preserve social spending, without, however, compromising the objectives of sustainability of public accounts. Therefore, a balanced overall fiscal balance and a non-oil primary deficit of 5.3% of GDP are expected.
6. **We are placing the highest priority on vaccination to fight the pandemic of COVID-19.** By February 14, 2022, 10,930,913 citizens (89.33% of the target population) have received at least one dose of a COVID-19 vaccine, of which 5,235,388 citizens (33.21% of the target population) have received a full dose or single dose of a COVID-19 Vaccine, and we have a high commitment to accelerate the vaccination rate expressed in the State Budget 2022.
7. Our containment measures have been significantly enhanced and have been implemented quite effectively to combat cases of COVID-19 to minimize the economic impact, and the effects have been positive as confirmed cases, the positivity test rate, and deaths have begun to decrease. As in 2020 and 2021, in 2022 the Government reiterates its commitment to fight this pandemic, having established among its main priorities the Control of the Pandemic to Save Lives and Preserve Economic Growth Recovery. To this end, the Government has invested in vaccination because it recognizes that this is the most effective tool for the equation of saving lives vis-à-vis revitalizing the economic activity of countries. Therefore, for the year 2022, the Government has set the goal of vaccinating 95% of the eligible population.



8. **Current account surplus for 2021 shows substantial surplus.** The current account surplus in Q3 2021 has strengthened to over 12% of GDP, driven by higher oil export figures.
9. **The banking sector is well capitalized, although it still remains vulnerable to shocks.** Non-performing loans remain high, although stable and concentrated in a few banks. The BNA is closely monitoring the potential deterioration in the asset quality of banks, following the impact of the COVID-19 pandemic and its restrictions. For 2022, we expect financial stability to remain sound as the BNA continues to improve its supervision, bank resolution and the macro - prudential framework.

III. MACROECONOMIC POLICIES AND STRUCTURAL REFORMS

10. As part of the reform program, several initiatives have been developed in the areas of Public Finance, Foreign Exchange, Monetary and the Financial System.

A. Fiscal Policy

11. **Our fiscal policy is anchored in our goal of strengthening public debt sustainability.** Our fiscal stance is designed to provide a path of sustained decline in the public debt-to-GDP ratio, which we aim to reduce to 80% of GDP over the long term, as stipulated by the Public Finance Sustainability Law. It is also calibrated to reduce and maintain our average long-term gross financing requirements at levels consistent with public debt sustainability.
12. **We have prepared a budget for 2022 that is geared to promote greater fiscal transparency and the consolidation of the fiscal gains achieved through the implementation of our reform program with the support of the International Monetary Fund.** The budget aims to build on the revenue reforms we introduce in 2020 while maintaining spending discipline. At the same time, we will prioritize spending on major public investment projects, the fight against COVID-19 and social spending on health and education. **At the budget level we highlight:**
 - **Non-oil revenues.** We expect all revenue categories to perform strongly as the non-oil economy continues to recover and our continued efforts to improve tax administration and revenue gains. We will introduce some targeted tax rate adjustments to mitigate the impact of the economic downturn and support the recovery of our economy by: (i) expand the basket of basic goods to which a lower VAT rate of 5 percent applies to limit the price inflation faced by consumers; (ii) reduce the withholding tax rate on payments for services provided by non-residents to 6.5 percent to help support investment in the

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oil sector; and (iii) temporarily reduce the VAT rate on hotel and restaurant sales to 7 percent to help the sector's post-pandemic recovery. We estimate the total cost of these measures at 0.3 percent of GDP.

- **Employee Compensation.** We continue to maintain control of the wage bill, and allow a limited increase in the nominal wage bill, to enable natural changes in the wage bill, adjustment of wages in public administration, and limited new hiring through 2022 in education and health care to support our priority social objectives.
- **Goods and services.** We slightly increased spending on goods and services as percentage of GDP to accommodate needs in our priority areas of health and education.
- **Transfers and subsidies.** We improve the allocative efficiency of spending on fuel price subsidies, in that starting in Budget 2022 we explicitly include the full cost of fuel subsidies (gasoline and diesel).
- **Capital Expenditure.** We kept capital spending relative to GDP at an overall stable level, while focusing our spending on key projects generating higher growth dividends.
- **Arrears Settlement.** Under the IMF program, the government has fulfilled its commitments of net accumulation of payments in arrears, and the treatment of arrears has a new management and settlement model under a Presidential Decree issued in 2020, which now includes the participation of the General Inspectorate of Public Administration with the responsibility of carrying out prior certification of the debts claimed. For the year 2022, the Government plans to settle arrears in the amount of Kz 450 billion, in order to release liquidity to companies.
- **Public debt management.** We continue to implement a prudent and proactive debt management strategy to support and further strengthen the sustainability of public finances. We take full advantage of the debt relief provided by the G20 under the *Debt Service Suspension Initiative* (DSSI) until the end of 2021. We are also actively lengthening the average maturity of our domestic debt, and prudently accessing external credit lines to finance public investment projects. We have also reserved a portion of the recent Special Drawing Right (SDR) allocation for fiscal use; and the Government remains committed to continuing its policy of not placing oil as collateral or guarantee in contracting new external debt.





Major Public Finance Reforms:

13. **In the area of Public Finances**, we highlight the strengthening of the transparency of Public Finances with the approval of the Sustainability of Public Finances Law, which besides promoting greater transparency presents modern instruments for the Management of Public Finances and establishes that fiscal policy must be formulated and executed to guarantee the sustainability of public finances, ensuring the objective of consistently and systematically reducing Public Debt. As part of this policy development operation, we are publishing for the first time medium-term fiscal projections and are committed to prepare a medium-term expenditure framework that translates the policy priorities and strategic allocation of resources under the future National Development Plan 2023-2027, **in order to** assist in the strategic management of expenditure and provide a medium-term vision of the Government's priorities for public spending, notably the social sectors.
14. **Also** in the area of Public Finance, significant advances were made in **Tax Policy**, with emphasis on the completion of the digitalization of three major taxes, namely, VAT (Value Added Tax), excise tax (Excise Tax), and Motor Vehicle Tax (Motor Vehicle Tax). These advances have allowed the collection of about 70% of non-oil revenue through electronic channels, thus contributing to the digitalization of the economy, a concept that has gained a lot of prominence, especially with the emergence of the pandemic. We have been progressively improving the management of VAT (Value Added Tax).
15. We have also made improvements in the **quality of public spending**, and in this area, in January 2021 **the new Public Procurement Law** came into effect, which aims, among other objectives, to put an end to the difficulties encountered by Public Contracting Authorities in its application, to make it more practical and easier to apply and comply with, and to promote greater competition among economic operators.
16. This law reinforces the need to expand the National System for Electronic Public Procurement (SNCPPE), as one of the objectives of the National Development Plan (PDN) 2018-2022, with the introduction of the Electronic Dynamic Procedure, which is a faster procedure, implemented in 3 stages - Announcement, Auction and Award - and entirely electronic.
17. We have improved **in the area of** procurement transparency, with a commitment to publish procurement plans for two-thirds of the transactions already fulfilled. The names of almost all companies benefiting from contracts were published on the public procurement registration platform in 2021. Building on this progress, we intend to work towards laying

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the groundwork for the publication of information on the actual beneficiaries in public procurement contracts, broadly in line with FATF standards. To this end, we will work to identify legal barriers to the publication of beneficial ownership in public procurement. We are also conducting a diagnostic of the public procurement system with the support of the African Development Bank, which will serve as a basis for improving our public procurement system.

18. **At the level of the Public Enterprise Sector (PES)**, we have successfully implemented our Privatization Program (PROPRIV). The ongoing Privatization Program has made good progress despite Covid-19 adversities. By December 2021, we have privatized **73 companies and assets**, of which 9 in 2019, 25 in 2020 and 35 in 2021. The companies privatized by December 2021 represent 52.1% of the total number of companies/assets planned, i.e. 140, with 67 cases remaining to be privatized in 2022.
19. Initially, the program provided for the privatization of 195 companies/assets in various sectors of activity for the period 2019 - 2022. However, over this period the universe of assets and companies to be privatized has been updated ~~as a result of~~ the revaluation and recovery processes of state assets, so that currently the program includes a total of 140 companies. It should be noted that the government has proceeded with the privatization of 5 companies on the national reference list, and as part of this policy development operation it has increased the transparency of the privatization process with the publication on the Ministry of Finance's web site of a dashboard providing information on results achieved and privatizations underway. Also highlighted in the SOEs area is the privatization process that has been carried out since 2019 and in 2021 a milestone was registered with the privatization for the first time in Angola's history of a Public Bank on the stock exchange.
20. We are also working to restructure and resize the state's public enterprises sector, and to this end the Government of Angola has already approved a Business Sector Reform Roadmap that will guide the entire reform process, with the objective of: (i) minimize the presence of the State as an entrepreneur, (ii) separate the role of the State as shareholder, supervisor and regulator, (iii) increase management efficiency, for the maximization of the value generated for the country and (iv) increase the levels of transparency and quality of financial reporting of the companies included in that sector.
21. **Social Protection Program.** We continue to make ~~fairly successful~~ progress in registering families, with just over 500.000 families already registered, and just over 247,000 families already receiving payments, and we will continue to work to reach the target of 1.6 million

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families. We are working to increase the penetration of banking and mobile money under the program. With the support of the World Bank, we are evaluating the possibility of adjusting the cash transfer amounts to preserve purchasing power and the Kwenda Program Interministerial Committee has already made the decision to move forward with this adjustment. As part of this development policy operation, we are working with the National Bank of Angola to implement reforms in the areas of payment services and payment arrangements, and Central Bank notices on the subject have been issued which will help increase the reach and potential of the Kwenda program.

22. **Fuel Subsidies.** As part of this development policy operation, we increased transparency with the publication of the total cost of fuel subsidies for the first and second quarters of 2021. These amounted to 0.44 and 0.43 percent of GDP, respectively, with the total subsidy cost for the full year expected to reach 1.9 percent of GDP. We remain committed to the goal of phasing out implicit fuel subsidies when the cash transfer program reaches a critical mass of households. Throughout 2022, we will work with the World Bank and the International Monetary Fund to develop a Preparatory Program or Roadmap for Fuel Subsidy Reform, with the definition of mechanisms to ensure that its impact on the poor is minimized.

23. In the energy and water sector, we are focused on carrying out tariff reform in the electricity and water sector. As part of this policy development operation, the sector regulator, IRSEA has determined the Annual Required Revenue (RAR) of the public utilities PRODEL (generation), RNT (transmission) and ENDE (distribution) for each year of the period 2022-2023, applying the methodology approved by Presidential Decree 120/20 of June 25, 2020; and, the regulator will continue to work to strengthen robustness in determining the RARs of the three electric utilities for the next tariff period 2024-2027 and will share with the Government the values of the charges in each category of the tariff structure that would allow the electric sector to earn revenues to operate efficiently without subsidies through 2027. Based on these determinations, we will continue to work to promote more efficient power supply, so on the basis of the RAR determination by the regulator of the three utilities we will design a tariff correction program with the objective of progressively reducing electricity subsidies over the 2024-2027 tariff period, ensuring the protection of low-income users. As long as the tariff revenue is not sufficient to cover the total costs of efficient provision of the service, we commit to include the revenue shortfall amounts, i.e., the difference between the annual required revenue determined by IRSEA and the tariff revenue, in the Annual State Budget Law to ensure the necessary funding for the efficient

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operation of the sector. Regarding the water sector, also as part of this policy development operation, the IRSEA approved the necessary rules for the implementation of the new tariff regulation. Additionally, for the promotion of rational and sustainable use of water resources, especially in drought-affected areas, the government has implemented the legislation approving the tariff for large-scale water use.

24. Management of Arrears. We have issued a recent Presidential Decree establishing the involvement of the IGAE (General Inspection of State Administration) in the approval process for expenditures incurred outside the SIGFE (Integrated State Financial Management System), with the aim of strengthening the arrears management process and discouraging its accumulation. In addition, we are contemplating measures to more effectively enforce existing regulations that hold budget officials personally accountable for exceeding their spending limits or ignoring standard approval procedures. We have also improved the systemic or technological component of the management of arrears and continue to work on the pedagogical component with public managers, aiming to improve and increase literacy on public expenditure compliance.

25. Public investment and PPPs. We intend to publish major project assessment reports as they are made available by the budget units (expected to start in January 2022, with at least 67 major projects). We will also strengthen public investment management capacity, including the inclusion of climate change considerations and multi-year planning and costing of public investment. We have already established a schedule of actions to implement the recommendations of the 2019 PIMA report with initial emphasis on project evaluation using the *bottom - up* costing approach.

26. With respect to PPPs, we are currently evaluating two proposals that were selected in a public tender for the Luanda waste treatment plant called the "~~Aterro dos Molenhos~~" project, which is expected to begin in the year 2022. In addition, the World Bank has already completed preliminary feasibility studies for four pilot PPP projects, which we are now evaluating. We anticipate that all the direct costs of these projects, other than the feasibility studies (which were funded by the budget), will be passed on to the private sector partners. Nevertheless, the Ministry of Finance and the PPP Office of the Ministry of Economy and Planning are committed to assessing, closely ~~monitoring~~ and limiting all contingent liabilities, including in long-term concession contracts such as the Lobito Corridor project. The government recognizes the fact that PPPs are a new reality for Angola, and therefore stresses the importance of training its staff on the various nuances



related to this subject, such as the issue of climate change adaptation in public investment planning.

27. Fiscal transparency and reporting. There have been some advances in fiscal transparency and reporting, including a regular publication on the Ministry of Finance's website of the Quarterly Budget Execution Report, with a section dedicated to crisis related spending, and social spending (education and health) to ensure greater monitoring and reporting. In addition, we have increased the transparency of public debt with the annual publication of the main contractual terms of all loans contracted or guaranteed by the government, as well as the standardization of the contract format to enable the disclosure of the main contractual clauses. In addition, the Government of Angola has been conducting inspections of COVID-19 expenditures by the Inspectorate General of Finance covering the Ministry of Health and the Provincial Governments. In addition, since the crisis-related expenditure report is part of the General State Account, it must be audited by the Court of Auditors, approved by parliament, and published before the end of the year.

28. In the medium term, achieving our debt target will require continued fiscal discipline, further reducing the non-oil primary fiscal deficit over time. Our debt reduction path can rely on existing revenue streams as long as spending remains roughly unchanged relative to GDP, which in turn requires careful ongoing controls in both the budget planning and execution stages. At the same time, we plan to soften the impact of our fiscal policy on the real economy by maintaining fiscal restraint throughout the oil price cycle. In accordance with the Public Finance Sustainability Act, these efforts will involve reducing debt more quickly and creating additional fiscal buffers when oil prices are high, as we are currently doing, and an appropriate relative loosening of our fiscal stance if oil prices fall. We will also look for opportunities to manage our liabilities to reduce vulnerabilities, such as debt payment spikes. **To support all these efforts, we will continue to implement important structural fiscal reforms to improve debt management, transparency, governance, and accountability.**

B. Monetary and Exchange Policy

29. In 2021, the National Bank of Angola tightened monetary policy to contain inflationary pressures: in May, the Central Bank increased the foreign currency reserve ratio from 17 percent to 22 percent, aligning it with our kwanza-denominated reserve requirement ratio; in July, it increased the key lending rate from 15.5 percent to 20 percent, the standing liquidity facility from 19.88 percent to 25 percent, and the 7-day liquidity absorption facility

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from 12 percent to 15 percent; and maintained its steady pace of domestic liquidity absorption through open market operations. As a result, monetary conditions tightened.

30. While we recognize that inflation persistently stems mainly from supply-side factors **as a result of** Covid-19, we are also wary of the risk that inflation expectations could create inertia. Thus, to deal with supply-side factors, the government has taken temporary measures to facilitate imports of basic goods, including the suspension of some import tariffs and licensing requirements. In addition, in the 2022 Budget it extended the reduction in the Value Added Tax rate.

31. **The BNA remains committed to a market-determined exchange rate.** BNA activity in the foreign exchange (FX) market has remained minimal since the introduction in 2020 of the FX trading platform, and will remain minimal only to limit excessive exchange rate volatility. Exchange rate flexibility served well as a buffer during the pandemic crisis.

32. **The BNA has signaled a commitment to strengthen international reserves and for precautionary purposes as external conditions continue to improve.** The more flexible exchange rate and limited foreign exchange intervention have allowed the BNA to preserve reserves, while the August 2021 Special Drawing Right (SDR) allocation has allowed for increased reserve levels.

Major Monetary and Exchange Reforms:

33. **In the Exchange area,** the flexibilization of the exchange market has generated positive effects to the national economy as a whole and to the external **accounts in particular.** To the extent that the exchange rate has functioned as a true shock absorber to external shocks, with emphasis on the drop in the price of oil in international markets, thus reducing the pressure on net international reserves and thus safeguarding external sustainability.

34. Still in the foreign exchange area, it is important to highlight the expansion of participants in Bloomberg's negotiation platform, which now also includes airlines and insurance companies. This measure is part of the flexibilization and normalization of the exchange rate with a view to making the market more transparent and efficient.

35. **In the monetary field,** the new law of the National Bank of Angola (BNA) was approved in 2021, which brought several changes with emphasis on increasing institutional, administrative, financial and asset autonomy. Furthermore, the new BNA law gives the central bank a mandate to guarantee price stability **in order to** ensure the preservation of the national currency's value, which allows the BNA to focus on inflation control.

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C. Financial Sector Policies

36. Our policies for the financial sector aim to ensure its soundness while increasing its contribution to inclusive economic growth and minimizing macroprudential risks. With these objectives in mind, we are committed to finalizing the restructuring of public banks and reducing the role of the state in the banking sector. In 2021, Banco BCI was privatized on the stock exchange, constituting a milestone for Angola's stock exchanges. We are committed to moving forward with the divestment of the state's minority stakes in three other banks. In addition, the Government continues to implement the restructuring plan for the largest public bank and intends to accelerate the reduction of its still significant non-performing loan portfolio by setting targets for the reduction of non-performing loans with a fixed term. We also remain committed to meeting the targets set for Recredit (Non-performing loans management institution), as well as to continuing to publish its semi-annual performance reports.
37. To strengthen the soundness of the financial sector in the future, secondary legislation is being implemented to operationalize the Financial Institutions Law. Regarding the microprudential and macroprudential frameworks, we have published sixteen secondary legal instruments. As a reference, we have published the regulations on prudential supervision, which includes Corporate Governance and the Capital Framework. We intend to issue an additional secondary legal instrument for non-bank credit institutions by March 2022. We are moving forward in parallel with the internal reorganization of the BNA to enable the creation of the Resolution Unit and ensure its operational independence from the Supervisory Department in line with international best practices. In the meantime, we are working on transitional arrangements to be prepared to implement resolution measures if necessary.
38. The BNA has been increasing its efforts to monitor and reduce the level of non-performing loans, which remains high. Stricter regulations have been introduced to encourage banks to reduce non-performing loans, which are concentrated in weaker banks, and the BNA says it will further intensify its supervisory monitoring with special attention to the loan portfolios of banks affected by COVID-19 and weaker banks. Thus, time-bound default reduction targets should be introduced for each bank. In this process, the BNA has expressed that it will provide banks with guidance on effective strategies to reduce non-performing loans. Finally, the BNA has expressed that it will intensify its efforts to ensure that banks maintain prudent and transparent standards in classifying their credit



exposures and estimating their impairment provision requirements, and thus the BNA does not intend to introduce any further moratorium measures.

39. The Angolan authorities will continue to work on implementing the AML/CFT framework, as well as preparing for the next AML/CFT assessment. We are taking steps to effectively implement the *Anti-Money Laundering/Combating the Financing of Terrorism* (AML/CFT) law and supporting regulation (e.g., BNA Notice 14/2020), and are working to ensure that Angolan financial institutions and other reporting entities are complying with the AML/CFT requirement by implementing a risk-based supervisory approach. The AML/CFT assessment by the East and Southern African Anti-Money Laundering Group will occur in this year, and we are striving to meet as many standards as possible.

D. Governance and Structural Reforms

40. Governance reforms, including anti-corruption and asset recovery, remain a key priority. The Government is working to submit Angola's application by the end of March 2022 to become a member of the Extractive Industries Transparency Initiative (EITI). The Government has taken stock of the various anti-corruption initiatives in Angola and we intend to publish a comprehensive government strategy by the end of March 2022 in the national press, exploiting the positive synergies between all government agencies involved. We will also seek technical assistance to help us hold a series of consultation meetings this year with a wide range of civil society organizations and businesses to implement the strategy. The Government is considering how best to enhance partnership with the UN system in relation to anti-corruption efforts, in accordance with the UN Convention on Anti-Corruption and other relevant international standards.

41. The government is committed to climate change issues, and has implemented policies to increase the country's resilience and promote renewable energy. In May 2021, Angola submitted a revised Nationally Determined Contribution, with ambitious carbon emission reduction targets and identifying priority sectors for climate change adaptation. As part of Angola's contribution to reducing our carbon emissions, we already have more than 70 percent of our energy coming from renewable sources.

42. The supply of renewable energy in the country is bound to increase with the policy implemented to promote renewable energy. It is important to note that to enable additional renewable energy capacity, the government has approved the decree that modifies the institutional mandate in electricity supply, which will help define the annual renewable

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energy generation capacity to be incorporated into the electricity sector and will give priority to the dispatch of renewable energy. In one of the sectors most sensitive to climate change, water, we are implementing reforms that will improve the management of water resources by giving GABHIC the authority to better plan actions to manage our water basins.

43. **The Government is committed to pursuing structural reforms to unlock Angola's non-oil growth potential over the medium term.** We consider economic diversification a "life or death issue" for Angola and are more motivated than ever to create the conditions for sustainable and inclusive growth. This year, we will complete the implementation of our National Development Plan for 2018-2022, which has advanced reforms despite some of the most difficult economic conditions since our national independence.

44. Looking ahead, we are committed to pursuing reforms to achieve robust, inclusive, and sustainable growth. The priorities are: continue to strengthen macroeconomic stability and debt sustainability, make growth more inclusive, robust, and sustainable (including by improving equal access to quality education, technical and vocational training and healthcare, clean water and sanitation, electricity, internet, and credit, with the goal of reducing major socioeconomic inequalities across gender urban-rural and other divisions, also through targeted transfer programs), boost the fight against corruption, recover assets and manage them appropriately and professionally, continue to improve governance, build resilience to climate change, and improve conditions for private sector-driven economic growth. For the latter, we are promoting broad economy-wide reforms to improve the business environment and promote private investment in the following areas:

- **Competition Policy.** We have made progress in implementing the competition policy with the establishment of the legal and institutional framework in accordance with the 2018 Competition Law and associated presidential decrees. The autonomous Competition Authority established by the law is working to implement the framework effectively by developing capacity building priorities in the areas of human capital, IT tools, databases, and the transition to a fully independent [organization](#).
- **Regulatory policy.** We are taking important steps to promote greater regulatory independence, primarily with the enactment of the new Independent Administrative Entities Law in October 2021, which guarantees the functional autonomy of regulatory agencies. Our focus is now on implementing this new law, through the creation of new sectorial regulators or adjustments to the status of existing public institutions covered by this [law](#).

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- **Infrastructure.** We will continue to address Angola's infrastructure gaps, with a view to increasing equal access to it for the entire population, using public investment where there is room, continuing to increase its efficiency, and encouraging private investment. We will continue to examine regulatory changes with that goal in mind.
- **Trade.** We will maximize the potential benefits of the African Continental Free Trade Area (AfCFTA) for Angola by significantly reducing tariffs as well as non-tariff barriers. To this end, Angola is already presenting a tariff offer for the AfCFTA, which has benefited from consultations with the private sector and is aligned with integration processes at the Southern African Development Community (SADC) level. Similarly, for trade in services, a similar offer is being prepared for five priority sectors (professional services, finance, telecommunications, tourism, and transport) while we participate in the ongoing negotiations for the implementation of the Agreement establishing the AfCFTA. In addition, we intend to pursue diversification strategies that not only foster exports but also promote competitiveness to boost national production.

45. Also in the area of structural reforms, **the government is committed to adapting Angola's economy to climate change.** As an example, we are committed to developing a climate-resilient agricultural sector by increasing credit to farmers, promoting investment in climate-resilient infrastructure (including by the private sector), investing in training, and improving access to equipment and inputs, including by creating conditions for production.

46. We are also focused on developing key sectors beyond agriculture, such as telecommunications and the financial sector as opportunities to distribute the benefits more widely and boost the economy.

- **Telecommunications.** We will open the sector to private investment, reduce government cross-ownership in operators, and implement infrastructure sharing regulations based on global best practices to increase competition in the sector, with the aim of improving service quality and broader and more equal access. The government remains committed to continuing to work on secondary infrastructure sharing regulations to ensure implementation in line with international best practice. As part of this policy development, the government has approved and published a new Presidential Decree that promotes the breaking of natural monopolies through operator access and shared use of electronic telecommunications infrastructure. This new legal regime applies to both the access, sharing and use of infrastructure suitable for hosting electronic communications networks as well as their construction.

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This is an important readjustment of the legal framework supporting the sharing of electronic telecommunications infrastructures, which is quite important and historical in the country. It will promote the rationalization of investment in electronic communications infrastructures, without dismissing the operators' own investments. From the operators, it aims to promote a more efficient investment avoiding duplication of investments in infrastructures and the channeling of resources for investments in the expansion of the coverage of communication networks to areas not served until now, especially rural areas, and the improvement of the quality of services. With this reform, the Government also intends to promote a better price/quality ratio in promotion of a larger consumer market for electronic communications.

- **Financial Sector.** To boost lending to the private sector, we will: implement the necessary supporting regulations and other measures to ensure implementation of the recently adopted corporate insolvency law; continue to take steps to create the conditions for the development of a credit risk bureau and an electronic register of movable property; promote private sector credit, including by developing domestic capital markets and reducing crowding-out by reducing government debt in the domestic market; and foster access to credit, especially by SMEs (Small and Medium Enterprises) and individuals, by strengthening business support services and credit guarantee/insurance facilities. We will continue to promote financial inclusion through the expansion of mobile banking services and digital infrastructure throughout the country.

IV. CONCLUDING REMARKS

47. Your Excellency Mr. President, the environment in which the above-mentioned and ongoing reforms have been carried out is quite challenging, and the challenge has increased with the emergence of the COVID pandemic, so the Angolan authorities are counting on the support of the World Bank, which has been an indispensable partner in this journey of reforms, through the USD 500 million operation to support development policies.

Without further ado, we subscribe to you in the highest regard.

OFFICE OF THE MINISTER OF FINANCE, Luanda, 18th February 2022.





ANNEX 4: ENVIRONMENT AND POVERTY/SOCIAL ANALYSIS TABLE

Prior Actions	Significant positive or negative environment effects	Significant poverty, social or distributional effects positive or negative
Operation Pillar 1		
Prior Action 1	Neutral	Neutral
Prior Action 2	Likely to lead to more future investments, which may contribute to negative environmental impacts if proper mitigation measures are not in place	It is not expected that the privatization of these assets will impact prices or quality/coverage of services in the near-term while it is expected to lead to improvements in service delivery in the medium-term. One positive aspect is the likely increase in access and affordability of telecom services
Prior Action 3	Positive	Positive, protects against increases in consumer prices while maintaining adequate financing of electricity sector
Operation Pillar 2		
Prior Action 4	Positive	Positive, improved access to transfers and reduced gender gap
Prior Action 5	Positive	Positive, sustainable water practices to protect against future welfare shocks
Prior Action 6	Positive	Positive, sustainable water natural resource management



ANNEX 5: CHALLENGES OF FUEL SUBSIDY REMOVAL – ANGOLA AND GLOBAL LESSONS

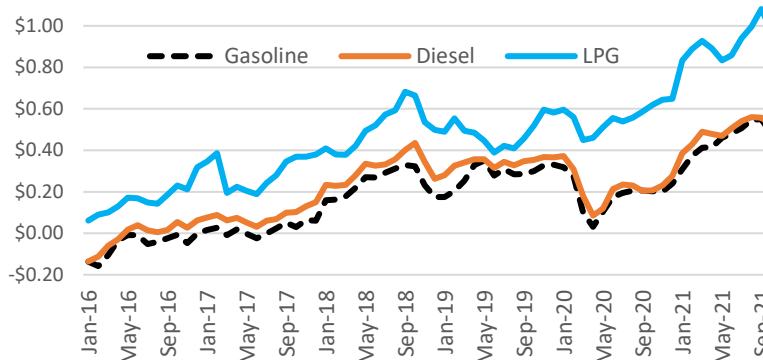
- 1. Angola's fuel subsidies are very high and removing them presents complex policy and political economy challenges.** The price gap, the difference between the official price and an estimated market-based price in a competitive market, has increased significantly in Angola since prices were last adjusted at the end of 2015. As of December 2021, Angola's gasoline and diesel prices ranked the 4th and 6th lowest in the world and are fractions of those in neighboring countries, encouraging fuel smuggling.²⁷ Few countries that have undertaken subsidy reform have had initial price gaps as large as those in Angola. The global experience on fuel price reform is that reversals of fuel price subsidy reforms are all too common, in times of rising market-based fuel prices in kwanzas (as a result of higher global fuel prices, currency depreciation, or both), such as in 2021 and earlier from 2016 to 2019. Reversals take the form of failure to make the requisite upward price adjustments in line with global price movements, either by not raising prices sufficiently or at times not at all and freezing prices instead. For sustainable fuel pricing reform, a very strong commitment of the government over the long term is essential, as pricing reform does not have a well-defined end and calls for constant vigilance to keep pace with market price movements. Reforms can be best sustained in a competitive, deregulated fuel market with appropriate rules and standards for health, environment, and safety applied equally to all fuel marketers.
- 2. Although fuel subsidies in Angola are highly regressive, social impacts of their removal still require close attention.** Leaving aside illegal smuggling and black marketing, the rich are far more likely to own fuel-dependent assets (e.g., cars, generators), and therefore the consumption of subsidized fuels is heavily skewed towards the rich. About 80 percent of subsidized fuels purchased by households is consumed by the richest 40 percent of Angolans, with only 7 percent consumed by the bottom 40 percent (Fabrizio et al, 2015). Nevertheless, for the poor that do purchase fuels, elimination of price subsidies would have material effects. More importantly, the indirect effects of higher fuel prices affect all poor people because higher fuel prices increase the costs of both public passenger transport and goods transport. While fuel subsidies are poorly targeted to the needs of the population, their removal requires careful preparation, including adequate compensation for the poor through targeted social protection as well as adequate coordination with the public transport sector to ensure that fare increases are not made worse by delayed fare adjustments for other reasons. Given this need for further preparation to better manage poverty and social impacts, especially at this time of the COVID-19 induced crisis, the GoA has decided to delay the phase-out of fuel subsidies to the end of 2022. In the meantime, the government will strengthen the transparency of the subsidies and fully account for them in its forthcoming budget as an essential component of its preparation for their phaseout.
- 3. Reform should be accompanied by measures to shield the poor and compensate some losses from subsidy removal.** The most significant losses from subsidy removal will accrue to fuel smugglers and those households with the largest fuel consumption, who are typically at the top of the income

²⁷ There are no reliable estimates of how much fuel is being smuggled, but regular reports of scarcity of officially-priced fuel and a flourishing black market in border provinces indicate that this is a large and growing problem (e.g., "6,325 liters of contraband fuel seized in Zaire Province" <https://www.jornaldeangola.ao/ao/noticias/detalhes.php?id=383725>; and "Eastern Angola facing fuel shortage – a liter of gasoline costs up to Kz 1,400 [8.75 times the official price] on the informal market" <https://novojournal.co.ao/sociedade/interior/zona-leste-de-angola-com-dificuldades-de-combustivel-ha-varios-meses---um-litro-de-gasolina-chega-a-valer-1400-kwanzas-no-mercado-informal-104395.html>)



distribution.²⁸ However, since higher fuel prices will still have some negative direct and indirect impact on poor households, these should be compensated through cash transfers or other compensatory measures to minimize increases in poverty. Ideally, a comprehensive, integrated social protection program meeting the basic needs of the poor and vulnerable would be the main instrument for this compensation. However, in the absence of such a program and to take into account the large impact on certain groups of poor and near poor (e.g., users of urban transport), sectoral policies to mitigate fuel price increases may also be needed.

Figure A5.1. Fuel Price Gap in Angola 2016-2021 (US\$ per liter/kg)



Source: World Bank estimation (until December 2020), MinFin (January – October 2021)

Figure A5.2. World gasoline prices (December 2021, Kz/liter)

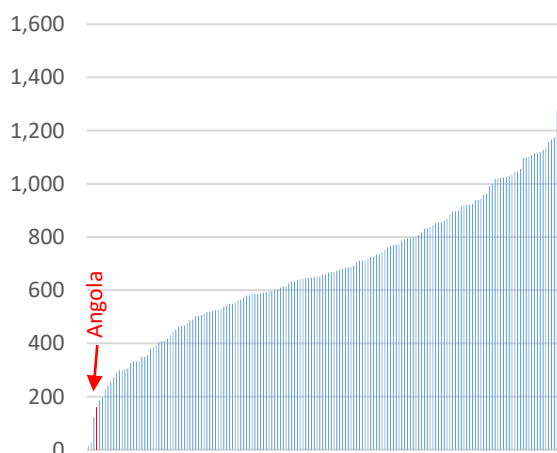
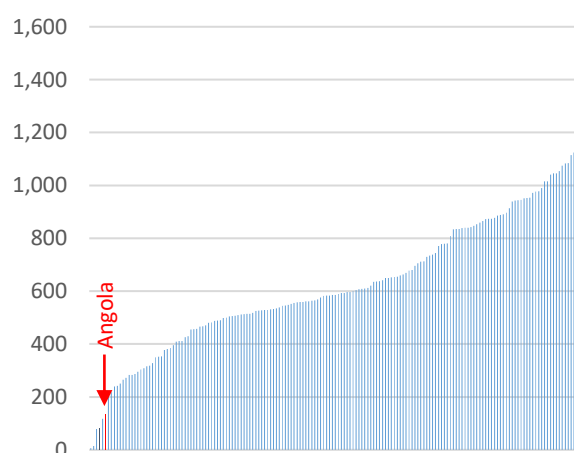


Figure A5.3. World diesel prices (December 2021, Kz/liter)



Source: <https://www.globalpetrolprices.com>

²⁸ According to the 2018–19 household survey, the non-poor in Angola spend about 1 percent of their income on fuel, compared to the poor at 0.5 percent.