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Angola: 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

INTERNATIONAL MONETARY FUND

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IMF Country Report No. 21/140

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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PRESS RELEASE

PR21/168

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.

700 19th Street NW
Washington, DC 20431
USA

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. Expeditious 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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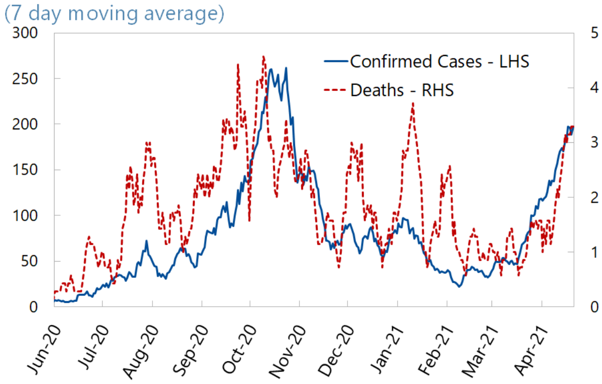
APPENDIX

TRANSITIONING TO GRADUAL RECOVERY

1. **While a gradual recovery appears to be starting, the impact of last year's strong COVID-related shocks is still being felt on the economic, health, and social fronts.** Following four years of recession, the COVID-19 shock resulted in a large output contraction in 2020, severely pressured external balances, and further reduced Angolans' average incomes, in a context of already high poverty levels. Pressures have begun to ease somewhat amid higher global oil prices and contained levels of COVID infections, but the nascent recovery will likely remain partial this year.

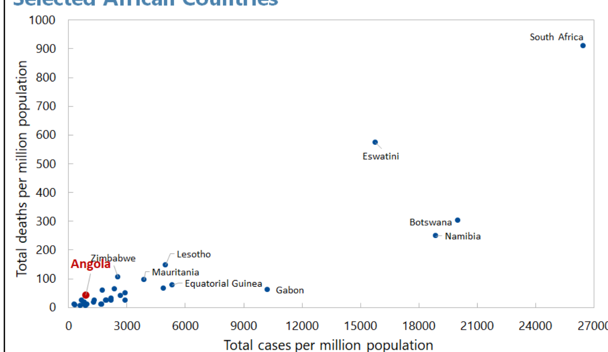
- *Evolving impact of COVID shocks.* The number of new COVID cases and associated deaths remains limited (compared to neighbors) but rose in April (averaging 140 new cases and 2 deaths per day), and containment measures were tightened. The government is ramping up its vaccination campaign via Chinese government donations (200,000 doses), the COVAX system (12.8 million doses), and purchases of Sputnik V (6 million doses). Almost 500,000 people have been vaccinated as of end-April.

Angola: Covid-19 Daily Cases and Deaths
(7 day moving average)



Sources: World Health Organisation; and Angolan authorities.

Covid-19 Cases and Deaths per Million Population - Selected African Countries



Sources: Worldometer and IMF Staff calculations.

- *The oil price recovery has boosted revenues, but production continues to fall.* Oil prices partially recovered starting in late 2020, but oil production still suffered an 8 percent drop last year due to pandemic-related shutdowns and reduced investment. Weak production has continued into early 2021.

- *The non-oil economy is recovering only gradually.* Non-oil GDP started to recover in Q3 2020, as some initial lockdown measures were relaxed. Despite this relative improvement and the agriculture sector's resilience, the non-oil sector contracted by 4 percent in real terms in 2020. Adverse weather conditions (drought, heavy rainfall) in agriculture-producing regions in early 2021 are posing additional headwinds to the recovery.

- *Inflation remains elevated.* Inflation ended 2020 at 25.1 percent (y/y), and it has eased only marginally through April. Food inflation (still above 30 percent y/y through April) continues to drive the headline, exacerbated by adverse weather events.

- *Fiscal policy delivered substantial consolidation in 2020 and 2021.* The 2020 non-oil primary fiscal deficit (NOPFD) fell to 5.5 percent of GDP, down from 6.1 percent of GDP in 2019, meeting the program PC with a substantial margin. Non-oil revenue rose sharply, thanks to value-added tax (VAT) and income tax collections, which created room for higher-than-budgeted spending on key public investment projects. Oil revenues also overperformed projections, although lower production offset higher prices. The overall balance was -1.9 percent of GDP; combined with sharp exchange rate depreciation, this deficit pushed the public debt ratio to over 135 percent of GDP. Strong non-oil revenue performance continued into the first quarter of 2021, which produced an overall surplus while allowing for higher than planned investment spending.

- *External balances have improved, and the exchange rate has stabilized.* Exports fell by 40 percent (by value) in 2020 due to the sharp decline in oil prices and lower oil production. Nevertheless, the 2020 current account balance ended in a modest surplus due to a strong import contraction on the back of the kwanza's real depreciation. The external position is expected to strengthen further in 2021, supported by higher oil prices. The nominal exchange rate has broadly stabilized since November 2020 as oil prices recovered.

- *Banks are still risk-averse amid a difficult macroeconomic environment.* Bank credit to the real economy contracted in 2020, and the banking system registered net losses; while this affected banks' level of capital, it nonetheless remains high on average. In the last quarter of 2020, bank credit showed some signs of recovery.

2. **Angola's non-oil economy is expected to continue a gradual recovery in the first half of 2021.** Staff expect growth in non-oil GDP to rebound slowly from the pandemic, reaching 2.3 percent in 2021, as the effects of the pandemic linger and recent adverse weather shocks disrupt some activity. Oil and gas production are projected to continue to drop this year due to subdued investment and recurring technical issues, causing overall real GDP to roughly stagnate in 2021.

3. **The risks to the outlook persist but have eased in the near term.** The recovery in global oil prices could reverse; there could be a resurgence of the pandemic (globally or domestically); or the pandemic's impact on the non-oil economy could be longer-lasting than anticipated. The impact of weather-related shocks could also be greater than expected. Materialization of any of these risks could lead to a deeper-than-expected contraction in output in 2021. Angola's debt dynamics would in turn be challenged. Failure to continue to fully implement the government's reform program—including the ongoing fiscal adjustment—would also weaken debt dynamics and recovery prospects. Upside risks include a better-than-expected path for oil production, sustained higher oil prices, and a faster recovery of the non-oil economy.

PROGRAM ON TRACK IN THE FACE OF CHALLENGES

4. **The authorities continue to perform satisfactorily under the program amid a myriad of challenges** (Tables 1–6; Figures 1–4; MEFP Tables 1–2). The authorities met the end-December 2020 PCs on the non-oil primary deficit, net international reserves (NIR), and reserve money. For end-

December 2020, the PC on central bank claims on the central government was missed, for which a waiver was granted, with the result staying within the waiver amount. All continuous PCs were met.[1] All end-December 2020 ITs were also met, except for the stock of central government debt and debt of Sonangol. All end-March ITs were likely met, except for net accumulation of the stock of payments arrears by the central government. Of the nine structural benchmarks (SBs) up to end-March 2021, two have been met, the actions of three were completed with a delay, and progress is continuing toward the remaining four.

POLICY DISCUSSIONS

Policy discussions focused on facilitating economic recovery, accelerating structural reforms, and consolidating progress in macroeconomic stability, especially debt sustainability.

A. Fiscal Consolidation Continues to Support Debt Sustainability

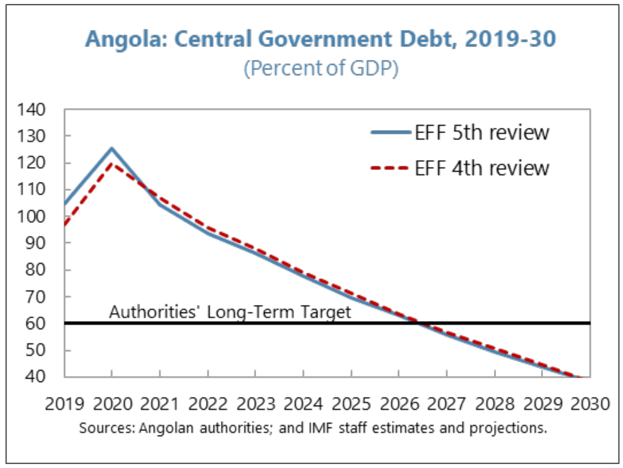
5. 2021 budget execution will build on last year's successful fiscal adjustment. Non-oil revenues are projected to remain broadly stable relative to non-oil GDP, as the full-year effect of measures implemented in late 2020 offsets higher expected VAT refunds as the tax matures. Primary expenditure relative to output is expected to decline, since a reduction in public investment spending (to its 2019 level) will outweigh expected additional spending on Covid-19 vaccines (0.3 percent of GDP) and hiring in education and health care. The resulting fiscal adjustment of 0.7 percentage points of GDP will yield a non-oil primary fiscal deficit (NOPFD) of 4.8 percent of GDP.

6. The bulk of the revenue windfall from higher oil prices will be saved. The higher oil revenue, combined with a lower interest bill (partly due to the 2021 G20 DSSI extension) and lower NOPFD, will produce an overall fiscal surplus of 2.2 percent of GDP, versus the 2020 deficit of 1.9 percent of GDP. This improvement, along with the impact of the 2020 debt reprofiling and the DSSI, will reduce gross financing needs (GFNs) substantially (to around 9 percent of GDP) in 2021.

7. The authorities will address the recent faster accumulation of payment arrears. They nearly completed clearing legacy arrears and met the end-December 2020 program limit (IT) on net accumulation of new domestic arrears. They missed the end-March 2021 limit (IT), however, due both to delayed disbursements of external financing for investment (related to debt rescheduling) and an acceleration in domestic payment arrears in late 2020. Recognizing these weaknesses, the authorities have committed to improve the management of budgetary accounts payable and arrears, as well as spending oversight (MEFP ¶5).

[1] The continuous PC on import restrictions for balance of payment purposes continues to be met, notwithstanding the new measures discussed in ¶19, because they are not motivated by BOP-related reasons.

8. Public debt remains sustainable, assuming continued fiscal discipline and implementation of growth-enhancing structural reforms, yet subject to high risks. The public debt-to-GDP ratio, which peaked at around 135 percent of GDP in 2020, is projected to begin falling rapidly in 2021. Maintaining the current fiscal stance will help sustain a rapid debt reduction in the medium term under baseline assumptions. This pace will enable Angola to achieve its long-term government debt objective of 60 percent of GDP by 2027 and to lower GFNs below 8 percent of GDP in the long run. The public debt dynamics remain highly vulnerable, however, to exogenous and domestic shocks, including a fall in oil prices, drops in oil production, slow non-oil growth, exchange rate depreciation, and weakening fiscal policy. In light of global trends, the long-run prospects of Angola's oil industry are particularly uncertain.



B. Focusing Monetary Policy on Tackling Inflation

9. With stability recovering following the worst of the COVID shocks, monetary policy is appropriately shifting toward gradually reducing inflation. Having effectively supported the economy through the depth of the shock in 2020, the Banco Nacional de Angola (BNA) is now shifting toward tackling inflation.

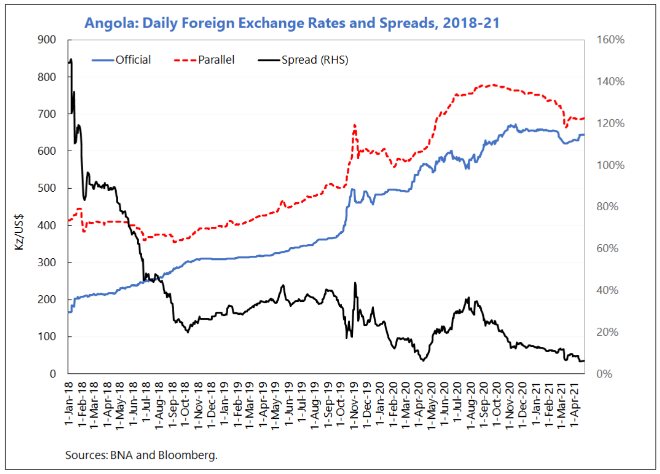
- The BNA has in recent months tightened its reserve money target under the program (with monetary aggregate growth slowing from late 2020) and adjusted some of its instruments to further tighten monetary conditions (MEFP ¶7); it has also increased the custody fee on excess reserves, which it sees as reducing excess bank reserves. The BNA is on track to meet its tighter reserve money target for end-June, as well as its target for advances to the central government. This tightening, along with the lagged pass-through from a stable nominal exchange rate, are expected to bring inflation down gradually this year, which is an appropriate goal considering persistent economic slack.

- Nevertheless, should price pressures prove persistent or increase, the BNA has committed to tighten money targets further. Moreover, it intends to continue to work toward bringing real interest rates into positive territory, which is a necessary element of the tightening process. To this end, staff encouraged the BNA to consider the appropriateness of increasing the policy rate—while monetary aggregates are the BNA's primary target, an increase in the rate would serve as a useful signaling device to complement measures taken so far. Staff also encouraged the BNA to move away from the custody fee, which also reduces overnight rates, as the BNA's liquidity absorbing instruments would be a more effective means of reducing excess liquidity.

10. The authorities are continuing their efforts to strengthen the monetary policy framework, especially the BNA Law. The authorities revised the draft BNA Law in line with IMF staff recommendations and submitted it to the National Assembly in December 2020 (SB). Shortly thereafter, the National Assembly began consideration of a constitutional amendment that would further strengthen central bank independence. Following consideration of the amendment (anticipated in the third quarter), the National Assembly is expected to approve revisions to the Law in line with IMF staff recommendations by end-November (proposed new SB), thereby achieving a key objective of the government's IMF-supported reform program.

C. Refining the Exchange Rate Regime and Building External Buffers

11. Angola's more flexible exchange rate is continuing to serve it well. Exchange rate flexibility greatly facilitated adjustment to shocks earlier in 2020 (below). With the increased supply of foreign exchange (FX) owing to improved oil prices and limited interventions by the BNA, the kwanza has remained broadly stable in nominal terms since late 2020. The authorities and staff agreed that interventions should take place only to limit excessive volatility. The kwanza should otherwise be allowed to find its price in the market, and the BNA should rely predominantly on local currency instruments to carry out monetary policy operations.



12. Net international reserves held up well over 2020 despite severe shocks, and current favorable conditions should enable some rebuilding. Despite the adverse oil price shock, conserving reserves was greatly helped by the more flexible exchange rate and relatively limited FX intervention. The BNA's NIR position, although lower than in 2019, still overperformed the end-December 2020 PC and end-March 2021 IT. The program anticipates a moderate accumulation of reserves in 2021, consistent with a gradual rebuilding of reserves for precautionary purposes, the move to a flexible exchange rate regime, and the change in elasticity of reserve accumulation to changes in oil prices that that has entailed (¶23, MEFP Table 1a, TMU¶4). Reserve coverage, at 9.7 months of imports, or 125 percent of the ARA metric at end-2020, is adequate.

D. Maintaining Financial Sector Stability

13. The banking system has been resilient so far, but continued monitoring is critical to prevent asset quality deterioration resulting from the COVID-19 pandemic. The banking sector closed 2020 with net losses, largely due to two large troubled public banks; as result, banks' capital fell, although the system capital ratio remains above 20 percent. The system's non-performing loan (NPL) ratio has continued to fall but remains high (18.4 percent of total loans at end-2020), and pockets of vulnerability may arise. There are currently no moratoria measures in place related to the pandemic. The authorities should ensure that banks closely monitor their credit portfolios and accurately record credit losses. In addition, the BNA should continue to monitor banks' net open FX positions relative to their capital. The authorities should also strengthen their crisis management preparedness, including the preparation of contingency plans to mitigate the impact of potential shocks (MEFP ¶15).

14. The promulgation of the Financial Institutions Law (FIL) enables the establishment of a stronger regulatory framework for banks. The FIL was officially published on May 19 (thus completing with a delay the action in the corresponding SB), thereby establishing comprehensive legislation for banks that includes a prudential, resolution, and macroprudential framework. The BNA needs to proceed with the introduction of secondary legislation that enables its implementation. The drafting of secondary instruments for the implementation of the prudential framework is well advanced, and the authorities should roll out secondary instruments for the resolution framework, prioritizing those elements which are key for immediate resolution implementation (MEFP ¶12). Similar progress is expected in the coming months with the macroprudential framework (key to addressing systemic risks while supporting economic recovery). In addition, the BNA has requested technical assistance to reform its internal organization in line with international best practices to ensure adequate functioning of the supervisory, resolution, and macroprudential authorities, all of which are hosted by the BNA.

15. The authorities are working to finalize the restructuring plan for one of the two large troubled public banks. This remaining step will ensure completion of the actions in two missed SBs: on finalizing a strategy on the role of the state in the banking sector and on completing bank restructuring and recapitalization, which have been reset to end-July and to end-September, respectively. In the development of this restructuring plan, the authorities are committed to following a transparent and operationally feasible process to ensure remediation of the existing capital shortfall and the viability of the resulting entity (MEFP ¶13). Implementation of the restructuring plan for the largest troubled public bank continues to advance. In addition, the authorities are advancing with the privatization process of a smaller public bank (the 13th largest bank by total assets), which is expected to be completed by September 2021.

16. *Recredit*, the asset management company that received NPLs from the largest troubled public bank, plans to ramp up operations. It nominated the independent member of its Strategy and Nomination Committee in January, thus completing with a delay the action in the corresponding SB. Although during 2020 *Recredit* did not meet its recovery targets, in part due to the pandemic, it is now focused on advancing with the resolution of the NPLs and maximizing recovery value; accordingly it will outsource recoveries for the less significant borrowers to external companies (MEFP ¶14).

E. Moving Forward on Structural and Governance Reforms

17. The authorities have made further progress on fiscal structural reforms despite issues related to the pandemic.

- *Tax administration*. The General Tax Administration (AGT) reported significant progress in establishing a functioning database and improving monitoring and compliance (MEFP ¶16). It has centralized tax collection management, consolidated the previously fragmented audit functions, and completed digitalization of the operations of the three most important taxes. This progress has enabled the collection of 70 percent of non-oil revenue through automatic electronic channels.

- *Cash transfer program and fuel subsidies.* By end-February 2021, the authorities had registered well over 300,000 households in the cash transfer (*Kwenda*) program and aim to make at least one payment to them by the end of 2021. They plan to have 700,000 households enrolled by the end of 2021 (out of an overall program target of 1.6 million). The authorities plan to pursue fuel subsidy reforms once the cash transfer program reaches a critical mass of households.

- *State-owned enterprises (SOEs).* SOE reform is being reinvigorated with the adoption of a strategic roadmap to better structure the intended reform and guide efforts in this area. The authorities amended the SOE law last year. However, following a re-orientation of the reform strategy in favor of corporatization, the revised law did not go as far as previously intended and reported (accordingly, the end-December 2020 SB on enhancing internal and external audit functions was not met). In light of the planned adoption of a comprehensive strategic roadmap for SOE reform by end-September (as described in MEFP ¶16), the authorities have requested a modification of the end-June 2021 SB.

- *Privatization*: Authorities intend to accelerate the privatization program (MEFP ¶16) with the planned privatization of 100 SOEs in 2021 in various sectors. Last year's privatization of 39 assets is expected to generate proceeds worth about 1.1 percent of GDP, to be paid over multiple years, under the terms of the contracts.

- *Public financial management (PFM)*. As required by the recently enacted Fiscal Responsibility Law, the authorities are crafting a medium-term fiscal strategy that reflects a prudent fiscal stance ahead of the preparation of the 2022 budget. Staff stressed the importance of advancing the reform of public investment management with a focus on improving planning and implementation in line with the Public Investment Management Assessment (PIMA) recommendations.

18. The authorities are continuing to work toward enhancing governance, reducing corruption, and strengthening the business climate, which will be critical to a robust recovery.

- *Combating corruption (MEFP ¶17).* The authorities are continuing their efforts to become a member of the Extractive Industries Transparency Initiative (EITI). Moreover, Sonangol is seeking to join Trace International, a globally-recognized anti-bribery business association, and aims to adopt practices in line with the U.S. Foreign Corrupt Practices Act and U.K. Bribery Act (which prohibit bribes paid to foreign officials), as well as other pieces of anti-bribery legislation. The authorities are coordinating with the UN on a comprehensive strategy to combat corruption in Angola, which could include providing support to open a UN agency in Angola to fight drugs, crime, corruption, and terrorism (UNODC).

- *Transparency of public finances.* 54 percent of public contracts had been awarded through open tenders as of end-December 2020, exceeding the annual target of 45 percent (SB). To improve the efficiency of the procurement process, the authorities are expanding the use of the electronic tender program along with the publication of Annual Purchase Plans, as well as enhancing transparency of procurement (MEFP ¶17). The authorities are also committed to transparently disclosing the pandemic-related spending in the quarterly budget execution report and in the annual audit of the General State Account by the Court of Accounts by October 2021 (MEFP ¶17).

- *AML/CFT.* The authorities are continuing to make efforts to implement the recently enacted AML/CFT law, bolster correspondent banking relationships, support ongoing corruption and money laundering investigations, and prepare for Angola's upcoming AML/CFT assessment (planned for mid-2022).

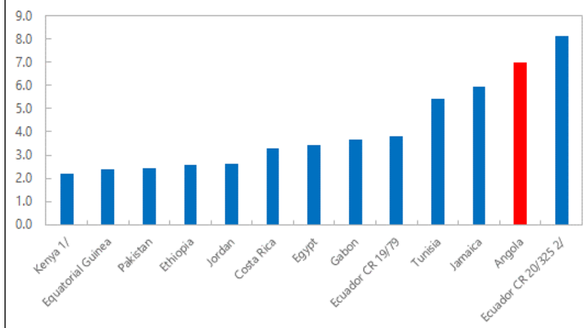
19. As part of the authorities' economic diversification plans, they are planning to introduce new import restrictions. Additional non-tariff, administrative import restrictions on certain pre-packaged products will be introduced in June 2021, with the aim of promoting the packaging industry in Angola. Moreover, in 2022, the authorities are planning to introduce quantitative import restrictions on 16 goods, mainly agricultural products. While agreeing with the objective of promoting diversification, staff expressed concerns about possible distortions and supply disruptions from the import restrictions. In light of these concerns, staff encouraged the authorities to phase out existing administrative import restrictions, refrain from any new import restrictions this year, and carefully monitor the impact of any measures (including on inflation). Concerning planned quantitative restrictions, staff urged the authorities to develop a diversification strategy that does not rely on distortionary import restrictions. For any import measures that are taken, staff stressed the importance of ensuring their WTO-consistency (which the authorities intend to do) and establishing a timetable for their elimination.

PROGRAM ISSUES AND RISKS

20. The program is fully financed. Full BOP and fiscal financing are expected until the end of the program (Tables 7 and 8). The bilateral debt reprofiling agreements reached in 2020 and the extension of the DSSI until mid-2021 have provided significant relief in the near term. The authorities will request an extension of the DSSI for the second half of 2021, which will further improve the near-term dynamics of debt service. Financial burden sharing will continue, including budget support from the World Bank, approved for disbursement this year.

21. Capacity to repay the Fund remains adequate, although subject to higher-than-usual risks. Peak Fund credit outstanding is (i) moderate as a share of non-collateralized external debt (12.6 percent), and (ii) relatively high as a share of GDP (7.0 percent) and GIR net of collateralized debt service (39.4 percent). Total debt service to the Fund will peak in 2026 at 3.2 percent of exports and 7.1 percent of GIR net of collateralized debt service.

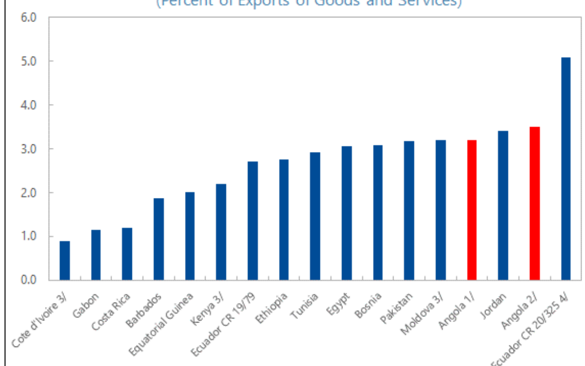
Angola: Peak IMF Credit-to-GDP Ratio in Recent EFFs
(Percent of GDP)



Sources: IMF Country Program Request Staff Reports and Staff calculations.
1/ Includes EFF and ECF credit.
2/ Exceptional access.

22. The authorities are continuing to implement the recommendations of the 2019 safeguards assessment. In addition to the progress made on the BNA Law (¶10), the BNA has implemented IFRS9 and formally adopted an external audit framework policy in February 2021. They are continuing to make progress toward rebalancing their foreign reserves portfolio to bring it into line with international best practices and strengthening their internal audit function capacity.

Angola: Peak Repayment-to-Exports in Recent EFFs
(Percent of Exports of Goods and Services)



Sources: IMF Country Program Request Staff Reports and Staff calculations.
1/ Relative to exports of goods and services.
2/ Relative to unemcumbered exports of goods and services, i.e, net of oil-collaterized external debt service.
3/ Includes EFF and ECF credit.
4/ Exceptional access.

23. The authorities propose modifications to program conditionality. The authorities propose modifications to the end-June NIR PC and an adjuster for this target. The modifications incorporate the current NIR levels, which are higher than previous program targets, and an adjuster relative to oil prices that better accounts for a flexible exchange rate regime and lower oil production. The authorities also propose adding an adjustor to the non-oil primary fiscal deficit and social spending targets to accommodate COVID-19 vaccine import costs when needed. Finally, the authorities propose converting the continuous PC on new external oil-collateralized debt to a six-monthly PC, which is sufficient for program monitoring.

24. The authorities have eliminated the exchange restriction subject to Article VIII, Section 2(a). The special tax of 10 percent on transfers to non-residents under foreign TA or management service contracts giving rise to an exchange restriction subject to Fund jurisdiction has been eliminated.

STAFF APPRAISAL

25. Angola is beginning a gradual recovery from the multifaceted COVID shock. Higher oil prices and a more stable kwanza have meant stronger exports, higher oil revenues, reduced current account stresses, and lower pressure on debt dynamics. However, the recovery in activity will likely be measured, and downside risks to the outlook remain significant. The main risks include a reversal in oil prices or the global economic recovery and, domestically, a resurgence in the pandemic or weaker-than-expected output (for either the oil or non-oil sector).

26. The program remains on track, with continuing strong fiscal performance that preserves debt sustainability. The authorities' fiscal stance tightened in 2020 despite continued recession. The 2021 budget envisages further adjustment, and the decision to save the bulk of the oil revenue windfall this year is a welcome example of fiscal discipline, which should continue in the future. The authorities have established a fiscal path that is projected to help deliver a rapid decline in public debt over the medium and long term. They will need to remain committed to maintaining this fiscal path to ensure public debt sustainability, while promoting a strong recovery in non-oil growth and essential social spending to protect the vulnerable. They should continue to build fiscal and external buffers in the face of an uncertain external economic environment, including measures to further improve their debt profile and dynamics.

27. Monetary policy needs to continue its tightening stance in the face of high inflation. With the worst of the COVID-related shock behind it, the BNA's focus has now appropriately shifted to reducing inflation, which remains too high. Steps taken so far to tighten monetary policy are welcome, and they could be enhanced with stronger signaling by tightening the BNA's policy rate. The BNA needs to achieve positive real interest rates and stand ready to take a more aggressive tightening approach, should planned measures not succeed in reducing inflation. Reining in inflation is critical to households harmed by the pandemic; in this context, careful attention is warranted to the potential impact of import measures on the cost of living. Strengthening the monetary policy framework is also an important objective, and the authorities' commitment to enacting a revised BNA Law with independence and governance in line with international best practices is especially welcome.

28. Progress on exchange rate liberalization and rebuilding reserves is enhancing the flexibility of the economy and boosting its resilience. The BNA should continue to allow the exchange rate to act as a shock absorber and limit interventions only to minimizing excessive volatility. The current environment of higher oil prices also offers an opportune window to accumulate international reserves for precautionary purposes, underscored by the authorities' revised NIR target for June 2021.

29. The authorities need to complete remaining reforms to safeguard financial sector stability. The promulgation of the FIL is a significant step forward in improving banks' regulatory framework, and the authorities should move swiftly to implement the necessary related secondary legislation. It is likewise critical to finalize the pending restructuring plan of one of the two large troubled public banks, addressing the existing capital shortfall. In addition, close supervision of the banking system must continue to ensure prudent provisioning by banks.

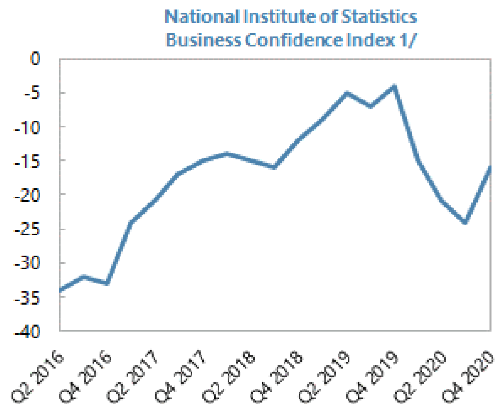
30. Structural reforms are continuing to advance, in support of fiscal adjustment and competitiveness. Ongoing progress on tax administration and public financial management reform, including on procurement transparency, will be critical toward these goals, as will plans to pursue fuel subsidy reforms once cash transfer program enrollment has reached a critical mass. The adoption and implementation of a strategic roadmap for SOE reform will be a key component of increasing Angola's competitiveness and diversifying the economy, along with the success of the authorities' privatization plans.

31. While risks remain elevated, the authorities' commitment to the program continues to be strong. The government has continued to demonstrate its commitment to macroeconomic stability and program objectives through its successful implementation of the 2020 budget – and thus far the 2021 budget. Continued efforts toward disinflation will help complement fiscal progress, as will further progress on the structural and financial sector reform agenda.

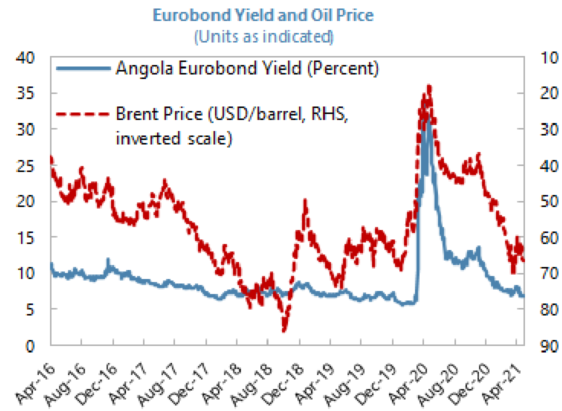
32. Staff supports the authorities' request for the completion of the Fifth Review and modifications to conditionality. Staff supports the authorities' request to modify the end-June NIR PC and NIR target adjustor, to add COVID-related adjustors to the non-oil primary fiscal deficit and social spending targets, and to convert the continuous PC on external oil-collateralized debt to a six-monthly PC. The program continues to provide a solid anchor for the authorities' reform agenda and a catalyst for official financing.

Figure 1. Angola: Selected High-Frequency Indicators, 2016–21

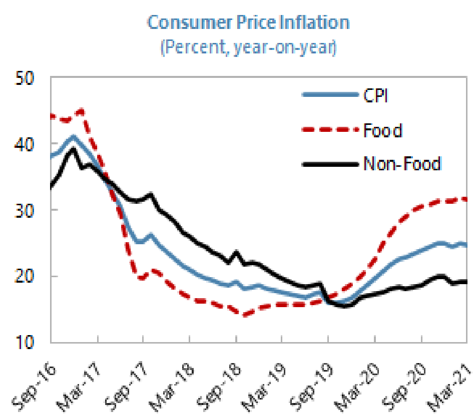
Business confidence showed some recovery in Q4 20…



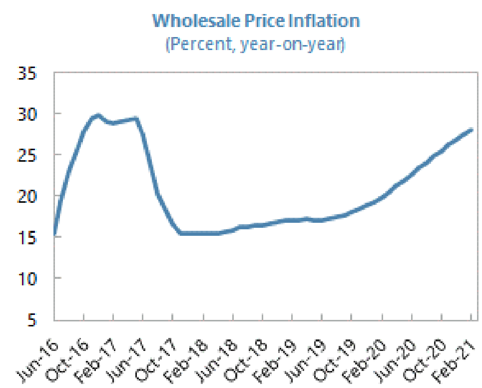
…in line with oil price recovery and lower bond yields.



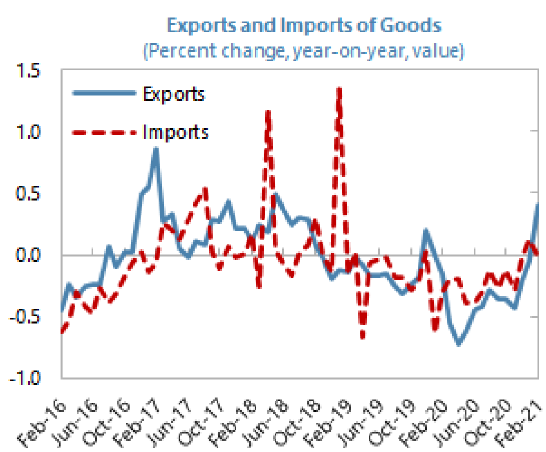
Inflation has leveled off but remains high…



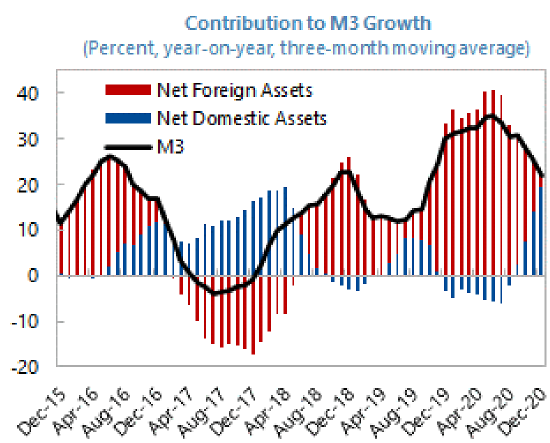
…as does wholesale price inflation.



Trade has begun to recover with higher oil prices.



M3 growth eased but is still elevated on NDA growth.

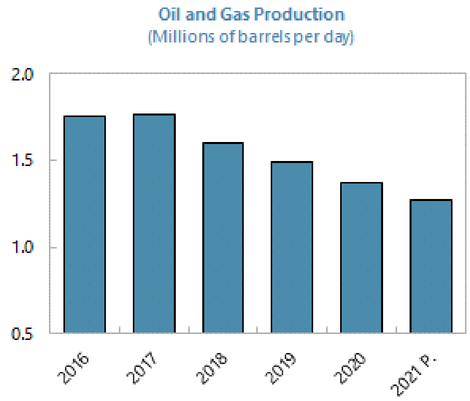


Sources: Angolan authorities; and IMF staff estimates and projections

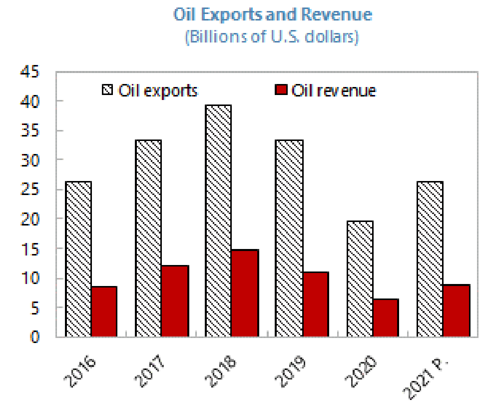
1/ Difference between positive and negative responses to a survey of economic conditions, in percentage points.

Figure 2. Angola: Fiscal Developments, 2016–21

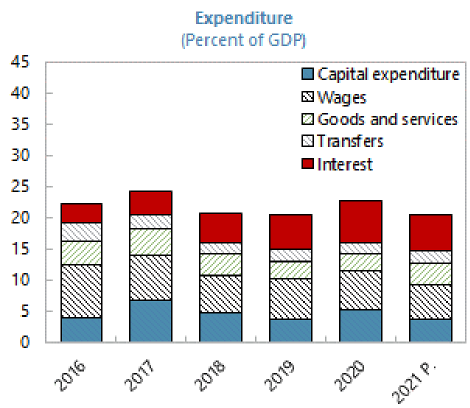
Oil and gas production are declining...



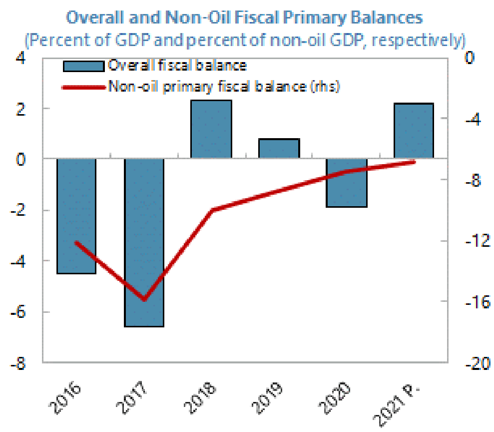
...but oil exports and oil revenue are projected to rise in line with oil prices.



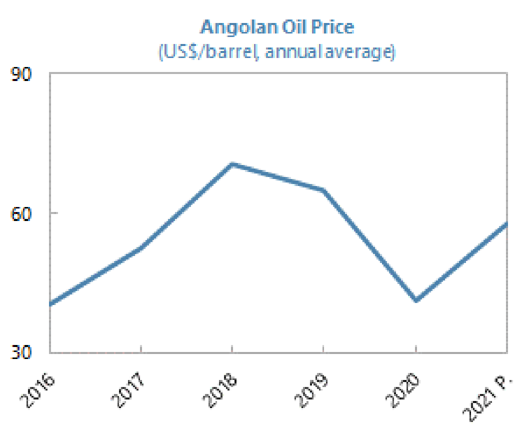
Interest payments are crowding out other expenditures.



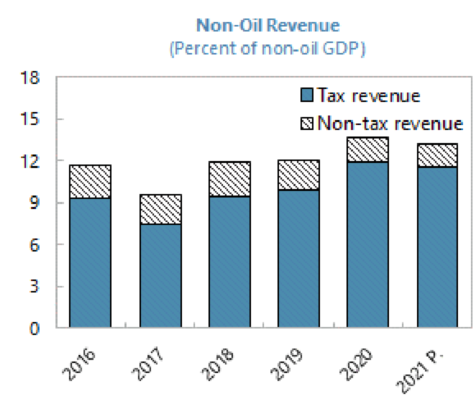
The fiscal stance is projected to remain tight.



Oil prices are recovering in 2021.



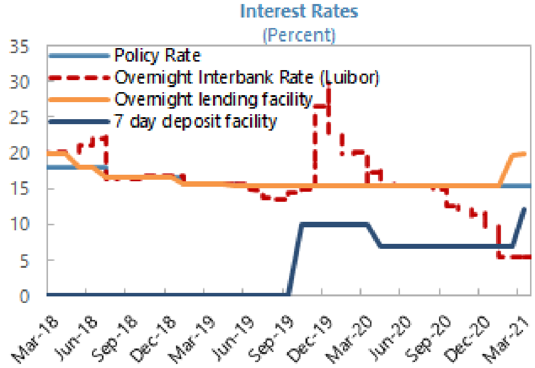
Non-oil tax revenues are projected to increase in 2020-21.



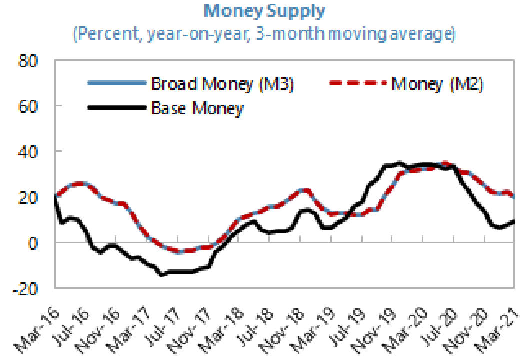
Sources: Angolan authorities; and IMF staff estimates and projections

Figure 3. Angola: Monetary Developments, 2016–21

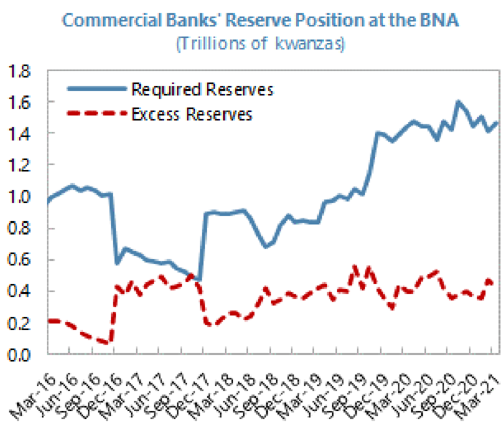
The BNA tightened some instruments but its policy rate is on hold and short-term market rates remain low.



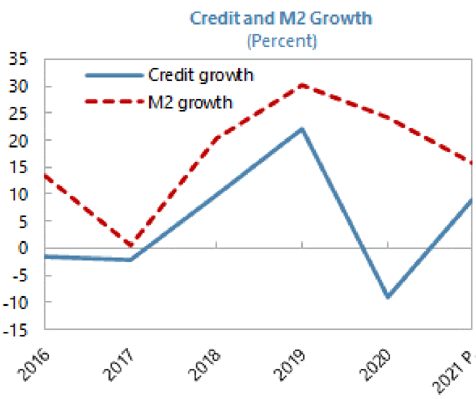
Monetary aggregate growth eased in late 2020.



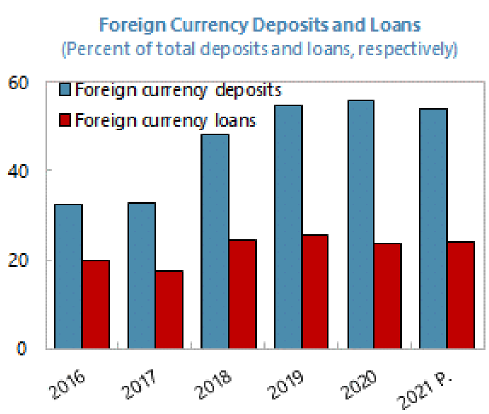
Excess reserves remain sizeable but stable.



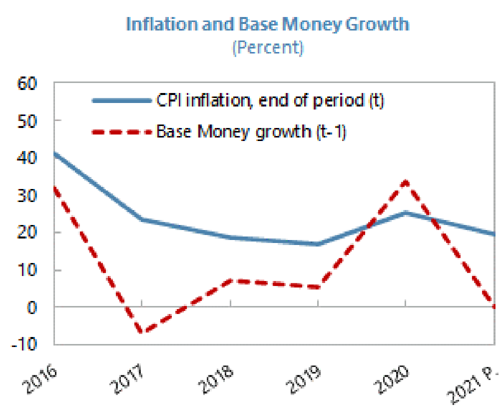
Private credit growth is expected to recover modestly.



Dollarization remains elevated, but has declined.



Inflation is expected to decline in 2021.

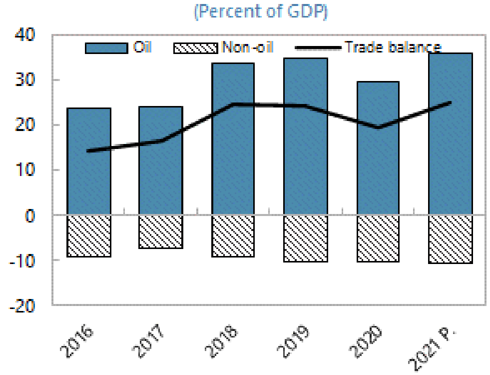


Sources: Angolan authorities; and IMF staff estimates and projections.

Figure 4. Angola: External Sector Developments, 2016–21

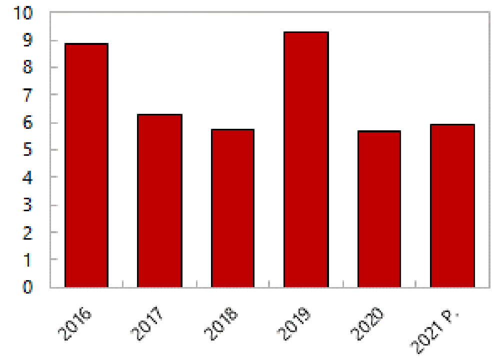
The trade surplus is expected to increase in line with oil prices.

Trade Balance
(Percent of GDP)



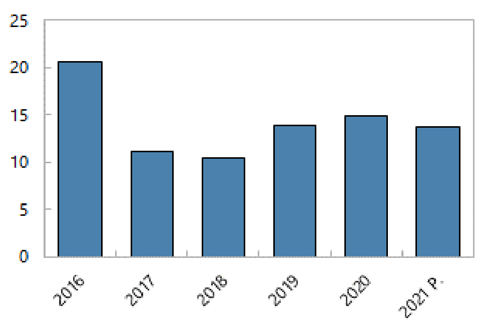
Reserves remain stable relative to imports...

Net Reserves to Following Year's Imports
(Months)



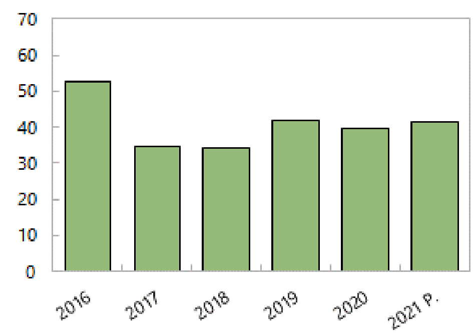
... to GDP....

Reserves to GDP
(Percent)



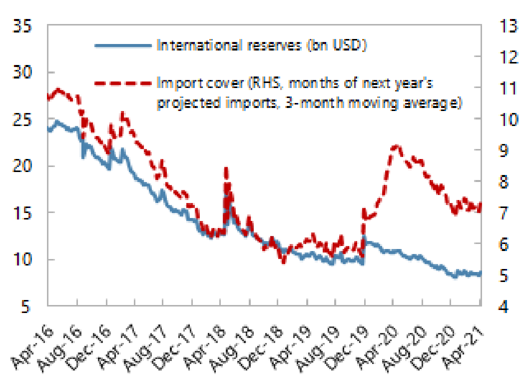
... and to money supply....

Reserves to M2
(Percent)



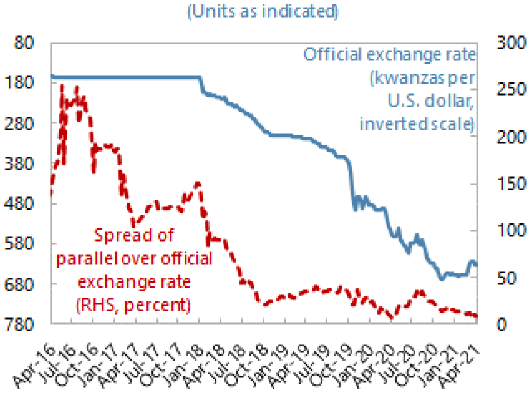
...while international reserve coverage remains adequate.

Net International Reserves
(Units as indicated)



The exchange rate has been stable in nominal terms since late 2020.

Exchange Rate
(Units as indicated)



Sources: Angolan authorities; and IMF staff estimates and projections.

Table 1. Angola: Main Economic Indicators, 2020–2025

	2020		2021		2022		2023		2024	2025
	4th Rev	Prel.	4th Rev	Proj.	4th Rev	Proj.	4th Rev	Proj.	Proj.	Proj.
Real economy (percent change, except where otherwise indicated)										
Real gross domestic product	-4.0	-5.2	0.4	-0.1	2.4	2.4	3.5	3.4	3.7	3.9
Oil sector	-6.3	-8.0	-6.2	-7.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-oil sector	-2.9	-4.0	2.5	2.3	3.3	3.4	4.7	4.7	5.0	5.0
Nominal gross domestic product (GDP)	10.5	9.7	29.7	32.1	15.1	14.5	11.7	11.3	10.3	9.9
Oil sector	-9.6	-8.7	43.2	52.0	10.5	5.6	5.4	1.2	1.3	1.7
Non-oil sector	19.2	18.0	25.3	25.3	16.9	18.2	14.0	15.0	13.2	12.3
GDP deflator	15.1	15.8	29.3	32.3	12.4	11.8	8.0	7.6	6.3	5.8
Non-oil GDP deflator	22.9	22.9	22.2	22.5	13.1	14.3	8.9	9.9	7.9	7.0
Consumer prices (annual average)	22.3	22.3	22.2	22.5	13.1	14.3	8.9	9.9	7.9	7.0
Consumer prices (end of period)	25.0	25.1	18.7	19.5	10.0	11.0	8.0	9.0	7.0	7.0
Gross domestic product (billions of kwanzas)	36,133	33,836	46,879	44,713	53,965	51,189	60,300	56,958	62,815	69,042
Oil gross domestic product (billions of kwanzas)	8,936	8,692	12,800	13,208	14,142	13,952	14,904	14,121	14,306	14,542
Non-oil gross domestic product (billions of kwanzas)	27,197	25,145	34,079	31,505	39,824	37,237	45,397	42,837	48,509	54,500
Gross domestic product (billions of U.S. dollars)	61.9	58.5	61.4	66.7	64.2	68.0	69.0	72.0	77.0	83.0
Gross domestic product per capita (U.S. dollars)	1,996	1,886	1,920	2,086	1,950	2,065	2,034	2,122	2,205	2,306
Central government (percent of GDP)										
Total revenue	18.2	20.8	20.3	22.6	20.4	22.1	20.0	21.3	20.7	20.2
Of which: Oil-related	9.2	10.7	11.7	13.2	11.3	12.2	10.6	11.1	10.2	9.4
Of which: Non-oil tax	7.5	8.8	7.3	8.2	7.8	8.7	8.0	9.0	9.2	9.4
Total expenditure	19.9	22.7	20.0	20.4	19.0	20.1	18.5	19.2	18.5	17.9
Current expenditure	15.5	17.5	16.8	16.9	15.7	16.6	15.2	15.8	15.2	14.6
Capital spending	4.4	5.2	3.2	3.5	3.3	3.5	3.3	3.4	3.3	3.3
Overall fiscal balance	-1.7	-1.9	0.3	2.2	1.4	2.0	1.4	2.1	2.2	2.3
Non-oil primary fiscal balance	-4.3	-5.5	-4.4	-4.8	-3.8	-4.4	-3.7	-3.7	-3.1	-2.8
Non-oil primary fiscal balance (percent of non-oil GDP)	-5.7	-7.4	-6.0	-6.8	-5.1	-6.1	-4.9	-4.9	-4.0	-3.6
Money and credit (end of period, percent change)										
Broad money (M2)	15.0	24.3	23.8	15.8	11.0	12.8	12.5	12.1	12.0	9.7
Percent of GDP	32.5	37.5	31.0	32.9	29.9	32.4	30.1	32.7	33.2	33.1
Velocity (GDP/M2)	3.1	2.7	3.2	3.0	3.3	3.1	3.3	3.1	3.0	3.0
Velocity (non-oil GDP/M2)	2.3	2.0	2.3	2.1	2.5	2.2	2.5	2.3	2.3	2.4
Credit to the private sector (annual percent change)	-6.0	-8.4	18.5	9.4	25.9	24.1	15.1	21.5	15.8	15.0
Balance of payments										
Trade balance (percent of GDP)	16.6	19.5	20.1	25.0	19.4	22.3	18.6	20.5	18.9	17.9
Exports of goods, f.o.b. (percent of GDP)	33.8	35.8	37.6	41.8	36.8	39.1	35.1	36.1	33.9	32.6
Of which: Oil and gas exports (percent of GDP)	31.3	33.5	34.8	39.6	33.4	36.5	31.5	33.2	30.5	28.2
Imports of goods, f.o.b. (percent of GDP)	17.1	16.3	17.6	16.8	17.3	16.8	16.5	15.6	15.1	14.7
Terms of trade (percent change)	-38.5	-36.5	10.1	34.4	-4.9	-8.2	2.2	-2.4	-1.3	-0.2
Current account balance (percent of GDP)	-0.7	1.5	0.6	5.2	-0.3	3.1	-0.7	2.7	1.7	1.3
Gross international reserves (end of period, millions of U.S. dollars)	14,102	14,779	15,218	14,776	15,218	14,776	15,468	14,776	14,776	14,776
Gross international reserves (months of next year's imports)	9.9	9.7	10.0	9.5	9.6	9.6	9.3	9.2	8.7	8.6
Net international reserves (end of period, millions of U.S. dollars)	8,085	8,668	8,187	9,128	8,687	10,128	9,030	10,220	10,483	11,033
Exchange rate										
Official exchange rate (average, kwanzas per U.S. dollar)	…	578	…	…	…	…	…	…	…	…
Official exchange rate (end of period, kwanzas per U.S. dollar)	…	656	…	…	…	…	…	…	…	…
Public debt (percent of GDP)										
Public sector debt (gross)[1]	134.2	135.1	119.9	113.3	106.7	102.7	97.2	95.9	85.8	76.7
Of which: Central Government debt	126.4	125.2	112.8	103.9	100.8	92.8	91.2	85.8	76.9	68.8
Oil										
Oil and gas production (millions of barrels per day)	1.399	1.369	1.313	1.274	1.313	1.274	1.313	1.274	1.270	1.274
Oil and gas exports (billions of U.S. dollars)	19.4	19.6	21.3	26.4	21.4	24.8	21.7	23.9	23.5	23.4
Angola oil price (average, U.S. dollars per barrel)	39.6	41.1	46.2	57.8	46.4	54.4	46.9	52.4	51.5	51.3
Brent oil price (average, U.S. dollars per barrel)	42.1	42.3	48.1	59.7	48.2	56.2	48.7	54.1	53.0	52.4

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.

Table 2a. Angola: Statement of Central Government Operations, 2019–23

(Billions of kwanzas, unless otherwise indicated)

	2019		2020		2021		2022		2023	
	4th Rev.	Actual	4th Rev.	Prel.	4th Rev.	Proj.	4th Rev.	Proj.	4th Rev.	Proj.
Revenue	**6,530**	**6,530**	**6,578**	**7,053**	**9,531**	**10,093**	**11,013**	**11,315**	**12,031**	**12,153**
Taxes	6,058	6,058	6,063	6,605	8,916	9,566	10,293	10,692	11,211	11,437
Oil	3,952	3,952	3,337	3,612	5,495	5,912	6,072	6,246	6,399	6,321
Non-oil	2,105	2,105	2,726	2,993	3,420	3,654	4,222	4,446	4,812	5,115
Social contributions	311	311	321	320	328	328	383	388	437	446
Grants	3	3	2	4	0	0	0	0	0	0
Other revenue	158	158	192	123	288	199	336	235	383	271
Expenditure	**6,291**	**6,291**	**7,202**	**7,691**	**9,397**	**9,124**	**10,264**	**10,304**	**11,172**	**10,956**
Current expenditure	**5,164**	**5,164**	**5,615**	**5,918**	**7,886**	**7,540**	**8,483**	**8,512**	**9,182**	**9,019**
Compensation of employees	1,999	1,999	2,064	2,067	2,472	2,534	2,719	2,951	2,936	3,283
Use of goods and services	844	844	694	965	1,382	1,516	1,591	1,733	1,778	1,761
Interest	1,721	1,721	2,328	2,300	3,139	2,596	3,076	2,757	3,117	2,807
Domestic	797	797	1,097	1,008	1,173	1,147	882	1,016	812	1,013
Foreign	923	923	1,231	1,292	1,965	1,449	2,194	1,741	2,305	1,794
Subsidies	79	79	42	38	210	210	224	229	250	243
Other expense	522	522	488	547	684	685	873	842	1,101	926
Net investment in nonfinancial assets	**1,127**	**1,127**	**1,587**	**1,773**	**1,511**	**1,584**	**1,781**	**1,792**	**1,990**	**1,937**
Net lending (+) / Net borrowing (-)	**239**	**239**	**-625**	**-638**	**134**	**969**	**749**	**1,012**	**859**	**1,197**
Statistical discrepancy	228	256	64	821	0	0	0	0	0	0
Net acquisition of financial assets (+: increase)	**-305**	**-122**	**-2,283**	**-1,714**	**-263**	**-141**	**-369**	**-782**	**775**	**863**
Domestic	-278	108	-2,149	-1,548	347	230	-70	-365	-100	-324
Cash and deposits[1]	-486	-100	-1,471	-1,052	389	272	0	82	0	92
Equity and investment fund shares	209	209	-679	-496	-42	-42	-70	-446	-100	-417
Other accounts receivable	0	0	0	0	0	0	0	0	0	0
Foreign	-27	-230	-133	-166	-610	-372	-299	-417	875	1,187
Net incurrence of liabilities (+: increase)	**-166**	**-106**	**-1,594**	**-255**	**-398**	**-1,110**	**-1,118**	**-1,794**	**-84**	**-334**
Domestic	-609	-408	-1,661	-909	-2,065	-2,316	-1,010	-2,283	676	1,503
Debt securities	-122	-122	-1,393	-910	-1,665	-1,589	-1,010	-2,087	676	1,536
Disbursements	1,583	1,366	2,469	2,874	799	1,249	1,972	1,639	2,954	4,214
Amortizations	-1,705	-1,488	-3,862	-3,784	-2,464	-2,838	-2,983	-3,726	-2,278	-2,678
Loans	-361	-83	0	125	0	-106	0	-36	0	-32
Other accounts payable[2]	-126	-203	-268	-123	-400	-620	0	-160	0	0
Foreign	443	302	67	654	1,667	1,205	-108	489	-760	-1,838
Debt securities	901	699	445	195	1,667	1,605	-108	689	-760	-1,838
Disbursements	2,931	2,710	2,083	1,802	3,655	3,788	1,956	2,682	2,728	2,161
Of which: Budget support under the program	425	363	696	685	2,144	1,915	0	0	0	0
Amortizations	-2,030	-2,011	-1,638	-1,606	-1,988	-2,183	-2,064	-1,993	-3,488	-3,998
Other accounts payable	-397	-397	-378	458	0	-400	0	-200	0	0
Memorandum items:										
Non-oil primary fiscal balance	-1,868	-1,868	-1,542	-1,867	-2,044	-2,155	-2,050	-2,274	-2,215	-2,112
Angola oil price (average, U.S. dollars per barrel)	65.0	65.0	39.6	41.1	46.2	57.8	46.4	54.4	46.9	52.4
Social expenditures[3]	1,726	1,726	1,726	1,726	2,721	2,721	2,428	2,304	3,015	2,848
Public sector debt (gross)[4]	35,013	35,013	48,490	45,721	56,201	50,675	57,573	52,587	58,635	54,627
Of which: Central Government	33,584	32,280	45,351	42,375	52,318	46,446	53,588	47,499	54,973	48,894

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] Historical figures may include valuation effects related to foreign-currency denominated deposits. Projections for 2020-23 include deposit withdrawals from FSDEA.

[2] Includes repayment of debt owed to Sonangol related to the National Urbanization and Housing Plan (PNUH).

[3] Spending on education, health, social protection, and housing and community services. For 2020 onwards are projected floors.

[4] Includes debt of the Central Government, external debt of state oil company Sonangol and state airline company TAAG, and guaranteed debt.

Table 2b. Angola: Statement of Central Government Operations, 2019–23

(Percent of GDP, unless otherwise indicated)

	2019		2020		2021		2022		2023	
	4th Rev.	Actual	4th Rev.	Prel.	4th Rev.	Proj.	4th Rev.	Proj.	4th Rev.	Proj.
Revenue	**20.0**	**21.2**	**18.2**	**20.8**	**20.3**	**22.6**	**20.4**	**22.1**	**20.0**	**21.3**
Taxes	18.5	19.6	16.8	19.5	19.0	21.4	19.1	20.9	18.6	20.1
Oil	12.1	12.8	9.2	10.7	11.7	13.2	11.3	12.2	10.6	11.1
Non-oil	6.4	6.8	7.5	8.8	7.3	8.2	7.8	8.7	8.0	9.0
Social contributions	1.0	1.0	0.9	0.9	0.7	0.7	0.7	0.8	0.7	0.8
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue	0.5	0.5	0.5	0.4	0.6	0.4	0.6	0.5	0.6	0.5
Expenditure	**19.2**	**20.4**	**19.9**	**22.7**	**20.0**	**20.4**	**19.0**	**20.1**	**18.5**	**19.2**
Current expenditure	**15.8**	**16.7**	**15.5**	**17.5**	**16.8**	**16.9**	**15.7**	**16.6**	**15.2**	**15.8**
Compensation of employees	6.1	6.5	5.7	6.1	5.3	5.7	5.0	5.8	4.9	5.8
Use of goods and services	2.6	2.7	1.9	2.9	2.9	3.4	2.9	3.4	2.9	3.1
Interest	5.3	5.6	6.4	6.8	6.7	5.8	5.7	5.4	5.2	4.9
Domestic	2.4	2.6	3.0	3.0	2.5	2.6	1.6	2.0	1.3	1.8
Foreign	2.8	3.0	3.4	3.8	4.2	3.2	4.1	3.4	3.8	3.1
Subsidies	0.2	0.3	0.1	0.1	0.4	0.5	0.4	0.4	0.4	0.4
Other expense	1.6	1.7	1.3	1.6	1.5	1.5	1.6	1.6	1.8	1.6
Net investment in nonfinancial assets	**3.4**	**3.7**	**4.4**	**5.2**	**3.2**	**3.5**	**3.3**	**3.5**	**3.3**	**3.4**
Net lending (+) / Net borrowing (-)	**0.7**	**0.8**	**-1.7**	**-1.9**	**0.3**	**2.2**	**1.4**	**2.0**	**1.4**	**2.1**
Statistical discrepancy	0.7	0.8	0.2	2.4	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of financial assets (+: increase)	**-0.9**	**-0.4**	**-6.3**	**-5.1**	**-0.6**	**-0.3**	**-0.7**	**-1.5**	**1.3**	**1.5**
Domestic	-0.8	0.4	-5.9	-4.6	0.7	0.5	-0.1	-0.7	-0.2	-0.6
Cash and deposits[1]	-1.5	-0.3	-4.1	-3.1	0.8	0.6	0.0	0.2	0.0	0.2
Equity and investment fund shares	0.6	0.7	-1.9	-1.5	-0.1	-0.1	-0.1	-0.9	-0.2	-0.7
Other accounts receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	-0.1	-0.7	-0.4	-0.5	-1.3	-0.8	-0.6	-0.8	1.5	2.1
Net incurrence of liabilities (+: increase)	**-1.3**	**-2.9**	**-4.4**	**-0.4**	**-0.8**	**-2.7**	**-2.1**	**-3.6**	**-0.1**	**-0.6**
Domestic	-2.6	-3.8	-4.6	-2.3	-4.4	-5.4	-1.9	-4.5	1.1	2.6
Debt securities	-1.1	0.0	-3.9	-2.3	-3.6	-3.8	-1.9	-4.1	1.1	2.6
Disbursements	4.1	5.9	6.8	9.3	1.7	2.8	3.7	3.2	4.9	7.4
Amortizations	-5.2	-5.9	-10.7	-11.6	-5.3	-6.6	-5.5	-7.3	-3.8	-4.8
Loans	-1.2	-1.2	0.0	0.4	0.0	-0.2	0.0	-0.1	0.0	-0.1
Other accounts payable[2]	-0.4	-2.6	-0.7	-0.4	-0.9	-1.4	0.0	-0.3	0.0	0.0
Foreign debt securities	1.3	0.9	0.2	1.9	3.6	2.7	-0.2	1.0	-1.3	-3.2
Disbursements	9.0	8.8	5.8	5.3	7.8	8.5	3.6	5.2	4.5	3.8
Of which: Budget support under the program	1.3	1.2	1.9	2.0	4.6	4.3	0.0	0.0	0.0	0.0
Amortizations	-6.3	-6.5	-4.5	-4.7	-4.2	-4.9	-3.8	-3.9	-5.8	-7.0
Other accounts payable	-1.2	-1.3	-1.0	1.4	0.0	-0.9	0.0	-0.4	0.0	0.0
Memorandum items:										
Non-oil primary fiscal balance	-5.7	-6.1	-4.3	-5.5	-4.4	-4.8	-3.8	-4.4	-3.7	-3.7
Angola oil price (average, U.S. dollars per barrel)	65.0	65.0	39.6	41.1	46.2	57.8	46.4	54.4	46.9	52.4
Social expenditures[3]	5.3	5.6	4.8	5.1	5.8	6.1	4.5	4.5	5.0	5.0
Public sector debt (gross)[4]	107.1	113.6	134.2	135.1	119.9	113.3	106.7	102.7	97.2	95.9
Of which: Central Government	102.7	104.7	125.5	125.2	111.6	103.9	99.3	92.8	91.2	85.8

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] Historical figures may include valuation effects related to foreign-currency denominated deposits. Projections for 2020-23 include deposit withdrawals from FSDEA.

[2] Includes repayment of debt owed to Sonangol related to the National Urbanization and Housing Plan (PNUH).

[3] Spending on education, health, social protection, and housing and community services. For 2020 onwards are projected floors.

[4] Includes debt of the Central Government, external debt of state oil company Sonangol and state airline company TAAG, and guaranteed debt.

Table 2c. Angola: Statement of Central Government Operations, 2019–23

(Percent of non-oil GDP, unless otherwise indicated)

	2019		2020		2021		2022		2023	
	4th Rev.	Actual	4th Rev.	Prel.	4th Rev.	Proj.	4th Rev.	Proj.	4th Rev.	Proj.
Revenue	**28.6**	**30.6**	**24.2**	**28.0**	**28.0**	**32.0**	**27.7**	**30.4**	**26.5**	**28.4**
Taxes	26.6	28.4	22.3	26.3	26.2	30.4	25.8	28.7	24.7	26.7
Oil	17.3	18.5	12.3	14.4	16.1	18.8	15.2	16.8	14.1	14.8
Non-oil	9.2	9.9	10.0	11.9	10.0	11.6	10.6	11.9	10.6	11.9
Social contributions	1.4	1.5	1.2	1.3	1.0	1.0	1.0	1.0	1.0	1.0
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue	0.7	0.7	0.7	0.5	0.8	0.6	0.8	0.6	0.8	0.6
Expenditure	**27.6**	**29.5**	**26.5**	**30.6**	**27.6**	**29.0**	**25.8**	**27.7**	**24.6**	**25.6**
Current expenditure	**22.6**	**24.2**	**20.6**	**23.5**	**23.1**	**23.9**	**21.3**	**22.9**	**20.2**	**21.1**
Compensation of employees	8.8	9.4	7.6	8.2	7.3	8.0	6.8	7.9	6.5	7.7
Use of goods and services	3.7	4.0	2.6	3.8	4.1	4.8	4.0	4.7	3.9	4.1
Interest	7.5	8.1	8.6	9.1	9.2	8.2	7.7	7.4	6.9	6.6
Domestic	3.5	3.7	4.0	4.0	3.4	3.6	2.2	2.7	1.8	2.4
Foreign	4.0	4.3	4.5	5.1	5.8	4.6	5.5	4.7	5.1	4.2
Subsidies	0.3	0.4	0.2	0.2	0.6	0.7	0.6	0.6	0.6	0.6
Other expense	2.3	2.4	1.8	2.2	2.0	2.2	2.2	2.3	2.4	2.2
Net acquisition of nonfinancial assets	**4.9**	**5.3**	**5.8**	**7.1**	**4.4**	**5.0**	**4.5**	**4.8**	**4.4**	**4.5**
Net lending (+) / Net borrowing (-)	**1.0**	**1.1**	**-2.3**	**-2.5**	**0.4**	**3.1**	**1.9**	**2.7**	**1.9**	**2.8**
Statistical discrepancy	1.0	1.2	0.2	3.3	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of financial assets (+: increase)	**-1.3**	**-0.6**	**-8.4**	**-6.8**	**-0.8**	**-0.4**	**-0.9**	**-2.1**	**1.7**	**2.0**
Domestic	-1.2	0.5	-7.9	-6.2	1.0	0.7	-0.2	-1.0	-0.2	-0.8
Cash and deposits[1]	-2.1	-0.5	-5.4	-4.2	1.1	0.9	0.0	0.2	0.0	0.2
Equity and investment fund shares	0.9	1.0	-2.5	-2.0	-0.1	-0.1	-0.2	-1.2	-0.2	-1.0
Other accounts receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	-0.1	-1.1	-0.5	-0.7	-1.8	-1.2	-0.8	-1.1	1.9	2.8
Net incurrence of liabilities (+: increase)	**-1.7**	**-4.1**	**-5.9**	**-0.5**	**-1.2**	**-3.5**	**-2.8**	**-4.8**	**-0.2**	**-0.8**
Domestic	-3.7	-5.4	-6.1	-3.1	-6.1	-7.4	-2.5	-6.1	1.5	3.5
Debt securities	-1.5	0.0	-5.1	-3.1	-4.9	-5.4	-2.5	-5.7	1.5	3.5
Disbursements	5.9	8.5	9.1	12.4	2.3	4.0	5.0	4.4	6.5	9.8
Amortizations	-7.5	-8.5	-14.2	-15.6	-7.2	-9.3	-7.5	-10.1	-5.0	-6.3
Loans	-1.6	-1.6	0.0	0.5	0.0	-0.3	0.0	-0.1	0.0	-0.1
Other accounts payable[2]	-0.6	-3.8	-1.0	-0.5	-1.2	-2.0	0.0	-0.4	0.0	0.0
Foreign	1.9	1.3	0.2	2.6	4.9	3.8	-0.3	1.3	-1.7	-4.3
Disbursements	12.8	12.7	7.7	7.2	10.7	12.0	4.9	7.2	6.0	5.0
Of which: Budget support under the program	1.9	1.7	2.6	2.7	6.3	6.1	0.0	0.0	0.0	0.0
Amortizations	-9.2	-9.5	-6.0	-6.4	-5.8	-6.9	-5.2	-5.4	-7.7	-9.3
Memorandum items:										
Non-oil primary fiscal balance	-8.2	-8.8	-5.7	-7.4	-6.0	-6.8	-5.1	-6.1	-4.9	-4.9
Angola oil price (average, U.S. dollars per barrel)	65.0	65.0	39.6	41.1	46.2	57.8	46.4	54.4	46.9	52.4
Social expenditures[3]	7.6	8.1	6.3	6.9	8.0	8.6	6.1	6.2	6.6	6.6
Public sector debt (gross)[4]	153.5	164.3	178.3	181.8	164.9	160.8	144.6	141.2	129.2	127.5
Of which: Central Government	147.2	151.4	166.8	168.5	158.7	148.0	134.6	127.6	121.1	114.1

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] Historical figures may include valuation effects related to foreign-currency denominated deposits. Projections for 2020-23 include deposit withdrawals from FSDEA.

[2] Includes repayment of debt owed to Sonangol related to the National Urbanization and Housing Plan (PNUH).

[3] Spending on education, health, social protection, and housing and community services. For 2020 onwards are projected floors.

[4] Includes debt of the Central Government, external debt of state oil company Sonangol and state airline company TAAG, and guaranteed debt.

Table 2d. Angola: Statement of Central Government Operations, 2019–23

Debt reprofiling recorded as exceptional financing

(Billions of kwanzas, unless otherwise indicated)

	2019		2020		2021		2022		2023	
	4th Rev.	Actual	4th Rev.	Prel.	4th Rev.	Proj.	4th Rev.	Proj.	4th Rev.	Proj.
Revenue	**6,530**	**6,530**	**6,578**	**7,053**	**9,531**	**10,093**	**11,013**	**11,315**	**12,031**	**12,153**
Taxes	6,058	6,058	6,063	6,605	8,916	9,566	10,293	10,692	11,211	11,437
Oil	3,952	3,952	3,337	3,612	5,495	5,912	6,072	6,246	6,399	6,321
Non-oil	2,105	2,105	2,726	2,993	3,420	3,654	4,222	4,446	4,812	5,115
Social contributions	311	311	321	320	328	328	383	388	437	446
Grants	3	3	2	4	0	0	0	0	0	0
Other revenue	158	158	192	123	288	199	336	235	383	271
Expenditure	**6,291**	**6,291**	**7,459**	**7,900**	**9,286**	**9,206**	**9,936**	**9,984**	**10,753**	**10,552**
Current expenditure	**5,164**	**5,164**	**5,871**	**6,127**	**7,775**	**7,622**	**8,156**	**8,193**	**8,763**	**8,615**
Compensation of employees	1,999	1,999	2,064	2,067	2,472	2,534	2,719	2,951	2,936	3,283
Use of goods and services	844	844	694	965	1,382	1,516	1,591	1,733	1,778	1,761
Interest	1,721	1,721	2,584	2,509	3,028	2,678	2,749	2,437	2,698	2,403
Domestic	797	797	1,097	1,008	1,173	1,147	882	1,016	812	1,013
Foreign	908	980	1,487	1,501	1,854	1,531	1,867	1,421	1,886	1,390
Subsidies	79	79	42	38	210	210	224	229	250	243
Other expense	522	522	488	547	684	685	873	842	1,101	926
Net investment in nonfinancial assets	**1,127**	**1,127**	**1,587**	**1,773**	**1,511**	**1,584**	**1,781**	**1,792**	**1,990**	**1,937**
Net lending (+) / Net borrowing (-)	**239**	**239**	**-881**	**-848**	**245**	**887**	**1,076**	**1,331**	**1,278**	**1,601**
Statistical discrepancy	228	256	64	821	0	0	0	0	0	0
Net acquisition of financial assets (+: increase)	**-305**	**-122**	**-2,283**	**-1,714**	**-263**	**-141**	**-369**	**-782**	**775**	**863**
Domestic	-278	108	-2,149	-1,548	347	230	-70	-365	-100	-324
Cash and deposits[1]	-486	-100	-1,471	-1,052	389	272	0	82	0	92
Equity and investment fund shares	209	209	-679	-496	-42	-42	-70	-446	-100	-417
Other accounts receivable	0	0	0	0	0	0	0	0	0	0
Foreign	-27	-230	-133	-166	-610	-372	-299	-417	875	1,187
Net incurrence of liabilities (+: increase)	**-166**	**-796**	**-2,027**	**-2,209**	**1,591**	**-4,278**	**786**	**-4,341**	**2,977**	**-2,023**
Domestic	-609	-1,079	-1,661	-909	-2,065	-2,316	-1,010	-2,283	676	1,503
Debt securities	-122	95	-1,393	-910	-1,665	-1,589	-1,010	-2,087	676	1,536
Disbursements	1,583	1,583	2,469	2,874	799	1,249	1,972	1,639	2,954	4,214
Amortizations	-1,705	-1,488	-3,862	-3,784	-2,464	-2,838	-2,983	-3,726	-2,278	-2,678
Loans	-361	-361	0	125	0	-106	0	-36	0	-32
Other accounts payable[2]	-126	-813	-268	-123	-400	-620	0	-160	0	0
Foreign	443	283	-366	-1,301	3,655	-1,963	1,796	-2,058	2,301	-3,526
Disbursements	2,931	2,710	2,083	1,802	3,655	3,788	1,956	2,682	2,728	2,161
Amortizations	-2,617	-2,597	-2,071	-3,561	0	-5,351	-160	-4,541	-427	-5,687
Exceptional financing (+: increase)										
Debt reprofiling	…	…	690	2,164	-2,099	3,250	-2,231	2,228	-3,480	1,285
Foreign interest	…	…	256	209	-111	82	-327	-319	-419	-404
Foreign amortization	…	…	433	1,954	-1,988	3,168	-1,904	2,548	-3,061	1,688
Memorandum items:										
Non-oil primary fiscal balance	-1,868	-1,868	-1,542	-1,867	-2,044	-2,155	-2,050	-2,274	-2,215	-2,112
Angola oil price (average, U.S. dollars per barrel)	65.0	65.0	39.6	41.1	46.2	57.8	46.4	54.4	46.9	52.4
Social expenditures[3]	1,726	1,726	1,726	1,726	2,721	2,721	2,428	2,304	3,015	2,848
Public sector debt (gross)[4]	35,013	35,013	48,490	45,721	56,201	50,675	57,573	52,587	58,635	54,627
Of which: Central Government and Sonangol[5]	34,922	34,922	48,373	45,610	56,061	50,538	57,426	52,442	58,483	54,531
Of which: Central Government[6]	33,584	33,584	45,351	44,150	52,318	48,525	53,588	49,682	54,973	51,144

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] Historical figures may include valuation effects related to foreign-currency denominated deposits. Projections for 2020-23 include deposit withdrawals from FSDEA.

[2] Includes repayment of debt owed to Sonangol related to the National Urbanization and Housing Plan (PNUH).

[3] Spending on education, health, social protection, and housing and community services. For 2020 onwards are projected floors.

[4] Includes debt of the Central Government, external debt of state oil company Sonangol and state airline company TAAG, and guaranteed debt.

[5] Includes debt guaranteed and excludes debt owed by the Central Government to Sonangol related to the National Urbanization and Housing Plan (PNUH).

[6] Excludes debt guaranteed and includes debt owed by the Central Government to Sonangol related to the National Urbanization and Housing Plan (PNUH).

Table 3. Angola: Monetary Accounts, 2019–23

(End of period; Billions of currency, unless otherwise indicated)

	2019		2020		2021		2022		2023	
	4th Rev.	Prel.	4th Rev.	Prel.	4th Rev.	Proj.	4th Rev.	Proj.	4th Rev.	Proj.
					Monetary Survey					
Net foreign assets	**7,030**	**7,030**	**7,666**	**7,256**	**9,062**	**8,525**	**9,921**	**9,450**	**10,528**	**9,911**
Net domestic assets	**3,190**	**3,190**	**4,085**	**5,446**	**5,483**	**6,183**	**6,217**	**7,146**	**7,628**	**8,692**
Claims on central government (net)	2,669	2,669	4,447	6,165	3,060	4,513	1,238	2,414	1,930	3,822
Claims on other financial corporations	11	11	14	211	17	264	20	312	23	359
Claims on other public sector	152	152	182	243	228	305	266	361	303	415
Claims on private sector	4,373	4,373	4,111	4,008	4,871	4,383	6,133	5,438	7,059	6,608
Other items (net)[1]	-4,016	-4,016	-4,667	-5,181	-2,692	-3,281	-1,440	-1,378	-1,686	-2,513
Broad money (M3)	**10,219**	**10,219**	**11,751**	**12,702**	**14,546**	**14,709**	**16,138**	**16,596**	**18,156**	**18,604**
Money and quasi-money (M2)	10,214	10,214	11,747	12,698	14,541	14,704	16,133	16,591	18,151	18,599
Money	3,206	3,206	3,475	3,676	4,416	4,365	5,041	5,062	5,840	5,840
Currency outside banks	419	419	409	405	446	408	465	429	516	474
Demand deposits, local currency	2,787	2,787	3,066	3,271	3,970	3,957	4,576	4,634	5,324	5,366
Quasi-money	1,647	1,647	1,811	2,165	2,345	2,619	2,703	3,067	3,145	3,552
Time and savings deposits, local currency	1,647	1,647	1,811	2,165	2,345	2,619	2,703	3,067	3,145	3,552
Foreign currency deposits	5,361	5,361	6,461	6,857	7,779	7,720	8,389	8,462	9,166	9,207
Money management instruments and other liabilities	5	5	5	5	5	5	5	5	5	5
					Monetary Authorities					
Net foreign assets	**5,713**	**5,713**	**5,754**	**5,722**	**6,823**	**6,817**	**7,569**	**7,637**	**8,104**	**8,024**
Net international reserves	5,648	5,648	5,660	5,688	6,713	6,671	7,483	7,856	8,015	8,252
Net incurrence of liabilities	65	65	94	34	110	147	86	-219	88	-228
Net domestic assets	**-3,426**	**-3,426**	**-3,337**	**-3,430**	**-4,178**	**-4,221**	**-4,632**	**-4,706**	**-4,805**	**-4,743**
Claims on other depository corporations	340	340	425	118	504	141	554	156	599	171
Claims on central government (net)	-1,012	-1,012	-434	289	-1,178	50	-1,315	-46	-1,388	-108
Claims on private sector	49	49	58	69	73	86	85	102	97	117
Other items (net)[1]	-2,802	-2,802	-3,385	-3,905	-3,576	-4,498	-3,957	-4,918	-4,112	-4,922
Reserve money	**2,287**	**2,287**	**2,418**	**2,292**	**2,645**	**2,596**	**2,936**	**2,931**	**3,299**	**3,281**
Currency outside banks	540	540	527	549	575	553	599	582	665	643
Commercial bank deposits	1,747	1,747	1,891	1,743	2,070	2,043	2,338	2,349	2,634	2,638
***Memorandum items*:**										
Nominal gross domestic product (percent change)	22.1	20.3	10.5	9.7	29.7	32.1	15.1	14.5	11.7	11.3
Reserve money (percent change)	33.8	33.8	5.7	0.2	9.4	13.3	11.0	12.9	12.4	11.9
Broad money (M3) (percent change)	30.1	30.1	15.0	24.3	23.8	15.8	10.9	12.8	12.5	12.1
Money and quasi-money (M2) (percent change)	30.2	30.2	15.0	24.3	23.8	15.8	11.0	12.8	12.5	12.1
Claims on private sector (percent change)	21.7	21.7	-6.0	-8.4	18.5	9.4	25.9	24.1	15.1	21.5
Claims on central government (percent change; net)	0.0	0.0	66.6	131.0	-31.2	-26.8	-59.5	-46.5	55.8	58.4
Money multiplier (M2/reserve money)	4.5	4.5	4.9	5.5	5.5	5.7	5.5	5.7	5.5	5.7
Velocity (GDP/M2)	3.2	3.0	3.1	2.7	3.2	3.0	3.3	3.1	3.3	3.1
Velocity (non-oil GDP/M2)	2.2	2.1	2.3	2.0	2.3	2.1	2.5	2.2	2.5	2.3
Credit to the private sector (percent of GDP)	13.4	14.2	11.4	11.8	10.4	9.8	11.4	10.6	11.7	11.6
Foreign currency deposits (share of total deposits)	54.7	54.7	57.0	55.8	55.2	54.0	53.5	52.4	52.0	50.8
Credit to the private sector in foreign currency (share of total credit)	25.6	25.6	33.5	23.5	33.1	23.9	27.6	20.5	24.7	17.5

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] Including exchange rate valuation.

Table 4a. Angola: Balance of Payments, 2019–23

(Millions of U.S. dollars, unless otherwise indicated)

	2019		2020		2021		2022		2023	
	4th Rev.	Actual	4th Rev.	Prel.	4th Rev.	Proj.	4th Rev.	Proj.	4th Rev.	Proj.
Current account	**5,149**	**5,137**	**-459**	**894**	**385**	**3,468**	**-169**	**2,132**	**-494**	**1,914**
Trade balance	20,610	20,599	10,306	11,394	12,308	16,688	12,485	15,175	12,824	14,762
Exports, f.o.b.	34,726	34,726	20,927	20,937	23,082	27,885	23,609	26,610	24,191	26,011
Crude oil	31,303	31,396	18,609	18,297	20,555	25,186	20,640	23,700	20,907	22,821
Gas and oil derivatives	1,305	1,969	801	1,288	778	1,188	781	1,118	791	1,076
Diamonds	1,130	1,215	1,247	1,070	1,388	1,149	1,612	1,215	1,698	1,318
Other	988	146	269	283	361	362	576	577	795	796
Imports, f.o.b	14,116	14,127	10,621	9,543	10,774	11,197	11,123	11,434	11,367	11,249
Services (net)	-7,718	-7,718	-5,623	-5,514	-6,006	-6,728	-6,708	-6,700	-7,308	-6,722
Credit	455	455	404	66	357	409	364	448	380	462
Debit	8,172	8,172	6,027	5,580	6,363	7,137	7,072	7,148	7,688	7,184
Primary income (net)	-7,516	-7,516	-4,889	-4,924	-5,662	-6,207	-5,679	-6,056	-5,724	-5,823
Credit	693	693	645	536	693	585	728	615	759	641
Debit	8,209	8,209	5,534	5,460	6,355	6,792	6,408	6,671	6,483	6,464
Secondary income (net)	-227	-227	-254	-63	-255	-284	-267	-288	-287	-303
General Government	-16	-17	4	4	1	-7	1	-4	0	-3
Others	-374	-353	-258	-244	-255	-278	-267	-283	-287	-300
Of which: Personal transfers	-332	-313	-229	-216	-227	-247	-237	-252	-255	-266
Capital account	**2**	**2**	**2**	**1**	**2**	**1**	**2**	**1**	**2**	**1**
Financial account	**5,080**	**3,219**	**4,352**	**2,819**	**3,116**	**5,865**	**-135**	**1,901**	**-61**	**1,833**
Direct investment	1,749	1,749	854	1,957	1,441	3,544	-104	1,576	-871	219
Net acquisition of financial assets	-2,349	-2,349	-208	91	-229	122	-230	115	-233	110
Net incurrence of liabilities	-4,098	-4,098	-1,062	-1,866	-1,669	-3,422	-126	-1,462	638	-108
Portfolio investment	-1,676	-1,676	265	-1,640	265	265	265	265	265	265
Other investment	5,006	3,146	3,234	2,502	1,411	2,056	-296	60	545	1,350
Trade credits and advances	-1,867	-483	-1,208	1,080	-1,294	1,587	-1,328	1,407	-1,363	1,319
Currency and deposits	4,402	1,971	5,098	516	2,105	1,041	138	356	-363	-491
Loans	2,472	1,680	-657	912	600	-572	894	-1,703	2,270	521
Medium and long-term loans	1,018	2,539	-1,661	1,410	-104	-122	190	-955	1,566	1,912
Of which: Central Government (net)	2,587	3,026	429	867	624	463	660	-148	1,643	2,590
Short-term loans	1,454	-859	1,004	-498	704	-449	704	-748	704	-1,390
Others	0	-22	0	-6	0	0	0	0	0	0
Errors and omissions	**0**	**-1,849**	**0**	**-2,304**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**71**	**71**	**-4,810**	**-4,228**	**-2,730**	**-2,396**	**-32**	**233**	**-431**	**82**
Financing	**-71**	**-71**	**4,810**	**4,228**	**2,730**	**2,396**	**32**	**-233**	**431**	**-82**
Net international reserves (- = increase)	-1,066	-1,066	3,627	3,044	-102	-460	-500	-1,000	-343	-92
Exceptional financing	995	995	1,183	1,184	2,832	2,856	-1	0	-1	-258
IMF	495	495	1,018	1,019	2,014	2,036	0	0	-93	-92
Other IFIs	500	500	165	165	818	820	-1	0	1	0
***Memorandum items*:**										
Current account (percent of GDP)	5.7	6.1	-0.7	1.5	0.6	5.2	-0.3	3.1	-0.7	2.7
Goods and services balance (percent of GDP)	14.4	15.2	7.6	10.0	10.3	14.9	9.0	12.5	8.0	11.2
Trade balance (percent of GDP)	23.0	24.4	16.6	19.5	20.1	25.0	19.4	22.3	18.6	20.5
Capital and financial account (percent of GDP)	8.0	6.3	-4.7	-5.6	5.4	10.2	1.3	5.7	0.9	2.8
Overall balance (percent of GDP)	0.1	0.1	-7.8	-7.2	-4.4	-3.6	0.0	0.3	-0.6	0.1
Exports of goods, f.o.b. (percent change)	-14.8	-14.8	-39.7	-39.7	10.3	33.2	2.3	-4.6	2.5	-2.2
Of which: Oil and gas exports (percent change)	-14.3	-15.3	-40.5	-41.3	9.9	34.7	0.4	-5.9	1.3	-3.7
Imports of goods, f.o.b. (percent change)	-10.4	-10.6	-24.8	-32.4	1.4	17.3	3.2	2.1	2.2	-1.6
Terms of trade (percent change)	-11.6	-6.9	-38.5	-36.5	10.1	34.4	-4.9	-8.2	2.2	-2.4
Exports of goods, f.o.b. (share of GDP)	38.8	41.1	33.8	35.8	37.6	41.8	36.8	39.1	35.1	36.1
Imports of goods, f.o.b. (share of GDP)	15.8	16.7	17.1	16.3	17.6	16.8	17.3	16.8	16.5	15.6
Gross international reserves										
Millions of U.S. dollars	17,211	17,211	14,102	14,779	15,218	14,776	15,218	14,776	15,468	14,776
Months of next year's imports	12.4	13.7	9.9	9.7	10.0	9.5	9.6	9.6	9.3	9.2
Percent of ARA metric	144.4	142.2	122.6	125.1	136.1	119.5	129.2	112.3	127.9	111.4
Official exchange rate (average, kwanzas per U.S. dollar)	365	365	…	578	…	…	…	…	…	…
Real effective exchange rate (depreciation -)	-17.2	-17.3	…	-24.4	…	…	…	…	…	…

Sources: Angolan authorities; and IMF staff estimates and projections.

Table 4b. Angola: Balance of Payments, 2019–23

Debt reprofiling recorded as exceptional financing

(Millions of U.S. dollars, unless otherwise indicated)

	2019		2020		2021		2022		2023	
	4th Rev.	Actual	4th Rev.	Prel.	4th Rev.	Proj.	4th Rev.	Proj.	4th Rev.	Proj.
Current account	**5,149**	**5,137**	**-902**	**451**	**515**	**3,346**	**221**	**2,557**	**-14**	**2,424**
Trade balance	20,610	20,599	10,306	11,394	12,308	16,688	12,485	15,175	12,824	14,762
Exports, f.o.b.	34,726	34,726	20,927	20,937	23,082	27,885	23,609	26,610	24,191	26,011
Crude oil	31,303	31,396	18,609	18,297	20,555	25,186	20,640	23,700	20,907	22,821
Gas and oil derivatives	1,305	1,969	801	1,288	778	1,188	781	1,118	791	1,076
Diamonds	1,130	1,215	1,247	1,070	1,388	1,149	1,612	1,215	1,698	1,318
Other	988	146	269	283	361	362	576	577	795	796
Imports, f.o.b	14,116	14,127	10,621	9,543	10,774	11,197	11,123	11,434	11,367	11,249
Services (net)	-7,718	-7,718	-5,623	-5,514	-6,006	-6,728	-6,708	-6,700	-7,308	-6,722
Credit	455	455	404	66	357	409	364	448	380	462
Debit	8,172	8,172	6,027	5,580	6,363	7,137	7,072	7,148	7,688	7,184
Primary income (net)	-7,516	-7,516	-5,331	-5,367	-5,532	-6,330	-5,290	-5,632	-5,244	-5,313
Credit	693	693	645	536	693	585	728	615	759	641
Debit	8,209	8,209	5,977	5,903	6,225	6,914	6,018	6,247	6,003	5,954
Secondary income (net)	-227	-227	-254	-63	-255	-284	-267	-288	-287	-303
General Government	-16	-17	4	4	1	-7	1	-4	0	-3
Others	-374	-353	-258	-244	-255	-278	-267	-283	-287	-300
Of which: Personal transfers	-332	-313	-229	-216	-227	-247	-237	-252	-255	-266
Capital account	**2**	**2**	**2**	**1**	**2**	**1**	**2**	**1**	**2**	**1**
Financial account	**5,080**	**3,219**	**6,606**	**5,073**	**5,495**	**8,965**	**1,625**	**3,660**	**527**	**2,277**
Direct investment	1,749	1,749	854	1,957	1,441	3,544	-104	1,576	-871	219
Net acquisition of financial assets	-2,349	-2,349	-208	91	-229	122	-230	115	-233	110
Net incurrence of liabilities	-4,098	-4,098	-1,062	-1,866	-1,669	-3,422	-126	-1,462	638	-108
Portfolio investment	-1,676	-1,676	265	-1,640	265	265	265	265	265	265
Other investment	5,006	3,146	5,487	4,756	3,790	5,156	1,464	1,819	1,133	1,793
Trade credits and advances	-1,867	-483	-1,208	1,080	-1,294	1,587	-1,328	1,407	-1,363	1,319
Currency and deposits	4,402	1,971	5,098	516	2,105	1,041	138	356	-363	-491
Loans	2,472	1,680	1,597	3,166	2,979	2,528	2,654	56	2,858	965
Medium and long-term loans	1,018	2,539	593	3,664	2,275	2,978	1,950	804	2,154	2,355
Of which: Central Government (net)	2,587	3,026	2,683	3,121	3,003	3,563	2,419	1,612	2,231	3,033
Short-term loans	1,454	-859	1,004	-498	704	-449	704	-748	704	-1,390
Others	0	-22	0	-6	0	0	0	0	0	0
Errors and omissions	**0**	**-1,849**	**0**	**-2,304**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**71**	**71**	**-7,506**	**-4,620**	**-4,978**	**-5,618**	**-1,402**	**-1,103**	**-539**	**148**
Financing	**-71**	**-71**	**7,506**	**4,620**	**4,978**	**5,618**	**1,402**	**1,103**	**539**	**-148**
Net international reserves (- = increase)	-1,066	-1,066	3,627	3,044	-102	-460	-500	-1,000	-343	-92
Exceptional financing	995	995	3,879	3,881	5,080	6,078	1,369.3	1,335	108	-324
IMF	495	495	1,018	1,019	2,014	2,036	0.0	0	-93	-92
Other IFIs	500	500	165	165	818	820	-0.5	0	92	-166
Debt reprofiling	…	…	2,696.6	2,697	2,248.5	3,222	1,369.8	1,335	108	-66
Foreign interest	…	…	442.8	443	-130.2	122	-389.5	-424	-480	-510
Foreign amortization	…	…	2,253.8	2,254	2,378.7	3,100	1,759.3	1,759	588	444
***Memorandum items*:**										
Current account (percent of GDP)	5.7	6.1	-0.7	1.5	0.6	5.2	-0.3	3.1	-0.7	2.7
Goods and services balance (percent of GDP)	14.4	15.2	7.6	10.0	10.3	14.9	9.0	12.5	8.0	11.2
Trade balance (percent of GDP)	23.0	24.4	16.6	19.5	20.1	25.0	19.4	22.3	18.6	20.5
Capital and financial account (percent of GDP)	8.0	6.3	-4.7	-5.6	5.4	10.2	1.3	5.7	0.9	2.8
Overall balance (percent of GDP)	0.1	0.1	-7.8	-7.2	-4.4	-3.6	0.0	0.3	-0.6	0.1
Exports of goods, f.o.b. (percent change)	-14.8	-14.8	-39.7	-39.7	10.3	33.2	2.3	-4.6	2.5	-2.2
Of which: Oil and gas exports (percent change)	-14.3	-15.3	-40.5	-41.3	9.9	34.7	0.4	-5.9	1.3	-3.7
Imports of goods, f.o.b. (percent change)	-10.4	-10.6	-24.8	-32.4	1.4	17.3	3.2	2.1	2.2	-1.6
Terms of trade (percent change)	-11.6	-6.9	-38.5	-36.5	10.1	34.4	-4.9	-8.2	2.2	-2.4
Exports of goods, f.o.b. (share of GDP)	38.8	41.1	33.8	35.8	37.6	41.8	36.8	39.1	35.1	36.1
Imports of goods, f.o.b. (share of GDP)	15.8	16.7	17.1	16.3	17.6	16.8	17.3	16.8	16.5	15.6
Gross international reserves										
Millions of U.S. dollars	17,211	17,211	14,102	14,779	15,218	14,776	15,218	14,776	15,468	14,776
Months of next year's imports	12.4	13.7	9.9	9.7	10.0	9.5	9.6	9.6	9.3	9.2
Percent of ARA metric	144.4	142.2	122.6	125.1	136.1	119.5	129.2	112.3	127.9	111.4
Official exchange rate (average, kwanzas per U.S. dollar)	365	365	…	578	…	…	…	…	…	…
Real effective exchange rate (depreciation -)	-17	-17.3	…	-24.4	…	…	…	…	…	…

Sources: Angolan authorities; and IMF staff estimates and projections.

Table 5. Angola: External and Public Debt, 2019–25
(Percent of GDP)

	2019		2020		2021		2022		2023		2024		2025	
	4th Rev.	Actual	4th Rev.	Prel.	4th Rev.	Proj.	4th Rev.	Proj.	4th Rev.	Proj.	4th Rev.	Proj.	4th Rev.	Proj.
Total public debt[1]	**107.1**	**113.6**	**134.2**	**135.1**	**119.9**	**113.3**	**106.7**	**102.7**	**97.2**	**95.9**	**87.2**	**85.8**	**78.2**	**76.7**
Short-term	0.8	1.7	2.1	4.7	1.2	1.9	1.1	1.0	0.9	1.0	1.0	0.9	1.0	0.7
Medium and long-term	106.3	111.8	132.1	130.4	118.7	111.4	105.6	101.7	96.3	94.9	86.3	84.9	77.3	75.9
Domestic	32.9	34.9	32.8	34.4	24.0	23.5	19.6	16.8	18.9	18.0	18.1	15.0	16.4	11.7
Short-term	0.7	1.5	1.9	4.5	1.0	1.8	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.6
Medium and long-term	32.3	33.4	30.9	29.9	23.1	21.7	18.7	16.0	18.2	17.2	17.3	14.2	15.6	11.1
External	74.2	78.6	101.4	100.7	95.8	89.9	87.1	85.9	78.3	77.9	69.1	70.8	61.8	64.9
Owed to: Commercial banks	52.2	55.3	69.9	65.7	67.5	57.7	61.3	54.6	55.1	49.7	48.6	46.1	43.5	43.3
Owed to: Official creditors	15.1	16.0	21.6	22.0	19.5	24.4	17.7	25.3	15.9	23.7	14.0	21.2	12.6	19.1
Of which: IMF credit	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Owed to: Other private sectc	6.9	7.3	9.9	12.9	8.9	7.7	8.1	6.0	7.3	4.6	6.4	3.4	5.8	2.5
Short-term	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Medium and long-term	74.0	78.5	101.2	100.5	95.6	89.7	86.9	85.7	78.2	77.8	69.0	70.7	61.7	64.8
Of which: Sonangol	7.3	7.7	12.1	8.3	11.2	8.0	10.1	8.6	8.6	9.0	6.9	7.9	6.2	7.1
Of which: TAAG	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.1

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.

Table 6. Angola: Financial Stability Indicators, December 2019–December 2020
(Percent)

	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Capital Adequacy												
Regulatory capital/Risk-weighted assets	23.2	22.9	22.7	23.0	22.6	21.6	28.2	25.0	25.6	24.2	21.6	20.3
Asset Quality												
Foreign Currency Credit/Total Credit	31.6	30.6	30.3	30.9	32.8	33.3	32.8	32.4	32.2	33.3	31.3	30.3
Nonperforming loans (NPLs) to gross loans	32.4	32.6	33.2	35.8	34.9	34.5	21.2	20.9	20.2	19.9	19.9	18.4
Distribution of Credit by Sector												
Claims on the private sector/Gross domestic assets	27.3	26.9	26.0	25.9	25.4	25.6	21.6	21.1	20.9	20.4	20.8	21.1
Claims on the government/Gross domestic assets	33.9	34.4	33.3	34.3	35.0	35.2	39.8	39.0	38.9	38.1	38.3	39.2
Earnings and Profitability												
Return on Assets (ROA)	-1.3	3.1	0.9	1.0	-0.2	0.1	0.5	-1.8	-1.6	-1.5	-2.0	-2.9
Return on Equity (ROE)	-10.0	32.5	9.8	10.4	-1.9	0.7	5.0	-17.5	-15.7	-14.8	-19.9	-29.8
Total Costs/Total Income	109.8	55.2	77.1	82.9	101.3	96.7	97.1	110.0	110.2	110.1	114.3	121.5
Interest Rate on Loans - Interest Rate on Demand Deposits (Spread)	20.4	20.3	20.3	19.9	21.2	20.4	19.0	19.8	16.5	22.7	18.3	14.5
Interest Rate on Savings	8.3	8.1	2.4	13.2	4.5	6.1	6.4	9.6	15.1	12.4	11.7	11.4
Liquidity												
Liquid Assets/Total Assets	26.6	26.0	27.2	29.4	27.1	26.3	26.4	29.7	28.7	29.9	32.2	30.1
Liquid Assets/Short-term Liabilities	32.6	31.9	33.1	35.2	32.3	31.4	32.8	36.8	35.2	36.3	38.7	35.8
Total Credit/Total Deposits	42.0	42.3	41.7	44.9	41.0	40.8	34.3	34.3	33.7	32.4	32.4	32.7
Foreign Currency Liabilities/Total Liabilities	53.0	53.9	53.6	53.1	55.5	55.8	54.4	53.6	54.6	56.2	55.7	54.2
Sensitivity and Changes to Market[1]												
Net open position in foreign exchange to capital [2]	2.1	18.5	20.8	16.5	28.0	22.3	42.2	57.8	55.8	47.1	40.0	32.6
Number of reporting banks during the period	26	26	26	26	26	26	26	26	26	26	26	26

Sources: Angolan authorities; and IMF staff estimates.

[1] Based on the information provided by the Department of Supervision of Financial Institutions of Banco Nacional de Angola.

[2] Positive numbers indicate a long position in U.S. dollars.

Table 7. Angola: Fiscal Financing Needs and Sources, 2021–2025
(Billions of U.S. dollars, unless otherwise indicated)

	2021	2022	2023	2024	2025
			Proj.		
Financing Needs[1] (A)	**7.7**	**6.8**	**6.9**	**8.0**	**10.2**
Primary deficit	-5.3	-5.0	-5.1	-5.2	-5.2
Debt service	11.4	11.3	12.0	13.2	15.4
External debt service	5.4	5.0	7.3	7.3	8.8
Principal	3.3	2.6	5.1	5.1	6.5
Interest	2.2	2.3	2.3	2.2	2.3
Domestic debt service	5.9	6.3	4.7	5.9	6.6
Principal	4.2	4.9	3.4	4.6	5.6
Interest	1.7	1.3	1.3	1.3	1.0
Recapitalizations	0.2	0.1	0.0	0.0	0.0
Domestic arrears clearance	0.9	0.2	0.0	0.0	0.0
External arrears clearance	0.6	0.3	0.0	0.0	0.0
Sonangol reimbursement[2]	0.0	0.0	0.0	0.0	0.0
Financing Sources (B)	**4.9**	**6.8**	**6.9**	**8.0**	**10.2**
External debt disbursements	2.8	3.6	2.7	4.5	6.2
Domestic debt disbursements	1.7	2.1	5.3	3.6	4.0
Privatization	0.2	0.2	0.1	0.1	0.1
Deposits withdrawals (+)[3]	-0.4	-0.1	-0.1	-0.1	-0.1
Escrow account withdrawals (+)	0.6	0.6	-1.5	0.0	0.0
FSDEA asset sales	0.0	0.5	0.4	0.0	0.0
Financing Gap (A-B)	**2.9**	**0.0**	**0.0**	**0.0**	**0.0**
Program financing[4]	2.9	0.0	0.0	0.0	0.0
Memorandum Items **:**					
Total usable cash balances[5]	1.7	1.7	1.7	1.7	1.7
Total usable cash balances (in months of expenditure)[6]	3.1	2.9	2.9	2.7	2.7
External debt rollover rate (in percent)[7]	104	72	37	61	70
Domestic debt rollover rate (in percent)[8]	31	35	114	60	61

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] To be filled with new issuances. These financing needs may differ from the DSA's standardized GFN.

[2] Repayment to Sonangol of debt related to the National Urbanization and Housing Plan (PNUH).

[3] This excludes FSDEA and cash transactions related to privatization receipts and arrears clearance starting 2020.

[4] For past reviews, this includes balances transferred from escrow accounts to the Treasury's single account (including withdrawals from FSDEA). Starting from the Third 2020 review, these have been reclassified and shown separately.

[5] Government deposits at the BNA, including valuation changes.

[6] Government deposits at the BNA, in months of wage and interest expenditure, including valuation changes.

[7] Ratio of disbursements (excl. program financing) to external debt service.

[8] Ratio of disbursements (excl. BNA advance, and government securities issued for recapitalizations and arrears clearance) to domestic debt service (excl. bonds issued to repay BNA advance).

Table 8. Angola: External Financing Requirements and Sources, 2019–26
(Millions of U.S. dollars)

	2019	2020		2021		2022		2023		2024		2025		2026	
	Actual	4th Rev.	Prel.	4th Rev.	Proj.	4th Rev.	Proj.	4th Rev.	Proj.	4th Rev.	Proj.	4th Rev.	Proj.	4th Rev.	Proj.
Gross financing requirements	**4,781**	**3,798**	**5,675**	**3,089**	**3,105**	**3,646**	**3,631**	**5,762**	**6,412**	**6,278**	**6,973**	**7,224**	**8,559**	**6,778**	**7,996**
Current account deficit	-5,137	459	-894	-385	-3,468	169	-2,132	494	-1,914	576	-1,319	610	-1,105	867	-967
External debt amortization	9,919	3,339	6,569	3,474	6,573	3,477	5,763	5,074	8,129	5,442	8,029	6,071	9,113	5,129	8,170
Government	5,512	2,808	2,778	2,603	3,255	2,456	2,647	3,989	5,052	4,401	5,078	6,152	6,514	5,300	5,512
Sonangol	1,508	737	1,101	1,299	1,642	1,507	1,624	1,801	1,622	1,866	1,571	1,080	1,185	1,260	1,200
Banks	217	323	155	323	176	323	180	323	190	323	203	323	219	323	233
Central Bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other private (net)[1]	2,682	-529	2,535	-751	1,500	-809	1,313	-1,038	1,265	-1,147	1,176	-1,484	1,194	-1,753	1,225
IMF	0	0	0	0	0	0	0	194	197	260	263	544	551	781	793
Gross sources of financing	**5,847**	**171**	**2,632**	**3,192**	**3,565**	**4,146**	**4,631**	**6,105**	**6,504**	**6,787**	**7,235**	**8,267**	**9,109**	**8,058**	**8,788**
Capital account (net)	2	2	1	2	1	2	1	2	1	2	1	2	1	2	1
Foreign direct investment (net)	-1,749	-854	-1,957	-1,441	-3,544	104	-1,576	871	-219	1,395	563	2,018	959	2,137	2,093
External borrowing	5,570	4,938	3,919	3,903	5,292	3,646	5,795	4,096	5,962	3,898	4,953	4,063	4,995	4,200	5,425
Government[2]	3,434	2,388	1,931	1,953	2,792	1,796	2,795	2,346	2,462	2,248	2,953	2,713	3,195	2,670	3,175
Sonangol	1,500	2,000	1,500	1,500	2,300	1,400	2,400	1,300	2,300	1,200	1,200	900	1,000	1,080	1,000
Banks	637	550	488	450	200	450	600	450	1,200	450	800	450	800	450	1,250
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
External debt securities - Eurobond	3,000	0	0	0	0	0	0	0	0	0	1,500	1,350	3,000	800	500
Foreign deposits (net)	-1,971	-5,098	-516	-2,105	-1,041	-138	-356	363	491	728	219	77	155	163	770
IMF	495	1,018	1,019	2,014	2,036	0	0	0	0	0	0	0	0	0	0
World Bank and AfDB[3]	500	165	165	818	820	532	768	773	268	764	0	756	0	756	0
Change in net reserves (+ = increase)	**1,066**	**-3,627**	**-3,044**	**102**	**460**	**500**	**1,000**	**343**	**92**	**509**	**263**	**1,043**	**551**	**1,281**	**792**
Memorandum Items:															
Collateralized external debt stock	17,154	16,062	18,566	16,572	17,931	18,309	17,312	19,577	14,700	18,641	12,413	17,610	10,220	16,281	8,052

Sources: Angolan Authorities; and IMF staff estimates and projections.

[1] Includes the counterpart for the Eurobond in 2018.

[2] The bulk of which is project financing from China.

[3] Includes only budget support operations.

Table 9. Angola: Indicators of IMF Credit, 2019–30
(Units as indicated)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Actual	Prel.	Projections									
Existing and prospective Fund arrangements					(Millions of SDRs)							
Disbursements	358.0	731.7	1,408.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock of existing and prospective Fund credit	1,073.0	1,804.7	3,213.4	3,213.4	3,079.3	2,900.5	2,526.9	1,991.3	1,455.8	920.2	518.7	162.0
Obligations	0.9	0.0	30.8	70.3	203.7	244.3	444.1	590.8	569.1	550.6	410.0	361.1
Principal (repayment/repurchase)	0.0	0.0	0.0	0.0	134.1	178.8	373.6	535.6	535.6	535.6	401.5	356.7
Charges and interest	0.9	0.0	30.8	70.3	69.6	65.4	70.5	55.2	33.5	15.0	8.5	4.3
Obligations, relative to key variables					(Percent)							
Quota	0.1	0.0	4.2	9.5	27.5	33.0	60.0	79.8	76.9	74.4	55.4	48.8
Gross domestic product	0.0	0.0	0.1	0.2	0.4	0.5	0.8	1.0	0.9	0.8	0.6	0.5
Gross international reserves	0.0	0.0	0.3	0.7	2.0	2.4	4.4	5.9	5.7	5.5	4.1	3.7
Unencumbered gross international reserves[1]	0.0	0.0	0.3	0.8	2.6	3.0	5.4	7.1	6.8	6.5	4.7	4.1
Export of goods and services	0.0	0.0	0.2	0.4	1.1	1.3	2.4	3.2	3.1	3.0	2.2	2.0
Unencumbered exports of goods and services[1]	0.0	0.0	0.2	0.4	1.3	1.5	2.6	3.5	3.4	3.2	2.4	2.1
Central Government revenues	0.0	0.0	0.3	0.7	1.9	2.3	3.9	5.0	4.7	4.4	3.2	2.7
Unencumbered Central Government revenues[1]	0.0	0.0	0.3	0.7	2.5	2.7	4.6	5.9	5.4	5.0	3.5	3.0
External debt service	0.0	0.0	0.8	2.1	4.1	4.9	7.4	11.3	10.1	8.0	5.5	6.8
Non-collateralized external debt service	0.0	0.0	1.1	2.8	7.4	8.1	10.7	16.9	14.2	10.2	6.6	8.6
Fund Credit Outstanding, relative to key variables					(Percent)							
Quota	145.0	243.8	434.2	434.2	416.1	391.9	341.4	269.1	196.7	124.3	70.1	21.9
Gross domestic product	1.8	4.4	7.0	6.9	6.3	5.5	4.5	3.3	2.3	1.4	0.7	0.2
Gross international reserves	8.6	17.6	31.6	31.8	30.6	28.9	25.2	19.9	14.6	9.3	5.2	1.6
Unencumbered gross international reserves[1]	10.8	19.3	34.7	34.8	39.4	35.8	30.8	24.1	17.4	10.9	6.0	1.9
External debt	2.9	5.0	8.5	8.3	8.2	7.9	7.0	5.8	4.4	3.0	1.8	0.6
Non-collateralized external debt[2]	4.5	7.8	12.6	11.9	11.2	10.3	8.6	6.8	5.0	3.3	1.9	0.6
Memorandum items:					(Millions of U.S. dollars, unless otherwise indicated)							
Quota (millions of SDRs)	740	740	740	740	740	740	740	740	740	740	740	740
Gross domestic product	84,516	58,514	66,665	67,982	71,969	77,007	82,968	88,301	93,062	98,173	103,658	109,543
Gross international reserves	17,211	14,779	14,776	14,776	14,776	14,776	14,776	14,776	14,776	14,776	14,776	14,776
Exports of goods and services	35,180	21,004	28,294	27,058	26,473	26,598	27,561	27,464	27,462	27,483	27,515	27,581
Central Government revenues	17,899	12,197	15,049	15,027	15,356	15,947	16,737	17,382	17,966	18,469	19,155	19,896
External debt service	8,043	5,012	5,415	4,959	7,318	7,291	8,796	7,705	8,317	10,220	11,133	7,924
Total external debt[3]	50,275	51,919	54,989	56,680	54,968	53,972	53,357	51,224	49,073	45,836	41,951	39,486

Sources: Angolan authorities; and IMF staff projections.
[1] Subtracting collateralized external debt service.
[2] Subtracting collateralized external debt.
[3] Including Sonangol, TAAG, and public guarantees.

Table 10. Angola: Access and Phasing Under the Arrangement, 2018–21
(Units as indicated)

Availability Date	Conditions[1]	Purchase: Millions of SDRs	Purchase: Millions of U.S. dollars	Purchase: Percent of Quota
December 7, 2018	Board approval of the Extended Arrangement	715	991	97
March 29, 2019	Observance of end-December 2018 performance criteria, completion of first review	179	249	24
September 30, 2019	Observance of end-June 2019 performance criteria, completion of second review	179	249	24
March 31, 2020	Observance of end-December 2019 performance criteria, completion of third review	731.7	1,019	99
October 30, 2020	Observance of end-June 2020 performance criteria, completion of fourth review	338.5	471	46
April 30, 2021	Observance of end-December 2020 performance criteria, completion of fifth review	535.1	773	72
November 1, 2021	Observance of end-June 2021 performance criteria, completion of sixth review	535.1	773	72
Total		**3,213.4**	**4,527**	**434**
***Memorandum item*:**				
Angola's quota		740.1		

Source: IMF.
[1] Observance of performance criteria includes both periodic and continuous performance criteria.

Annex I. Debt Sustainability Analysis Update

Public debt peaked at 135 percent of GDP at end-2020, in large part reflecting the one-off impacts of exchange rate depreciation and lower growth. The public debt-to-GDP ratio is expected to decline rapidly in large part due to policies adopted under the program to 62 percent by 2027 (and government debt-to-GDP ratio to 56 percent, below the authorities' long-term target). The fall will be driven by the structural fiscal consolidation and supported by the large share of oil revenues, which also provides a natural medium-term hedge to the initial exchange rate shock. At the same time, the previously agreed reprofiling has reduced gross financing needs (GFNs) to more manageable levels from 2021 onwards. As a result, Angola's public debt remains sustainable assuming continued fiscal discipline and implementation of growth-enhancing structural reforms, although risks remain very high. Debt dynamics remain highly vulnerable to additional shocks, and further debt relief may be needed if downside risks were to materialize.

A. Public Debt Sustainability Analysis

1. Public debt perimeter. For the purposes of this Debt Sustainability Analysis (DSA), the public debt perimeter covers the domestic and external debt of the Central Government; the external debt of the state-owned oil company, Sonangol, and the state-owned airline, TAAG; public guarantees; and reported external liabilities of other state entities, including external arrears.

2. Macro-fiscal and financing assumptions. The main macro-fiscal assumptions underpinning the DSA are based on further implementation of reform policies, as described in the Staff Report for the Fifth Review. This includes maintaining a tight overall fiscal stance in 2021 based on saving most of the windfall from higher oil prices. The current macroeconomic framework reflects a near-zero real economic growth in 2021, transitioning into sustained positive growth in the medium term.

3. The main assumptions on budget financing and debt rollover include the following.

- In addition to Fund financing, Angola is expected to benefit from budget support from other development partners in 2021, with about $700 million from the World Bank and $120 million from a bilateral official development agency.
- The authorities are committed to progressively aligning government securities yields with market rates to support domestic debt rollover rates and maturity extension.
- *Financing needs.* Fiscal financing is assured. As part of the G20 Debt Service Suspension Initiative (G20DSSI), Angola is benefiting from a reprofiling of all principal and interest coming due

between May 2020 and December 2021 from official creditors.[1] In addition, the authorities have reached agreement to defer selected principal payments to two of their large creditors to well beyond the end of the program[2].

- *Medium term (2022–26)*. The fiscal stance will remain tight, and international market access is expected to resume gradually in the post-program period. The baseline scenario assumes issuance of Eurobonds starting in 2024, maintaining a broadly stable ratio of Eurobond debt outstanding to GDP; the assumed interest rates reflect spreads of 700 basis points, a conservative assumption. It envisages continued external financing from secure existing credit lines and plausible multilateral borrowing. It also assumes a gradual lengthening of domestic bond maturities, a key priority of the authorities.

- *Long term (2027–31)*. The assumptions underlying the long-term framework are conservative. The DSA assumes continued gradual lengthening of domestic bond maturities, judged to be within what the banking system can absorb, and external financing is assumed to stem mostly from secure existing credit lines. In addition, no additional fiscal revenue measures are built into the framework.

- *Sonangol*. During the program, Sonangol expects to meet its financing needs with its own cash flow and asset sales, complemented by moderate new borrowing. The baseline scenario continues to assume conservative external borrowing by Sonangol, amounting to a cumulative $9.2 billion in 2021–25. Reflecting this, Sonangol's external debt ratio is projected to decline from 8.3 percent of GDP in 2020 to 7.1 percent by 2025.

- *Guarantees*. The Government has sought loans from international banks to support private sector development that may involve sovereign guarantees. These are incorporated in the baseline scenario, once loans are contracted and guarantees are issued. The program includes ceilings (*indicative targets*) on new guarantees by the State.

- *Privatization*. The baseline scenario includes conservative assumptions of privatization receipts (net of costs) amounting to around $200 million in 2021 and 2022.

- *Clearance of external arrears:* The baseline scenario assumes regularization and subsequent gradual clearance of external arrears to one private entity (over 10 years, beginning in 2021).

4. **The forecast record for Angola's growth projections shows a relatively large median error, compared with other program countries.** This reflects, in part, a trend decline in oil production, volatility in oil prices, swings in agricultural production owing to erratic weather conditions, and limited economic diversification. The realism of primary balance projections has

[1] Amounts reprofiled would be given a one-year grace period for payments, followed by three years of repayment for the 2020 suspension and five years of repayment for the 2021 suspension.

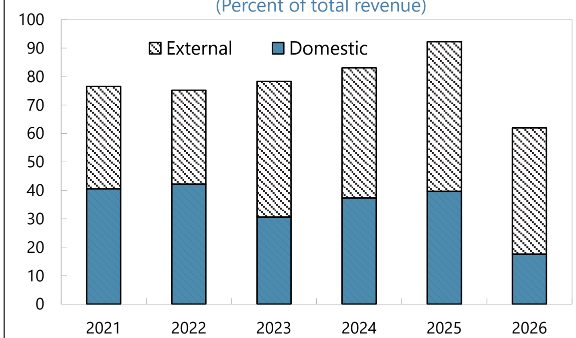
[2] The rescheduling also resulted in increasing the amount of debt outstanding that is partially covered by oil collateral by about $2.5 billion, even though the total amount of collateral did not change.

improved in recent years but the MAC-DSA realism module continues to characterize maintaining Angola's fiscal stance as optimistic, compared to those in other IMF arrangements.

5. **Public debt is projected to decline from 135 percent of GDP in 2020 to 113 percent of GDP in 2021 and continue falling over the medium and long term.** The improvement in 2021 reflects high nominal growth and a tight fiscal stance stemming from the adjustment in the NOPFD achieved since 2019. The sustained subsequent rebound in growth, supported by structural reforms to unlock key impediments to growth in Angola, such as strengthened business climate and governance, will complement the continued tight fiscal stance in the baseline scenario and reduce debt significantly over the medium term and below the authorities' own long-term debt target by 2027.

6. **Notwithstanding the debt reprofiling and strong fiscal consolidation, total debt service will remain large and warrants careful management.** It is projected to remain around 80 percent of fiscal revenues in the medium run. The non-oil fiscal balances underpinning this outlook are predicated on continued primary fiscal surpluses capitalizing on fiscal adjustment measures implemented through 2020. At the same time, GFNs are projected to remain contained from 2021 on, falling below 10 percent of GDP by 2026 (and further to an average of 7 percent of GDP in 2027-31).

Text Figure 1. Angola: Debt Service Projections, 2021-26
(Percent of total revenue)



Sources: Angolan authorities; and IMF staff estimates and projections.

7. **Angola's debt profile will remain subject to significant vulnerabilities**. The factors behind this vulnerability include: exposure to currency risk (over four-fifths of Angola's debt is denominated in, or indexed to, foreign currency, although the large share of oil revenues provides a strong medium-term hedge to exchange rate shocks); exposure to interest rate risk; and narrow creditor base, especially in the domestic market.

8. **The baseline debt path is vulnerable to macroeconomic shocks, as noted below.**

- *Growth shock*. If projected real GDP growth rates are lowered by one standard deviation, the debt ratio would remain significantly above the high-risk benchmark over the medium term.

- *Real exchange rate shock*. A 30-percent, one-time real depreciation of the Kwanza would increase the debt ratio in 2022 to 125 percent of GDP and debt would remain significantly above the high-risk benchmark over the projection horizon. Although further exchange rate depreciation would improve the Kwanza value of oil revenues—a factor not considered in this standardized shock scenario—this effect would be partly offset by an increase the interest bill.

- *Combined shock*. A combination of various macro-fiscal shocks—growth, inflation, primary balance, exchange rate, and a 200-basis-point increase in the effective interest rate—would increase the debt ratio to 157 percent of GDP, and GFNs above the high-risk benchmark. Under such a severe stress scenario, it is likely that Angola would no longer be able to service its debt.

- *Contingent-liability (CL) shocks*. The baseline scenario includes amounts equivalent to 0.4 percent of GDP for bank recapitalization in 2021-22. Under this scenario, both debt and GFN ratios would exceed the high-risk benchmarks in 2021 but fall below it in the medium term. The materialization of large borrowing or CL risks from non-financial SOEs could pose further threat to debt sustainability. CL risks should be mitigated under the program, including through adherence to prudent borrowing strategy; moderate issuance of sovereign guarantees; restructuring of Sonangol; and SOEs privatization.

- *Oil-price shock*. To reflect the risk from Angola's high dependence on oil, a customized scenario featuring a two-year drop (averaging 30 percent) in the projected price of the Angolan oil basket is considered for 2021–22. Under this scenario, gross financing needs would reach 14 percent of GDP in 2023 and 2025 and decline thereafter.

9. Angola's public debt is highly vulnerable to downside risks. The asymmetric fan chart shows that in the case of systematically unfavorable macroeconomic shocks (e.g., fiscal and exchange rate shocks), the debt trajectory would exceed the high-risk benchmark with high likelihood.

10. The exposure of Angola's public debt to significant vulnerabilities is summarized by the heat map. This shows that debt and GFNs breach their high-risk benchmarks in both the baseline and stress test scenarios. The heat map also flags risks stemming from market sentiment (this is a change from the last review in part because of the sharp rise in sovereign spreads), investor base, and currency composition.

B. External Debt Sustainability Analysis

11. The debt coverage in the external DSA includes external debt of the Central Government, Sonangol, TAAG, and public guarantees of debt denominated in foreign currency. No information is available on private sector external debt. The authorities continue to make efforts to collect private sector debt data, including with the help of IMF technical assistance.

12. Angola's external debt is estimated to have peaked in 2020 and projected to decline below 60 percent of GDP in the medium term. The drivers of the deteriorated external debt path are the same as those for public debt.

13. Angola's external debt remains vulnerable to shocks, especially to unfavorable current account developments and large exchange rate depreciation. It is also vulnerable to further declines in oil prices and growth, tighter financing conditions, and materialization of contingent liabilities from the financial sector.

C. Bottom Line Assessment

14. Angola's public debt is sustainable with substantial previous reprofiling of interest and principal payments and a continued tight fiscal position, although very high risks remain. On this basis, following its 2020 peak, the debt ratio is projected to decline steadily toward the authorities' long-term target. A positive overall fiscal balance and the agreed debt reprofiling are projected to keep GFNs contained in the medium term. The authorities will work to enhance their debt management strategy as part of an effort to improve Angola's public debt dynamics, together with conservative fiscal budgeting and execution.

Figure 1. Angola: Public Sector Debt Sustainability Analysis (DSA)—Baseline Scenario

(in percent of GDP unless otherwise indicated)

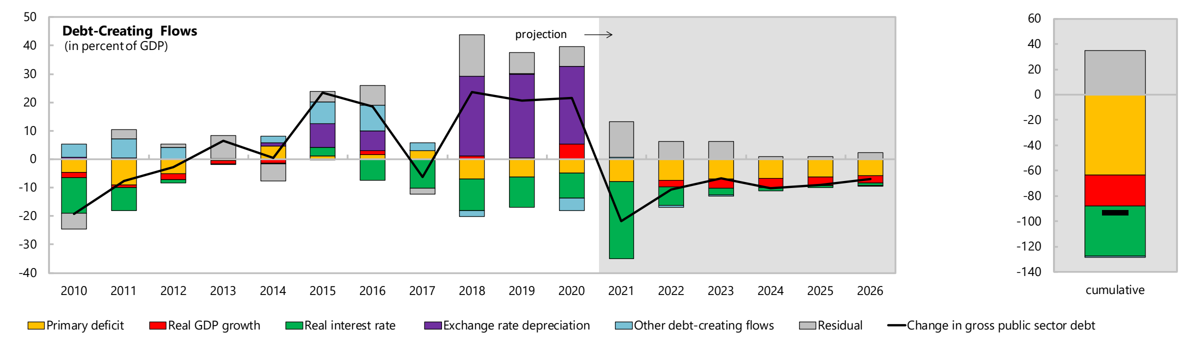
Debt, Economic and Market Indicators [1/]

	Actual			Projections										
	2010-2018 [2/]	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Total nominal gross public debt	50.6	113.6	135.1	113.3	102.7	95.9	85.8	76.7	69.6	62.1	55.7	50.0	44.8	41.8
Public gross financing needs	11.2	11.6	18.0	9.3	9.3	9.7	10.4	12.3	6.3	6.3	9.4	9.2	5.3	4.7
Real GDP growth (in percent)	2.5	-0.6	-5.2	-0.1	2.4	3.4	3.7	3.9	3.7	3.8	3.9	3.9	4.0	4.1
Inflation (GDP deflator, in percent)	16.4	21.0	15.8	32.3	11.8	7.6	6.3	5.8	6.0	6.0	5.6	5.3	4.9	4.7
Nominal GDP growth (in percent)	19.1	20.3	9.7	32.1	14.5	11.3	10.3	9.9	9.9	10.0	9.7	9.4	9.1	9.0
Effective interest rate (in percent) [4/]	4.6	7.2	6.6	5.7	5.5	5.4	5.3	5.1	5.0	4.8	5.0	5.5	5.6	5.8

As of May 03, 2021		
Sovereign Spreads		
EMBIG (bp) 3/		677
5Y CDS (bp)		665
Ratings	Foreign	Local
Moody's	Caa1	Caa1
S&Ps	CCC	CCC
Fitch	CCC	CCC

Contribution to Changes in Public Debt

	Actual			Projections												
	2010-2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	cumulative	debt-stabilizing primary balance [9/]
Change in gross public sector debt	4.1	20.6	21.6	-21.8	-10.6	-6.8	-10.1	-9.1	-7.1	-7.5	-6.4	-5.7	-5.2	-3.0	-93.3	
Identified debt-creating flows	1.4	13.3	14.5	-34.5	-17.0	-13.0	-11.1	-10.0	-9.4	-8.9	-7.8	-6.8	-6.1	-3.9	-128.4	
Primary deficit	-1.7	-6.4	-4.9	-8.0	-7.4	-7.0	-6.8	-6.3	-5.8	-5.5	-5.1	-4.8	-4.5	-2.5	-63.6	-1.4
Primary (noninterest) revenue and grants	31.0	21.2	20.8	22.6	22.1	21.3	20.7	20.2	19.7	19.3	18.8	18.5	18.2	16.1	217.5	
Primary (noninterest) expenditure	29.3	14.8	15.9	14.6	14.7	14.3	13.9	13.9	13.8	13.8	13.8	13.7	13.7	13.6	153.8	
Automatic debt dynamics [5/]	-0.8	19.3	24.0	-27.0	-8.9	-5.4	-4.4	-3.7	-3.5	-3.3	-2.7	-2.0	-1.6	-1.3	-63.8	
Interest rate/growth differential [6/]	-5.9	-10.1	-3.2	-27.0	-8.9	-5.4	-4.4	-3.7	-3.5	-3.3	-2.7	-2.0	-1.6	-1.3	-63.8	
Of which: real interest rate	-5.3	-10.6	-8.7	-27.1	-6.5	-2.3	-1.1	-0.7	-0.9	-0.9	-0.5	0.0	0.2	0.4	-39.4	
Of which: real GDP growth	-0.6	0.4	5.4	0.1	-2.4	-3.1	-3.2	-3.0	-2.6	-2.4	-2.2	-2.0	-1.8	-1.7	-24.4	
Exchange rate depreciation [7/]	5.1	29.4	27.2	...	...	...	...	...	...	...	...	...	...	...	0.0	
Other identified debt-creating flows	3.9	0.4	-4.6	0.5	-0.7	-0.6	0.0	0.0	-0.1	-0.1	-0.1	0.0	0.0	0.0	-1.0	
0 (negative)	1.7	-0.3	-3.1	0.6	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	1.6	
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Equity and investment fund shares	2.2	0.7	-1.5	-0.1	-0.9	-0.7	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-2.6	
Residual, including asset changes [8/]	2.7	7.3	7.0	12.7	6.4	6.2	1.0	0.9	2.3	1.4	1.4	1.1	0.9	0.9	35.1	



Source: IMF staff.

1/ Public sector is defined as the Central government plus public companies and includes public guarantees, defined as CG garantees to SOEs and private firms.

2/ Based on available data.

3/ EMBIG.

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

5/ Derived as [(r - π(1+g) - g + ae(1+r)]/(1+g+π+gπ)) times previous period debt ratio, with r = interest rate; π = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

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

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

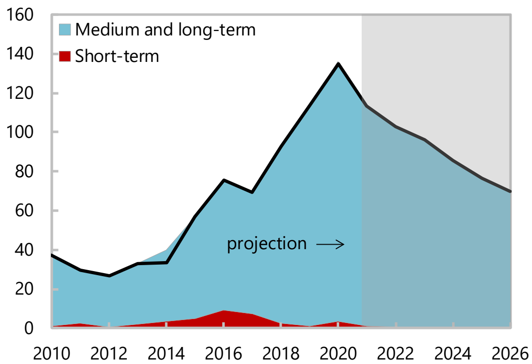
8/ Includes changes in the stock of guarantees, asset changes, and interest revenues (if any). For projections, includes exchange rate changes during the projection period.

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

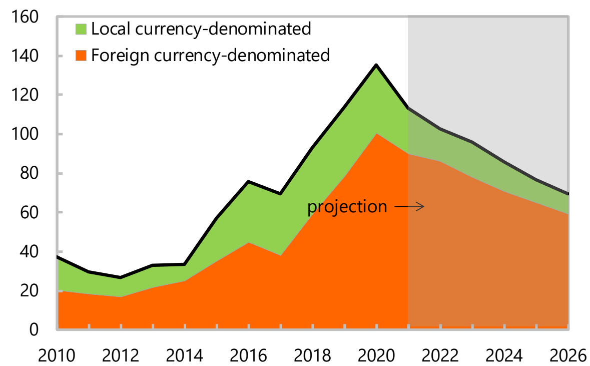
Figure 2. Angola: Public DSA—Composition of Public Debt and Alternative Scenarios

Composition of Public Debt

By Maturity
(in percent of GDP)



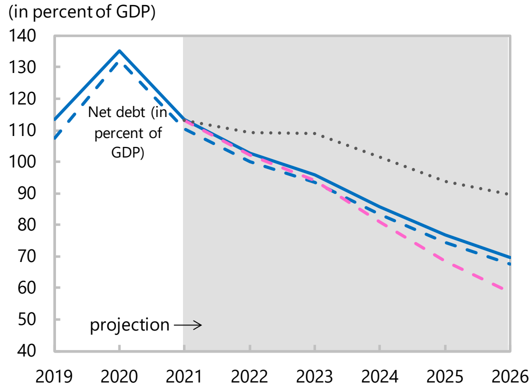
By Currency
(in percent of GDP)



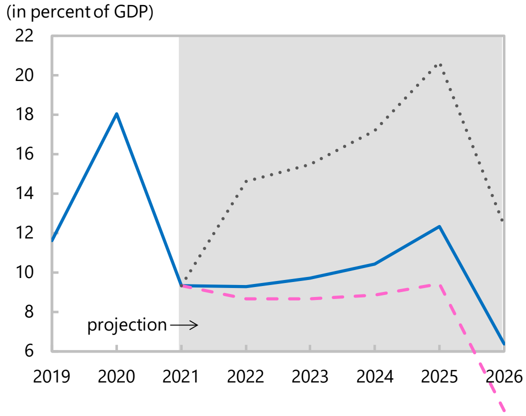
Alternative Scenarios

Baseline Historical Constant Primary Balance

Gross Nominal Public Debt
(in percent of GDP)



Public Gross Financing Needs
(in percent of GDP)



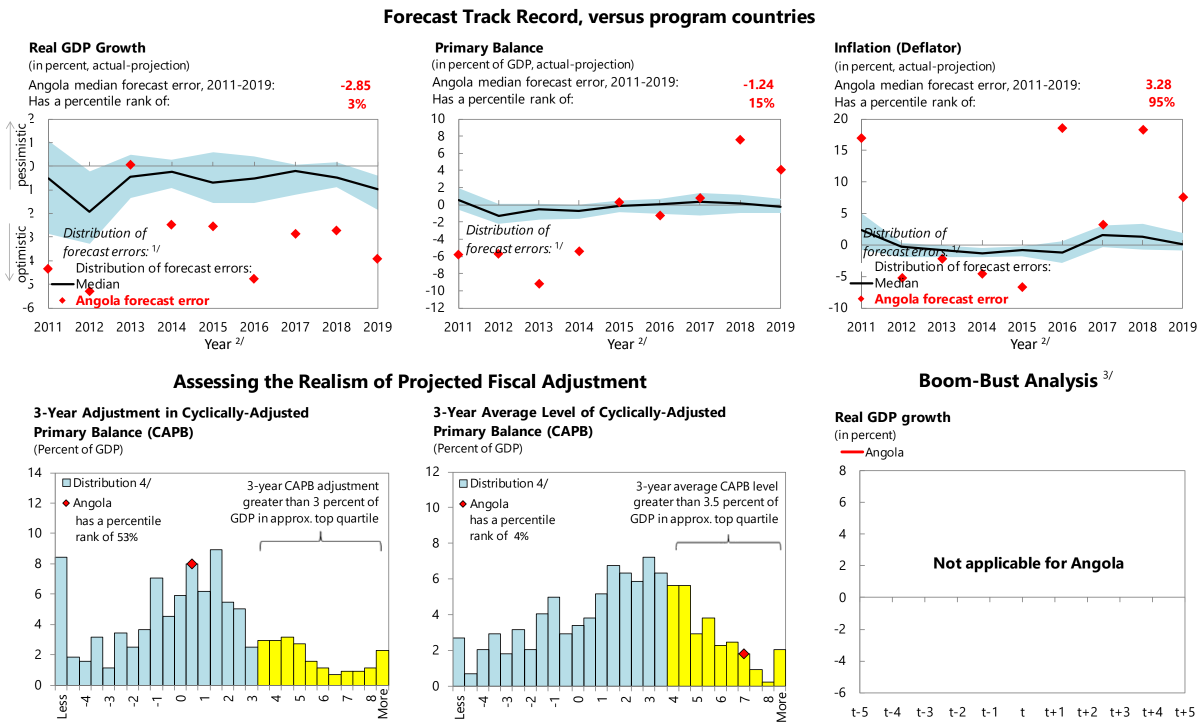
Underlying Assumptions
(in percent)

Baseline Scenario	2021	2022	2023	2024	2025	2026
Real GDP growth	-0.1	2.4	3.4	3.7	3.9	3.7
Inflation	32.3	11.8	7.6	6.3	5.8	6.0
Primary Balance	8.0	7.4	7.0	6.8	6.3	5.8
Effective interest rate	5.7	5.5	5.4	5.3	5.1	5.0
Constant Primary Balance Scenario						
Real GDP growth	-0.1	2.4	3.4	3.7	3.9	3.7
Inflation	32.3	11.8	7.6	6.3	5.8	6.0
Primary Balance	8.0	8.0	8.0	8.0	8.0	8.0
Effective interest rate	5.7	5.5	5.4	5.1	4.8	4.4

Historical Scenario	2021	2022	2023	2024	2025	2026
Real GDP growth	-0.1	1.2	1.2	1.2	1.2	1.2
Inflation	32.3	11.8	7.6	6.3	5.8	6.0
Primary Balance	8.0	2.2	2.2	2.2	2.2	2.2
Effective interest rate	5.7	5.5	5.1	4.6	3.9	3.4

Source: IMF staff.

Figure 3. Angola: Public DSA—Realism of Baseline Assumptions



Source : IMF Staff.

1/ Plotted distribution includes program countries, percentile rank refers to all countries.

2/ Projections made in the spring WEO vintage of the preceding year.

3/ Not applicable for Angola, as it meets neither the positive output gap criterion nor the private credit growth criterion.

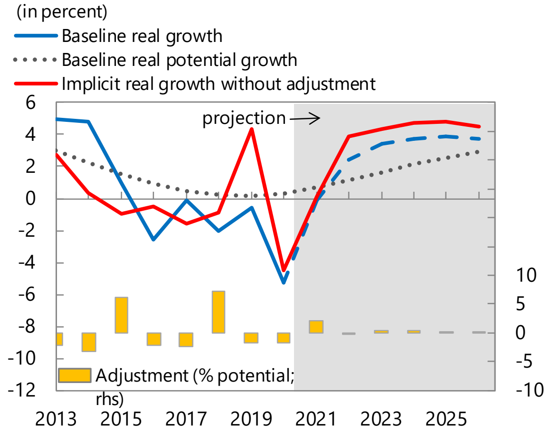
4/ Data cover annual obervations from 1990 to 2011 for advanced and emerging economies with debt greater than 60 percent of GDP. Percent of sample on vertical axis.

Figure 4. Angola: Public DSA—Realism of Baseline Assumptions (concluded)

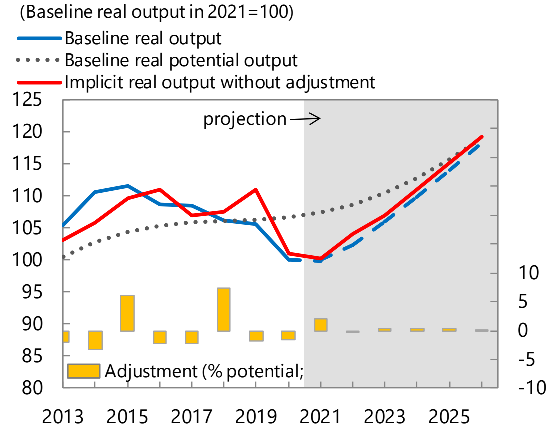
Growth and Level of Output in Absence of Fiscal Adjustment

Assumed multiplier of 1, persistence of 0.6

Real GDP Growth
(in percent)

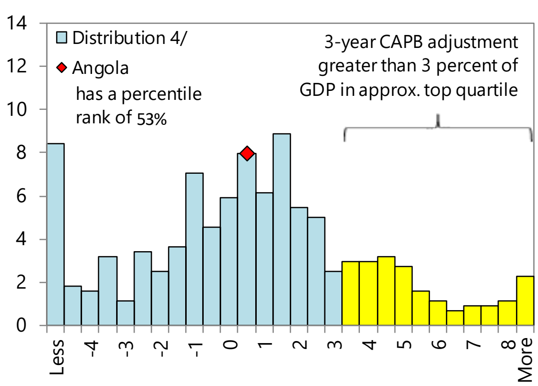


Real Output Level
(Baseline real output in 2021=100)

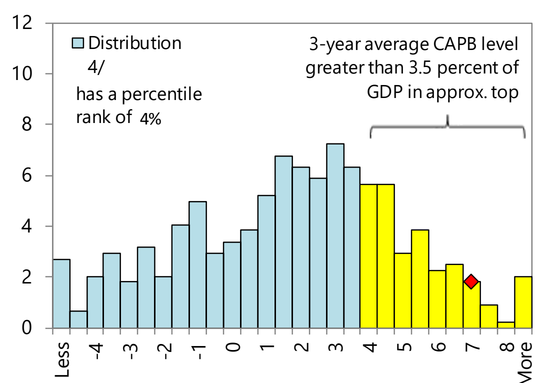


Assessing the Realism of Projected Fiscal Adjustment

3-Year Adjustment in Cyclically-Adjusted Primary Balance (CAPB)
(Percent of GDP)



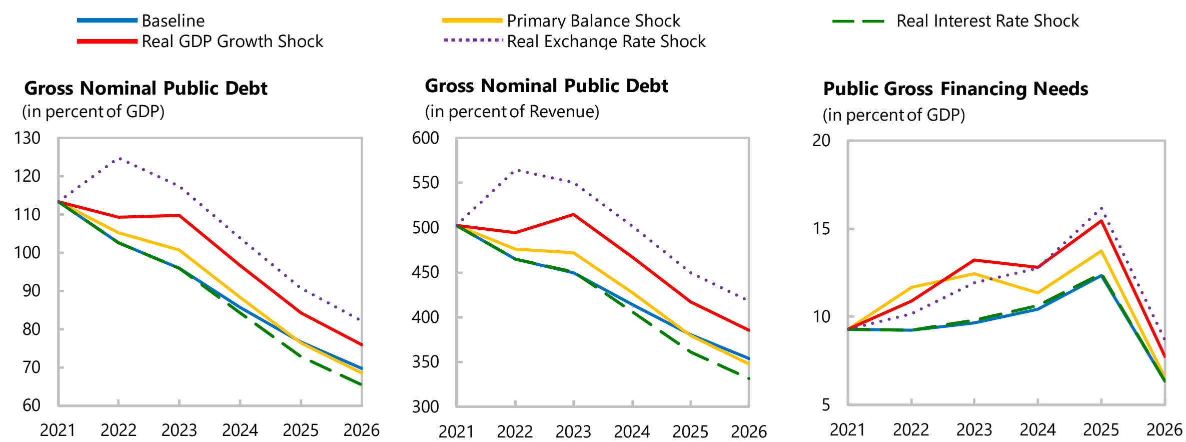
3-Year Average Level of Cyclically-Adjusted Primary Balance (CAPB)
(Percent of GDP)



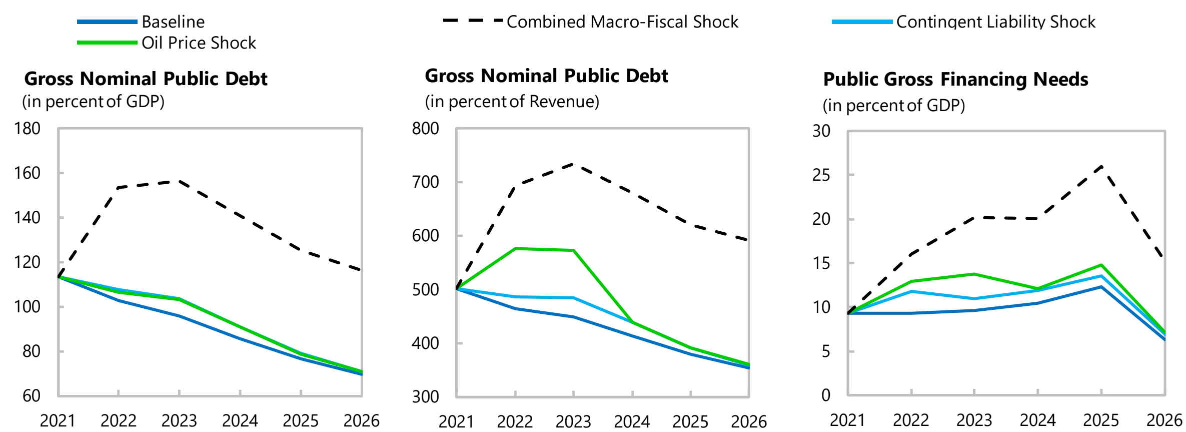
Source : IMF staff.
4/ Data cover annual observations from 1990 to 2011 for advanced and emerging economies with debt greater than 60 percent of GDP. Percent of sample on vertical axis.

Figure 5. Angola: Public DSA—Stress Tests

Macro-Fiscal Stress Tests



Additional Stress Tests



Underlying Assumptions
(in percent)

Primary Balance Shock	2021	2022	2023	2024	2025	2026
Real GDP growth	-0.1	2.4	3.4	3.7	3.9	3.7
Inflation	32.3	11.8	7.6	6.3	5.8	6.0
Primary balance	8.0	5.0	4.6	6.8	6.3	5.8
Effective interest rate	5.7	5.5	5.5	5.3	4.9	4.5
Real Interest Rate Shock						
Real GDP growth	-0.1	2.4	3.4	3.7	3.9	3.7
Inflation	32.3	11.8	7.6	6.3	5.8	6.0
Primary balance	8.0	7.4	7.0	6.8	6.3	5.8
Effective interest rate	5.7	5.5	5.6	5.5	5.3	5.1
Combined Shock						
Real GDP growth	-0.1	-1.8	-0.8	3.7	3.9	3.7
Inflation	32.3	10.7	6.6	6.3	5.8	6.0
Primary balance	8.0	5.0	4.6	6.8	6.3	5.8
Effective interest rate	5.7	7.1	5.3	5.5	5.2	5.3

Real GDP Growth Shock	2021	2022	2023	2024	2025	2026
Real GDP growth	-0.1	-1.8	-0.8	3.7	3.9	3.7
Inflation	32.3	10.7	6.6	6.3	5.8	6.0
Primary balance	8.0	6.6	5.5	6.8	6.3	5.8
Effective interest rate	5.7	5.5	5.4	5.3	4.8	4.5
Real Exchange Rate Shock						
Real GDP growth	-0.1	2.4	3.4	3.7	3.9	3.7
Inflation	32.3	27.2	7.6	6.3	5.8	6.0
Primary balance	8.0	7.4	7.0	6.8	6.3	5.8
Effective interest rate	5.7	7.1	5.1	5.0	4.7	4.5
Contingent Liability Shock						
Real GDP growth	-0.1	0.3	1.3	3.7	3.9	3.7
Inflation	32.3	11.3	7.1	6.3	5.8	6.0
Primary balance	8.0	5.5	7.0	6.8	6.3	5.8
Effective interest rate	5.7	5.8	5.5	5.2	4.8	4.5

Source: IMF staff.

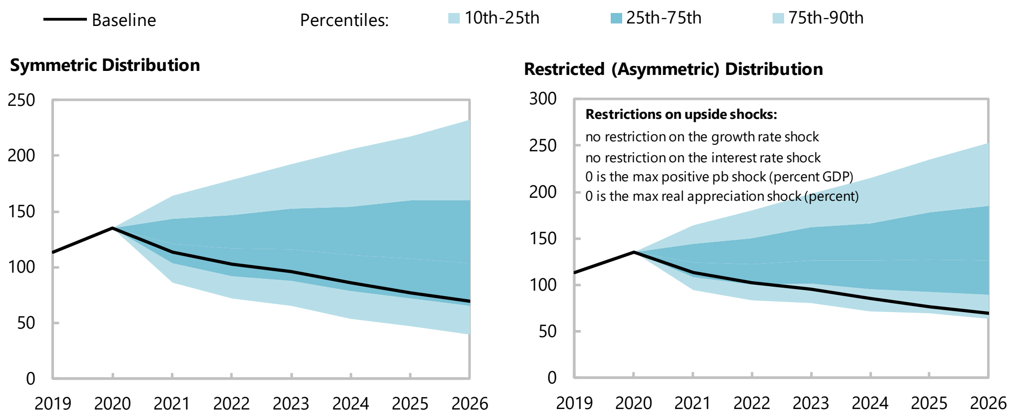
Figure 6. Angola: Public DSA Risk Assessment

Heat Map

Debt level [1/]	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability shock
Gross financing needs [2/]	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability Shock
Debt profile [3/]	Market Perception	External Financing Requirements	Change in the Share of Short-Term Debt	Public Debt Held by Non-Residents	Foreign Currency Debt

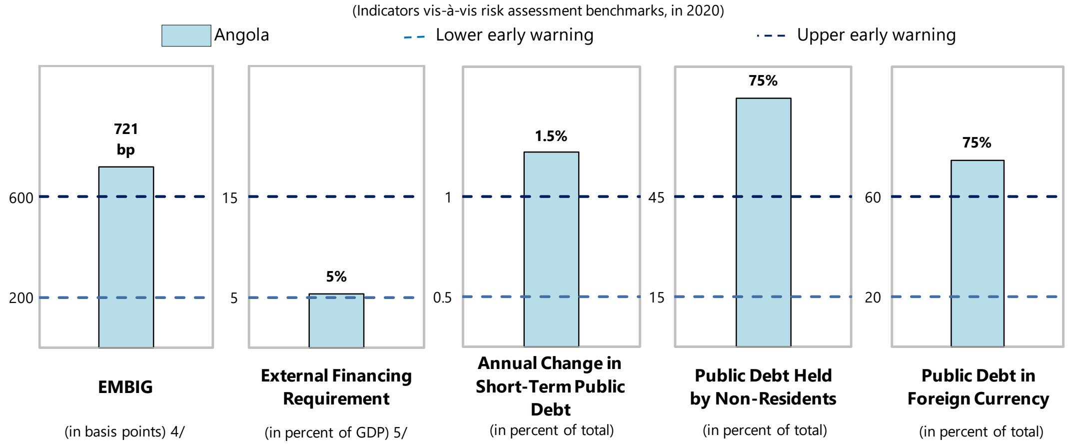
Evolution of Predictive Densities of Gross Nominal Public Debt

(in percent of GDP)



Debt Profile Vulnerabilities

(Indicators vis-à-vis risk assessment benchmarks, in 2020)



Source: IMF staff.

1/ The cell is highlighted in green if debt burden benchmark of 70% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

2/ The cell is highlighted in green if gross financing needs benchmark of 15% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

3/ The cell is highlighted in green if country value is less than the lower risk-assessment benchmark, red if country value exceeds the upper risk-assessment benchmark, yellow if country value is between the lower and upper risk-assessment benchmarks. If data are unavailable or indicator is not relevant, cell is white.
Lower and upper risk-assessment benchmarks are:

200 and 600 basis points for bond spreads; 5 and 15 percent of GDP for external financing requirement; 0.5 and 1 percent for change in the share of short-term debt; 15 and 45 percent for the public debt held by non-residents; and 20 and 60 percent for the share of foreign-currency denominated debt.

4/ EMBIG, an average over the last 3 months, 02-Feb-21 through 03-May-21.

5/ External financing requirement is defined as the sum of current account deficit, amortization of medium and long-term total external debt, and short-term total external debt at the end of previous period.

Table 1. Angola: External Debt Sustainability Framework, 2016–26
(In percent of GDP, unless otherwise indicated)

	Actual					Projections						
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Debt-stabilizing non-interest current account 6/
Baseline: External debt	45.0	38.2	59.3	78.6	100.7	**89.9**	**85.9**	**77.9**	**70.8**	**64.9**	**59.3**	**0.6**
Change in external debt	9.9	-6.8	21.1	19.3	22.1	-10.8	-4.0	-8.0	-7.1	-5.9	-5.6	
Identified external debt-creating flows (4+8+9)	3.8	-14.9	1.3	7.0	13.3	-11.4	-7.6	-5.8	-3.7	-2.7	-2.3	
Current account deficit, excluding interest payments	1.1	-1.2	-11.9	-12.2	-5.9	-9.2	-6.7	-5.9	-4.6	-4.1	-3.7	
Deficit in balance of goods and services	-2.6	-6.0	-18.7	-20.1	-11.4	-16.3	-12.8	-11.4	-9.6	-8.7	-7.9	
Exports	28.4	29.2	49.8	55.0	40.7	46.2	41.0	37.5	34.9	33.5	31.8	
Imports	25.7	23.2	31.2	34.9	29.3	30.0	28.2	26.1	25.3	24.8	23.9	
Net non-debt creating capital inflows (negative)	-0.5	-7.2	-7.8	-2.7	-3.8	-5.8	-2.4	-0.3	0.7	1.2	1.1	
Automatic debt dynamics 1/	3.2	-6.5	20.9	21.9	23.1	3.6	1.5	0.5	0.2	0.2	0.3	
Contribution from nominal interest rate	2.0	1.7	2.9	4.2	4.2	3.5	3.5	3.2	2.9	2.8	2.5	
Contribution from real GDP growth	0.9	0.1	1.2	0.4	5.1	0.1	-2.0	-2.7	-2.7	-2.5	-2.3	
Contribution from price and exchange rate changes 2/	0.2	-8.3	16.8	17.3	13.8	...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	6.1	8.1	19.8	12.3	8.7	0.5	3.6	-2.2	-3.4	-3.1	-3.3	
External debt-to-exports ratio (in percent)	158.7	131.1	119.1	142.9	247.2	194.3	209.5	207.6	202.9	193.6	186.5	
Gross external financing need (in billions of US dollars) 4/	9.4	9.3	-0.1	2.0	3.1	1.5	2.3	4.9	5.4	6.7	6.0	
in percent of GDP	9.5	7.7	-0.2	3.2	6.0	2.5	3.4	7.0	7.1	8.2	6.9	
Scenario with key variables at their historical averages 5/						**89.9**	**96.4**	**95.1**	**92.5**	**89.3**	**82.8**	**1.9**
Key Macroeconomic Assumptions Underlying Baseline												
Real GDP growth (in percent)	-2.6	-0.2	-2.1	-0.6	-5.2	-0.1	2.4	3.4	3.7	3.9	3.7	
GDP deflator in US dollars (change in percent)	-0.7	22.5	-30.5	-22.6	-14.9	18.8	5.3	3.4	4.2	3.8	1.3	
Nominal external interest rate (in percent)	5.5	4.7	5.2	5.5	4.3	4.2	4.2	4.0	4.0	4.2	4.1	
Growth of exports (US dollar terms, in percent)	-17.8	25.8	16.3	-15.0	-40.3	34.7	-4.4	-2.2	0.5	3.6	-0.4	
Growth of imports (US dollar terms, in percent)	-32.4	10.1	-8.4	-13.9	-32.2	21.2	1.4	-0.8	4.6	5.8	1.0	
Current account balance, excluding interest payments	-1.1	1.2	11.9	12.2	5.9	9.2	6.7	5.9	4.6	4.1	3.7	
Net non-debt creating capital inflows	0.5	7.2	7.8	2.7	3.8	5.8	2.4	0.3	-0.7	-1.2	-1.1	

1/ Derived as [r - g - r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock, with r = nominal effective interest rate on external debt; r = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.

2/ The contribution from price and exchange rate changes is defined as [-r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock. r increases with an appreciating domestic currency (e > 0) and rising inflation (based on GDP deflator)

3/ For projection, line includes the impact of price and exchange rate changes.

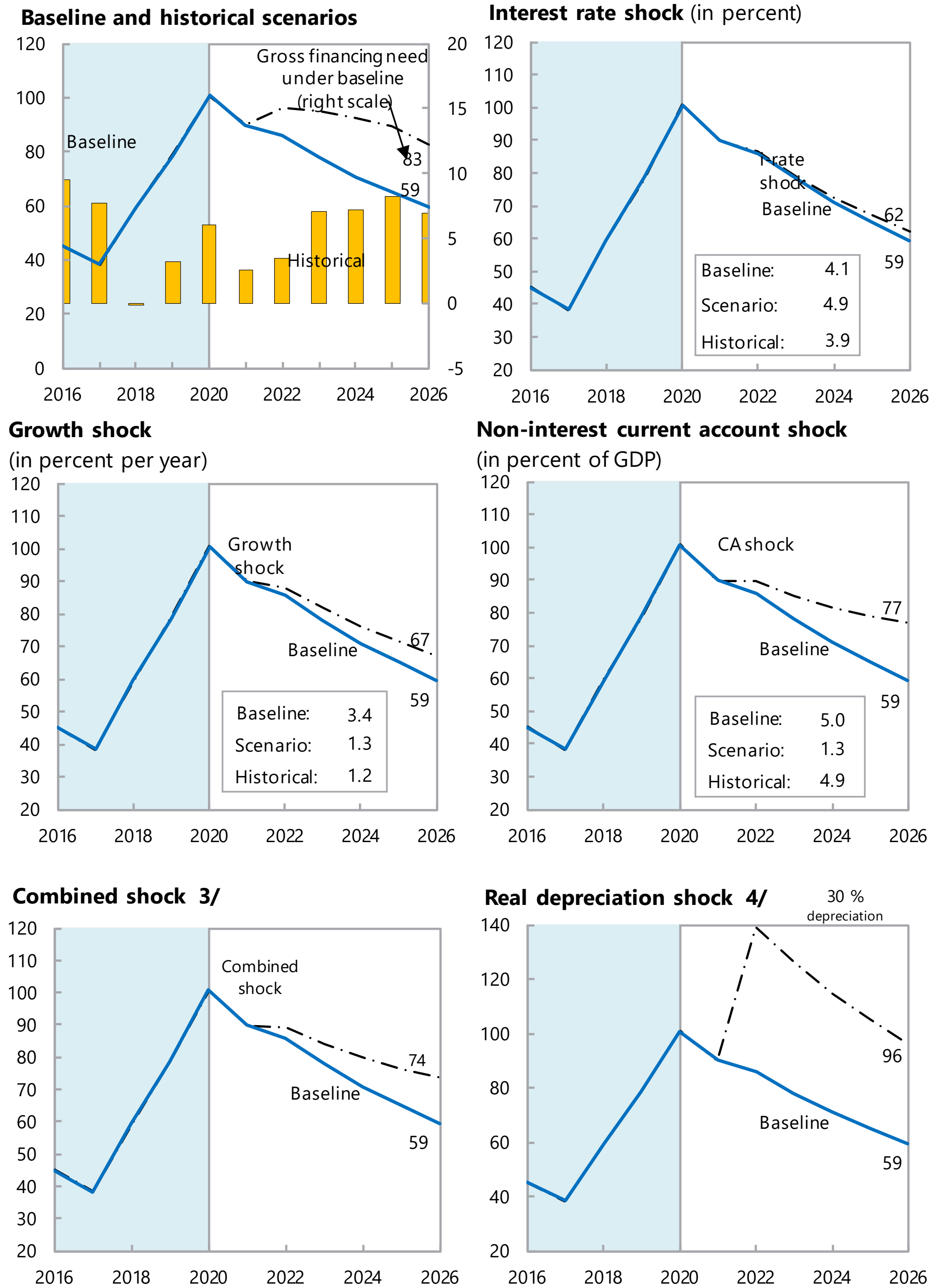
4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

Figure 7. Angola: External Debt Sustainability: Bound Tests 1/ 2/

(External debt in percent of GDP)



Sources: International Monetary Fund, Country desk data, and staff estimates.
1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.
2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.
3/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.
4/ One-time real depreciation of 30 percent occurs in 2021.

Appendix I. Letter of Intent

Luanda, May 24, 2021

Madame Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC 20431
USA

Dear Madame Georgieva:

The attached Memorandum of Economic and Financial Policies (MEFP) and Technical Memorandum of Understanding (TMU) update the Letter of Intent, MEFP and TMU of December 22, 2020. The MEFP reports on recent economic developments, reviews progress in implementing Angola's economic program, and sets out macroeconomic and structural policies that we plan to implement going forward.

While external conditions have improved—particularly higher oil prices—risks remain elevated, as evidenced by lower-than-expected oil production. However, we want to reiterate our commitment to the overarching objectives of our program: reduce fiscal vulnerabilities; strengthen debt sustainability; reduce inflation; consolidate the transition to a flexible exchange rate regime; safeguard financial sector stability; bolster governance, including the anti-money laundering/combating the financing of terrorism (AML/CFT) framework; and improve the business climate to promote private sector-led growth. Our performance under the program is on track and we remain resolutely focused on these goals. The end-December 2020 Performance Criteria (PCs) on net international reserves, reserve money, and the non-oil primary fiscal deficit were met, as reported at the Fourth Review. A waiver of nonobservance was granted during the Fourth Review for the PC on central bank claims on the central government and the result stayed within the waiver amount. The non-oil primary fiscal deficit (NOPFD) at end-December 2020 outperformed the PC, and the end-March 2021 IT on Reserve Money was met with a significant margin. The end-March 2021 IT on BNA advances to the government and on the NIR were also met. All continuous PCs were also observed.

We request the conclusion of the Fifth Review. In addition, we request that the end-June PC on NIR be modified. This modification is necessary to reflect a balancing of higher oil prices and lower-than-expected oil production, as we aim to gradually rebuild our international reserves under the new flexible exchange rate regime. We have also requested a revision to the definition of the NOPFD and social spending targets to include adjustors to accommodate the cost of procurement of vaccines for

Covid-19. Finally, we request that the continuous QPC on new oil-collateralized external debt be converted into a six-monthly QPC. We remain on track to meet all end-June 2021 PCs, as modified.

We trust that the policies and measures set forth in the attached MEFP are appropriate to reinforce the stability of the economy and continue to implement major structural reforms needed to diversify it and ensure strong and inclusive growth to the benefit of the Angolan people, in line with the broad objectives of our National Development Plan for 2018–22. We stand ready to take additional measures, as appropriate, to achieve these objectives. We will abide by IMF policies by consulting with IMF staff before adopting such measures, or in advance of revisions to the policies contained in this MEFP, or before adopting new measures that would deviate from the goals of the program. Moreover, we will continue to provide IMF staff all information and relevant data requested to timely monitor progress in implementing the MEFP and achieving the program's objectives, as outlined in the TMU.

As before, IMF resources will be used for budget support and will be maintained in government accounts at the Banco Nacional de Angola (BNA). The Ministry of Finance and the BNA signed a memorandum of understanding that clarifies the responsibilities of each party to this agreement.

We authorize the IMF to publish this letter, the MEFP and its attachments, the TMU, and the accompanying staff report. We will simultaneously publish these documents in Angola.

Please accept the assurances of our highest consideration and esteem.

/s/
Manuel José Nunes Júnior
State Minister for Economic Coordination

/s/
Vera Daves de Sousa
Minister
Ministry of Finance

/s/
José de Lima Massano
Governor
Banco Nacional de Angola

Attachments: I. Memorandum of Economic and Financial Policies

II. Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

I. BACKGROUND, RECENT ECONOMIC DEVELOPMENTS, AND OUTLOOK

1. **The strong impact of COVID-related shocks continues to be felt in economic, health and social terms, even as certain aspects have improved this year with higher international oil prices.** Angola is starting to recover gradually from two major related shocks: (i) a health crisis in the wake of the COVID-19 pandemic, including disruptions from containment measures; and (ii) a collapse in international oil demand and prices during the first half of 2020. Economic recovery remains slow, and Angola has also not accessed international capital markets. We remain committed to the program and to appropriate measures, which are helping Angola to emerge from the crisis successfully, maintain macroeconomic stability, and set the stage for sustainable and inclusive growth beyond the crisis.

- *Oil price recovery is helping, despite weak production, and non-oil GDP growth is recovering only gradually.* The pandemic shock has resulted in a severe slowdown in oil production and domestic activity, leading to a -5.2 percent growth contraction in 2020. This year, oil production is continuing contract. Non-oil GDP is starting to recover, but only slowly due to balance sheet scarring, some continued health-related restrictions, and adverse weather conditions (drought, heavy rainfall) that have affected agriculture production and transport.

- *Inflation remains high.* Despite monetary tightening measures, prices remained elevated in late 2020 – reaching 25.1 percent y/y in December. This level of inflation has continued in early 2021, as adverse weather conditions meant shortages of food and other products, counteracting monetary tightening by the BNA.

- *Fiscal consolidation delivered substantial adjustment in 2020*. The NOPFD at end-December 2020 declined by 1.4 percentage points of non-oil GDP year-on-year (outperforming the PC with a substantial margin). This was achieved through a combination of successful expenditure control and stronger-than-expected non-oil revenues across several revenue categories. Our public debt (including public guarantees) peaked at 135.1 percent of GDP in December 2020 as the exchange rate depreciated and the real economy contracted, even though its dollar value declined.

- *Combating Covid-19*. Following a series of containment measures (including limiting flights from high-risk locations and testing at the borders), we have managed to keep an average 717 confirmed cases per million habitants and a death rate of 17 per million habitants. As of end-April 2021, we have already received over 624,000 doses of AztraZeneca-SII vaccine, and administered over 492,690 doses, out of the 12.8 million doses we are expected to receive under the COVAX system, and 200,000 doses of Sinopharm donated by the Government of China. We are purchasing 6 million doses of Sputnik V vaccine.

- *The external position for 2020 ended up stronger than projected, helped by the flexible exchange rate which acted as a shock absorber.* Exports for 2020 fell by 40 percent due to the sharp post-

COVID decline in oil prices and lower domestic oil production. Nevertheless, its negative impact on the current account was largely mitigated by strong contraction of imports, supported by the Kwanza's real depreciation. Combined with lower oil-company income transfers abroad, the current account ended up with a modest surplus for 2020. On the financial account, outflows were alleviated by a large drop in outward flows of foreign direct investment (FDI). Gross international reserves (GIRs) declined relative to 2019 but still provide relatively comfortable import coverage.

- *The banking sector is overall well capitalized but remains vulnerable to shocks.* The restructuring of one of the two large troubled public banks is advancing, but progress is pending with the restructuring of the other one. The promulgation of the revised Financial Institutions Law (FIL) is a key milestone that will support our efforts to protect financial stability

2. With an improving external environment, the outlook is becoming more positive, albeit still subject to elevated risks.

- *Growth.* We project non-oil growth to partially recover to 2.3 percent in 2021, as COVID-19 vaccinations and aggregate demand picks up. Oil and gas growth will remain weak, at -7.0 percent, as production is expected to continue to underperform despite higher prices, due to COVID-related disruptions to maintenance and investment.

- *Inflation.* Annual inflation is projected to decline to 19.5 percent by end-2021, driven by gradual monetary tightening and improved weather conditions in the second half of the year.

- *Fiscal sector.* Continued tight fiscal stance and consolidation of fiscal reforms implemented last year is projected to further improve the non-oil primary fiscal deficit (NOPFD) to 4.8 percent of GDP, down from 5.5 percent of GDP in 2020. Considering the NOPFD, higher oil revenues and a lower interest bill, the overall budget surplus is expected to be 1.9 percent of GDP and will help substantially lower Angola's public debt ratio (projected at 114 percent of GDP).

- *The external position is projected to strengthen on the back of higher oil prices.* We project the current account to improve substantially in 2021, driven by the strong rebound in oil prices relative to last year.

- *Monetary policy will be gradually tightened.* With the worst of the pandemic shock in the past and inflation remaining high, monetary policy has shifted to reining in inflation, with increases in open market operations (OMOs) and rates on BNA's standing deposit and liquidity facilities. We continue to monitor price developments closely, particularly with regard to recent weather-related shocks, and stand ready to tighten policy further to achieve our objectives.

- *Financial stability is expected to remain sound*. The pandemic can weigh negatively on banks' loans portfolios and increase the level of non-performing loans (NPLs). Nevertheless, we expect NPLs to continue their downward trend, in tandem with a gradual economic recovery. Other financial stability indicators (FSIs) for the banking sector, such as liquidity and capitalization ratios, are also expected to continue in solid territory and compliant with prudential rules.

II. MACROECONOMIC POLICIES AND STRUCTURAL REFORMS FOR 2021

A. Fiscal Policy

3. **Our fiscal policy will continue to be guided by our overarching goal of preserving and strengthening fiscal and debt sustainability.** This requires maintaining a fiscal stance that will help us achieve our long-term objective of a public debt ratio of 60 percent of GDP, embedded in our Fiscal Responsibility Law (FRL). We will likewise aim to reduce and then maintain our average annual gross financing needs at levels compatible with debt sustainability in the long run. We will continue to adhere to the fiscal anchor in 2021, while striking a prudent balance in the use of any oil windfall between faster debt reduction and priority spending.

4. **To this end, we will endeavor to save the majority of the windfall oil revenue in 2021 stemming from higher-than-expected oil prices to accelerate debt reduction.** The additional oil revenue relative to budgeted amounts is creating fiscal space, although the amount depends on oil price movements. Following five years of economic contraction and given Angola's large social and development needs, we intend to spend a share of the additional resources on key priority areas, including a campaign of vaccination against Covid-19. Yet we are committed to saving most of the windfall in the form of faster debt reduction and rebuilding fiscal buffers depleted in 2020. Our 2021 budget execution will therefore incorporate the following:

- *Non-oil revenue.* We expect non-oil revenue above budgeted level across a number of taxes on the back of strong performance in late 2020 as a result of the revenue-enhancing measures we implemented in the second half of last year.

- *Wage bill.* We will maintain tight control of the wage bill, although we may exceed the budgeted amount slightly to allow for hiring of additional essential personnel in healthcare (to staff new facilities established to support our fight against Covid-19) and in education.

- *Goods and services.* We intend to remain within the envelope defined by the 2021 budget with the exception of additional spending on vaccine procurement and administration, as we embark on our Covid-19 vaccination campaign.

- *Transfers and subsidies.* Spending on transfers and subsidies will remain at or below the level defined by the budget.

- *Capital expenditure.* Public investment spending may slightly exceed the budgeted amount to allow for prioritized conclusion of key investment projects that are already nearly complete to maximize the return on the additional spending.

- *Payment arrears.* We have met the program limit on net accumulation of payment arrears by December 2020 (IT). We have also completed over 99 percent of verification and settlement of all payment arrears accumulated by the Central Government in 2018 and recorded in SIGFE (SB). We intend to accelerate the clearance of arrears following accumulation of additional accounts payable and arrears in late 2020 and early 2021 due to severe liquidity constraints.

5. We will continue fiscal structural reforms to support fiscal consolidation and debt sustainability.

- *Arrears*. While we have made efforts in partially clearing the stock of arrears, enhanced budget execution control and cash management measures are needed to prevent further accumulation of arrears. To that end, we will empower assigned financial comptrollers to major line ministries to expeditiously vet commitments and verify in real time whether managers of budgetary units are adhering to the relevant administrative PFM regulations (i.e. when payment requests are presented), starting with the budgetary units with a higher concentration of arrears. We will also develop a comprehensive arrears management plan that will rely on an updated real-time arrears surveillance mechanism.

- *Public investment*. We recognize that large benefits could come from improvements of public investment management at earlier stages of the project cycle, before the actual allocation of funds. But realizing these benefits also demand a significant effort to build capacity and fully apply the current rules and enforce PIP framework methodologies. To this end and in line with the PIMA recommendations, we are committed to address (i) the need to develop project appraisal and preparation, through the development of the review role in the Ministry of Finance; (ii) the need to develop the budgeting function around a multiyear horizon and with rigorous project selection; and (iii) the need for improving the allocation of funds, strengthening the financial programming process and ensuring effective control over expenditure commitments. We will publish appraisal reports of largest projects in the 2021 budget no later than end-June 2021 (SB).

- *Fiscal transparency and accountability*. We recognize the importance of enhancing fiscal transparency through comprehensive analysis and disclosures of main fiscal risks, including those related to SOEs and PPPs. We will aim to prepare and disclose main fiscal risks together with the draft budget 2022. We will also continue to publish quarterly and annual fiscal reports, with support from Fund TA.

B. Public Debt Management

6. We will continue to maintain and enhance Angola's debt sustainability through continued implementation of a prudent and proactive debt management debt strategy. First and foremost, we will rapidly reduce debt relative to GDP by maintaining overall primary fiscal surpluses as growth recovers. Moreover, following the successful completion of reprofiling of our debt service to some of our largest commercial creditors and rescheduling under the 2020 DSSI, we have requested an extension of the DSSI for the first half of 2021. And we will request an extension of the DSSI for the second half of 2021 as well, which will further improve the near-term dynamics of our debt service. We will endeavor to increase the average maturity of our domestic debt as our economy stabilizes and its risk profile improves, including through issuance of foreign currency domestic debt as an investment tool for oil companies' abandonment funds. At the same time, we will continue retiring foreign currency-linked debt to reduce our exposure to foreign currency risk. We will borrow prudently for our public investment projects, which will continue to be carefully prioritized. We remain committed to the program targets on debt, including the IT on the stock of central government debt and debt of Sonangol.

C. Monetary and Exchange Rate Policies

7. **We continue to adjust our monetary stance to reduce inflation.** We tightened our reserve money (RM) targets, as embodied by the end-June PC under the program, in the context of the Fourth Review, to better contain monetary growth and address rising inflation. We met the March RM IT and are on track to meet the tightened June PC. We also met the March IT on BNA advances to the central government and are on track to meet the June PC. Since January 2021, we have increased the interest rate on the 7-day permanent liquidity absorption facility by 500 bps and have increased the rate on the permanent liquidity facility twice, while continuing to utilize Open Market Operations to drain liquidity from the system. We anticipate a gradual tightening this year to reduce inflation, with an eye to moving toward positive real interest rates, utilizing the range of tools available in our toolkit. Moreover, we stand ready to tighten more quickly should inflation not fall progressively over the year, including an adjustment in the permanent liquidity facilities and the BNA policy rate.

8. **We remain committed to a market-determined exchange rate.** The 2020 introduction of the FX trading platform has allowed the BNA to gradually withdraw from activity in the FX market. That activity is now reduced. We will continue to restrict our FX interventions only to limit excess exchange rate volatility, in light of the shallowness of the market, allowing the kwanza to be market-cleared, and to rebuild international reserves buffers.

9. **We intend to gradually rebuild our international reserves for precautionary purposes, in light of improved external conditions.** Despite the 2020 adverse oil price shock, conserving reserves was greatly helped by the more flexible exchange rate and reduced FX intervention. The BNA's net international reserve (NIR) position at end-2020, although lower than in 2019, still comfortably met the end-December 2020 PC and end-March 2021 IT. However, with the move to a flexible exchange rate regime, the elasticity of reserve accumulation to changes in oil prices has changed. Accordingly, we have requested a modification of the end-June NIR PC and a modification of the NIR adjustor to more accurately reflect the elasticity of reserve accumulation to changes in oil prices.

10. **We will adopt the revised BNA Law shortly after approval by the National Assembly expected by end-November (new SB), after related constitutional amendments are adopted.** The BNA Law, submitted to the National Assembly in December 2020, will strengthen the BNA's mandate, autonomy, and governance. Amendments to the Constitution proposed since then will allow for even stronger governance and autonomy provisions to be included in the Law.

11. **We continue to strengthen governance at the BNA.** In line with the recent IMF Safeguards Assessments policy recommendations, we have recently made progress in rebalancing our international reserves portfolio and intend to finalize this process by July 2021. We remain committed to internal audit reform.

D. Financial Sector Policies

12. **We are committed to the implementation of the revised Financial Institutions Law (FIL) and supporting legislation.** The FIL will be enacted in May 2021 (fulfilling the action envisaged in the missed end-March SB). We have already drafted much of the secondary legislation that will complement the prudential framework, to be adopted soon. We are still working on the development of secondary legislation needed to make operational the new resolution framework envisaged in the FIL, prioritizing the secondary instruments key to enabling immediate resolution implementation. To safeguard the stability of our financial system, we remain committed to advance with secondary legislation to support our macroprudential framework and to improve the regulatory framework of the BNA as lender of last resort, including Emergency Liquidity Assistance (ELA) to banks. Finally, we continue to make strides on the implementation of the revised AML/CFT framework, including to bolster our banks' correspondent banking relationships.

13. **We are committed to finalize the strategy to reduce the role of the State in the banking sector by end-July and to complete the banking sector recapitalization process by end-September.** Completion of these actions (which are reflected in two missed end-March SBs) is awaiting finalization of the strategy to deal with one of the two troubled public banks, for which we will implement a solid restructuring plan to ensure viability of the resulting entity and full compliance with current prudent regulations. This plan will include, *inter-alia*, a transparent and operationally feasible process with upfront loan losses recognition and remediation of the existing capital shortfall, without further reliance on public funds. In relation to the largest troubled public bank, we continue advancing with the implementation of the restructuring plan and remain committed to the timely completion of the targets established in this plan. Finally, we are completing the privatization process of a smaller public bank.

14. ***Recredit*, the public asset management company, will swiftly advance with the resolution of its NPL portfolio.** In this context, we are monitoring progress made against the projected targets and we remain committed to take the necessary actions to meet such targets. These actions will entail increasing its operational capacity to maximize value recovery for taxpayers, including through outsourcing NPL collection to independent experts where necessary. *Recredit* published its first performance report in April 2021 and will continue with its semi-annual publication, as part of its effort to improve transparency and accountability.

15. **We are closely monitoring banks and their credit portfolios to ensure they remain well provisioned and adequately capitalized to withstand asset quality deterioration that might result from the pandemic.** To safeguard financial stability, we are promoting the prudent recognition of banks' loan loss provisions in line with expected credit losses, as well as the early recognition and active management of NPLs by the banks. In parallel, we continue to monitor banks' levels of capital and liquidity as well as their net FX open positions and will actively act as needed to ensure regulatory compliance. Finally, we are strengthening our crisis management preparedness, including the preparation of contingency plans to help mitigate the impact of potential shocks.

E. Structural Reforms and Governance

16. To support our economic objectives, we are persevering with the structural reforms and bolstering governance:

- *Tax administration.* Following on our progress in centralizing previously fragmented audit function, we will continue to enhance digitalization of tax administration operations, including reestablishing reliable taxpayer databases, improving monitoring and compliance, and developing a post-pandemic collection recovery plan. Furthermore, to enhance the tax policy reform gains from last year, we will strengthen our Value-added Tax (VAT) enforcement to improve on-time filing rates, enhance submission of invoicing information according to Standard Audit File for Tax (SAF-T) standards, verify accurate reporting based on large scale cross-matching of information, and start auditing businesses with the largest excess credits, like construction, commerce and manufacturing. To that end, we are developing IT tools to support VAT enforcement programs. For the 2022 budget, we will use accumulated data on VAT credits and refunds, and consider adopting a reserve scheme for VAT refunds based on monthly excess credits no later than end-January 2023. In the meantime, we must guarantee a minimum of 15 percent of the revenue for the reimbursement account. This will enable us to free up some revenues for spending. We will also enhance inspections and start a process towards recovery of significant tax and customs arrears.

- *Cash transfer program.* Although the rollout of our Kwenda program has been slowed by the pandemic, our main objective for the year is to complete at least one quarterly payment to the more than 300,000 households already registered and validated. We will also continue to accelerate the registration of eligible households and explore the feasibility of enlarging our financial contribution to increase the monthly benefit amount to account for inflation, as well as extending a social support program using Kwenda's registry beyond 2023.

- *Fuel subsidies.* We plan to pursue subsidy reforms once the cash transfer program reaches a critical mass of households. In the meantime, to further enhance transparency and lay the ground work for additional reform, we will build on the achieved progress with the publication of quarterly statistical information on fuel costs and subsidies, with the report on the first quarter expected by end-June 2021. We estimate that the value of fuel subsidies amounted to Kz 437.5 billion in 2019 and Kz 551.2 billion in 2020, or 1.4 and 1.6 percent of GDP respectively.

- *State-owned enterprises (SOEs).* We amended the SOE law last year. However, we recognize that this amendment does not constitute the intended structural reform in the associated SB previously deemed as met in the last review. To better structure the intended reform and guide our efforts in this area, we request to modify the end-June 2021 SB to comprise the preparation of a roadmap by end-September 2021 that will detail the legislative, regulatory, policy and other implementation measures needed to enhance the governance and performance of SOEs, prioritizing the extractive, energy and telecoms sectors. The measures will include: (i) the state's ownership and oversight policies and institutional arrangements; (ii) the corporate governance and accountability framework for SOEs (including the professionalization and integrity of boards of directors and management, performance monitoring and the establishment of effective internal control and audit systems); (iii) fiscal risks monitoring framework; and (iv) the reporting, disclosure and transparency requirements. The roadmap will specify the timelines of the measures and the role of the different institutions and it will be approved by a Presidential Decree.

- *Privatization agenda.* With the global economic environment weakened from the difficult pandemic situation, of the 126 approved SOEs scheduled for privatization, 39 were privatized by end-2020, representing a 31 percent success rate (in number of companies). Last year's privatization is expected to generate proceeds worth about 1.1 percent of GDP, although only about 0.02 percent of GDP has been received to date, with the remaining balance to be paid over multiple years, under the terms of the contracts. We have decided to shift the focus of our strategy to corporatizing the SOEs considered commercially viable, as a way to foster the professionalization of their management and enhance their governance. To propitiously reach this objective, it is critical to successfully implement our privatization program. Therefore, we will accelerate our privatization program with planned privatization of 100 SOEs for this year, also benefitting from generally improved global economic conditions and increased foreign investors' appetite for some of our SOEs, especially in the financial, telecommunications and tourism sectors. Moreover, we are considering engaging outside advisers to assist in developing and accelerating the preparation to kick start the privatization process of some of our largest national public enterprises such as the national oil company (SONANGOL), the diamond company (ENDIAMA) and the national airlines (TAAG), currently programmed to begin in 2022.

- *Public financial management (PFM).* To support fiscal consolidation and debt sustainability, we have crafted a fiscal strategy which will be updated ahead of the preparation of the 2022 budget to underpin the Medium-Term Fiscal Framework (MTFF) and the Medium-Term Expenditure Framework (MTEF), in line with the newly adopted FRL.

- *Procurement reform.* To further increase transparency, we intend to significantly increase the number of published procurement annual plans relative to last year to 65 percent. As part of our broader ongoing efforts to improve transparency of beneficial ownership in line with Financial Action Task Force (FATF) Standards, we will ensure that all contracts from the 21 Contracting Public Entities will be registered in the contract management system and be published in their procurement portal, including the name of their representatives. Moreover, we will explore the feasibility of identifying beneficial ownership in the future.

17. Governance and business environment reforms and corruption fight are progressing apace. We continue our efforts to become a member of the Extractive Industries Transparency Initiative (EITI), supporting EITI efforts to assess how natural resources are managed in Angola. We remain committed to submit our candidacy to become a member of the EITI and aim at taking all needed steps to ensure our candidacy will be submitted to EITI no later than end-December 2021, in line with EITI principles. In cooperation with the UN, we are working on a comprehensive strategy to combat corruption in Angola that will encompass all ongoing individual initiatives, exploring the positive synergies among all government agencies involved, and consider the feasibility of opening a UN agency in Angola to fight drugs, crimes, corruption, and terrorism (UNODC). We commit to include a chapter on crisis-related spending in the Quarterly Budget Execution Report, which is approved by the National Assembly and published in the Ministry of Finance website. Moreover, since the crisis-related spending report is part of the General State Account, it shall be audited by the Court of Accounts, approved by the parliament, and published in October of each fiscal year.

F. Program Monitoring

18. The program will continue to be monitored through the 6th and last review. The program will continue to be monitored through quantitative performance criteria, indicative targets, and structural benchmarks. The Sixth review will be completed on or after November 1 based on end-June 2021 test dates. All quantitative performance criteria and indicative targets are listed in Table 1a and b, and structural benchmarks are set out in Table 2. The Technical Memorandum of Understanding is also attached to describe the definitions of quantitative PCs as well as data provision requirements.

Table 1a. Angola: Performance Criteria and Indicative Targets Under the Extended Arrangement, 2020–21

	2020							2021				
	September			December Performance Criteria				March			June Performance Criteria	
	3rd Rev.	Adjusted	Actual	3rd Rev.	Adjusted	Actual	Status	4th Rev.	Adjusted	Preliminary	4th Rev.	Proposed
Performance Criteria:												
Net international reserves of the Banco Nacional de Angola (BNA), floor (millions of U.S. dollars)[1, 8]	8,247	7,714	9,334	8,085	7,316	8,742	**Met**	8,001	7,933	8,390	7,916	8,841
BNA claims on the Central Government, cumulative ceiling (billions of kwanzas)	300	300	436	0	0	269	**Not Met**	350	350	231	300	300
Reserve money, ceiling (billions of kwanzas)[2]	2,062	2,113	1,914	2,086	2,114	1,941	**Met**	2,130	2,130	1,992	2,099	2,099
Non-oil primary fiscal deficit of the Central Government, cumulative ceiling (billions of kwanzas)[3,4,9]	1,568	1,568	749	2,384	2,394	1,095	**Met**	625	625	-116	1,010	1,010
Non-accumulation of external debt payments arrears by the Central Government and the BNA, continuous ceiling (millions of U.S. dollars)[5]	0	0	0	0	0	0	**Met**	0	0	0	0	0
New oil-collateralized external debt contracted by or on behalf of the Central Government, the BNA, and Sonangol, ceiling (U.S. dollars)[6]	0	0	0	0	0	0	**Met**	0	0	0	0	0
Indicative Targets:												
Stock of Central Government debt and debt of Sonangol, ceiling (billions of kwanzas)	42,994	42,994	43,049	42,994	42,994	44,815	**Not Met**	55,951	55,951	...	55,951	55,951
Social spending, cumulative floor (billions of kwanzas)[3,7,9]	1,031	1,031	1,262	1,440	1,440	1,859	**Met**	446	446	...	892	892
Net accumulation in the stock of payments arrears by the Central Government, ceiling (billions of kwanzas)	250	250	-32	250	250	143	**Met**	250	250	620	250	250
Disbursements of oil-collateralized external debt by the Central Government, cumulative ceiling (millions of U.S. dollars)[3]	600	600	0	1,160	1,160	0	**Met**	219	219	0	438	438
Authorizations by the Ministry of Finance for the issuance of debt guarantees by the Central Government, annual ceiling (U.S. million dollars)	300	300	105	300	300	105	**Met**	300	300	0	300	300

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] Evaluated at program exchange rates as defined in the Technical Memorandum of Understanding (TMU), differently from the figures in Table 1 of the Staff Report.

[2] Quarterly average of daily balances; bank reserves in foreign currency are converted using program exchange rates as defined in the TMU; not directly comparable to figures in Table 3 of the Staff Report.

[3] Cumulative from January 1.

[4] Includes clearance of payments arrears in cash.

[5] Accumulation of new arrears since previous test date.

[6] Excluding debt contracted to finance oil-extraction equipment. This QPC was continuous through the 5th Review, and then converted to a six-monthly QPC.

[7] Spending on education, health, social protection, and housing and community services.

[8] Adjustor revised to account for a more flexible exchange rate regime and lower oil production (see TMU paragraph 4)

[9] Adjustor added to account for import costs of COVID-19 vaccines incurred on a cash basis in the relevant period (see TMU paragraphs 12 and 20).

Table 1b. Angola: Standard Continuous Performance Criteria

- Not to impose new or intensify existing restrictions on the making of payments and transfers for current international transactions.
- Not to introduce new or intensify existing multiple currency practices.
- Not to conclude bilateral payments agreement that are inconsistent with the IMF's Articles of Agreement (Article VIII).
- Not to impose new or intensify existing import restrictions for balance of payments reasons.

Table 2. Angola: Structural Benchmarks under the Extended Arrangement, August 2020–June 2021

Structural Benchmarks	*Objective*	Date	Status	Observations
I. Fiscal policy and public institution reforms				
• **Payments arrears.** Complete the verification and settlement of all payments arrears accumulated by the Central Government in 2018 and recorded in SIGFE.	*Normalize supplier relations and reduce debt burden*	End-December 2020	**Not met**	The authorities intend to complete the process by end-June 2021. More time is needed due to capacity constraints under the crisis.
• **Public procurement.** Award, through open tenders, at least 45 percent of the public contracts related to expenditure on public investment projects, which are not financed by external project loans and whose value exceeds Kz 182 million, the minimum threshold legally required for open tenders (Law of Public Contracts, No. 9/16).	*Enhance public procurement transparency and competition*	End-December 2020	**Met**	54 percent of public contractes had been awarded through open tenders as of the-end-December 2020.
• **Public investment.** Publish initial project appraisal report for all new public investment projects above Kz 10 billion undertaken from January 2021.	*Strengthen accountability*	End-June 2021	**In Progress**	Reset from end-March 2021 (not met) in the Fourth Review.
II. Financial sector reforms				
• **Financial Institutions Law.** Adopt amendments to the Financial Institutions Law, in line with IMF staff advice, to ensure that the authorities have an effective recovery planning and enhanced corrective actions, and resolution framework for weak banks.	*Promote financial stability and BNA governance and autonomy*	End-March 2021	**Not met**	Completed with a delay with the promulgation of the FIL and its official publication in May 2021.
• **Role of the State in the banking sector.** Finalize a strategy for the State's future involvement in the banking sector.	*Promote financial stability*	End-March 2021	**Not met**	Reset to end-July 2021. The finalization of the strategy is pending the restructuring plan of one public bank, which is currently underway.
• **Banking sector restructuring/recapitalization.** Complete the banking sector recapitalization process, by requiring banks to return to compliance with regulatory capital rules.	*Promote financial stability*	End-March 2021	**Not met**	Reset to end-September 2021. The completion of the recapitalization process is pending the implementation of the restructuring plan currently underway of one public bank.
• **Strengthening of Recredit.** Ensure proper governance arrangements and operational procedures are implemented at Recredit to maximize recoveries and minimize fiscal cost.	*Maximize value recovery and minimize potential fiscal liabilities*	End-August 2020	**Not met**	Completed with a delay. Completion was pending the nomination of the independent member of the Strategy and Monitoring Committee, which became official on January 21, 2021.
III. Governance				
• **State Owned Enterprises.** Submit a revised State Owned Enterprises (SOE) Law to the National Assembly, which enhances internal and external audit functions.	*Strengthen enterprises internal control and improve business environment*	End-December 2020	**Not Met**	Submitted May 30, 2020 and adopted August 2020 but lacking elements on internal and external audit functions.
• **State Owned Enterprises.** Submit amendments to the SOE Law to the National Assembly on segregation of power and compliance, incorporating international good practices.	*Strengthen enterprises internal control and improve business environment*	End-June 2021		This SB is proposed to be replaced by the new one below.
• **BNA Law.** Submit an amendment to the BNA Law to the Council of Ministers to define, *inter alia,* a precise mandate to focus on price stability; limit monetary financing of the Government; increase operational autonomy; strengthen oversight over executive management; and improve governance, in line with IMF recommendations.	*Strengthen the monetary policy framework*	End-September 2020	**Not met**	Completed with delay: Submitted to Council of Ministers, December 2020.
• **BNA Law.** Submit an amendment to the BNA Law to the National Assembly to define, *inter alia,* a precise mandate to focus on price stability; limit monetary financing of the Government; increase operational autonomy; strengthen oversight over executive management; and improve governance, in line with IMF recommendations.	*Strengthen the monetary policy framework*	End-January 2021	**Met**	Submitted to National Assembly, January 2021
Proposed New Structural Benchmarks				
• **State Owned Enterprises.** Approval by a presidential decree of the Roadmap for the SOE reform broadly in accordance with its description in the MEFP paragraph 16.	*Enhance, better structure and guide a more comprehensive and effective SOEs reform approach.*	End-September 2021		
• **BNA Law.** Adoption of the revised BNA Law to define, inter alia, a precise mandate to focus on price stability; limit monetary financing of the Government; increase operational autonomy; strengthen oversight over executive management; and improve governance, in line with IMF recommendations.	*Strengthen the monetary policy framework*	End-November 2021		

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) sets out the understandings between the Angolan authorities and International Monetary Fund (IMF) staff regarding the definition of performance criteria (PCs); indicative targets (ITs); memorandum items; associated adjustors; and data reporting requirements for the duration of the Extended Arrangement under the Extended Fund Facility (hereafter the "arrangement"). Where these targets and items are numeric, their unadjusted number values are stated in the Memorandum of Economic and Financial Policies (MEFP, Table 1a). The values against which compliance with the arrangement will be assessed will be adjusted up or down according to the adjustors specified in this TMU. Structural benchmarks (SBs) are described in MEFP Table 2. Reviews under the arrangement will assess PCs and ITs on specified test dates. Specifically, fifth, and sixth reviews will assess PCs and ITs at end-December 2020 and end-June 2021 test dates, respectively (MEFP, Table 1a).

2. Arrangement exchange rates. For the purposes of the arrangement, the exchange rate of the Angolan Kwanza (AOA) to the U.S. dollar is set at AOA 295 per US$1 for the duration of the arrangement. The exchange rates of the other currencies per U.S. dollar are tabulated in Text Table 1. Setting arrangement's accounting exchanges rate does not imply that there is a target exchange rate for policy purposes—it simply allows comparability across different test dates.

Text Table 1. Exchange Rates per U.S. Dollar

AOA	EUR	GBP	CNY	ZAR	SDR
295.00000	1.15760	1.30410	0.14531	0.07050	1.39525

I. QUANTITATIVE PERFORMANCE CRITERIA

A. Net International Reserves of the Banco Nacional de Angola (*Floor*)

Definition

3. Net international reserves (NIRs) of the Banco Nacional de Angola (BNA) are defined as the U.S. dollar value of official reserve assets of the BNA minus reserve liabilities of the BNA. Non-dollar denominated foreign assets and liabilities will be converted into U.S. dollars at the International Financial Statistics exchange rates on September 28, 2018, with the exception of monetary gold, which will be valued at the market price at each test date (Text Table 1).

- Official reserve assets are defined as readily available claims on nonresidents denominated in foreign convertible currencies. They include the BNA's holdings of monetary gold, Special Drawing Rights (SDRs), foreign currency cash, foreign currency securities, deposits abroad, and the country's reserve position at the IMF. Excluded from foreign assets are any assets that are pledged, collateralized, or otherwise encumbered, including guarantees for third-party external liabilities, claims on residents including commercial banks, claims in foreign exchange arising from derivatives in foreign currencies vis-à-vis the domestic currency (such as futures, forwards, swaps, and options), precious metals other than gold, assets in nonconvertible currencies, assets held with unrated correspondent banks, and illiquid assets.

- Reserve liabilities are defined as all short-term foreign exchange liabilities of the BNA to nonresidents, with an original maturity of up to and including one year, commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps, and options), and all credit outstanding from the IMF.

- Disbursements from the IMF received by the Central Government under the arrangement are excluded from the computation of NIRs.

Adjustors

4. The floor on NIRs will be adjusted relative to the arrangement's assumptions given in Text Table 2.

Text Table 2. Angola: NIR Adjustors (Baseline Scenario)

Cumulative flows from the beginning of the year	2019		2020								2021			
	December		March		June		September		December		March		June	
	2nd Rev.	Actual	2nd Rev.	Actual	2nd Rev.	Actual	3rd Rev.	Actual	3rd Rev.	Actual	4th Rev	Actual	4th Rev	Proposed
Adjustors from the EFF Fourth Review:														
Brent oil price, U.S. dollars per barrel	64.0	62.7	62.3	50.5	60.8	31.4	43.4	42.7	45.7	44.6	47.3	60.7	47.9	67.3
Disbursements from multilaterals (except the IMF) and Eurobonds	3,777	3,615	40	23	1580	223	485	262	1,160	38	734	0	1042	700
Disbursements from multilaterals (except the IMF)	777	615	40	23	80	223	485	262	1,160	38	734	0	1042	700
Disbursements from Eurobonds	3,000	3,000	0	0	1500	0	0	0	0	0	0	0	0	0
Debt service to multilaterals, except the IMF, and Eurobonds	576	586	9	6	437	310	449	326	882	440	19	23	448	435
Debt service to multilaterals, except the IMF	0	135	9	6	88	85	97	100	176	87	19	23	96	83
Debt service to Eurobonds	576	451	0	0	349	226	353	226	705	353	0	0	353	353

Sources: Angolan authorities; WEO; and IMF staff estimates and projections.

a. Upward by:

- US$15 million for each quarter for each US$1 per barrel that the average Brent crude oil price in the corresponding quarter exceeded the arrangement's assumption in Text Table 2. This adjustor's upper limit is US$60 million for 2021Q2.

- The shortfall in external debt service of the Central Government with multilateral institutions, excluding the IMF, as well as with Eurobonds, relative to the baseline projection reported in Text Table 2.

- The excess in disbursements for budget support received by the Central Government from multilateral institutions, excluding the IMF, as well as proceeds from Eurobonds, relative to the baseline projection reported in Text Table 2.

b. Downward by:

- US$15 million for each quarter for each US$1 per barrel that the average Brent crude oil price in the corresponding quarter fell below the arrangement's assumption in Text Table 2. This adjustor's lower limit is US$60 million for 2021Q2.

- The excess in external debt service of the Central Government with multilateral institutions, excluding the IMF, as well as with Eurobonds, relative to the baseline projection reported in Text Table 2.

- The shortfall in disbursements for budget support received by the Central Government from multilateral institutions, excluding the IMF, as well as proceeds from Eurobonds, relative to the baseline projection reported in Text Table 2.

B. Banco Nacional de Angola Claims on the Central Government (Cumulative Ceiling)

Definition

5. BNA claims on the Central Government are defined as the cumulative change, from the beginning of the calendar year, in the stock of all outstanding claims on the Central Government held by the BNA, less revaluation gains/losses. Revaluation gains/losses are defined as changes in domestic currency terms of the value of BNA's claims because of a change in the exchange rate. These claims include loans, securities, shares, financial derivatives, settlement accounts, advances, and arrears. Securities obtained when realizing collateral received in an emergency liquidity assistance operation to commercial banks are excluded from these claims.

C. Average Adjusted Reserve Money (Ceiling)

Definition

6. Reserve money (RM) is defined as the sum of currency in circulation outside the BNA (includes cash in vaults), balances of commercial banks' overnight deposits, and banks' correspondent accounts (includes required reserves in local and foreign currency) at the BNA. RM excludes balances in deposit auctions and commercial banks' term deposits at the BNA. For each quarter, average adjusted reserve money is calculated as the quarterly average of daily data recorded in the balance sheets of the BNA (BNA Survey). For the purposes of measuring the banks' reserves in foreign currency, the exchange rates will be as in Text Table 1. For 2021Q1, the average reserve money thus defined amounted to Kz 1,992 billion.

Adjustors

7. In the event of a change in the reserve requirement ratio in local currency (rr_LC) and in foreign currency (rr_FC), the reserve money ceiling will be adjusted according to the formula:

Revised RM ceiling = Arrangements' RM ceiling + banks' correspondent accounts (bank reserves) in local

currency x (new rr_LC/old rr_LC - 1) + banks' correspondent accounts (bank reserves) in foreign currency x (new rr_FC/old rr_FC - 1)

8. For the calculation of the adjustors, the banks' correspondent accounts are evaluated as the quarterly average of daily balances, in Kwanzas, using the exchange rate in Text Table 1. The RM ceiling will be adjusted relative to the following assumptions (Text Table 3):

Text Table 3. Angola: Reserve Money Targets and Components (Baselines Scenario)

Quarterly average of daily balances (Stocks in U.S. dollars converted at 295 Kz/USD)	2019			2020												2021		
	December			March			June			September			December			March		June
	2nd Rev	Adjusted	Actual	2nd Rev	Adjusted	Actual	2nd Rev	Adjusted	Actual	3rd Rev	Adjusted	Actual	3rd Rev	Adjusted	Actual	4th Rev	Actual	5th Rev
Reserve Money Ceiling (Billions of Kwanzas)	1,748	2,030	1,870	1,739	2,037	1,922	1,774	2,311	2,035	2,062	2,113	1,914	2,086	2,114	1,941	2,130	1,992	2,099
Currency in Circulation	451	524	479	417	489	479	426	554	489	511	548	491	517	548	504	529	515	493
Bank's Accounts (Reserves) in Kwanzas	877	1,018	958	834	977	1,012	851	1,109	1,133	1,022	1,178	1,036	1,035	1,179	1,082	1,058	1,149	1,312
Bank's Accounts (Reserves) in Foreign Currency	421	488	433	488	571	431	497	648	413	528	387	387	534	387	356	543	329	293
Reserve Requirement Ratios (Percent)																		
Domestic Currency	17	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22
Foreign Currency	15	15	15	15	15	15	15	15	15	15	17	17	17	17	17	17	17	17

Sources: Angolan Authorities; and IMF staff estimates and projections.

D. Non-Oil Primary Fiscal Deficit of the Central Government (Cumulative Ceiling)

Definition

9. The NOPFD of the Central Government is defined as the non-oil primary expenditure of the Central Government plus clearance of external and domestic payments arrears in cash, as defined below, less Central Government non-oil revenue.

- The Central Government covers the entities of the Central and Local Administrations, Public Institutes, Autonomous Services and Funds, and Social Security.
- Non-oil primary expenditure of the Central Government is defined as total expenditure of the Central Government, less payment of interest on domestic and external debt, and Agência Nacional de Petróleo, Gás e Biocombustíveis's (ANPG) oil-related expenditure on behalf of the Government, all measured on a cash basis.
- For the purpose of this PC, payments arrears are defined as all external and domestic non-debt[1] contractual obligations of the Central Government that remain unpaid within 90 days after the due date specified in the contract or after the delivery date,[2] which include, but are not limited to, payment obligations from procurement contracts for goods and services, and statutory obligations for payment (e.g., civil service wages, and other entitlements); and that

[1] That is, excluding debt obligations, as defined in paragraph 18 of this TMU.

[2] This definition follows the Law No. 12/13, issued on December 11, 2013.

are related to transactions that were authorized inside or outside the Integrated Financial Management System (SIGFE) up to December 31, 2017.

- Clearance of payments arrears in cash is the cash component of the repayments of arrears that were accumulated up to December 31, 2017, as defined above.

- Central Government non-oil revenue is defined as Central Government total revenue, less oil revenue, both measured on a cash basis. Central Government oil revenue is the sum of proceeds from the tax on petroleum production (IPP), tax on petroleum income (IRP), tax on petroleum transactions (ITP), total revenue from the concessionaire (i.e., without netting out ANPG's oil-related expenditure on behalf of the Central Government), and any applicable charges on oil and gas, all measured on a cash basis.

- The PC for the NOPFD of the Central Government is calculated as the cumulative deficit since the start of the calendar year, based on the projected exchange rates for the arrangement period, and measured in Kwanzas.

10. To improve monitoring of spending on public investment projects that are financed by external project loans, in every calendar quarter the Ministry of Finance will provide the total value in U.S. dollars of invoices that have been approved by the Ministry, breaking down into invoices for which (i) external disbursements have been confirmed by external lenders; and (ii) those that have not (Table 1).

11. The NOPFD PCs and corresponding ITs will be adjusted (asymmetrically) for the Kz/USD exchange rate depreciation in excess of the program's baseline. Specifically, the PCs and ITs will be adjusted upward by a cumulative Kz 4 billion per quarter for every 1 percentage point depreciation of the cumulative average Kz/USD exchange rate (since the start of the year) by the end of the quarter in excess of the program's baseline (Text Table 4). The adjustor will be capped at a cumulative Kz 100 billion per quarter (Text Table 4).

12. The NOPFD PCs and corresponding ITs will be adjusted upwards for import costs of COVID-19 vaccines incurred on a cash basis in the relevant period.

Text Table 4. Cumulative Average Kwanza per U. S. Dollar Exchange Rates, 2020–21
(Units as indicated)

	September 2020	December 2020	March 2021	June 2021
AOA/USD	553.43	566.26	716.39	645.57
Cap units	300	400	100	200

E. Non-Accumulation of External Debt Payments Arrears by the Central Government and the Banco Nacional de Angola (Continuous Ceiling)

Definition

13. External debt payments arrears are defined as total external debt service obligations (principal and interest) of the Central Government and the BNA falling due after the date of arrangement approval that have not been paid by the time they are due, taking into account the grace periods specified in contractual agreements. Debt is defined in Paragraph 17 of this TMU and excludes contracts providing for payment on delivery. External debt payments arrears are defined on a residency basis. Arrears resulting from the nonpayment of external debt service for which a clearance framework has been agreed or a restructuring agreement is sought are excluded from this PC. External debt obligations, which the Central Government and the BNA cannot pay or settle based on their contractual terms solely because of the transfer of funds being rejected owing to intermediary financial institutions' compliance policies and which have been paid into an independent third-party escrow account (which specifies that the escrowed funds may be used only to satisfy external debt obligations) by the contractual due date, taking into account any contractual grace period, will not give rise to arrears for purposes of this PC.

14. The PC on the non-accumulation of external debt payments arrears will apply on a continuous basis throughout the arrangement.

F. New External Oil-Collateralized Debt Contracted by or on behalf of the Central Government, the Banco Nacional de Angola, and Sonangol (Ceiling)

Definition

15. Oil-collateralized debt is external debt, which involves creating a security interest, charge or lien over oil, oil receivables, or the proceeds of the sale of oil. The use of a collection account (e.g., for oil receivables or the proceeds of the sale of oil) where no charge or lien is created over such account is excluded from this definition. Prefinancing refers to debt contracted against future oil sales. A debt is contracted on behalf of the Central Government, the BNA, or Sonangol when the borrowing entity is wholly owned and/or controlled by the Central Government, the BNA, and/or Sonangol.

16. Disbursements under oil-collateralized debt contracted before the approval of the arrangement is excluded from this PC and are monitored under the ITs relating to such disbursements (Paragraphs 21–22 of this TMU). New oil-collateralized debt contracted by or on behalf of the Central Government, the BNA, or Sonangol is excluded from this PC where such debt is used for financing of oil-extraction equipment, as evidenced by the financing documents.

17. The ceiling under this PC applies to contracting of new oil-collateralized debt (including prefinancing) as well as new oil collateralization of existing debt by or on behalf of the Central Government, the BNA, or Sonangol, on a gross basis.

II. INDICATIVE TARGETS

A. Stock of Debt Contracted or Guaranteed by the Central Government or Sonangol (Ceiling)

Definition

18. Public debt is defined as domestic and external debt contracted or guaranteed by the Central Government, including debt related to the National Urbanization and Housing Plan (PNUH) owed by the Central Government to Sonangol, and external debt contracted by Sonangol. Cross-holding of claims by entities within this debt perimeter, including PNUH-related debt, are netted out for computing this IT. External debt is determined according to the residency criterion. The term "debt"[3] will be understood to mean a current, i.e., not contingent liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take several forms; the primary ones being as follows:

i. *Loans*, i.e., advances of money, to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

ii. *Suppliers' credits*, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

iii. *Leases*, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property. For the purpose of the arrangement, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

[3] As defined in the Guidelines on Public Debt Conditionality in IMF Arrangements, Decision No. 15688-(14/107).

B. Central Government Social Expenditure (Cumulative Floor)

Definition

19. Social expenditure is defined as the Central Government's spending on the following functions for a given calendar year and as specified in the General State Budget (OGE) as the "social sector": education (budget line 04); health (budget line 05); social protection (budget line 06); and housing and community services (budget line 07). This IT is set in Kwanzas.

20. The social expenditure IT will be adjusted upwards for import costs of COVID-19 vaccines incurred on a cash basis in the relevant period.

C. Net-Accumulation of Payments Arrears by the Central Government (Cumulative Ceiling)

Definition

21. For the purpose of this IT, payments arrears are defined as all external and domestic non-debt contractual obligations of the Central Government that remain unpaid within 90 days after the due date specified in the contract or after the delivery date[4], and which meet the following criteria: (i) include, but are not limited to, payment obligations from procurement contracts for goods and services, and statutory obligations for payment (e.g., civil service wages, and other entitlements); and (ii) are recorded in SIGFE. The due date is the deadline by which payment must be made under the applicable contract, taking into account the grace periods specified in the contract. After rescheduling by agreement with the creditor, the obligation rescheduled is not considered in arrears anymore.

22. The IT on the non-accumulation of payments arrears is calculated as the net change in the stock of payments arrears, as defined above and reported between the date of arrangement approval and each test date under the arrangement. This measurement will exclude all claims related to transactions that have been authorized outside SIGFE, such as those defined in paragraph 9 of this TMU and which will be reported separately.

D. Disbursements of Oil-collateralized External Debt to the Central Government (Cumulative Ceiling)

Definition

23. This ceiling refers to disbursements of oil-collateralized external debt to the Central Government from credit lines that have been contracted before the start of the arrangement, as defined in paragraph 15 of this TMU.

[4] This definition follows the Law No. 12/13, issued on December 11, 2013.

24. This IT will be monitored on a quarterly basis (Table 1).

E. Issuance by the State of Debt Guarantees (Annual Ceiling)

Definition

25. This IT ceiling covers all debt guarantees issued by the Central Government, irrespective of their purpose, currency, and beneficiary.

26. This IT is defined for each calendar year and will be identical to the annual ceiling for issuance of debt guarantees approved in the annual Budget Law.

27. For the purpose of this IT, debt is defined as in paragraph 17 of this TMU.

28. This IT will be monitored quarterly, based on the amounts approved by the Ministry of Finance for guarantee issuances.

III. REPORTING REQUIREMENTS

29. To ensure adequate monitoring of economic variables and reforms, the authorities will provide the data and information specified in Table 1.

Table 1. Angola: Data Reporting Requirements

Reporting Agency	Data	Frequency	Timing	Observation
BNA	Stock of the NIRs	Daily	No later than one week after the end of each day	
BNA	Exchange rates (official and parallel)	Daily	No later than one day after the end of each day	
BNA	Decomposition of daily variation of NIRs stock into foreign exchange sales/purchase	Weekly	No later than one week after the end of each week	
BNA	FX cash flows (historical)	Monthly	No later than 6 weeks after the end of month	To include a breakdown of inflows (including oil revenues, disbursements of FX debt, and BNA FX purchases) and outflows (including FX debt service, BNA FX liability payments, and BNA FX sales).
BNA	FX cash flows (projections)	Monthly	No later than 6 weeks after the end of month	To include a breakdown of inflows (including oil revenues, disbursements of FX debt, and BNA FX purchases) and outflows (including FX debt service, BNA FX liability payments, and BNA FX sales).
BNA	Any off-balance sheet position denominated or payable in foreign currency	Weekly	No later than one week after the end of each week	
BNA	Exports and imports (nominal values,)	Quarterly	No later than 6 weeks after the end of each quarter	
BNA	Balance of payments	Quarterly	No later than 3 months after the end of the relevant quarter	
BNA	BNA Survey	Daily	No later than one week after the end of each week	Should include stock of bank reserves in foreign currency, evaluated at (fixed) exchange rates under the arrangement.
BNA	Bank reserves in foreign currency	Daily	No later than one week after the end of each week	Denominated in foreign currency, for each relevant currency.
BNA	BNA claims on the Central Government	Monthly	No later than 6 weeks after the end of month	Including a breakdown of securities obtained when realizing collateral received in a financial institution support operation.
BNA	Stock and flows of bank claims on the Central Government	Monthly	No later than 6 weeks after the end of each month	
BNA	Accumulation of external debt service arrears by the BNA	Daily	Immediately	
BNA,	Stock and the change in Central Government deposits at the BNA and banks and change in balances of escrow accounts	Monthly	No later than 6 weeks after the end of each month	Change in deposits broken down by currency (U.S. dollar and Kwanza), and stock and change in balances of escrow accounts, broken down by beneficiary country.

Table 1. Angola: Data Reporting Requirements (continued)

Reporting Agency	Data	Frequency	Timing	Observation
BNA	Bank-by-bank financial data, including balance sheets, income statements, NPLs, broken down by currency (U.S. dollars and Kwanzas) and financial soundness indicators	Annually	No later than 4 weeks after the end of the year	However, for the 13 banks participating in the AQRs, the data submission will be quarterly, and no later than 4 weeks after the end of each quarter.
MINFIN	Accumulation of external debt service arrears by the Central Government	Daily	Immediately	
MINFIN	Oil revenue by category	Quarterly	No later than 8 weeks after the end of each quarter	Oil revenue, including from the concessionaire (100 percent), from other oil tax (IRP, IPP, ITP), and identifying the average oil price (US$/barrel) and crude oil exports (barrels).
MINFIN	Non-oil revenue by category	Monthly	No later than 2 weeks after the end of each month	Non-oil revenue (revenue from income taxes, property taxes, taxes on goods and services, taxes on international trade, and other taxes); social contributions; grants; other current revenues; and revenue from capital income.
MINFIN	Expenditure by category	Quarterly	No later than 8 weeks after the end of each quarter	Wages; goods and services (non-oil related and Sonangol's expenditure on behalf of the Central Government); domestic and external interest payment; current transfers (subsidies—including price subsidies, donations, social benefits, and other transfers) and; capital expenditure, broken down between public investment program (PIP) and others, and between domestically and externally financed.
MINFIN	Domestic borrowing and debt service (principal and interest)	Monthly	No later than 2 weeks after the end of each month	Including Treasury bonds (broken down by instrument: OT-NR, OT-TXC, OT-ME, OT-INBT), Treasury bills (Fundada, and ARO whose disbursements should be recorded at price paid), and loans (*contratos de financiamento de mútuo*).
MINFIN	External borrowing and debt service (principal and interest) as recorded in the DMFAS system	Quarterly	No later than 8 weeks after the end of each quarter	Broken down by creditor type (multilateral, bilateral, commercial, suppliers, and Eurobonds) and divided by public investment projects and budget support under the arrangement. Borrowing and debt service of collateralized debt broken down by creditor.
MINFIN	Total value of invoices in U.S. dollars related to spending on public investment projections that are financed by external project loans and that have been validated by MINFIN	Quarterly	No later than 8 weeks after the end of each quarter	Broken down by invoices for which external disbursements have been confirmed by external lenders and invoices that have not.

Table 1. Angola: Data Reporting Requirements (continued)

Reporting Agency	Data	Frequency	Timing	Observation
MINFIN	Stock of domestic debt of the Central Government	Monthly	No later than 2 weeks after the end of each month	Domestic debt broken down by instrument type (treasury bonds: OT-NR, OT-TXC, OT-ME, OT-INBT; treasury bills: Fundada and ARO; and loans: contratos de financiamento de mútuo).
MINFIN Sonangol TAAG	Stock of external debt of the Central Government, Sonangol and TAAG	Quarterly	No later than 8 weeks after the end of each quarter	External debt broken down by creditor type: multilateral, bilateral, commercial, suppliers, and Eurobonds. Stock of collateralized external debt broken down by creditor.
MINFIN Sonangol TAAG	Debt service projection, quarterly for 2018–21 and annually from 2022 onwards	Quarterly	No later than 8 weeks after the end of each quarter	Principal amortizations and interest payments of domestic debt, both broken down by instrument type (Treasury bonds: OT-NR, OT-TXC, OT-ME, OT-INBT; Treasury bills: Fundada and ARO; and loans: *contratos de financiamento de mútuo*); and of external debt both broken down by creditor type (multilateral, bilateral, commercial, suppliers, and Eurobonds), and by collateralized credit lines.
MINFIN Sonangol	Stock of public guarantees	Quarterly	No later than 8 weeks after the end of each quarter	Public guarantees broken down by currency, and identifying the amounts, beneficiary, guarantor, and maturity date of the underlying loan.
MINFIN	Issuance of new guarantees	Quarterly	No later than 8 weeks after the end of each quarter	Guarantees issuances approved by the Ministry of Finance as defined in paragraphs 21–24 of this TMU.
MINFIN Sonangol	Contracting and/or disbursements of new collateralized debt by or on behalf of the Central Government, the BNA, and Sonangol	Quarterly	No later than 8 weeks after the end of each quarter	
MINFIN	Stock, new accumulation, and clearance of payments arrears	Quarterly	No later than 8 weeks after the end of each quarter	Clearly identifying the stock and clearance of payments arrears originating outside and inside SIGFE.
MINFIN	Bonds issued in settlement of payment arrears, and for recapitalizations	Quarterly	No later than 8 weeks after the end of each quarter	
MINFIN	Bonds issued in settlement of loans by the BNA to the Central Government	Quarterly	No later than 8 weeks after the end of each quarter	The authorities should meet the corresponding PC and hence report zero issuances.
MINFIN	Recapitalizations	Quarterly	No later than 8 weeks after the end of each quarter	Broken down by beneficiary and instrument (cash, bonds, and other means).
MINFIN	Stock and the change in balances of escrow and reserve accounts	Quarterly	No later than 8 weeks after the end of each quarter	Broken down by beneficiary creditor.
MINFIN	Stock and the change in balances of the escrow set up in a sound bank operating in Angola to receive rejected debt service payments	Quarterly	No later than 4 weeks after the end of each quarter	Broken down by flows—disaggregated by new deposits and withdrawals—and stock (the balance in the account)

Table 1. Angola: Data Reporting Requirements (concluded)

Reporting Agency	Data	Frequency	Timing	Observation
MINFIN	Stock of domestic debt of the Central Government	Monthly	No later than 2 weeks after the end of each month	Domestic debt broken down by instrument type (treasury bonds: OT-NR, OT-TXC, OT-ME, OT-INBT; treasury bills: Fundada and ARO; and loans: contratos de financiamento de mútuo).
MINFIN	Social spending	Quarterly	No later than 8 weeks after the end of each quarter	Broken down by category.
MINFIN	Quarterly reviews of the BPC's restructuring plan	Quarterly	No later than 6 weeks after the end of each quarter	
MINIFIN	Production and exports of oil and natural gas	Monthly	No later than 2 weeks after the end of each month	Oil and gas production should be measured in monthly (average) barrels per day and exports measured in U.S. dollars.
MINIFIN	Actual selling prices of oil and natural gas	Monthly	No later than 2 weeks after the end of each month	For oil prices, it should be reported for all Angola brand fields. For natural gas, the average selling price.

INTERNATIONAL MONETARY FUND

ANGOLA

June 7, 2021

FIFTH REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, REQUEST FOR MODIFICATIONS OF PERFORMANCE CRITERIA AND WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION—SUPPLEMENTARY INFORMATION, AND SUPPLEMENTARY LETTER OF INTENT

Approved By

Vitaliy Kramarenko (AFR) and Gavin Gray (SPR)

Prepared by the Angola Team of the African Department.

This supplement provides new information regarding a temporary accumulation of external debt payment arrears.

EXTERNAL DEBT PAYMENT ARREARS

1. **The Angolan authorities recently temporarily accumulated external debt payment arrears.** They were overdue on USD 4.1 million owed to an external financial institution between May 17–26 and on EUR 12.5 million owed to an official export finance agency between May 14–June 3. Both sets of arrears have now been fully cleared and arose in the first place because of technical issues[1].

2. **The authorities request a waiver of nonobservance of the performance criterion (PC) on non-accumulation of external debt payment arrears.** The temporary accumulation of debt payment arrears represents a breach of the continuous PC which places a zero ceiling on accumulation of external debt payment arrears by the Central Government and the BNA. The accumulation was due to technical issues and was quickly rectified.

3. **Staff supports the authorities' request for a waiver of nonobservance of the continuous PC on non-accumulation of external debt payment arrears.** In light of the temporary nature of the arrears, staff assesses that there is no need for further corrective action.

[1] The authorities explained that in the first case, the arrears were due to the receipt of a number of payment orders with different due dates, and that in the second case, the arrears arose due to administrative complications following amendments of terms linked to the DSSI.

Appendix I. Supplementary Letter of Intent

Luanda, June 7, 2021

Madame Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC 20431
USA

Dear Madame Georgieva:

This Letter of Intent (LOI) supplements that signed on May 24, 2020 and related Memorandum of Economic and Financial Policies (MEFP) and Technical Memorandum of Understanding (TMU).

We report that we temporarily accumulated and subsequently cleared external debt payment arrears not exceeding US$20 million in May and June 2021. We request a waiver of nonobservance of the continuous performance criterion on non-accumulation of external debt payment arrears which was breached for a short period of time due to technical issues.

All policy commitments contained in the May LOI remain valid.

Please accept the assurances of our highest consideration and esteem.

/s/
Manuel José Nunes Júnior
State Minister for Economic Coordination

/s/
Vera Daves de Sousa Minister
Ministry of Finance

/s/
José de Lima Massano Governor
Banco Nacional de Angola

Statement by Ita Mary Mannathoko, Executive Director for Angola
and Jorge Essuvi, Advisor to Executive Director
June 9, 2021

Following a sharp 4 percentage point decline in real GDP growth in 2015, in the wake of the 2014 oil price shock, the Angolan economy went into recession in 2016 and remained there for five years. The authorities launched a wide-ranging reform program to stabilize and diversify the economy, and requested a Fund EFF arrangement in 2018 to support the reform effort. While a slow recovery seemed imminent at the end of 2019, this was interrupted by COVID-19 and a deep recession in 2020. The non-oil economy is however recovering, having assumed a sustained upward trajectory in real GDP growth through 2019, that was interrupted with a 5.2 percent contraction in 2020, before resuming again in 2021.

INTRODUCTION

1. On behalf of the Angolan authorities, we thank Mr. Mills and his team for their constructive discussions during the fifth review under the Extended Fund Facility (EFF) program as well as the detailed report. The authorities broadly share staff's views on the economic outlook and risks and appreciate the advice on policy priorities.
2. The COVID-19 pandemic and the collapse of oil demand and prices had a large impact on the Angolan economy. Following a rebound in oil prices, the economy is beginning to emerge from the crisis, as what has been a very difficult adjustment process, continues. The authorities are determined to push forward with their reform agenda, however, despite the challenging economic environment. They intend to entrench macroeconomic and financial stability, build resilience against external shocks, and pursue supply-side policies needed to accelerate economic diversification and spur broad-based growth. In their view, the guideposts of the EFF arrangement provide a robust anchor that helps to sustain the reform agenda.
3. The immediate policy agenda is to protect fiscal and debt sustainability through a conservative budget for 2021; to safeguard monetary and price stability by tightening monetary policy, including by adhering to quantitative targets for reserve money and supporting exchange rate flexibility; to improve efficiency and growth prospects by advancing the structural reform agenda; and to safeguard financial stability including by monitoring relevant indicators, promulgation of the revised Financial Institutions Law and restructuring a large troubled state owned bank.

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

4. Notwithstanding the nascent recovery and higher international oil prices, the COVID-19 pandemic's impact on the economy of Angola remains substantial. Growth contracted by 5.2 percent in 2020, the most severe out of five successive years of recession. A marginal contraction in GDP is projected for 2021, while non-oil GDP is expected to increase by 2.3 percent.

5. Inflation rose from 20.81 percent in 2020 to 24.8 percent in April 2021 reflecting rising food prices. Higher food inflation comes in the wake of shocks, including drought and the recent locust invasion which hampered crop production and food supplies. A tighter monetary policy is expected to reduce inflation to around 19.5 percent by end 2021.

6. Notwithstanding the adverse impact of containment measures, the external position in 2020 was stronger than anticipated, reflecting some recovery in oil prices and the Kwanza depreciation, resulting in lower imports of goods and services. Overall, gross international reserves declined relative to 2019, but they remain at a comfortable level, representing around 10.6 months of imports cover at end-May 2021.

7. The outlook for the near-term remains subject to significant downside risks. The ongoing effect of the pandemic on oil exploration and operations is expected to reduce oil production in 2021, with additional spillover effects for non-oil GDP growth.

RESPONSE TO THE PANDEMIC

8. Angola's economic outlook depends on the successful rollout of the vaccination program. Following the partial reopening of the economy during the second half of 2020, a new wave began to emerge including new variants. The authorities put in place new containment measures to mitigate the impact of the second wave, while also ramping up the vaccination process. As at June 4, 2021, well over 1 million people had received at least the first dose, while 390,000 were fully vaccinated. After receiving the first 624,000 doses of AstraZeneca (of the expected 12.8 million) from the COVAX initiative, and 100,120 of Pfizer, and 200,000 of Sinopharm, the authorities purchased 6 million doses of Sputnik V and intend to purchase an additional 4.19 million doses via African Union. They plan to inoculate 16.8 million people, representing about 52 percent of the total population (see National Vaccination Plan Against COVID-19). Cognizant of scarring effects from the pandemic, the authorities are sustaining essential social spending to protect the vulnerable.

PROGRAM PERFORMANCE

9. The program remains broadly on track. All end-December 2020 performance criteria (PCs) were met with exception of that on central bank advances to the central government as the authorities sought to contain the effects of the pandemic. However, this PC was met in March 2021 and the central bank is on track to meet the June 2021 PC. All December 2020 indicative targets (ITs) were met, except for the stock of central government and Sonangol debt. This IT was met in March 2021. The authorities continue to retire foreign currency debt and have stated their commitment to the program's debt targets with a prudent approach to borrowing focused on carefully prioritized public investment. All PCs and ITs by end-March 2021 were met, except for net accumulation of the stock of payments arrears (domestic arrears) by the central government, as COVID-19 related payments were prioritized. There was strong performance on some targets. The non-oil primary fiscal deficit (NOPFD) at end-December 2020 outperformed the target, while the end-March 2021 IT on reserve money was met with a large margin. Preliminary indications are that all end-June 2021 PCs and ITs will be met.

10. Progress has also been made in the implementation of structural benchmarks (SBs). Of the nine structural SBs up to end-March 2021, five were completed, albeit with a delay for three of these, and progress is continuing toward the remaining four. The authorities remain committed to meeting all SBs and have made considerable progress despite delays caused by the impact of the COVID-19 pandemic. Some SBs were reset for end-July and end-September 2021 due to human and institutional constraints caused by the pandemic. This includes the enactment of the Financial Institutions Law (FIL) in May 19, 2021 and the submission to the National Assembly of the BNA Law in December 2020.

11. A new securities and collateral law was enacted in April 2021, supporting development of infrastructure to promote sound credit-risk management standards, with the objective of adopting an international valuation standard for securities and collateral held by banks. This should also enhance the insolvency and enforcement frameworks.

12. Notable progress has also been made with PFM reforms. After the approval of the Fiscal Responsibility Law (FRL) by the National Assembly in August 2020, the authorities are now in the process of improving the efficiency and transparency of public procurement. They are also committed to strengthening accountability by publishing the initial project appraisal report for all new public investment projects above Kz 10 billion.

MACROECONOMIC POLICIES

13. The authorities remain committed to the steadfast implementation of the reform agenda and the goals of macroeconomic stability, economic diversification, and private sector-led growth.

Fiscal policy and debt management

14. Fiscal priorities remain focused on attaining a primary fiscal balance consistent with fiscal and debt sustainability. Building on tight budget execution in 2020, the authorities approved a prudent 2021 budget, supported by tax reforms implemented during the first half of 2020. The authorities anticipate an overall fiscal surplus of 2.2 percent for 2021, reflecting expenditure retrenchment alongside improved revenue performance. The authorities plan to implement additional measures to strengthen tax capacity, including inspections to improve tax compliance.

15. The authorities will continue to restrain non-priority spending and work to enhance the quality of spending. In 2020 they introduced a medium-term fiscal framework (MTFF) and its related fiscal strategy per the new requirements under the Fiscal Responsibility Law (FRL). The pilot MTFF anchored the 2021 budget and will guide the 2022 budget preparation. Alongside medium-term fiscal targets, it internalizes the implications of public investment decisions for the medium-term. The authorities will develop a comprehensive domestic arrears management plan that will rely on a real-time arrears surveillance system, to mitigate against domestic arrears accumulation.

16. As part of proactive debt management policies, the fiscal authorities recently reprofiled debt service with three large creditors, resulting in significant cash-flow savings in the medium term. They have also requested the extension of debt relief under the DSSI and are in the process of requesting a further extension through end-2021. They will continue to impose ceilings on issuance of debt guarantees by the State, and aim to better align interest rates on domestic

debt obligations with market rates, to better support domestic debt rollover rates and maturity extension, and contribute to the development of the domestic debt market. They also intend to save most of the windfall oil revenue in 2021 stemming from higher-than-expected oil prices - and accelerate debt reduction.

17. The authorities remain committed to reducing the poverty and inequality exacerbated by the pandemic, and are fast-tracking the registration of beneficiaries of the cash transfer program, Kwenda, with the objective of reaching 1.6 million households by end 2022. In addition, they are discussing a possible extension of the program timeframe and augmenting the cash transfer amounts per family, with the World Bank. They will continue to increase spending on education and health over time.

Monetary, exchange rate and financial sector policies

18. While the central bank tightened monetary policy in 2019 to reduce inflation, the adverse effects of the pandemic in 2020 resulted in the BNA temporarily loosening its monetary policy stance to ensure adequate liquidity in the system. Nevertheless, in response to recent inflationary pressure caused by weather-related shocks, the central bank initiated a gradually tightening of the monetary stance using open-market operations in 2021Q1 and increased reserve requirement ratios, to contain excess liquidity. Given ongoing inflationary pressures, the BNA will continue to monitor price developments closely. It is also committed to bringing the real interest rate into positive territory.

19. The BNA continues to reduce its role in the domestic FX market. The recent adoption of the Bloomberg FX trading platform and measures to enhance full price discovery in the FX market also support this goal. Progress in developing the market is expected to help limit the spread between the official and parallel exchange rates. Further, progress has also been made in eliminating exchange rate restrictions.

20. To safeguard financial stability, the authorities are promoting the prudent recognition of banks' loan loss provisions in line with expected credit losses, as well as the early recognition and active management of non-performing loans (NPLs) by commercial banks. With the measures taken, the banking system's NPL ratio has continued to fall, but remains high, hence the authorities' continued attention to protecting the sector's stability. Despite a slight decrease in capital buffers, they remain above the regulatory threshold. Moreover, after the completion of the recapitalization and restructuring process of the Banco de Poupança e Crédito (BPC), the authorities initiated the privatization process for the Banco de Comércio e Indústria (BCI). The authorities are also finalizing the restructuring of Banco Económico (BE) following the promulgation and publication of the new Financial Institutions Law in May 19, 2021. The authorities also remain committed to addressing the remaining governance and operational challenges at Recredit in line with recommendations of the Fund's TA, to help advance the implementation of macroprudential and resolution frameworks.

21. The new BNA Law submitted to the National Assembly in December-2020, is expected to be approved as soon as amendments are introduced to the Constitution to accommodate the autonomy and reinforce the mandate, of the central bank. Meanwhile, the BNA is putting in place complementary guidelines on effective bank boards and effective credit-risk-management practices and updating asset-classification and provisioning rules.

Structural reforms and governance

22. As the immediate pressures of the pandemic abate, advancement of structural reforms has become more of an imperative for the authorities. They have made progress in improving public financial management following the enactment of the Fiscal Responsibility Law and the ongoing work on the medium-term fiscal framework. Efforts to increase the share of investment projects that go through public tenders and the number of budget units, whose annual purchase plans are published on the Public Purchases Portal, are continuing. Furthermore, to improve transparency and accountability of extractive industries, the authorities are concluding requirements to join the Extractive Industries Transparency Initiative (EITI).

23. The Government Privatization Program (PROPRIV 2019-2022) aimed at privatizing 172 SOEs, including Sonangol's non-core assets, remains on course albeit with some delays due to the COVID-19 interruption in 2020. A total of 39 SOEs were privatized by end-2020 through public tenders. The authorities intend to accelerate PROPRIV as the situation improves. They are developing a roadmap on the overall SOE reform with staff's support. Privatization receipts will be used primarily for infrastructure financing, strengthening viable SOEs to be privatized, and repayments of central government debt.

24. The authorities continue to make significant progress in fighting corruption and improving the rule of law. A strategy is being framed with the support of the United Nations (UN), which will include the establishment of a UN agency in the country to fight drugs, crime, corruption, and terrorism. The National Asset Recovery Service, a special agency created by the Attorney General's Office continues to recover assets financed illegally through public funds, including by freezing bank accounts linked to the related individuals.

CONCLUSION

25. The authorities reiterate their commitment to the reform agenda and restoring macroeconomic stability, recouping sustainable growth and securing inclusive outcomes. To this end, they will continue implementing appropriate fiscal, monetary, and structural policies. They appreciate ongoing Fund engagement and policy advice and look forward to Executive Directors' support towards completion of this fifth review under the EFF arrangement.