IMF Executive Board Completes the Second Review Under Angola’s Extended Arrangement and Approves US$247 Million Disbursement

- Angola’s economic program remains on track, despite challenges.
- The Executive Board decision brings total IMF disbursements to Angola to about US$1.48 billion.
- Angola continues to face a deteriorated external environment, which is weighing on the economic outlook.

On December 5, 2019, the Executive Board of the International Monetary Fund (IMF) completed the Second Review of Angola’s economic program supported by an extended arrangement under the Extended Fund Facility (EFF). Completion of this review unlocks access to SDR 179 million (about US$247 million), bringing total disbursements under the extended arrangement to SDR 1.073 billion (about US$1.48 billion).

In completing the review the Executive Board also approved the authorities’ request for waivers of nonobservance and modification of the performance criteria (PC) on net international reserves and non-accumulation of external debt arrears, an introduction of a new PC on reserve money (ceiling), modifications to three indicative targets (increasing the ceilings on the accumulation of payments arrears and on public debt; and a new indicative ceiling on the issuance of debt guarantees by the Central Government), changes in the timetable of six structural benchmarks (SBs), and five new SBs to underpin fiscal consolidation and transparency, and support financial sector restructuring.

Angola’s three-year extended arrangement was approved by the IMF Executive Board on December 7, 2018, in the amount of SDR 2.673 billion (about US$3.7 billion at the time of approval), the equivalent of 361 percent of Angola’s quota (see Press Release No. 18/463). It

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1 The EFF was established to provide assistance to countries: (i) experiencing serious payments imbalances because of structural impediments; or (ii) characterized by slow growth and an inherently weak balance of payments position. It provides assistance in support of comprehensive programs that include policies of the scope and character required to correct structural imbalances over an extended period.
aims to restore external and fiscal sustainability, improve governance, and diversify the economy to promote sustainable, private sector-led economic growth.

Following the Executive Board discussion of Angola’s economic program, Mr. Tao Zhang, Deputy Managing Director and Acting Chair, issued the following statement:

“The Angolan authorities have maintained their commitment to the Fund-supported program despite a challenging external and domestic environment. The authorities’ commitment to fiscal consolidation has been illustrated by the outperformance of the end-June 2019 non-oil primary fiscal deficit target by a wide margin.

“Sustained fiscal discipline is needed to address debt vulnerabilities. The conservative fiscal stance is expected to continue in 2020. To ensure that gains from fiscal consolidation will be preserved in the medium term and to mitigate the elevated risks to debt sustainability, the authorities need to persevere with measures to mobilize non-oil revenue, strengthen public financial management, improve debt management, and bolster transparency and accountability of state-owned enterprises.

“The National Bank of Angola (BNA) took steps to eliminate remaining imbalances in the foreign exchange market and reduced constraints to market-price formation in foreign exchange auctions. The monetary stance has been recalibrated to address excessive depreciation pressures on the kwanza. The BNA should maintain its tight monetary policy stance, and stand ready to tighten further if warranted, in order to support the disinflation process.

“Full and timely implementation of banking sector recapitalization and restructuring is essential to address financial sector risks. Asset quality reviews of 13 banks will inform possible recapitalization needs of private banks and of public banks, consistent with available fiscal space. Further amendments are warranted to the BNA and Financial Institutions Laws to enable the authorities to strengthen bank supervision and resolution.

“Continued implementation of structural reforms is critical to diversifying the economy and laying the foundations for sustainable, private sector-led economic growth. The Government remains committed to improving the investment environment, strengthening governance, and fighting corruption, including by enhancing AML/CFT legislation.”