



# ANGOLA

June 2021

## FIFTH REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND REQUEST FOR MODIFICATIONS OF PERFORMANCE CRITERIA—PRESS RELEASE; STAFF REPORT, AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR ANGOLA

In the context of the Fifth Review Under the Extended Arrangement Under the Extended Fund Facility and Request for Modifications of Performance Criteria, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 9, 2021, following discussions that ended on April 23, 2021, with the officials of Angola on economic developments and policies underpinning the IMF arrangement under the Extended Fund Facility. Based on information available at the time of these discussions, the staff report was completed on May 26, 2021.
- A **Supplement to the Report**.
- A **Statement by the Executive Director** for Angola.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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## IMF Executive Board Completes Fifth Review of the Extended Fund Facility Arrangement for Angola, and Approves US\$772 Million Disbursement

FOR IMMEDIATE RELEASE

- The IMF Executive Board decision allows for an immediate disbursement of about \$772 million to Angola.
- Angola's economy is transitioning toward a gradual recovery from multiple shocks, including those induced by the COVID-19 pandemic.
- The authorities' policy stance remains sound, and they remain committed to the economic program supported by the Extended Fund Facility.

**Washington, DC – June 9, 2021:** The Executive Board of the International Monetary Fund (IMF) today completed the fifth review of Angola's economic program supported by an extended arrangement under the Extended Fund Facility (EFF). The Board's decision allows for an immediate disbursement of SDR 535.1 million - about \$772 million, bringing total disbursements under the arrangement to SDR 2,678.3 billion (about \$3.9 billion).

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.

Angola is transitioning to a gradual recovery from the COVID-19 shock amid higher global oil prices, low levels of reported COVID-19 infections and the start of a vaccination campaign. The effects of the pandemic continue to be felt across the economy and society, however. The authorities have supported the recovery through sound policies that aim to further stabilize the economy, create opportunities for inclusive growth and protect the most vulnerable in Angolan society. The ongoing fiscal adjustment, in the face of the pandemic's impact, is reinforcing debt sustainability, while allowing for increased health and social spending. The authorities have also tilted their monetary policy stance towards tightening, considering persistently high inflation.

In completing the review, the Executive Board also approved the authorities' request for a waiver for the nonobservance of the continuous performance criterion on non-accumulation of external debt payment arrears by the Central Government and the Banco Nacional de Angola.

The Executive Board also approved today the authorities' request for modification of some performance criteria, indicative targets, and structural benchmarks.

Following the Executive Board's discussion on Angola, Ms. Antoinette Sayeh, Deputy Managing Director and Acting Chair, issued the following statement:

"The Angolan authorities' strong commitment to sound policies under the IMF-supported arrangement has enabled Angola to mitigate the worst effects of the pandemic. Aided by higher oil prices, the authorities are supporting Angola's recovery by consolidating macroeconomic stability while protecting the most vulnerable.

"The authorities are continuing to strengthen public finances and debt dynamics. They achieved a strong fiscal adjustment in 2020 and are on track to do the same in 2021, while increasing health and social spending. By saving the bulk of oil revenue windfall this year, they are helping to sustain the planned rapid reduction in public debt vulnerabilities. Their decision to request an extension of debt service relief under the Debt Service Suspension Initiative (DSSI) through end-December 2021 is welcome.

"The National Bank of Angola (BNA) has appropriately shifted its policy stance toward tightening given continued inflationary pressures. The recent policy adjustments to contain money supply are welcome, and the BNA should move quickly to tighten further if inflation does not begin to decelerate significantly. The authorities have appropriately relied on exchange rate flexibility as a shock absorber.

"The enactment of the Financial Institutions Law (FIL) will empower the authorities to safeguard financial stability and proceed swiftly with the pending restructuring of a troubled public bank. Expedient implementation of the FIL's secondary legislation is crucial. It is also vital to strengthen BNA independence and governance via the proposed central bank law, including the consideration of constitutional amendments.

"Strong non-oil growth recovery is critical for sustainability. The authorities need to maintain momentum on structural reforms that support stronger diversified growth, enhance governance, and combat corruption."



# ANGOLA

May 26, 2021

## FIFTH REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND REQUEST FOR MODIFICATIONS OF PERFORMANCE CRITERIA

### EXECUTIVE SUMMARY

**Context.** Near-term macroeconomic prospects continue to improve in the context of higher oil prices and a gradual global recovery from the pandemic shock, but the medium-term outlook remains challenging and highly uncertain. Oil production remains muted, debt and inflation remain elevated, and non-oil activity is expected to recover only gradually. However, continued strong fiscal performance (aided by higher oil revenues), exchange rate stabilization, and a return to positive non-oil growth would contribute to a reduction in the debt-to-GDP ratio this year, easing debt vulnerabilities.

**Program performance.** Implementation of the program has been adequate since the Fourth Review. All but one end-December 2020 performance criteria (PCs) were met; the exception was the PC on central bank advances to the central government. All but one indicative targets (ITs) for end-December were also met (with the exception of the one on the stock of central government and Sonangol debt), while all end-March 2021 ITs were likely met except for the one on accumulation of arrears by the central government. The authorities expect to meet all end-June PCs, as modified. Of the nine structural benchmarks (SBs) up to end-March 2021, two have been met, the actions in three were completed with a delay, and progress is continuing toward the remaining four. Two of the unmet SBs are proposed to be reset with new target dates, and two new SBs are proposed.

**Risks.** Despite the improved external environment, risks to the program remain significant, particularly regarding high debt levels, volatile global oil prices, and the course of the pandemic in Angola. To address these risks, the authorities are prioritizing a vaccination campaign and maintaining a prudent policy course – including by proceeding with their planned debt-reducing fiscal path, tightening monetary policy, implementing financial sector reforms, and deepening other growth-enhancing structural reforms.

Approved By  
**Vitaliy Kramarenko**  
**(AFR) and Gavin Gray**  
**(SPR)**

Discussions took place during April 6–23, 2021 through teleconferencing. The mission held discussions with Minister of State for Economic Development Manuel Nunes Júnior, Minister of Finance Vera Daves, Minister of Economy and Planning Sérgio dos Santos, *Banco Nacional de Angola* Governor José Massano, State Secretary for Trade Amadeu Nunes, and other senior officials. The staff team comprised Messrs. Mills (head), Cao, Ricka, and Weiss (all AFR); Mr. Benicio (FAD); Mr. Otero (MCM); Ms. Sin (SPR); and Messrs. Souto (resident representative), and Miguel (local economist). Ms. Mannathoko and Mr. Essuvi (OEDAE) participated in key policy meetings. Ms. Mbogo provided research support. Ms. Adjahouinou, Mr. Ogaja, and Ms. Ourigou assisted with the preparation of this report.

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