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ANGOLA

January 2021

FOURTH REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND REQUESTS FOR MODIFICATIONS OF PERFORMANCE CRITERIA AND WAIVERS FOR PERFORMANCE CRITERIA APPLICABILITY AND NONOBSERVANCE—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR ANGOLA

In the context of the Fourth Review Under the Extended Arrangement Under the Extended Fund Facility and Requests for Modifications of Performance Criteria and Waivers for Performance Criteria Applicability and Nonobservance, 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 January 11, 2021, following discussions that ended on December 2, 2020, 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 December 23, 2020.
- 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

PR21/06

IMF Executive Board Completes Fourth Review of the Extended Fund Facility Arrangement for Angola, and Approves US$ 487.5 Million Disbursement

FOR IMMEDIATE RELEASE

- *The IMF Executive Board decision allows for an immediate disbursement of about $487.5 million to Angola.*
- *The COVID-19 pandemic continues to represent a significant challenge to Angola's economy.*
- *The authorities' policy response to the COVID-19 shock remains robust and they remain strongly committed to the economic program under the Extended Fund Facility, with satisfactory implementation.*

Washington, DC – **January 11, 2021:** The Executive Board of the International Monetary Fund (IMF) today completed the fourth 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 338.5 million - about $487.5 million, bringing total disbursements under the arrangement to SDR 2,143.2 million (about $3 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.

The multifaceted nature of the COVID-19 shock continues to negatively impact Angola's economy and population. Oil production and prices remain weak, and the health and social impacts of the pandemic continue to be felt. The authorities have maintained a robust policy response in the face of these challenges and remain resolutely committed to the program. The authorities achieved a prudent fiscal adjustment in 2020 that included non-oil revenue gains and restraint in non-essential expenditure, while preserving essential spending on health and social safety nets. The passage of the 2021 budget in December consolidates these gains. The authorities have also allowed the exchange rate to act as a shock absorber and have begun to implement a gradual shift towards monetary tightening to address rising price pressures.

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

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

"Despite the challenges from the ongoing COVID-19 pandemic, the Angolan authorities have demonstrated a strong commitment to sound policies under the IMF-supported arrangement. The authorities' robust policy response has enabled Angola to weather large external shocks, most notably lower oil revenues, and mitigate their macroeconomic impact while protecting the most vulnerable.

"The stabilization of public finances remains the cornerstone of the authorities' strategy. The authorities achieved strong fiscal adjustment in 2020. Their 2021 budget consolidates the non-oil revenue gains and expenditure restraint of the 2020 budget, while protecting priority health and social spending. These achievements help reduce the budget's dependence on oil revenues.

"The implementation of debt reprofiling agreements and extension of the Debt Service Suspension Initiative through end-June 2021 will provide significant debt-service relief and help reduce risks related to debt sustainability. Given Angola's sensitivity to oil price shocks, it is important that the authorities remain vigilant in managing these risks.

"After having eased the monetary stance to mitigate the COVID-19 shock, the National Bank of Angola (BNA) started to address rising inflationary pressures by tightening monetary policy. Further gradual tightening is needed to reduce inflation. Exchange rate flexibility has served as a valuable shock absorber during the crisis. Efforts are ongoing to develop a liberalized foreign exchange market.

"Continuing progress in financial sector reforms is critical, particularly completing the restructuring of the two troubled public banks. Timely adoption of both the revised BNA Law and the revised Financial Institutions Law is key to continuing this progress.

"The authorities also need to maintain momentum in other structural reforms that support stronger diversified growth, enhance governance, and combat corruption."

INTERNATIONAL MONETARY FUND

ANGOLA

December 23, 2020

FOURTH REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND REQUESTS FOR MODIFICATIONS OF PERFORMANCE CRITERIA AND WAIVERS FOR PERFORMANCE CRITERIA APPLICABILITY AND NONOBSERVANCE

EXECUTIVE SUMMARY

Context. While improving, the economic outlook remains highly challenging, given the slow and uncertain recovery from the COVID-related shocks. Heavily dependent on oil, the Angolan economy has suffered from weakness in that sector, with falling production (related to the pandemic) and only a partial rebound in international prices recently. These shocks have led to a fifth straight year of recession and hardship. The public debt-to-GDP ratio has risen to very elevated levels, driven by recent real exchange rate depreciation. Nevertheless, strong fiscal performance and active debt management are setting the stage for a gradual economic recovery and reduction in debt vulnerabilities.

Program performance. It has been adequate since the Third Review. All but two end-September 2020 indicative targets were met; the exceptions were central bank claims on the Central Government and the stock of public debt. The authorities expect to meet all end-December 2020 PCs except for central bank claims on the Central Government. Of the eight *structural benchmarks* up to end-December 2020, two will likely be met; progress continued toward actions on the six unmet SBs. Staff supports the request for the completion of the Fourth Review.

Risks. There are significant risks to the program, particularly concerning very high debt levels, oil prices and the fragile global economic environment. To address these risks, the authorities have kept the program on track, most notably by submitting a prudent draft 2021 budget to the National Assembly; implementing an effective debt management strategy; allowing the exchange rate to adjust to shocks; pursuing sound monetary policy; and continuing progress on important structural reforms.

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

Discussions took place during November 17–December 2, 2020 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 Dantos, *Banco Nacional de Angola* Governor José Massano, and other senior officials. The staff team comprised Messrs. Mills (head), de Zamaroczy, Ricka, and Weiss and Ms. Gove (all AFR); Ms. Chen and Mr. Thomas (FAD); and Messrs. Halikias (SPR), Otero (MCM), Souto (resident representative), and Miguel (local economist). Ms. Mannathoko and Mr. Essuvi (OEDAE) participated in key policy meetings. Ms. Mbogo provided research support. Mr. Ogaja assisted with the preparation of this report.

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RECOVERING FROM THE COVID-19 PANDEMIC

1. **Angola continues to face challenges on multiple fronts related to the COVID-19 shocks.** Coming after four consecutive years of recession, the shocks from COVID-19 have driven an even larger output contraction in 2020. This decline has compounded the hardship for many Angolans, who were already facing high levels of poverty and falling incomes.[1] Containment measures, especially a country-wide lockdown, depressed domestic activity, while Angola also experienced large terms-of-trade and balance of payments shocks. The number of COVID infections has not been as high as initially feared, although it has risen recently.

- *Oil exports remain weak*. Global oil prices began to recover in late 2020, but only partially. With activity and maintenance disrupted by the pandemic, oil and gas production dropped by about 6 percent in 2020.

- *The non-oil economy is recovering only gradually*. Non-oil GDP output plunged 9.2 percent y/y in Q2 2020, at the height of lockdown measures. Resilient agriculture growth provided a modest counterbalance. Activity appears to have recovered partially in the second half of the year, but with lingering balance sheet effects and extended high unemployment, demand has likely remained muted. Staff expect non-oil output to contract by 2.9 percent for the year.

- *Inflation remains high*. Inflation rose throughout 2020 and is expected to end the year at 25 percent. This rise was driven by COVID-related supply disruptions (both domestic and international), exchange rate depreciation, and the modification of the new value-added tax (VAT) in September 2020. Food inflation has risen even faster (31 percent y/y in October), disproportionately hitting some more vulnerable segments of the population.

- *Strong fiscal consolidation has continued in 2020 despite the recession*. The non-oil primary fiscal deficit (NOPFD) in 2020 is projected to narrow more than expected, down to 4.3 percent of GDP (significantly below the 5.7 percent recorded in 2019 and 5.9 percent projected for 2020 at the time of the Third Review). In addition to overperformance on non-oil revenues in the first half of the year (especially for VAT and corporate income tax (CIT)), revenue measures in the July supplementary budget delivered an additional 0.2 percent of GDP. The nominal freeze on non-essential spending on goods and services (at 2019 levels) and on new hiring (except in the education and health sectors) also delivered substantial savings. Social assistance spending has been safeguarded, however, with the end-June 2020 indicative target (IT) met. Despite these efforts, the public debt ratio is expected to peak at over 130 percent of GDP by the end of 2020, mostly because of exchange rate depreciation.

- *Angola's external position has weakened substantially in 2020*. With the slump in global oil prices, compounded by a decline in oil production, goods export receipts are projected to drop by

[1] The World Bank estimates a poverty headcount ratio of 52 percent (2018, based on income of less than $1.90 a day), and staff estimates that GDP per capita on a PPP basis has declined by 23 percent over 2014–2020, including a 7 percent drop in 2020 alone.

40 percent. The impact on the current account has been partially mitigated by a large contraction in imports, driven by real depreciation and the fall in domestic demand, and by reduced oil company profit transfers abroad. Overall, the current account balance is projected to shift from a large surplus to a small deficit (¾ percent of GDP). The financial account deficit is also projected to widen in 2020, as the absence of market access and larger deposit outflows more than offset the impact of reduced net foreign direct investment outflows (as overseas oil companies supported their Angolan subsidiaries). While exceptional financing, reflecting bilateral debt reprofiling and the G20 Debt Service Suspension Initiative (DSSI), substantially mitigated the balance of payments (BOP) deterioration, it has also been partly financed by gross international reserves (GIR) drawdown, with reserve import coverage declining 2 months to 9.9 months (Tables 4a–4b).

- *Banks remain vulnerable to shocks in the current fragile economic context.* Banks are operating in a challenging environment of protracted recession, high inflationary pressures, and a continued depreciation of the Kwanza. Banks record high levels of nonperforming loans (NPLs) and their asset quality has been further challenged by the COVID-19 pandemic. Capital levels remain adequate, however, for all but two banks (below).

2. **Angola's economy is expected to have begun a gradual recovery in 2020.** Non-oil growth is projected to recover next year, offsetting the effects of delayed maintenance and investment in the oil sector, which will likely lead to an additional drop in oil production in 2021, followed by a slow return to the previous trend over the medium term . Inflationary factors are expected to unwind as monetary policy tightens, the impact of the VAT enhancement is absorbed, and the pace of exchange rate depreciation moderates.

3. **The risks to the outlook remain slanted to the downside, although there is a rising upside**. Global demand may stay repressed, pushing oil prices down, or the impact of the pandemic on the non-oil economy may linger longer than expected. Materialization of these risks would lead to a further output contraction in 2021 and exacerbate Angola's fragile debt dynamics, as oil revenues decline and the exchange rate depreciates. Failure to fully implement the government's economic program—due for example to reform fatigue—would also weaken the recovery and debt dynamics. Upside risks include a faster-than-expected recovery in oil prices, a less-than-expected decline in oil production, or a faster return to "normalcy" in non-commodity sectors.

PROGRAM ON TRACK IN THE FACE OF CHALLENGES

4. **Despite considerable challenges, the authorities continued to implement the program satisfactorily, although with delays on the structural agenda** (Tables 1–6; Figures 1–4; MEFP Tables 1–2). The authorities met the end-June 2020 PC on the non-oil primary deficit. The end-December 2020 PCs on net international reserves and reserve money will likely be met, and there is no reason to believe that the end-December 2020 PC on the NOPFD will be missed. The end-December 2020 PC on central bank claims on the Central Government is expected to be missed

(¶26). All continuous PCs are expected to have been met. All end-September 2020 indicative targets (ITs) were met, except for the end-September 2020 ITs on central bank clams on the Central Government and the stock of central government debt and debt of Sonangol. Of the eight *structural benchmarks* (SBs) up to end-December 2020, two will likely be met and six not; progress continued toward actions on the unmet SBs (¶15, 16, 18, and 21).

POLICY DISCUSSIONS

Policy discussions focused on facilitating economic recovery, accelerating structural reforms, and bolstering debt sustainability.

A. Continued Fiscal Restraint

5. The 2021 budget will deliver broadly stable non-oil revenue collection relative to GDP, despite some headwinds. On one hand, the new revenue measures approved in the 2020 budget are projected to yield gains in non-oil revenue in 2021 equivalent to an additional 0.4 percent of GDP (Text Table 1, MEFP ¶7). The largest gains will stem from changes in the personal income tax (PIT) and VAT regime. For 2021, the authorities will also take additional actions to enhance the efficiency of their existing non-oil revenue policies; these include a 2.5 percent VAT withholding levy on all sales of goods and services made at automatic payment terminals, which will help increase the tax base. On the other hand, the additional revenue stemming from 2020 and 2021 reforms will be offset by larger VAT refunds as the tax matures, leaving overall planned non-oil revenue slightly lower at 7.3 percent of GDP in 2021 (based on conservative projections in the budget).

6. Continued expenditure restraint together with the broadly stable non-oil revenues will help preserve the tight fiscal position achieved in 2020. The 2021 budget presents prudent spending plans, building on the current expenditure reduction achieved in 2020 and constraining public investment plans (similar to levels in 2019). As a result, the NOPFD will roughly stabilize at 4.4 percent of GDP in 2021, securing the overperformance achieved in 2020 and remaining well below the 5 percent of GDP expected at the time of the Third Review. Maintaining fiscal discipline in subsequent years will help ensure continued gradual improvements in the non-oil primary balance to around 3 percent of GDP in the medium term and a reduction in the structural dependence on oil revenues.

7. Settlement of historical payments arrears is mostly completed. The authorities have cleared most of the domestic legacy payments arrears (accumulated before 2018), largely through securitization. They also anticipate completing settlement of arrears accumulated in 2018, albeit with a slight delay relative to the previously agreed target date of end-December 2020 (SB). They have also progressed in clearing a mutual backlog of payments with Sonangol and have met the program limits on accumulation of new domestic arrears with a comfortable margin (June 2020 IT).

8. Thanks to the strong fiscal effort and debt relief, gross financing needs (GFNs) will decline substantially in 2021. Fiscal consolidation, refinancing of large domestic debt maturities in

2020, debt relief agreed with two of Angola's large creditors, the G20 DSSI, and ongoing support from multilateral organizations are together expected to bring GFNs down from 17 percent of GDP in 2020 to around 9 percent of GDP in 2021. They are then projected to gradually decline further in the medium and long run.

Text Table 1. Angola: Main Non-Oil Revenue Measures, 2020–22

Tax	Description	2020	2021	2022
Measures approved in 2020 budget and supplementary budget				
PIT	Removal of PIT exemptions, new PIT regime, PIT on military income etc.	0.08	0.20	
VAT	Delay VAT for capital goods for one year	-0.05	0.05	
	General regime	0.03	0.08	
Other	Property tax administrative measures, withholding tax for services provided by non-residents, excise tax on luxury cars etc.	0.03	0.10	
Measures in 2021 budget				
VAT	Introduce withholding tax of 2.5 percent at automatic payment terminals		0.10	
Measures to be implemented in 2022				
VAT	Reduce threashold			0.10
PIT	Keep the existing thresholds			0.08
Total		**0.09**	**0.53**	**0.18**

Sources: Angolan authorities; and IMF staff estimates

B. Preserving Debt Sustainability

9. Public debt remains sustainable, albeit subject to very high risks. The debt-to-GDP ratio is expected to peak at over 130 percent of GDP at the end of 2020, with the spike due primarily to the large exchange rate depreciation. The ratio is expected to start declining steadily from 2021 on the back of tight fiscal policy and a recovery in growth. It is projected to reach the authorities' long-term target of 60 percent of GDP by 2028, thanks to their commitment to conservative fiscal policy and prudent debt management. Nonetheless, debt dynamics remain highly vulnerable to further shocks, especially lower oil prices and accelerated exchange rate depreciation.

10. Debt service reprofiling has alleviated short-term pressures. Reprofiling under the DSSI—now extended through end-June 2021—and debt relief from two large creditors will deliver substantial cash-flow savings in 2020–23. Going forward, fiscal financing, to a large extent, will depend on disbursements from external sources, including commercial lenders and multilateral institutions. Avoiding financing pressures also requires sufficiently high rollover rates of domestic debt, which could in turn be supported by a gradual movement toward positive real interest rates on domestic debt, as inflation declines. In the medium term, the development of domestic debt markets will facilitate an enlargement of the lender base and an extension of maturities. 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. Given the very high risks to Angola's debt sustainability, they remain ready to act to mitigate the impact of possible shocks to the Angolan economy and their possible negative effect on the dynamics of the public debt.

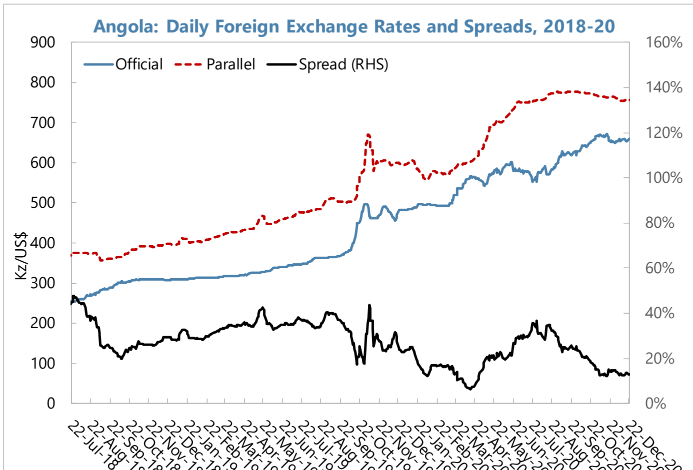
C. Recalibrating Monetary Policy

11. Monetary policy is gradually shifting from accommodating the COVID-19 shocks earlier in 2020 to reining in inflation. Monetary accommodation in the first half of 2020 worked well to ease liquidity pressures on non-financial corporations, banks, and the rollover of government securities. However, with inflation steadily rising and the worst of the shock seemingly past, the *Banco Nacional de Angola* (BNA) appropriately shifted to a gradual tightening in the second half of the year. Actions included the enhanced use of open market operations to drain excess liquidity from the system and an increase in September in the reserve requirement on banks' foreign exchange (FX) deposits (to be settled in domestic currency). Despite these tightening measures, inflation remains high and interbank lending rates remain negative in real terms, and so it is critical that the BNA maintain its tightening stance in 2021. As such, targets under the program in 2021 for reserve money and BNA advances to the Central Government have been set consistent with sufficient monetary tightening, including a tighter reserve money path than envisioned at the time of the Third Review. Staff emphasized the usefulness of complementing these quantitative targets by increasing the BNA's policy rate to support a shift toward positive real interest rates. This move would further help to curb excessive depreciation pressures, lower inflation, and strengthen the BNA's signaling power and credibility. The authorities agreed on the need to gradually raise real interest rates but expressed concern about the risks to economic activity from raising real interest rates too rapidly.

D. Enhancing Exchange Rate Flexibility and External Buffers

12. The flexible exchange rate has served as a shock absorber, as the authorities target further FX market liberalization. The sharp depreciation of the exchange rate that began with the shock in March continued through much of the rest of 2020 (totaling 33 percent in nominal terms), although the Kwanza saw some appreciation in November and December. The authorities have taken additional steps to enhance the functioning of the FX market, most notably with the extension of the recently-adopted electronic trading platform for FX transactions to the Treasury and the initiation by the BNA of

Angola: Daily Foreign Exchange Rates and Spreads, 2018-20



Sources: BNA and Bloomberg.

FX futures contracts auctions (MEFP ¶12). These actions will help further remove the BNA from the spot FX market—with the goal of intervening only to reduce excessive volatility—and enhance exchange rate flexibility and full price discovery in the FX market. The spread between the official and parallel exchange rates, which had widened considerably in mid-2020 (partly due to the lack of physical FX in informal markets as borders were closed) has recently narrowed again. Continued progress in developing the FX market will help minimize the spread.

13. Reserve adequacy is projected to improve during the program (Tables 4a–4b). Reflecting limited FX intervention (in line with an intervention budget agreed under the program),[2] the authorities kept reserve losses well within program targets throughout 2020. Although BOP pressures are expected to persist in 2021 (reflecting the decline in oil production and absence of market access), NIR and GIR are both projected to rise in 2021, which would translate into substantial improvements in import coverage and reserve adequacy (in percent of the ARA metric) since the launch of the program. Further improvements would be required to achieve a comfortable level of reserves for a commodity exporter.

E. Maintaining Financial Sector Stability

14. The COVID-19 pandemic has put pressure on banks' credit portfolios and highlighted the need for continued close monitoring of their balance sheets. Credit to the private sector remained flat during the third quarter, while the level of NPLs was above 20 percent at end-September 2020 (although in decline thanks to the restructuring of one of the two troubled public banks). The authorities have carefully overseen the banking system, mindful of the importance of the accuracy of loan classification and prudent provisioning, to ensure that banks are well-prepared for potential additional loan quality deterioration. In addition, the BNA has closely followed the sovereign holdings in the banking system and monitoring banks' net open FX positions given the substantial exchange rate risks (MEFP ¶17).

15. The authorities have not yet finalized a comprehensive restructuring plan for one of the two troubled public banks. The asset quality reviews (AQRs) conducted in December 2019 identified important capital shortfalls in two public banks. The restructuring of the largest public bank is underway, following a plan approved by the BNA, which includes a recapitalization plan, a transfer at fair value of NPLs to the public asset management company (*Recredit*), and the improvement of its corporate governance. However, the finalization of the restructuring plan for the other troubled public bank (missed end-June SB, MEFP ¶15, reset for end-March 2021) is awaiting passage of the Financial Institutions Law, expected by end-March 2021. The authorities also subsequently plan to complete their strategy for the role of the state in the banking sector (missed end-February 2020 SB, reset for end-March 2021).

[2] In spite of the major BOP shocks of 2020, the program design allows only partial net international reserve (NIR) accommodation (via adjustors for lower oil prices and loss of market access).

16. The authorities are completing the measures to address remaining governance and operational challenges at *Recredit*. The latter is expected to finalize the agreed governance and transparency arrangements by end-February 2021 (missed end-August SB, MEFP ¶16). *Recredit* is also scaling up its operations to facilitate progress with the resolution of the second batch of NPLs that it received in June 2020 and remains committed to improving its operational capacity, including through hiring external experts.

17. The authorities will develop a new Emergency Liquidity Assistance (ELA) framework. The BNA needs to improve its lender of last resort safeguards. In parallel to the upcoming BNA Law, which includes the new ELA framework, the BNA will work on the secondary legislation needed to operationalize the framework, which will benefit from capacity development from the IMF to operationalize it.

18. The authorities have made progress on the Financial Institutions Law (FIL). The revised Financial Institutions Law (FIL) was submitted in August 2020 to the National Assembly, which is considering its adoption (missed end-September SB, reset for end-March 2021). The authorities are already working on the secondary legislation that will be enacted immediately after the adoption of the FIL in order to complement the strengthened regulatory framework for banks. (MEFP ¶14)

F. Moving Forward on Structural and Governance Reforms

19. Structural fiscal reforms are advancing (MEFP ¶8)**.**

- *Tax administration*. The tax agency (AGT) is enhancing its capacity to implement the newly introduced tax policy reforms, focusing on establishing reliable taxpayer databases, improving VAT monitoring, and adopting an invoice-based compliance strategy. AGT is also developing a post-pandemic collection recovery plan, with IMF technical assistance.

- *Cash transfer program and fuel subsidy reforms*. Despite the pandemic, the cash transfer program registered 80,000 households by mid-November and aims to reach 1.6 million households by end-2023. The authorities plan to pursue fuel subsidy reforms gradually once the cash transfer program reaches a critical mass of households. A presidential decree was adopted in October to publish monthly market reference fuel prices, a step towards introducing an automatic retail fuel pricing mechanism.

- *State-owned enterprises (SOEs)*. The privatization agenda is advancing, despite some delays due to the pandemic. By end-October, 30 SOEs were privatized for Kz 55 billion and 6 non-core assets of Sonangol were sold for $17 million. Six national companies are in the privatization process, which is expected to be finalized by end-2021, with estimated proceeds of Kz 330 billion. By September, 59 SOEs (including the 15 largest by assets) had published their audited financial statements on the State Property Management Agency's (IGAPE) website.

- *Public financial management (PFM)*. The Fiscal Responsibility Law (FRL) was approved in August 2020. A pilot Medium-Term Fiscal Framework (MTFF) and a fiscal strategy were completed in

September to help anchor the 2021 budget. Annual and quarterly fiscal reports are being published regularly to support the preparation of the pilot MTFF, which is expected to be fully implemented in the 2021 budget. To strengthen public investment efficiency, the authorities have committed in the 2021 budget to publish initial project appraisal reports for all large projects undertaken from January 2021 onward (SB, reset for end-June 2021), in addition to procurement reforms (¶21).

20. The authorities have made progress on the revised BNA Law. The authorities, in consultation with IMF staff, have revised the BNA Law and submitted it to the Council of Ministers in December (missed SB, end-September 2020). The amended law represents a significant improvement in the BNA's governance structure and independence (MEFP ¶10), and the authorities plan to submit it to the National Assembly by end-January 2021 (proposed new SB).

21. The authorities continue to make important strides to enhance governance, reduce corruption, and strengthen the business climate despite the pandemic.

- *SOE Law*. It was approved by the National Assembly in August 2020 (completing the end-December 2020 SB early). It materially improves SOEs' internal controls, governance structure, professionalism, internal and external audit functions, and disclosure practices, in line with international good practices. The authorities plan to reinforce the SOE Law by incorporating good international practices on segregation of power and compliance by submitting amendments to the National Assembly by end-June 2021 (proposed new SB).

- *Transparency.* This area continues to be an important focus of the authorities. By end-October, more than 88 percent of eligible projects were awarded through the public tender process, on track to exceed the annual target of 45 percent (SB). To improve the efficiency and transparency of the procurement process, the authorities are expanding the use of the electronic tender program along with the publication of Annual Purchase Plans.

- *Anti-corruption agency.* The authorities remain committed to coordinating with the United Nations (UN) to open an agency in Angola to fight drugs, crimes, corruption, and terrorism (UNODC), supporting their effort to combat corruption and improve the business environment (MEFP ¶21).

- *Extractive Industries Transparency Initiative (EITI).* Discussions to become a member of the EITI are advancing. Sonangol is seeking to join Trace International, a globally recognized anti-bribery business association, aiming to be compliant with the U.S. Foreign Corrupt Practices Act, U.K. Bribery Act, and other anti-bribery legislation.

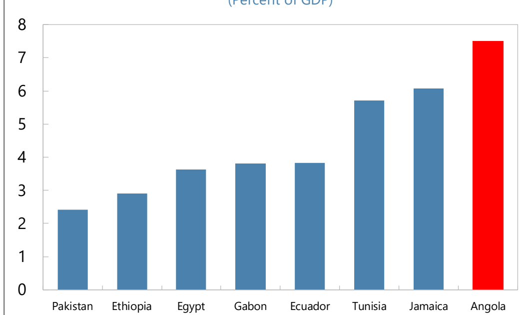
- *AML/CFT.* The authorities are continuing to effectively implement the recently enacted AML/CFT law. Continued efforts to enhance the effectiveness of the AML/CFT framework are important to address pressures on correspondent banking relationships, support ongoing corruption and money laundering investigations, and prepare for Angola's upcoming AML/CFT assessment.

PROGRAM ISSUES AND RISKS

22. The program is fully financed. Despite the continued absence of international market access, full BOP and fiscal financing for the next 12 months is assured through available financing from existing bilateral external credit lines, prospective financing from the domestic banking system, program support (including the IMF access augmentation), and the extension of the DSSI to the first half of 2021 (Tables 7–8). Adequate domestic financing assumes a plausible moderate increase in rollover rates relative to the very low rates of 2020. This rollover would be supported by the planned movement toward positive T-bill rates in real terms. Implementation of the debt reprofiling initiatives agreed by the authorities bolster the robustness of financing prospects to potential oil price shocks.

23. Capacity to repay the Fund remains broadly adequate, although subject to higher-than-usual risks. Reflecting the access augmentation, several capacity-to-repay indicators have deteriorated relative to past reviews (Text Figures and Table 9). In particular, IMF credit outstanding as a share of GDP now peaks at 7.5 percent, which is high in comparison to other normal access arrangements. IMF credit as a share of non-collateralized external debt is relatively more moderate, peaking at 13.5 percent, while IMF credit as a share of GIRs (net of collateralized debt service), is relatively high, peaking at 33.6 percent. Peak repayments to exports are at the high end of other normal access EFF arrangements. Risks to the Fund would be mitigated by further debt reprofiling and further progress towards reducing debt collateralization.

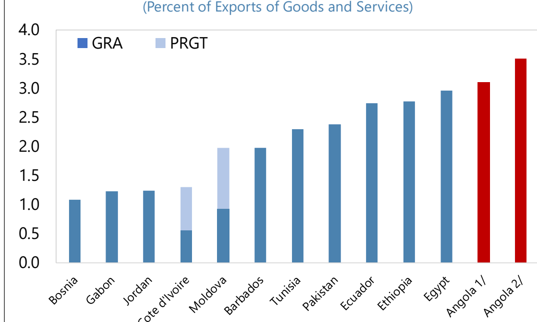
Angola: Peak IMF Credit-to-GDP Ratio in Recent EFFs
(Percent of GDP)



Sources: IMF Staff reports for program requests; and IMF staff calculations.

24. Financial burden sharing is expected to continue. The debt reprofiling agreements reached in mid-2020 provide substantial cash-flow relief, and the extension of the DSSI to the first half of 2021 further improves burden sharing. The fiscal financing gap for 2020–21 has been revised down to $4 billion (from $4.6 billion at the time of the Third Review), while delayed multilateral support from other international financial institutions will cover around 30 percent of Angola's financing gap in the course of 2021.

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



Source: IMF staff calculations.
1/ Relative to exports of goods and services.
2/ Relative to unemcumbered exports of goods and services, i.e., net of oil-collateralized external debt service.

25. The authorities are continuing to implement the recommendations of the 2019 safeguards assessment. In addition to the finalization of the revised BNA Law, including on the ELA framework (MEFP ¶10 & 14), the authorities have made progress in implementing International Financial Reporting Standards, strengthening the capacity of the internal audit function, and rebalancing its foreign reserves assets portfolio. Following the enactment of legal amendments (¶20), an Audit Committee will need to be established to strengthen independent oversight.

26. The authorities request a waiver of nonobservance for the end-December 2020 PC on BNA's claims on the government and waivers of applicability for the other end-December PCs, and propose modifications to program conditionality as follows:

- The authorities request a waiver for the nonobservance of the end-December 2020 PC on BNA advances to the Central Government due to corrective action taken. The PC's nonobservance is related to acquisitions of government securities on the secondary market, as part of COVID-related efforts to stabilize market dysfunction and as part of a debt settlement related to financial sector support. These transactions did not directly finance the government. Nevertheless, under the current program definition, these securities count toward this PC. The size of the non-observance is not expected to exceed Kz 300 billion. Excluding these securities, the authorities would have met this PC. In view of the corrective action taken by the authorities—namely, sterilization of the securities purchases via OMOs (and, in parallel, meeting the reserve money targets under the program)—and the fact that the authorities' direct financing of the Central Government has remained within the PC target, staff assesses that corrective action has been taken and supports the waiver.

- The authorities request a revision of the TMU to exclude government securities obtained when realizing collateral received in an emergency liquidity assistance operation to commercial banks from the definition of "claims" under this PC. Such securities do not constitute direct financing of the government, and their exclusion allows the objective of the PC to be met while not limiting policy tools available to the BNA.

- The authorities propose to change the end-June 2021 PC on reserve money to a lower target, taking into account the overperformance of reserve money relative to targets in 2020 and their continued efforts to gradually tighten monetary policy over the course of 2021.

- The authorities propose to change the March IT and June PC on BNA advances to the Central Government to address the front-loaded nature of the authorities' borrowing needs in the early part of 2021. These targets have been recalibrated to align with the proposed revision to the end-June reserve money PC, striking a balance between government financing and monetary policy tightening.

- The authorities propose to decrease the end-June 2021 NOPFD PC to reflect the lower deficit projected for the full year, relative to the Third Review, while increasing the end-March IT to better accommodate the observed historical seasonality in non-oil tax revenues. This tighter fiscal stance established in 2021 and maintained into the medium term is necessary to preserve debt sustainability. Staff also proposes to increase the end-March and end-June public debt ITs to reflect the higher-than-expected end-December 2020 stock of debt due to exchange rate depreciation.

- The authorities propose to reset four SBs and introduce two new SBs to strengthen the monetary policy framework and state enterprises' internal controls.

27. The authorities remain committed to the gradual phasing out of exchange restrictions and multiple currency practices. The authorities are working toward eliminating the special tax on transfers to non-residents under foreign TA or management service contracts (ER, Article VIII, 2a).

28. The authorities have made steady progress in addressing external debt arrears. They were accumulating arrears at a rate of $4.3 million per month through June 2020 due to correspondent banks' unwillingness to process debt service payments to a commercial creditor. To address this issue, in line with program commitments, at end-June the authorities established an escrow account at an Angolan bank, in which the full debt service due is being deposited. Regarding legacy obligations to the former Federal Socialist Republic of Yugoslavia, the authorities have been in discussions with one successor state to validate the claim, which are ongoing despite a temporary COVID-related slowdown. In addition, the authorities have cleared payments arrears to a commercial creditor via an agreement to settle outstanding obligations over a ten-year period, and they are in discussions with a second commercial creditor to verify its claims, with the aim of reaching agreement in the near future on a repayment schedule.

STAFF APPRAISAL

29. Angola continues to suffer on multiple fronts from the COVID-related shocks. Continued weak oil production and low oil prices will mean further weak exports, subdued (if improving) economic activity, and pressures on the current account, international reserves, the exchange rate, and debt dynamics. Downside risks to the outlook remain considerable and include further shocks to global oil prices and local oil production and, on the domestic side, a resurgence of the pandemic and a slower-than-expected recovery from the 2020 shock.

30. Nevertheless, the program remains on track, with continuing strong fiscal performance. The fiscal tightening achieved in 2020 has overperformed the program targets. The authorities' 2021 budget signals continued commitment to the program objectives, including reducing the budget's dependence on oil revenues and preserving critical social spending to protect the vulnerable.

31. The authorities' measures have preserved public debt sustainability, but risks remain very high. The debt-to-GDP ratio spiked in 2020 due to exchange rate depreciation but is expected to fall steadily over the medium and long term, on the basis of sustained large primary surpluses and a negative interest rate-growth differential. Fiscal GFNs are also projected to drop substantially in 2021 and decline gradually in subsequent years. Nonetheless, debt sustainability faces high risks, especially due to vulnerability to adverse movements in the exchange rate and oil prices. The authorities should continue their prudent and active debt management approach to build additional buffers against possible future shocks.

32. Monetary policy now needs to turn toward tightening to deal with high inflation. The BNA appropriately supported firms and households with liquidity-provision measures at the height of the COVID-19 shock. However, with conditions seemingly beginning to stabilize and prices continuing to rise, it is critical that the BNA assert a tighter monetary policy to help rein in inflation, which risks spurring further depreciation, negatively affecting both households and public debt dynamics. The BNA should stand ready to react further to adverse changes in the inflation outlook.

33. The exchange rate has appropriately acted as a shock absorber, and the authorities are moving to enhance the functioning of the FX market. Further progress has been made toward developing and liberalizing the FX market, including futures contracts auctions and expanded access to the trading platform. The BNA should continue to allow the exchange rate to adjust, refrain from being a primary supplier of FX in the market, and allow full price discovery to take place, intervening only to curb excessive volatility. Maintaining adequate external buffers, especially GIR, is important to bolstering resilience.

34. Momentum must also be maintained on strengthening financial sector stability. The completion of the restructuring of the two troubled public banks has taken considerable time, and the authorities should follow through resolutely on their plans to reinforce financial stability. In addition, they should continue to monitor closely the level of NPLs in the banking system and identify any further deterioration in the banks' credit portfolios in a timely fashion, while continuing to ensure prudent provisioning. In parallel, they must remain vigilant in relation to banks' net open FX positions.

35. Structural reforms are advancing to support the fiscal adjustment and foster a better business environment. Continued progress in tax administration, SOE reforms, public procurement, and fiscal governance will ensure efficiency and transparency in the collection and use of public resources, while restoring fiscal sustainability and fostering private-sector-led diversification. Robust growth is an essential ingredient to reducing debt vulnerabilities and raising living standards.

36. While risks remain elevated and there have been delays on some structural reforms, the authorities' commitment to the program continues to be strong. The government has demonstrated its commitment to maintain macroeconomic stability via the policies and measures in the 2020 and 2021 budgets. These steps will be complemented by the authorities' gradual pivot toward monetary tightening to rein in inflation and contain exchange rate pressures. At the same time, the authorities' structural reform agenda and social spending commitments are helping to set the stage for more inclusive and diversified medium-term growth. Moving forward more quickly with the planned cash transfer program, which has been delayed by capacity constraints and the COVID-19 shock, will help in this area. The IMF staff stand ready to support the authorities' policy agenda with technical assistance, in coordination with development partners.

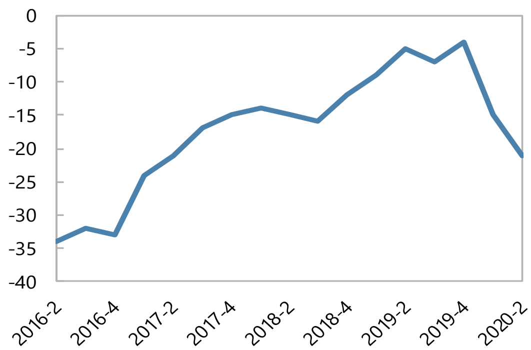
37. Angola continues to maintain restrictions on the making of payments and transfers for current international transactions under the transitional arrangements of Article XIV, Section 2 (in addition to measures subject to AVIII, Sections 2 and 3).

38. Staff supports the authorities' request for the completion of the Fourth Review, the waiver for non-observance of the end-December PC on BNA advances to the Central Government, waivers of applicability for the other end-December PCs, and modifications to conditionality. The program remains a sound anchor for the authorities' reform agenda and a catalyst for official financing and debt reprofiling.

Figure 1. Angola: Selected High-Frequency Indicators, 2016–20

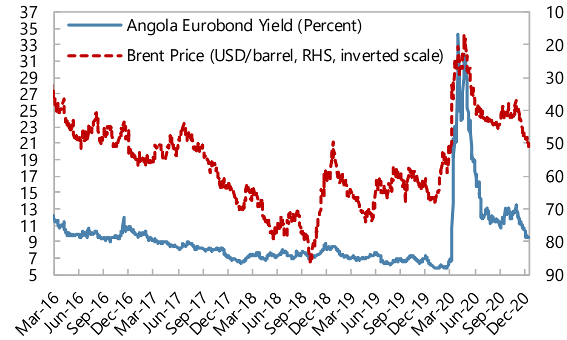
Business confidence fell in line with the COVID shock.

National Institute of Statistics Business Confidence Index 1/



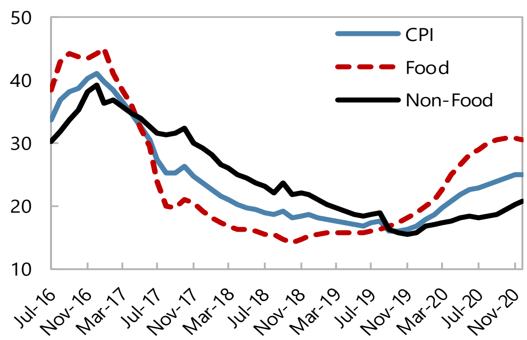
Downward trend in Eurobond yields continues.

Eurobond Yield and Oil Price
(Units as indicated)



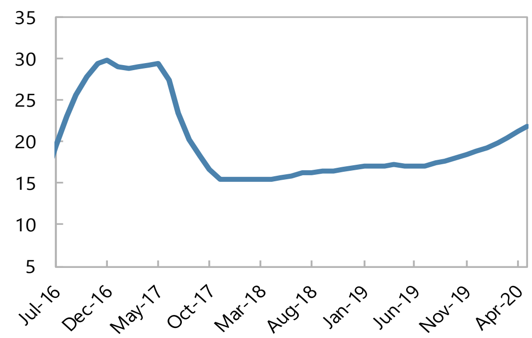
Consumer price inflation accelerated in 2020…

Consumer Price Inflation
(Percent, year-on-year)



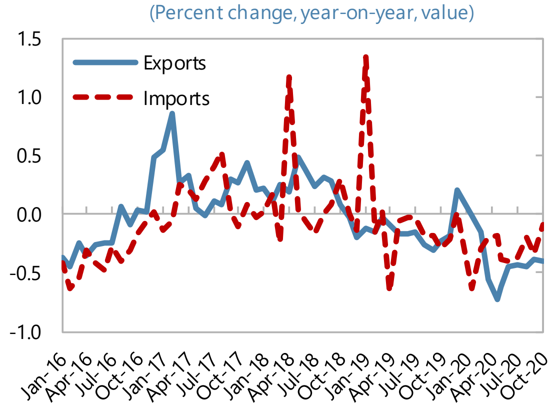
…And wholesale price inflation is trending up as well.

Wholesale Price Inflation
(Percent, year-on-year)



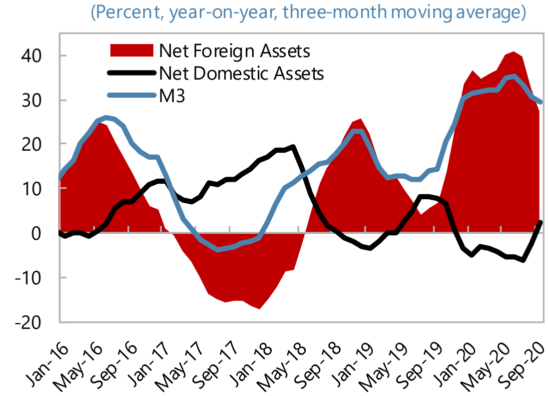
Lower oil exports and import compression drove the trade balance.

Exports and Imports of Goods
(Percent change, year-on-year, value)



NFAs are the main contributor to M3 growth in 2020.

Contribution to M3 Growth
(Percent, year-on-year, three-month moving average)

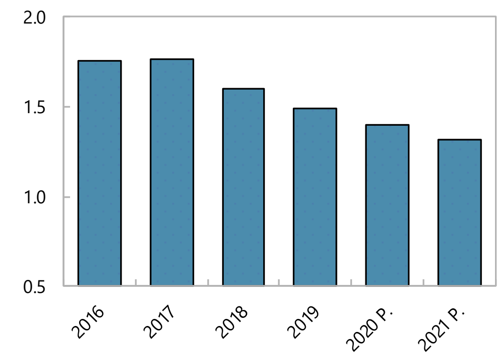


Sources: Angolan authorities; and IMF staff estimates and projections.

Figure 2. Angola: Fiscal Developments, 2016–21

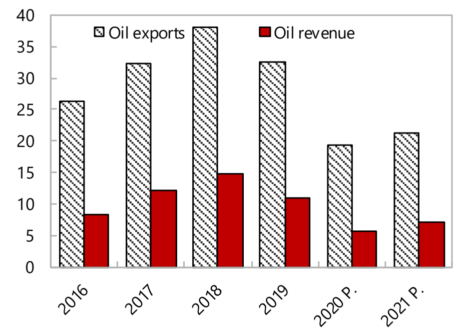
Oil and gas production is declining…

Oil and Gas Production
(Millions of barrels per day)



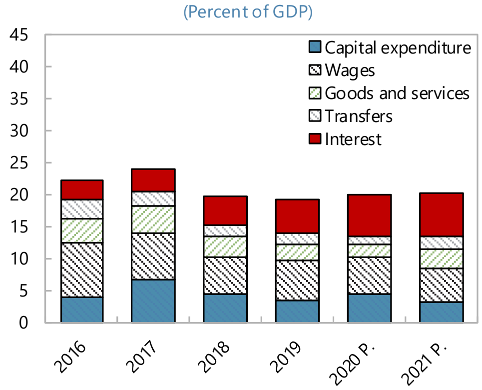
…but oil exports and revenue are projected to stabilize in line with oil prices.

Oil Exports and Revenue
(Billions of U.S. dollars)



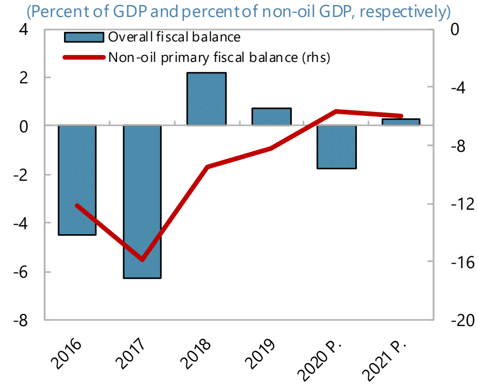
Interest payments are squeezing other expenditures.

Expenditure
(Percent of GDP)



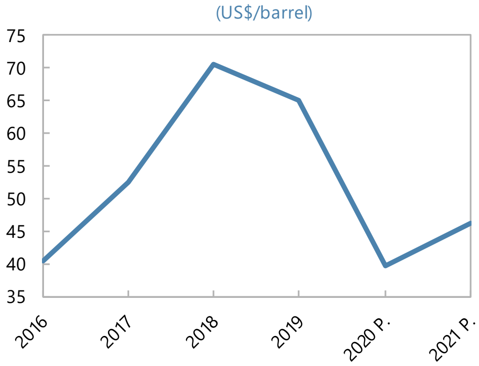
Fiscal stance is projected to remain prudent.

Overall and Non-Oil Fiscal Primary Balances
(Percent of GDP and percent of non-oil GDP, respectively)



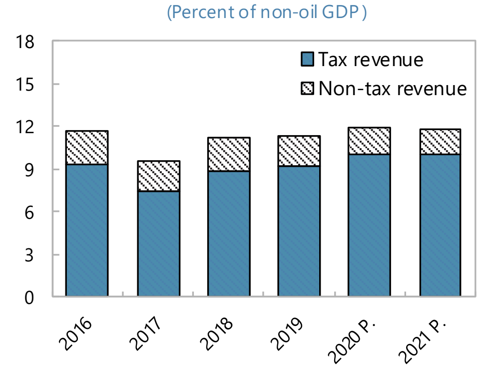
Oil prices are expected to begin recovering in 2021

Angolan Oil Price
(US$/barrel)



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

Non-Oil Revenue
(Percent of non-oil GDP)

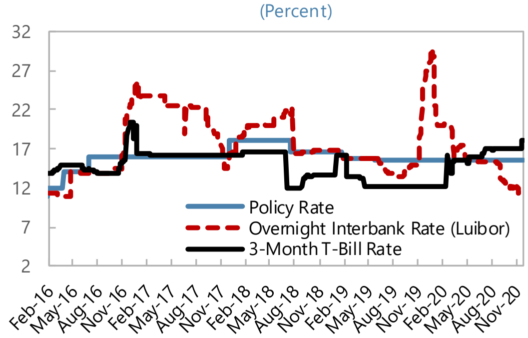


Sources: Angolan authorities; and IMF staff estimates and projections.

Figure 3. Angola: Monetary Developments, 2016–21

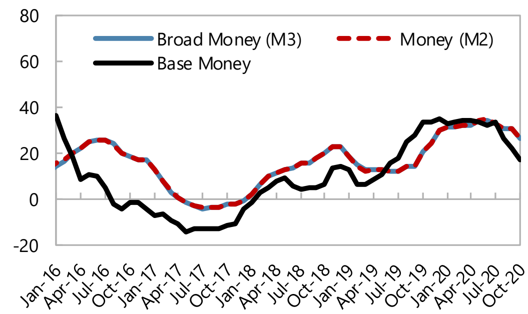
The interbank rate has fallen while the policy rate remains on hold.

Interest Rates
(Percent)



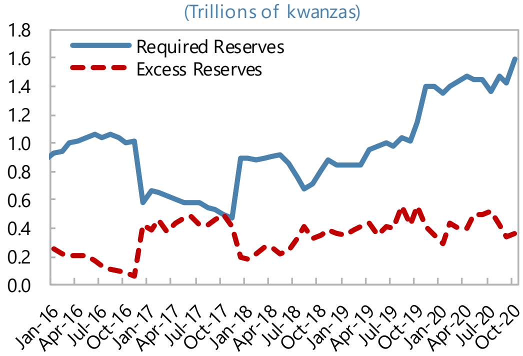
Monetary aggregate growth has been elevated in 2020 but is beginning to ease.

Money Supply
(Percent, year-on-year, 3-month moving average)



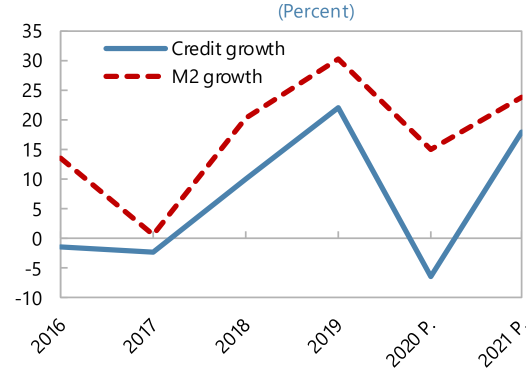
Excess reserves remain sizeable but stable.

Commercial Banks' Reserve Position at the BNA
(Trillions of kwanzas)



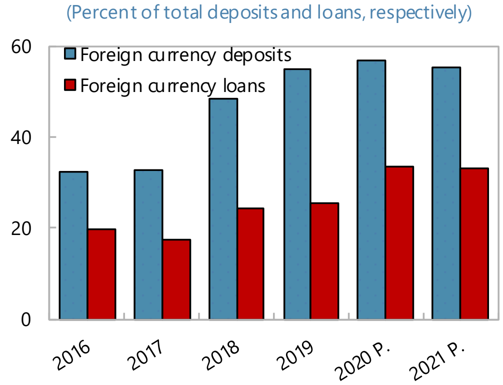
Private credit growth is expected to recover in 2021.

Credit and M2 Growth
(Percent)



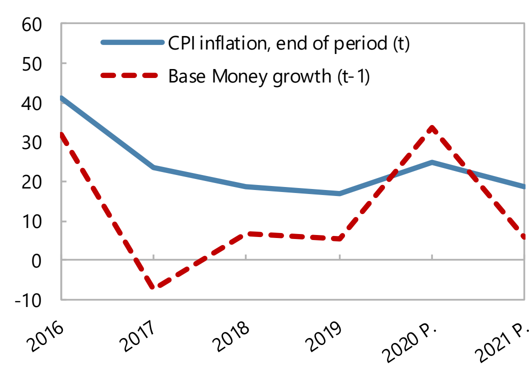
Dollarization remains elevated.

Foreign Currency Deposits and Loans
(Percent of total deposits and loans, respectively)



Inflation is expected to continue to decline in 2021.

Inflation and Base Money Growth
(Percent)

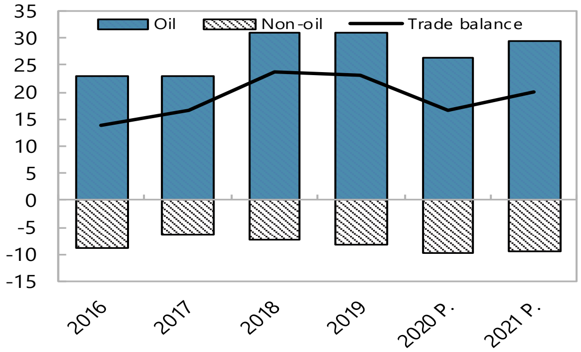


Sources: Angolan authorities; and IMF staff estimates and projections.

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

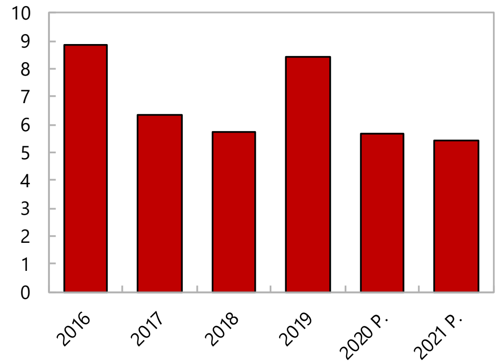
The trade balance has declined with oil exports.

Trade Balance
(Percent of GDP)



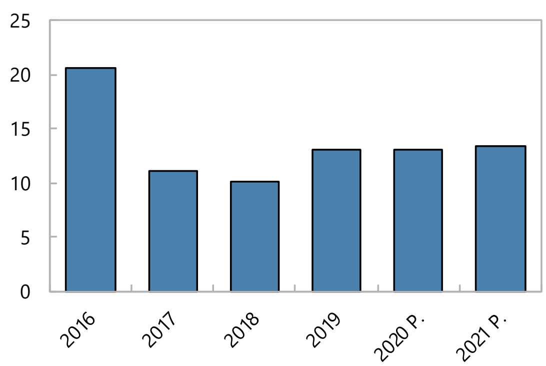
Reserves remain stable compared to imports…

Net Reserves to Following Year's Imports
(Months)



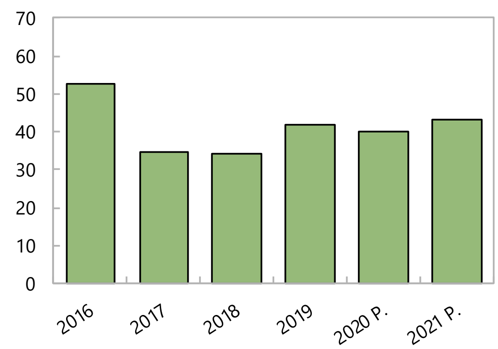
…And to GDP…

Net Reserves to GDP
(Percent)



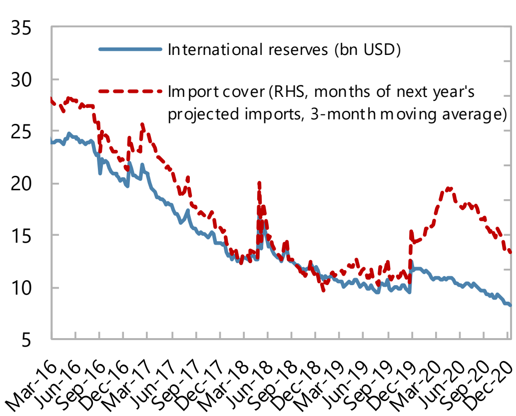
… and are expected to improve relative to money supply (M2)…

Net Reserves to M2
(Percent)



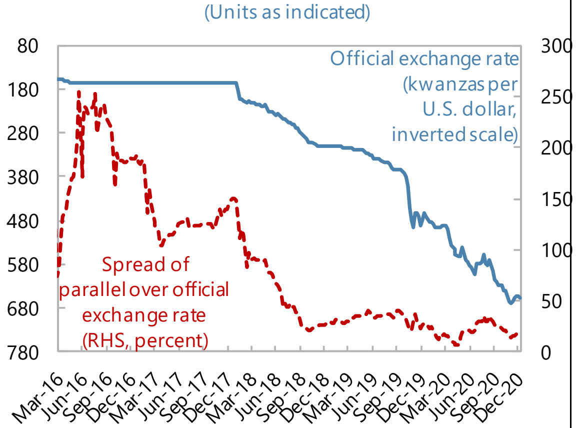
…while international reserve coverage remains adequate.

Net International Reserves
(Units as indicated)



The exchange rate has depreciated this year amid liberalization and the COVID-19 shock.

Exchange Rate
(Units as indicated)



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

Table 1. Angola: Main Economic Indicators, 2019–23

	2019		2020		2021		2022		2023	
	3rd Rev.	Est.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.
Real economy (percent change, except where otherwise indicated)										
Real gross domestic product	-0.9	-0.6	-4.0	-4.0	3.2	0.4	3.0	2.4	3.9	3.5
Oil sector	-6.6	-6.5	-6.8	-6.3	6.1	-6.2	1.6	0.0	1.6	0.0
Non-oil sector	1.4	1.8	-2.8	-2.9	2.3	2.5	3.5	3.3	4.8	4.7
Nominal gross domestic product (GDP)	21.8	22.1	8.9	10.5	27.7	29.7	17.9	15.1	12.8	11.7
Oil sector	27.5	27.3	-12.5	-9.6	40.9	43.2	17.6	10.5	9.3	5.4
Non-oil sector	19.5	19.9	18.2	19.2	23.4	25.3	18.0	16.9	14.1	14.0
GDP deflator	22.9	22.8	13.4	15.1	23.7	29.3	14.5	12.4	8.6	8.0
Non-oil GDP deflator	17.8	17.8	21.6	22.9	20.6	22.2	14.0	13.1	8.9	8.9
Consumer prices (annual average)	17.1	17.1	21.0	22.3	20.6	22.2	14.0	13.1	8.9	8.9
Consumer prices (end of period)	16.9	16.9	22.2	25.0	19.6	18.7	10.0	10.0	8.0	8.0
Gross domestic product (billions of kwanzas)	32,622	32,690	35,518	36,133	45,349	46,879	53,459	53,965	60,322	60,300
Oil gross domestic product (billions of kwanzas)	9,899	9,882	8,658	8,936	12,202	12,800	14,345	14,142	15,683	14,904
Non-oil gross domestic product (billions of kwanzas)	22,723	22,808	26,861	27,197	33,147	34,079	39,114	39,824	44,639	45,397
Gross domestic product (billions of U.S. dollars)	89.4	89.6	62.7	61.9	68.1	61.4	72.4	64.2	78.6	69.0
Gross domestic product per capita (U.S. dollars)	2,968	2,974	2,021	1,996	2,130	1,920	2,198	1,950	2,318	2,034
Central government (percent of GDP)										
Total revenue	20.0	20.0	17.9	18.2	19.7	20.3	20.2	20.4	20.1	20.0
Of which: Oil-related	12.1	12.1	10.2	9.2	11.4	11.7	11.4	11.3	11.1	10.6
Of which: Non-oil tax	6.5	6.4	6.6	7.5	7.1	7.3	7.7	7.8	7.9	8.0
Total expenditure	19.2	19.2	20.7	19.9	19.8	20.0	19.3	19.0	18.5	18.5
Current expenditure	15.8	15.8	17.9	15.5	16.8	16.8	16.0	15.7	15.1	15.2
Capital spending	3.5	3.4	2.8	4.4	3.0	3.2	3.3	3.3	3.4	3.3
Overall fiscal balance	0.8	0.7	-2.8	-1.7	-0.1	0.3	1.0	1.4	1.7	1.4
Non-oil primary fiscal balance	-5.7	-5.7	-5.9	-4.3	-5.0	-4.4	-4.4	-3.8	-4.1	-3.7
Non-oil primary fiscal balance (percent of non-oil GDP)	-8.2	-8.2	-7.9	-5.7	-6.9	-6.0	-6.0	-5.1	-5.5	-4.9
Money and credit (end of period, percent change)										
Broad money (M2)	30.2	30.2	4.2	15.0	22.5	23.8	12.8	11.0	12.5	12.5
Percent of GDP	31.3	31.3	30.0	32.5	28.7	31.0	27.5	29.9	27.4	30.1
Velocity (GDP/M2)	3.2	3.2	3.3	3.1	3.5	3.2	3.6	3.3	3.6	3.3
Velocity (non-oil GDP/M2)	2.2	2.2	2.5	2.3	2.5	2.3	2.7	2.5	2.7	2.5
Credit to the private sector (annual percent change)	25.9	21.7	7.6	-6.0	26.4	18.5	25.2	25.9	15.2	15.1
Balance of payments										
Trade balance (percent of GDP)	23.0	23.0	16.7	16.6	19.9	20.1	20.9	19.4	20.7	18.6
Exports of goods, f.o.b. (percent of GDP)	38.8	38.8	33.4	33.8	36.6	37.6	37.0	36.8	36.1	35.1
Of which: Oil and gas exports (percent of GDP)	36.6	36.4	31.0	31.3	34.1	34.8	34.0	33.4	33.0	31.5
Imports of goods, f.o.b. (percent of GDP)	15.8	15.8	16.7	17.1	16.7	17.6	16.1	17.3	15.5	16.5
Terms of trade (percent change)	-11.2	-11.6	-37.8	-38.5	18.9	10.1	-1.4	-4.9	5.7	2.2
Current account balance (percent of GDP)	5.7	5.7	-1.3	-0.7	0.1	0.6	0.9	-0.3	0.9	-0.7
Gross international reserves (end of period, millions of U.S. dollars)	17,321	17,211	15,582	14,102	16,914	15,218	18,114	15,218	19,114	15,468
Gross international reserves (months of next year's imports)	12.4	12.4	9.9	9.9	10.2	10.0	10.2	9.6	10.3	9.3
Net international reserves (end of period, millions of U.S. dollars)	11,302	11,712	8,100	8,085	7,968	8,187	9,168	8,687	10,266	9,030
Exchange rate										
Official exchange rate (average, kwanzas per U.S. dollar)	365	365	…	…	…	…	…	…	…	…
Official exchange rate (end of period, kwanzas per U.S. dollar)	482	482	…	…	…	…	…	…	…	…
Public debt (percent of GDP)										
Public sector debt (gross)[1]	109.2	107.1	120.3	134.2	107.5	119.9	93.8	106.7	83.7	97.2
Of which: Central Government debt and Sonangol[2]	108.9	106.8	120.0	133.9	107.2	119.6	93.5	106.4	83.4	97.0
Of which: Central Government debt[3]	105.6	102.7	116.4	126.4	103.9	112.8	90.9	100.8	80.7	91.2
Oil										
Oil and gas production (millions of barrels per day)	1.493	1.493	1.392	1.399	1.477	1.313	1.500	1.313	1.524	1.313
Oil and gas exports (billions of U.S. dollars)	32.7	32.6	19.4	19.4	23.2	21.3	24.6	21.4	25.9	21.7
Angola oil price (average, U.S. dollars per barrel)	65.2	65.0	39.8	39.6	44.9	46.2	46.9	46.4	48.5	46.9
Brent oil price (average, U.S. dollars per barrel)	64.0	64.0	42.8	42.1	47.5	48.1	49.1	48.2	50.4	48.7

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

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

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

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

Table 2a. Angola: Statement of Central Government Operations, 2019–23
(Billions of kwanzas, unless otherwise indicated)

	2019		2020		2021		2022		2023	
	3rd Rev.	Prel.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.
Revenue	**6,529**	**6,530**	**6,367**	**6,578**	**8,924**	**9,531**	**10,825**	**11,013**	**12,130**	**12,031**
Taxes	6,058	6,058	5,955	6,063	8,417	8,916	10,227	10,293	11,447	11,211
Oil	3,952	3,952	3,620	3,337	5,175	5,495	6,093	6,072	6,670	6,399
Non-oil	2,105	2,105	2,335	2,726	3,242	3,420	4,134	4,222	4,777	4,812
Social contributions	311	311	245	321	302	328	357	383	407	437
Grants	3	3	0	2	0	0	0	0	0	0
Other revenue	157	158	166	192	205	288	242	336	276	383
Expenditure	**6,271**	**6,291**	**7,364**	**7,202**	**8,983**	**9,397**	**10,301**	**10,264**	**11,131**	**11,172**
Current expenditure	**5,144**	**5,164**	**6,363**	**5,615**	**7,622**	**7,886**	**8,537**	**8,483**	**9,081**	**9,182**
Compensation of employees	1,999	1,999	2,218	2,064	2,651	2,472	2,916	2,719	3,150	2,936
Use of goods and services	844	844	1,001	694	1,336	1,382	1,575	1,591	1,778	1,778
Interest	1,703	1,721	2,400	2,328	2,791	3,139	3,026	3,076	2,995	3,117
Domestic	795	797	1,045	1,097	1,071	1,173	1,051	882	911	812
Foreign	908	923	1,355	1,231	1,720	1,965	1,976	2,194	2,084	2,305
Subsidies	79	79	242	42	188	210	222	224	250	250
Other expense	519	522	502	488	655	684	797	873	908	1,101
Net investment in nonfinancial assets	**1,127**	**1,127**	**1,001**	**1,587**	**1,360**	**1,511**	**1,764**	**1,781**	**2,051**	**1,990**
Net lending (+) / Net borrowing (-)	**258**	**239**	**-997**	**-625**	**-58**	**134**	**524**	**749**	**999**	**859**
Statistical discrepancy	137	228	0	64	0	0	0	0	0	0
Net acquisition of financial assets (+: increase)	**-713**	**-305**	**-2,446**	**-2,283**	**-1,126**	**-263**	**-336**	**-369**	**386**	**775**
Domestic	-686	-278	-2,290	-2,149	-657	347	235	-70	-53	-100
Cash and deposits[1]	-686	-486	-2,510	-1,471	-657	389	235	0	-53	0
Equity and investment fund shares	0	209	220	-679	0	-42	0	-70	0	-100
Other accounts receivable	0	0	0	0	0	0	0	0	0	0
Foreign	-27	-27	-157	-133	-469	-610	-571	-299	439	875
Net incurrence of liabilities (+: increase)	**-834**	**-166**	**-1,449**	**-1,594**	**-1,068**	**-398**	**-860**	**-1,118**	**-613**	**-84**
Domestic	-1,796	-609	-2,590	-1,661	-1,063	-2,065	-1,075	-1,010	-405	676
Debt securities	-122	-122	-2,405	-1,393	-863	-1,665	-925	-1,010	-405	676
Disbursements	1,583	1,583	1,430	2,469	1,420	799	2,510	1,972	2,878	2,954
Amortizations	-1,705	-1,705	-3,835	-3,862	-2,283	-2,464	-3,435	-2,983	-3,283	-2,278
Loans	-278	-361	0	0	0	0	0	0	0	0
Other accounts payable[2]	-1,396	-126	-185	-268	-200	-400	-150	0	0	0
Foreign	962	443	1,141	67	-5	1,667	215	-108	-208	-760
Debt securities	962	901	1,141	445	-5	1,667	215	-108	-208	-760
Disbursements	2,992	2,931	2,589	2,083	2,729	3,655	1,888	1,956	2,653	2,728
Of which: Budget support under the program	425	425	1,456	696	1,466	2,144	0	-1	0	-1
Amortizations	-2,030	-2,030	-1,448	-1,638	-2,734	-1,988	-1,673	-2,064	-2,861	-3,488
Other accounts payable	0	-397	0	-378	0	0	0	0	0	0
Memorandum items:										
Non-oil primary fiscal balance	-1,867	-1,868	-2,113	-1,542	-2,274	-2,044	-2,344	-2,050	-2,460	-2,215
Angola oil price (average, U.S. dollars per barrel)	65.2	65.0	39.8	39.6	44.9	46.2	46.9	46.4	48.5	46.9
Social expenditures[3]	1,726	1,726	1,440	1,726	1,814	2,721	2,406	2,428	3,016	3,015
Public sector debt (gross)[4]	35,626	35,013	42,725	48,490	48,762	56,201	50,130	57,573	50,485	58,635
Of which: Central Government and Sonangol[5]	35,533	34,922	42,608	48,373	48,624	56,061	49,985	57,426	50,336	58,483
Of which: Central Government[6]	34,436	33,584	41,162	45,351	46,714	52,318	48,037	53,588	48,685	54,973

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 2b. Angola: Statement of Central Government Operations, 2019–23
(Percent of GDP)

	2019		2020		2021		2022		2023	
	3rd Rev.	Prel.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.
Revenue	**20.0**	**20.0**	**17.9**	**18.2**	**19.7**	**20.3**	**20.2**	**20.4**	**20.1**	**20.0**
Taxes	18.6	18.5	16.8	16.8	18.6	19.0	19.1	19.1	19.0	18.6
Oil	12.1	12.1	10.2	9.2	11.4	11.7	11.4	11.3	11.1	10.6
Non-oil	6.5	6.4	6.6	7.5	7.1	7.3	7.7	7.8	7.9	8.0
Social contributions	1.0	1.0	0.7	0.9	0.7	0.7	0.7	0.7	0.7	0.7
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	0.5	0.5	0.6	0.5	0.6	0.5	0.6
Expenditure	**19.2**	**19.2**	**20.7**	**19.9**	**19.8**	**20.0**	**19.3**	**19.0**	**18.5**	**18.5**
Current expenditure	**15.8**	**15.8**	**17.9**	**15.5**	**16.8**	**16.8**	**16.0**	**15.7**	**15.1**	**15.2**
Compensation of employees	6.1	6.1	6.2	5.7	5.8	5.3	5.5	5.0	5.2	4.9
Use of goods and services	2.6	2.6	2.8	1.9	2.9	2.9	2.9	2.9	2.9	2.9
Interest	5.2	5.3	6.8	6.4	6.2	6.7	5.7	5.7	5.0	5.2
Domestic	2.4	2.4	2.9	3.0	2.4	2.5	2.0	1.6	1.5	1.3
Foreign	2.8	2.8	3.8	3.4	3.8	4.2	3.7	4.1	3.5	3.8
Subsidies	0.2	0.2	0.7	0.1	0.4	0.4	0.4	0.4	0.4	0.4
Other expense	1.6	1.6	1.4	1.3	1.4	1.5	1.5	1.6	1.5	1.8
Net investment in nonfinancial assets	**3.5**	**3.4**	**2.8**	**4.4**	**3.0**	**3.2**	**3.3**	**3.3**	**3.4**	**3.3**
Net lending (+) / Net borrowing (-)	**0.8**	**0.7**	**-2.8**	**-1.7**	**-0.1**	**0.3**	**1.0**	**1.4**	**1.7**	**1.4**
Statistical discrepancy	0.4	0.7	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of financial assets (+: increase)	**-2.2**	**-0.9**	**-6.9**	**-6.3**	**-2.5**	**-0.6**	**-0.6**	**-0.7**	**0.6**	**1.3**
Domestic	-2.1	-0.8	-6.4	-5.9	-1.4	0.7	0.4	-0.1	-0.1	-0.2
Cash and deposits[1]	-2.1	-1.5	-7.1	-4.1	-1.4	0.8	0.4	0.0	-0.1	0.0
Equity and investment fund shares	0.0	0.6	0.6	-1.9	0.0	-0.1	0.0	-0.1	0.0	-0.2
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	-0.1	-0.4	-0.4	-1.0	-1.3	-1.1	-0.6	0.7	1.5
Net incurrence of liabilities (+: increase)	**-2.6**	**-1.3**	**-4.1**	**-4.4**	**-2.4**	**-0.8**	**-1.6**	**-2.1**	**-1.0**	**-0.1**
Domestic	-5.5	-2.6	-7.3	-4.6	-2.3	-4.4	-2.0	-1.9	-0.7	1.1
Debt securities	-0.4	-1.1	-6.8	-3.9	-1.9	-3.6	-1.7	-1.9	-0.7	1.1
Disbursements	4.9	4.1	4.0	6.8	3.1	1.7	4.7	3.7	4.8	4.9
Amortizations	-5.2	-5.2	-10.8	-10.7	-5.0	-5.3	-6.4	-5.5	-5.4	-3.8
Loans	-0.9	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable[2]	-4.3	-0.4	-0.5	-0.7	-0.4	-0.9	-0.3	0.0	0.0	0.0
Foreign debt securities	2.9	1.3	3.2	0.2	0.0	3.6	0.4	-0.2	-0.3	-1.3
Disbursements	9.2	9.0	7.3	5.8	6.0	7.8	3.5	3.6	4.4	4.5
Of which: Budget support under the program	1.3	1.3	4.1	1.9	3.2	4.6	0.0	0.0	0.0	0.0
Eurobonds	4.2	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project loans and other	3.6	3.4	3.2	3.8	2.8	3.2	3.5	3.6	4.4	4.5
Financing to be identified	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortizations	-6.2	-6.3	-4.1	-4.5	-6.0	-4.2	-3.1	-3.8	-4.7	-5.8
Other accounts payable	0.0	-1.2	0.0	-1.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Non-oil primary fiscal balance	-5.7	-5.7	-5.9	-4.3	-5.0	-4.4	-4.4	-3.8	-4.1	-3.7
Angola oil price (average, U.S. dollars per barrel)	65.2	65.0	39.8	39.6	44.9	46.2	46.9	46.4	48.5	46.9
Social expenditures[3]	5.3	5.3	4.1	4.8	4.0	5.8	4.5	4.5	5.0	5.0
Public sector debt (gross)[4]	109.2	107.1	120.3	134.2	107.5	119.9	93.8	106.7	83.7	97.2
Of which: Central Government and Sonangol[5]	108.9	106.8	120.0	133.9	107.2	119.6	93.5	106.4	83.4	97.0
Of which: Central Government[6]	105.6	102.7	115.9	125.5	103.0	111.6	89.9	99.3	80.7	91.2

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

(Percent of non-oil GDP)

	2019		2020		2021		2022		2023	
	3rd Rev.	Prel.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.
Revenue	**28.7**	**28.6**	**23.7**	**24.2**	**26.9**	**28.0**	**27.7**	**27.7**	**27.2**	**26.5**
Taxes	26.7	26.6	22.2	22.3	25.4	26.2	26.1	25.8	25.6	24.7
Oil	17.4	17.3	13.5	12.3	15.6	16.1	15.6	15.2	14.9	14.1
Non-oil	9.3	9.2	8.7	10.0	9.8	10.0	10.6	10.6	10.7	10.6
Social contributions	1.4	1.4	0.9	1.2	0.9	1.0	0.9	1.0	0.9	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	0.6	0.7	0.6	0.8	0.6	0.8	0.6	0.8
Expenditure	**27.6**	**27.6**	**27.4**	**26.5**	**27.1**	**27.6**	**26.3**	**25.8**	**24.9**	**24.6**
Current expenditure	**22.6**	**22.6**	**23.7**	**20.6**	**23.0**	**23.1**	**21.8**	**21.3**	**20.3**	**20.2**
Compensation of employees	8.8	8.8	8.3	7.6	8.0	7.3	7.5	6.8	7.1	6.5
Use of goods and services	3.7	3.7	3.7	2.6	4.0	4.1	4.0	4.0	4.0	3.9
Interest	7.5	7.5	8.9	8.6	8.4	9.2	7.7	7.7	6.7	6.9
Domestic	3.5	3.5	3.9	4.0	3.2	3.4	2.7	2.2	2.0	1.8
Foreign	4.0	4.0	5.0	4.5	5.2	5.8	5.1	5.5	4.7	5.1
Subsidies	0.3	0.3	0.9	0.2	0.6	0.6	0.6	0.6	0.6	0.6
Other expense	2.3	2.3	1.9	1.8	2.0	2.0	2.0	2.2	2.0	2.4
Net acquisition of nonfinancial assets	**5.0**	**4.9**	**3.7**	**5.8**	**4.1**	**4.4**	**4.5**	**4.5**	**4.6**	**4.4**
Net lending (+) / Net borrowing (-)	**1.1**	**1.0**	**-3.7**	**-2.3**	**-0.2**	**0.4**	**1.3**	**1.9**	**2.2**	**1.9**
Statistical discrepancy	0.6	1.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of financial assets (+: increase)	**-3.1**	**-1.3**	**-9.1**	**-8.4**	**-3.4**	**-0.8**	**-0.9**	**-0.9**	**0.9**	**1.7**
Domestic	-3.0	-1.2	-8.5	-7.9	-2.0	1.0	0.6	-0.2	-0.1	-0.2
Cash and deposits[1]	-3.0	-2.1	-9.3	-5.4	-2.0	1.1	0.6	0.0	-0.1	0.0
Equity and investment fund shares	0.0	0.9	0.8	-2.5	0.0	-0.1	0.0	-0.2	0.0	-0.2
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	-0.1	-0.6	-0.5	-1.4	-1.8	-1.5	-0.8	1.0	1.9
Net incurrence of liabilities (+: increase)	**-3.7**	**-1.7**	**-5.4**	**-5.9**	**-3.2**	**-1.2**	**-2.2**	**-2.8**	**-1.4**	**-0.2**
Domestic	-7.9	-3.7	-9.6	-6.1	-3.2	-6.1	-2.7	-2.5	-0.9	1.5
Debt securities	-0.5	-1.5	-9.0	-5.1	-2.6	-4.9	-2.4	-2.5	-0.9	1.5
Disbursements	7.0	5.9	5.3	9.1	4.3	2.3	6.4	5.0	6.4	6.5
Amortizations	-7.5	-7.5	-14.3	-14.2	-6.9	-7.2	-8.8	-7.5	-7.4	-5.0
Loans	-1.2	-1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable[2]	-6.1	-0.6	-0.7	-1.0	-0.6	-1.2	-0.4	0.0	0.0	0.0
Foreign	4.2	1.9	4.2	0.2	0.0	4.9	0.5	-0.3	-0.5	-1.7
Disbursements	13.2	12.8	9.6	7.7	8.2	10.7	4.8	4.9	5.9	6.0
Of which: Budget support under the program	1.9	1.9	5.4	2.6	4.4	6.3	0.0	0.0	0.0	0.0
Amortizations	-8.9	-9.2	-5.4	-6.0	-8.2	-5.8	-4.3	-5.2	-6.4	-7.7
Memorandum items:										
Non-oil primary fiscal balance	-8.2	-8.2	-7.9	-5.7	-6.9	-6.0	-6.0	-5.1	-5.5	-4.9
Angola oil price (average, U.S. dollars per barrel)	65.2	65.0	39.8	39.6	44.9	46.2	46.9	46.4	48.5	46.9
Social expenditures[3]	7.6	7.6	5.4	6.3	5.5	8.0	6.2	6.1	6.8	6.6
Public sector debt (gross)[4]	156.8	153.5	159.1	178.3	147.1	164.9	128.2	144.6	113.1	129.2
Of which: Central Government and Sonangol[5]	156.4	153.1	158.6	177.9	146.7	164.5	127.8	144.2	112.8	128.8
Of which: Central Government[6]	151.5	147.2	153.2	166.8	141.9	158.7	122.8	134.6	109.1	121.1

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.

[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 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	
	3rd Rev.	Prel.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.
Revenue	**6,529**	**6,530**	**6,367**	**6,578**	**8,924**	**9,531**	**10,825**	**11,013**	**12,130**	**12,031**
Taxes	6,058	6,058	5,955	6,063	8,417	8,916	10,227	10,293	11,447	11,211
Oil	3,952	3,952	3,620	3,337	5,175	5,495	6,093	6,072	6,670	6,399
Non-oil	2,105	2,105	2,335	2,726	3,242	3,420	4,134	4,222	4,777	4,812
Social contributions	311	311	245	321	302	328	357	383	407	437
Grants	3	3	0	2	0	0	0	0	0	0
Other revenue	157	158	166	192	205	288	242	336	276	383
Expenditure	**6,271**	**6,291**	**6,322**	**7,459**	**7,610**	**9,286**	**8,994**	**9,936**	**10,402**	**10,753**
Current expenditure	**5,144**	**5,164**	**5,321**	**5,871**	**6,250**	**7,775**	**7,230**	**8,156**	**8,351**	**8,763**
Compensation of employees	1,999	1,999	2,218	2,064	2,651	2,472	2,916	2,719	3,150	2,936
Use of goods and services	844	844	1,001	694	1,336	1,382	1,575	1,591	1,778	1,778
Interest	1,703	1,721	1,359	2,584	1,419	3,028	1,719	2,749	2,265	2,698
Domestic	795	797	1,045	1,097	1,071	1,173	1,051	882	911	812
Foreign	147	908	313	1,487	347	1,854	668	1,867	1,355	1,886
Subsidies	79	79	242	42	188	210	222	224	250	250
Other expense	519	522	502	488	655	684	797	873	908	1,101
Net investment in nonfinancial assets	**1,127**	**1,127**	**1,001**	**1,587**	**1,360**	**1,511**	**1,764**	**1,781**	**2,051**	**1,990**
Net lending (+) / Net borrowing (-)	**258**	**239**	**44**	**-881**	**1,314**	**245**	**1,831**	**1,076**	**1,728**	**1,278**
Statistical discrepancy	137	228	0	64	0	0	0	0	0	0
Net acquisition of financial assets (+: increase)	**-713**	**-305**	**-2,446**	**-2,283**	**-1,126**	**-263**	**-336**	**-369**	**386**	**775**
Domestic	-686	-278	-2,290	-2,149	-657	347	235	-70	-53	-100
Cash and deposits[1]	-686	-486	-2,510	-1,471	-657	389	235	0	-53	0
Equity and investment fund shares	0	209	220	-679	0	-42	0	-70	0	-100
Other accounts receivable	0	0	0	0	0	0	0	0	0	0
Foreign	-27	-27	-157	-133	-469	-610	-571	-299	439	875
Net incurrence of liabilities (+: increase)	**-834**	**-166**	**-2,073**	**-2,027**	**1,666**	**1,591**	**704**	**786**	**1,916**	**2,977**
Domestic	-1,796	-609	-2,590	-1,661	-1,063	-2,065	-1,075	-1,010	-405	676
Debt securities	-122	-122	-2,405	-1,393	-863	-1,665	-925	-1,010	-405	676
Disbursements	1,583	1,583	1,430	2,469	1,420	799	2,510	1,972	2,878	2,954
Amortizations	-1,705	-1,705	-3,835	-3,862	-2,283	-2,464	-3,435	-2,983	-3,283	-2,278
Loans	-278	-361	0	0	0	0	0	0	0	0
Other accounts payable[2]	-1,396	-126	-185	-268	-200	-400	-150	0	0	0
Foreign	962	443	518	-366	2,729	3,655	1,779	1,796	2,321	2,301
Disbursements	2,992	2,931	2,589	2,083	2,729	3,655	1,888	1,956	2,653	2,728
Amortizations	-2,677	-2,617	-2,071	-2,071	0	0	-109	-160	-332	-427
Exceptional financing (+: increase)										
Debt reprofiling	...	...	-418.3	690	-4,106.3	-2,099	-2,871.4	-2,231	-3,258	-3,480
Foreign interest	...	...	-1,041.6	256	-1,372.6	-111	-1,307.6	-327	-729	-419
Foreign amortization	...	...	623.3	433	-2,733.6	-1,988	-1,563.8	-1,904	-2,529	-3,061
Memorandum items:										
Non-oil primary fiscal balance	-1,867	-1,868	-2,113	-1,542	-2,274	-2,044	-2,344	-2,050	-2,460	-2,215
Angola oil price (average, U.S. dollars per barrel)	65.2	65.0	39.8	39.6	44.9	46.2	46.9	46.4	48.5	46.9
Social expenditures[3]	1,726	1,726	1,440	1,726	1,814	2,721	2,406	2,428	3,016	3,015
Public sector debt (gross)[4]	35,626	35,013	42,725	48,490	48,762	56,201	50,130	57,573	50,485	58,635
Of which: Central Government and Sonangol[5]	35,533	34,922	42,608	48,373	48,624	56,061	49,985	57,426	50,336	58,483
Of which: Central Government[6]	34,436	33,584	41,162	45,351	46,714	52,318	48,037	53,588	48,685	54,973

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 local currency, unless otherwise indicated)

	2019		2020		2021		2022		2023	
	3rd Rev.	Prel.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.
Monetary Survey										
Net foreign assets	**7,120**	**7,030**	**7,077**	**7,666**	**8,245**	**9,062**	**9,556**	**9,921**	**10,691**	**10,528**
Net domestic assets	**3,099**	**3,190**	**3,567**	**4,085**	**4,792**	**5,483**	**5,148**	**6,217**	**5,853**	**7,628**
Claims on central government (net)	2,448	2,669	2,746	4,447	2,980	3,060	1,768	1,238	1,287	1,930
Claims on other financial corporations	11	11	13	14	17	17	20	20	22	23
Claims on other public sector	152	152	180	182	222	228	262	266	299	303
Claims on private sector	4,524	4,373	4,866	4,111	6,150	4,871	7,698	6,133	8,867	7,059
Other items (net)[1]	-4,036	-4,016	-4,238	-4,667	-4,577	-2,692	-4,600	-1,440	-4,623	-1,686
Broad money (M3)	**10,219**	**10,219**	**10,644**	**11,751**	**13,037**	**14,546**	**14,703**	**16,138**	**16,544**	**18,156**
Money and quasi-money (M2)	10,214	10,214	10,640	11,747	13,032	14,541	14,698	16,133	16,539	18,151
Money	3,206	3,206	3,437	3,475	4,290	4,416	4,940	5,041	5,669	5,840
Currency outside banks	419	419	427	409	520	446	610	465	703	516
Demand deposits, local currency	2,787	2,787	3,010	3,066	3,771	3,970	4,330	4,576	4,966	5,324
Quasi-money	1,647	1,647	1,778	1,811	2,227	2,345	2,558	2,703	2,934	3,145
Time and savings deposits, local currency	1,647	1,647	1,778	1,811	2,227	2,345	2,558	2,703	2,934	3,145
Foreign currency deposits	5,361	5,361	5,425	6,461	6,514	7,779	7,201	8,389	7,937	9,166
Money management instruments and other liabilities	5	5	5	5	5	5	5	5	5	5
Monetary Authorities										
Net foreign assets	**5,687**	**5,713**	**5,258**	**5,754**	**6,101**	**6,823**	**7,307**	**7,569**	**8,377**	**8,104**
Net international reserves	5,450	5,648	4,958	5,660	5,747	6,713	6,936	7,483	7,994	8,015
Net incurrence of liabilities	237	65	300	94	354	110	371	86	382	88
Net domestic assets	**-3,400**	**-3,426**	**-2,921**	**-3,337**	**-3,309**	**-4,178**	**-4,231**	**-4,632**	**-4,921**	**-4,805**
Claims on other depository corporations	340	340	415	425	496	504	546	554	590	599
Claims on central government (net)	-1,012	-1,012	146	-434	585	-1,178	301	-1,315	278	-1,388
Claims on private sector	49	49	58	58	72	73	85	85	96	97
Other items (net)[1]	-2,777	-2,802	-3,540	-3,385	-4,462	-3,576	-5,162	-3,957	-5,885	-4,112
Reserve money	**2,287**	**2,287**	**2,337**	**2,418**	**2,792**	**2,645**	**3,076**	**2,936**	**3,456**	**3,299**
Currency outside banks	540	540	550	527	670	575	786	599	906	665
Commercial bank deposits	1,747	1,747	1,787	1,891	2,122	2,070	2,290	2,338	2,550	2,634
***Memorandum items*:**										
Nominal gross domestic product (percent change)	21.8	22.1	8.9	10.5	27.7	29.7	17.9	15.1	12.8	11.7
Reserve money (percent change)	33.8	33.8	2.2	5.7	19.5	9.4	10.2	11.0	12.4	12.4
Broad money (M3) (percent change)	30.1	30.1	4.2	15.0	22.5	23.8	12.8	10.9	12.5	12.5
Money and quasi-money (M2) (percent change)	30.2	30.2	4.2	15.0	22.5	23.8	12.8	11.0	12.5	12.5
Claims on private sector (percent change)	25.9	21.7	7.6	-6.0	26.4	18.5	25.2	25.9	15.2	15.1
Claims on central government (percent change; net)	-8.3	0.0	12.2	66.6	8.5	-31.2	-40.7	-59.5	-27.2	55.8
Money multiplier (M2/reserve money)	4.5	4.5	4.6	4.9	4.7	5.5	4.8	5.5	4.8	5.5
Velocity (GDP/M2)	3.2	3.2	3.3	3.1	3.5	3.2	3.6	3.3	3.6	3.3
Velocity (non-oil GDP/M2)	2.2	2.2	2.5	2.3	2.5	2.3	2.7	2.5	2.7	2.5
Credit to the private sector (percent of GDP)	13.9	13.4	13.7	11.4	13.6	10.4	14.4	11.4	14.7	11.7
Foreign currency deposits (share of total deposits)	54.7	54.7	53.1	57.0	52.1	55.2	51.1	53.5	50.1	52.0
Credit to the private sector in foreign currency (share of total credit)	27.4	25.6	32.3	33.5	30.2	33.1	25.3	27.6	22.6	24.7

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	
	3rd Rev.	Prel.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.
Current account	**5,132**	**5,149**	**-817**	**-459**	**77**	**385**	**626**	**-169**	**683**	**-494**
Trade balance	20,593	20,610	10,445	10,306	13,580	12,308	15,115	12,485	16,246	12,824
Exports, f.o.b.	34,726	34,726	20,944	20,927	24,947	23,082	26,798	23,609	28,405	24,191
Crude oil	31,396	31,303	18,653	18,609	22,195	20,555	23,564	20,640	24,828	20,907
Gas and oil derivatives	1,309	1,305	775	801	1,003	778	1,047	781	1,085	791
Diamonds	1,130	1,130	1,247	1,247	1,388	1,388	1,612	1,612	1,698	1,698
Other	891	988	269	269	361	361	576	576	795	795
Imports, f.o.b	14,133	14,116	10,499	10,621	11,367	10,774	11,683	11,123	12,159	11,367
Services (net)	-7,718	-7,718	-5,818	-5,623	-7,233	-6,006	-7,889	-6,708	-8,691	-7,308
Credit	455	455	401	404	355	357	379	364	398	380
Debit	8,172	8,172	6,218	6,027	7,588	6,363	8,268	7,072	9,089	7,688
Primary income (net)	-7,516	-7,516	-5,187	-4,889	-5,984	-5,662	-6,295	-5,679	-6,539	-5,724
Credit	693	693	636	645	680	693	713	728	742	759
Debit	8,209	8,209	5,823	5,534	6,664	6,355	7,008	6,408	7,281	6,483
Secondary income (net)	-227	-227	-257	-254	-285	-255	-305	-267	-334	-287
General Government	-17	-16	4	4	-2	1	-4	1	-6	0
Others	-373	-374	-261	-258	-284	-255	-301	-267	-328	-287
Of which: Personal transfers	-331	-332	-232	-229	-252	-227	-268	-237	-291	-255
Capital account	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Financial account	**5,472**	**5,080**	**4,849**	**4,352**	**2,341**	**3,116**	**-40**	**-135**	**361**	**-61**
Direct investment	1,749	1,749	-647	854	-823	1,441	-1,299	-104	-1,829	-871
Net acquisition of financial assets	-2,349	-2,349	-208	-208	-248	-229	-263	-230	-277	-233
Net incurrence of liabilities	-4,098	-4,098	439	-1,062	576	-1,669	1,036	-126	1,552	638
Portfolio investment	-1,676	-1,676	265	265	265	265	265	265	265	265
Other investment	5,399	5,006	5,231	3,234	2,900	1,411	994	-296	1,925	545
Trade credits and advances	-1,871	-1,867	-1,210	-1,208	-1,417	-1,294	-1,498	-1,328	-1,584	-1,363
Currency and deposits	4,632	4,402	5,376	5,098	1,983	2,105	2,024	138	1,885	-363
Loans	2,638	2,472	1,064	-657	2,333	600	468	894	1,625	2,270
Medium and long-term loans	1,184	1,018	60	-1,661	1,629	-104	-236	190	921	1,566
Of which: Central Government (net)	2,253	2,587	556	429	2,207	624	241	660	1,044	1,643
Short-term loans	1,454	1,454	1,004	1,004	704	704	704	704	704	704
Others	0	0	0	0	0	0	0	0	0	0
Errors and omissions	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**-338**	**71**	**-5,664**	**-4,810**	**-2,262**	**-2,730**	**668**	**-32**	**324**	**-431**
Financing	**338**	**-71**	**5,664**	**4,810**	**2,262**	**2,730**	**-668**	**32**	**-324**	**431**
Net international reserves authorities (- = increase)	-656	-1,066	3,202	3,627	132	-102	-1,200	-500	-1,098	-343
Exceptional financing	995	995	2,462	1,183	2,130	2,832	0	-1	0	-1
Financing gap	995	995	2,462	1,183	2,130	2,832	0	-1	-98	-92
IMF	495	495	1,462	1,018	1,465	2,014	0	0	-98	-93
Other IFIs	500	500	1,000	165	665	818	0	-1	0	1
***Memorandum items*:**										
Current account (percent of GDP)	5.7	5.7	-1.3	-0.7	0.1	0.6	0.9	-0.3	0.9	-0.7
Goods and services balance (percent of GDP)	14.4	14.4	7.4	7.6	9.3	10.3	10.0	9.0	9.6	8.0
Trade balance (percent of GDP)	23.0	23.0	16.7	16.6	19.9	20.1	20.9	19.4	20.7	18.6
Capital and financial account (percent of GDP)	7.6	8.0	-2.5	-4.7	3.1	5.4	3.3	1.3	3.3	0.9
Overall balance (percent of GDP)	-0.4	0.1	-9.0	-7.8	-3.3	-4.4	0.9	0.0	0.4	-0.6
Exports of goods, f.o.b. (percent change)	-14.8	-14.8	-39.7	-39.7	19.1	10.3	7.4	2.3	6.0	2.5
Of which: Oil and gas exports (percent change)	-14.1	-14.3	-40.6	-40.5	19.4	9.9	6.1	0.4	5.3	1.3
Imports of goods, f.o.b. (percent change)	-10.5	-10.4	-25.7	-24.8	8.3	1.4	2.8	3.2	4.1	2.2
Terms of trade (percent change)	-11.2	-11.6	-37.8	-38.5	18.9	10.1	-1.4	-4.9	5.7	2.2
Exports of goods, f.o.b. (share of GDP)	38.8	38.8	33.4	33.8	36.6	37.6	37.0	36.8	36.1	35.1
Imports of goods, f.o.b. (share of GDP)	15.8	15.8	16.7	17.1	16.7	17.6	16.1	17.3	15.5	16.5
Gross international reserves										
Millions of U.S. dollars	17,321	17,211	15,582	14,102	16,914	15,218	18,114	15,218	19,114	15,468
Months of next year's imports	12.4	12.4	9.9	9.9	10.2	10.0	10.2	9.6	10.3	9.3
Official exchange rate (average, kwanzas per U.S. dollar)	365	365	…	…	…	…	…	…	…	…
Real effective exchange rate (depreciation -)	…	-17.2	…	…	…	…	…	…	…	…

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	
	3rd Rev.	Prel.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.
Current account	**5,132**	**5,149**	**-1,127**	**-902**	**193**	**515**	**945**	**221**	**1,106**	**-14**
Trade balance	20,593	20,610	10,445	10,306	13,580	12,308	15,115	12,485	16,246	12,824
Exports, f.o.b.	34,726	34,726	20,944	20,927	24,947	23,082	26,798	23,609	28,405	24,191
Crude oil	31,396	31,303	18,653	18,609	22,195	20,555	23,564	20,640	24,828	20,907
Gas and oil derivatives	1,309	1,305	775	801	1,003	778	1,047	781	1,085	791
Diamonds	1,130	1,130	1,247	1,247	1,388	1,388	1,612	1,612	1,698	1,698
Other	891	988	269	269	361	361	576	576	795	795
Imports, f.o.b	14,133	14,116	10,499	10,621	11,367	10,774	11,683	11,123	12,159	11,367
Services (net)	-7,718	-7,718	-5,818	-5,623	-7,233	-6,006	-7,889	-6,708	-8,691	-7,308
Credit	455	455	401	404	355	357	379	364	398	380
Debit	8,172	8,172	6,218	6,027	7,588	6,363	8,268	7,072	9,089	7,688
Primary income (net)	-7,516	-7,516	-5,498	-5,331	-5,869	-5,532	-5,975	-5,290	-6,116	-5,244
Credit	693	693	636	645	680	693	713	728	742	759
Debit	8,209	8,209	6,134	5,977	6,549	6,225	6,689	6,018	6,858	6,003
Secondary income (net)	-227	-227	-257	-254	-285	-255	-305	-267	-334	-287
General Government	-17	-16	4	4	-2	1	-4	1	-6	0
Others	-373	-374	-261	-258	-284	-255	-301	-267	-328	-287
Of which: Personal transfers	-331	-332	-232	-229	-252	-227	-268	-237	-291	-255
Capital account	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**
Financial account	**5,472**	**5,080**	**7,237**	**6,606**	**4,394**	**5,495**	**1,678**	**1,625**	**964**	**527**
Direct investment	1,749	1,749	-647	854	-823	1,441	-1,299	-104	-1,829	-871
Net acquisition of financial assets	-2,349	-2,349	-208	-208	-248	-229	-263	-230	-277	-233
Net incurrence of liabilities	-4,098	-4,098	439	-1,062	576	-1,669	1,036	-126	1,552	638
Portfolio investment	-1,676	-1,676	265	265	265	265	265	265	265	265
Other investment	5,399	5,006	7,619	5,487	4,953	3,790	2,712	1,464	2,528	1,133
Trade credits and advances	-1,871	-1,867	-1,210	-1,208	-1,417	-1,294	-1,498	-1,328	-1,584	-1,363
Currency and deposits	4,632	4,402	5,376	5,098	1,983	2,105	2,024	138	1,885	-363
Loans	2,638	2,472	3,452	1,597	4,386	2,979	2,186	2,654	2,228	2,858
Medium and long-term loans	1,184	1,018	2,448	593	3,682	2,275	1,482	1,950	1,524	2,154
Of which: Central Government (net)	2,253	2,587	2,944	2,683	4,260	3,003	1,959	2,419	1,647	2,231
Short-term loans	1,454	1,454	1,004	1,004	704	704	704	704	704	704
Others	0	0	0	0	0	0	0	0	0	0
Errors and omissions	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**-338**	**71**	**-8,363**	**-7,506**	**-4,199**	**-4,978**	**-730**	**-1,402**	**145**	**-539**
Financing	**338**	**-71**	**8,363**	**7,506**	**4,199**	**4,978**	**730**	**1,402**	**-145**	**539**
Net international reserves	-656	-1,066	3,202	3,627	132	-102	-1,200	-500	-1,098	-343
authorities (- = increase)										
Exceptional financing	995	995	5,161	3,879	4,067	5,080	1,398.4	1,369	180	108
Financing gap	995	995	2,462	1,183	2,130	2,832	0.0	-1	0	-1
IMF	495	495	1,462	1,018	1,465	2,014	0.0	0	-98	-93
Other IFIs	500	500	1,000	165	665	818	0.0	-1	98	92
Debt reprofiling	…	…	2,698.7	2,697	1,937.2	2,249	1,398.4	1,370	180	108
Foreign interest	…	…	310.5	443	-115.7	-130	-319.4	-389	-423	-480
Foreign amortization	…	…	2,388.2	2,254	2,052.9	2,379	1,717.8	1,759	603	588
***Memorandum items*:**										
Current account (percent of GDP)	5.7	5.7	-1.3	-0.7	0.1	0.6	0.9	-0.3	0.9	-0.7
Goods and services balance (percent of GDP)	14.4	14.4	7.4	7.6	9.3	10.3	10.0	9.0	9.6	8.0
Trade balance (percent of GDP)	23.0	23.0	16.7	16.6	19.9	20.1	20.9	19.4	20.7	18.6
Capital and financial account (percent of GDP)	7.6	8.0	-2.5	-4.7	3.1	5.4	3.3	1.3	3.3	0.9
Overall balance (percent of GDP)	-0.4	0.1	-9.0	-7.8	-3.3	-4.4	0.9	0.0	0.4	-0.6
Exports of goods, f.o.b. (percent change)	-14.8	-14.8	-39.7	-39.7	19.1	10.3	7.4	2.3	6.0	2.5
Of which: Oil and gas exports (percent change)	-14.1	-14.3	-40.6	-40.5	19.4	9.9	6.1	0.4	5.3	1.3
Imports of goods, f.o.b. (percent change)	-10.5	-10.4	-25.7	-24.8	8.3	1.4	2.8	3.2	4.1	2.2
Terms of trade (percent change)	-11.2	-11.6	-37.8	-38.5	18.9	10.1	-1.4	-4.9	5.7	2.2
Exports of goods, f.o.b. (share of GDP)	38.8	38.8	33.4	33.8	36.6	37.6	37.0	36.8	36.1	35.1
Imports of goods, f.o.b. (share of GDP)	15.8	15.8	16.7	17.1	16.7	17.6	16.1	17.3	15.5	16.5
Gross international reserves										
Millions of U.S. dollars	17,321	17,211	15,582	14,102	16,914	15,218	18,114	15,218	19,114	15,468
Months of next year's imports	12.4	12.4	9.9	9.9	10.2	10.0	10.2	9.6	10.3	9.3
Official exchange rate (average, kwanzas per U.S. dollar)	365	365	…	…	…	…	…	…	…	…
Real effective exchange rate (depreciation -)	…	-17.2	…	…	…	…	…	…	…	…

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

Table 5. Angola: Public Debt, 2019–25

(Percent of GDP)

	2019		2020		2021		2022		2023		2024		2025	
	3rd Rev.	Prel.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.
Total public debt[1]	**109.2**	**107.1**	**120.3**	**134.2**	**107.5**	**119.9**	**93.8**	**106.7**	**83.7**	**97.2**	**74.3**	**87.2**	**67.2**	**78.2**
Short-term	0.9	0.8	1.2	2.1	0.8	1.2	0.6	1.1	0.7	0.9	0.5	1.0	0.4	1.0
Medium and long-term	108.4	106.3	119.1	132.1	106.7	118.7	93.1	105.6	83.0	96.3	73.8	86.3	66.8	77.3
Domestic	33.0	32.9	27.7	32.8	21.6	24.0	17.0	19.6	14.6	18.9	12.8	18.1	11.0	16.4
Short-term	0.7	0.7	1.0	1.9	0.6	1.0	0.5	0.9	0.6	0.8	0.4	0.8	0.3	0.8
Medium and long-term	32.3	32.3	26.7	30.9	21.0	23.1	16.6	18.7	14.1	18.2	12.4	17.3	10.7	15.6
External	76.2	74.2	92.5	101.4	85.9	95.8	76.7	87.1	69.1	78.3	61.5	69.1	56.2	61.8
Owed to: Commercial banks	51.8	52.2	62.8	69.9	58.3	67.5	52.1	61.3	46.9	55.1	41.8	48.6	38.2	43.5
Owed to: Official creditors	14.8	15.1	17.9	21.6	16.6	19.5	14.9	17.7	13.4	15.9	11.9	14.0	10.9	12.6
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 secto	9.7	6.9	11.8	9.9	10.9	8.9	9.8	8.1	8.8	7.3	7.8	6.4	7.2	5.8
Short-term	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1
Medium and long-term	76.1	74.0	92.4	101.2	85.7	95.6	76.6	86.9	68.9	78.2	61.4	69.0	56.1	61.7
Of which: Sonangol	6.6	7.3	7.2	12.1	6.6	11.2	5.8	10.1	4.7	8.6	3.5	6.9	3.2	6.2
Of which: TAAG	0.1	0.3	0.1	0.3	0.2	0.3	0.3	0.3		0.3		0.2		0.2

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 Soundness Indicators, 2019–20

(Percent)

	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jul-20	Aug-20	Sep-20
Capital Adequacy												
Regulatory capital/Risk-weighted assets	27.9	27.8	28.3	23.2	22.9	22.7	23.0	22.6	21.6	28.2	25.0	25.6
Asset Quality												
Foreign Currency Credit/Total Credit	29.2	34.2	33.2	31.6	30.6	30.3	30.9	32.8	33.3	32.8	32.4	32.2
Nonperforming loans (NPLs) to gross loans	34.6	33.8	34.0	32.4	32.6	33.2	35.8	34.9	34.5	21.2	20.9	20.2
Distribution of Credit by Sector												
Claims on the private sector/Gross domestic assets	27.5	26.2	26.8	27.3	26.9	26.0	25.9	25.4	25.6	21.6	21.1	20.6
Claims on the government/Gross domestic assets	34.2	35.0	35.0	33.9	34.4	33.3	34.3	35.0	35.2	39.8	39.0	39.1
Earnings and Profitability												
Return on Assets (ROA)	0.8	2.8	2.3	-1.3	3.1	0.9	1.0	-0.2	0.1	0.5	-1.8	-1.6
Return on Equity (ROE)	6.3	20.2	17.1	-10.0	32.5	9.8	10.4	-1.9	0.7	5.0	-17.5	-15.7
Total Costs/Total Income	86.8	73.4	76.0	109.8	55.2	77.1	82.9	97.7	96.7	97.1	110.0	110.5
Interest Rate on Loans - Interest Rate on Demand Deposits (Spread)	19.1	20.5	17.6	20.4	20.3	20.3	19.9	21.2	20.4	19.0	19.8	16.5
Interest Rate on Savings	4.5	7.9	6.9	8.3	8.1	2.4	13.2	4.5	6.1	6.4	9.6	15.1
Liquidity												
Liquid Assets/Total Assets	24.3	24.9	27.2	26.6	26.0	27.2	29.4	27.1	26.3	26.4	29.7	28.7
Liquid Assets/Short-term Liabilities	30.4	32.2	34.5	32.6	31.9	33.1	35.2	32.3	31.4	32.8	36.8	35.2
Total Credit/Total Deposits	44.0	44.0	44.0	42.0	42.3	41.7	44.9	41.0	40.8	34.3	34.3	33.7
Foreign Currency Liabilities/Total Liabilities	47.6	54.5	53.2	53.0	53.9	53.6	53.1	55.5	55.8	54.4	53.6	54.6
Sensitivity and Changes to Market[1]												
Net open position in foreign exchange to capital [2]	28.4	28.1	28.5	2.1	18.5	20.8	16.5	28.0	22.3	42.2	57.8	66.5
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, 2020–25

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

	2020	2021	2022	2023	2024	2025
			Proj.			
Financing Needs[1] (A)	**11.9**	**6.2**	**5.2**	**5.6**	**6.5**	**8.3**
Primary deficit (cash basis)	-2.9	-4.3	-4.6	-4.5	-4.8	-4.9
Debt service	13.2	9.9	9.6	10.1	11.2	13.2
External debt service	4.9	5.2	5.1	6.6	7.0	8.8
Principal	2.8	2.6	2.5	4.0	4.4	6.2
Interest	2.1	2.6	2.6	2.6	2.6	2.6
Domestic debt service	8.2	4.7	4.6	3.5	4.2	4.5
Principal	6.4	3.1	3.5	2.6	3.3	3.5
Interest	1.9	1.5	1.0	0.9	0.9	0.9
Recapitalizations	0.4	0.1	0.1	0.0	0.0	0.0
Domestic arrears clearance	0.6	0.5	0.0	0.0	0.0	0.0
External arrears clearance	0.6	0.0	0.0	0.0	0.0	0.0
Sonangol reimbursement[2]	0.0	0.0	0.0	0.0	0.0	0.0
Financing Sources (B)	**10.7**	**3.4**	**5.2**	**5.6**	**6.5**	**8.3**
External debt disbursements	2.4	2.0	2.3	3.1	3.0	4.8
Domestic debt disbursements	4.0	1.0	2.3	3.4	4.0	3.3
Privatization	0.1	0.2	0.2	0.1	0.1	0.1
Deposits withdrawals (+)[3]	2.5	-0.5	0.0	0.0	0.0	0.0
Escrow account withdrawals (+)	0.2	0.8	0.4	-1.0	-0.6	0.0
FSDEA asset sales	1.5	0.0	0.0	0.0	0.0	0.0
Financing Gap (A-B)	**1.2**	**2.8**	**0.0**	**0.0**	**0.0**	**0.0**
Program financing[4]	1.2	2.8	0.0	0.0	0.0	0.0
Memorandum Items **:**						
Total usable cash balances[5]	2.1	2.6	2.6	2.6	2.6	2.6
Total usable cash balances (in months of expenditure)[6]	4.0	5.8	6.1	6.3	6.3	6.4
External debt rollover rate (in percent)[7]	31	22	46	47	43	55
Domestic debt rollover rate (in percent)[8]	41	13	49	96	94	75

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, 2019–25

(Millions of U.S. dollars)

	2019		2020		2021		2022		2023		2024		2025	
	3rd Rev.	Prel.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.	3rd Rev.	Proj.
Gross financing requirements	**3,366**	**3,019**	**5,096**	**3,798**	**4,821**	**3,089**	**2,284**	**3,646**	**3,855**	**5,762**	**4,190**	**6,278**	**5,210**	**7,224**
Current account deficit	-5,132	-5,149	817	459	-77	-385	-626	169	-683	494	-902	576	-968	610
External debt amortization	8,498	8,168	4,279	3,339	4,899	3,474	2,909	3,477	4,354	5,074	4,845	5,442	5,624	6,071
Government	5,512	5,678	2,557	2,808	4,103	2,603	2,265	2,456	3,727	3,989	4,317	4,401	6,097	6,152
Sonangol	1,508	1,508	1,781	737	1,299	1,299	1,301	1,507	1,554	1,801	1,579	1,866	900	1,080
Banks	323	323	323	323	323	323	323	323	323	323	323	323	323	323
Central Bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other private (net)[1]	1,155	659	-382	-529	-827	-751	-979	-809	-1,250	-1,038	-1,373	-1,147	-1,696	-1,484
IMF	0	0	0	0	0	0	0	0	184	194	246	260	554	544
Gross sources of financing	**4,022**	**4,085**	**1,894**	**171**	**4,689**	**3,192**	**3,484**	**4,146**	**4,953**	**6,105**	**5,497**	**6,787**	**6,764**	**8,267**
Capital account (net)	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Foreign direct investment (net)	-1,749	-1,749	647	-854	823	-1,441	1,299	104	1,829	871	2,382	1,395	2,966	2,018
External borrowing	6,407	6,239	4,160	4,938	3,717	3,903	3,674	3,646	4,233	4,096	4,043	3,898	4,526	4,063
Government[2]	4,207	4,039	2,110	2,388	1,967	1,953	2,024	1,796	2,683	2,346	2,693	2,248	3,176	2,713
Sonangol	1,500	1,500	1,500	2,000	1,300	1,500	1,200	1,400	1,100	1,300	900	1,200	900	900
Banks	700	700	550	550	450	450	450	450	450	450	450	450	450	450
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0
External debt securities - Eurobor	3,000	3,000	0	0	0	0	0	0	0	0	0	0	1,350	1,350
Foreign deposits (net)	-4,632	-4,402	-5,376	-5,098	-1,983	-2,105	-2,024	-138	-1,885	363	-1,694	728	-2,836	77
IMF	495	495	1,462	1,018	1,465	2,014	0	0	0	0	0	0	0	0
World Bank and AfDB[3]	500	500	1,000	165	665	818	532	532	773	773	764	764	756	756
Change in reserves (+ = increase)	**656**	**1,066**	**-3,202**	**-3,627**	**-132**	**102**	**1,200**	**500**	**1,098**	**343**	**1,307**	**509**	**1,554**	**1,043**
Memorandum Items:														
Collateralized external debt stock	17,154	17,154	16,880	16,062	17,400	16,572	19,021	18,309	20,395	19,577	19,053	18,641	18,052	17,610

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	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	52.4	72.3	205.6	246.1	445.8	591.8	569.8	551.1	410.4	361.3
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	52.4	72.3	71.5	67.3	72.2	56.3	34.3	15.6	8.9	4.5
Obligations, relative to key variables	**(Percent)**											
Quota	0.1	0.0	7.1	9.8	27.8	33.3	60.2	80.0	77.0	74.5	55.5	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	0.5	0.7	1.9	2.3	4.0	5.7	5.4	5.2	3.9	3.3
Unencumbered gross international reserves[1]	0.0	0.0	0.5	0.7	2.2	2.7	4.7	6.8	5.8	5.5	4.0	3.4
Export of goods and services	0.0	0.0	0.3	0.4	1.2	1.4	2.4	3.1	2.9	2.8	2.0	1.7
Unencumbered exports of goods and services[1]	0.0	0.0	0.3	0.5	1.3	1.6	2.6	3.5	3.1	2.8	2.0	1.7
Central Government revenues	0.0	0.0	0.6	0.8	2.2	2.5	4.2	5.4	4.9	4.6	3.3	2.7
Unencumbered Central Government revenues[1]	0.0	0.0	0.7	0.9	2.6	3.0	5.0	6.4	5.3	4.8	3.3	2.8
External debt service	0.0	0.0	1.4	2.1	4.5	5.1	7.5	11.5	10.7	8.1	6.2	6.8
Non-collateralized external debt service	0.0	0.0	1.8	2.7	6.7	8.1	10.6	17.5	12.7	8.9	6.5	7.2
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	1.7	4.1	7.5	7.2	6.5	5.7	4.6	3.4	2.3	1.4	0.7	0.2
Gross international reserves	8.6	18.2	30.3	30.4	28.8	26.8	22.7	19.1	13.8	8.7	4.9	1.5
Unencumbered gross international reserves[1]	10.8	21.4	32.6	33.2	33.6	32.0	26.7	22.9	14.9	9.2	5.1	1.5
External debt	2.9	4.9	8.5	8.6	8.5	8.3	7.5	6.1	4.7	3.2	1.9	0.7
Non-collateralized external debt[2]	4.5	7.0	12.3	13.0	13.5	13.2	11.8	9.2	7.1	4.9	3.1	1.1
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	89,603	61,934	61,370	64,208	68,958	74,425	80,505	86,064	91,268	96,816	102,729	109,034
Gross international reserves	17,211	14,102	15,218	15,218	15,468	15,718	16,218	15,218	15,468	15,468	15,468	15,968
Exports of goods and services	35,180	21,331	23,439	23,973	24,571	25,497	26,941	27,428	28,288	29,183	30,097	31,059
Central Government revenues	17,899	11,274	12,478	13,103	13,758	14,531	15,381	16,116	16,899	17,590	18,464	19,390
External debt service	8,209	4,918	5,176	5,066	6,625	6,988	8,586	7,479	7,754	9,937	9,694	7,797
Total external debt[3]	50,275	52,431	53,952	53,823	52,493	50,462	48,888	47,931	45,480	42,257	39,272	36,520

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 Extended Arrangement, 2018–21
(Units as indicated)

Availability Date	Conditions[1]	Purchase		
		Millions of SDRs	Millions of U.S. dollars	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	1,018	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	765	72
November 1, 2021	Observance of end-June 2021 performance criteria, completion of sixth review	535.1	765	72
Total		**3,213.4**	**4,508**	**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

The collapse in oil prices in early 2020 and the ensuing exchange rate depreciation have led to a further increase in Angola's already very high public debt, creating serious challenges for debt sustainability. In response, the authorities have undertaken strong fiscal retrenchment and have secured significant reprofiling of debt service. Public debt is expected to peak at 134 percent of GDP at end-2020, in large part reflecting the one-off impact of exchange rate depreciation, as well as lower growth. While this peak is higher than the Third Review, it is still expected to rapidly decline under the program to 63 percent of GDP by 2027, close to the authorities' long-term target, driven by the structural fiscal consolidation, and supported by the large share of oil revenues, which provides a natural medium-term hedge to the initial exchange rate shock. At the same time, the previously agreed reprofiling helps assure financing in 2020 and reduces gross financing needs (GFNs) to more manageable levels from 2021 onwards. As a result, Angola's public debt remains sustainable although risks remain high. Notwithstanding, debt dynamics remain highly vulnerable to further shocks, and further debt relief may be needed if downside risks 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 Fourth Review. This includes maintaining a tight fiscal stance in the 2021 budget (tighter than projected in the Third Review), supported both by the full-year impact of 2020 non-oil revenue measures and continued expenditure restraint. The current macroeconomic framework reflects a recession in 2020 and a mild recovery in 2021, transitioning into stronger sustained growth in the medium term, as well as lower oil production than envisaged in the Third Review of the EFF due to more limited investment during the pandemic.

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 $500 million from the World Bank, $200 million from the AfDB, 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*. GFNs peak in 2020 and exceed the MAC-DSA's high-risk benchmark for emerging economies[1] (hereafter the "high-risk benchmark;" Text Table 1), but fiscal financing is assured. As part of the G20 Debt Service Suspension Initiative (G20DSSI), Angola will benefit from a reprofiling of all principal and interest coming due between May 2020 and June 2021 from official creditors ("debt service suspension").[2] 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 (Box 1).

Text Table 1. Fiscal Financing Needs and Sources, 2020–30

(Percent of GDP)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Financing Needs[1]	**19.6**	**10.3**	**8.1**	**8.1**	**8.7**	**10.3**	**7.2**	**5.6**	**10.8**	**8.6**	**4.5**
GFN as in the DSA	17.0	9.2	8.0	8.1	8.7	10.3	7.2	5.6	10.8	8.6	4.5
Overall deficit	1.7	-0.3	-1.4	-1.4	-1.7	-1.7	-1.9	-2.1	-2.1	-2.1	-2.3
Debt amortization	15.2	9.5	9.4	9.6	10.4	12.0	9.1	7.8	12.9	10.7	6.8
Domestic	10.7	5.3	5.5	3.8	4.5	4.4	2.9	1.3	4.5	2.7	1.1
External	4.5	4.2	3.8	5.8	5.9	7.6	6.2	6.5	8.4	8.0	5.6
Existing debt	4.5	4.2	3.5	5.1	4.9	6.2	3.9	3.5	5.3	5.0	2.6
New debt	0.0	0.0	0.3	0.7	1.0	1.4	2.3	3.0	3.1	3.0	3.0
Recapitalizations	0.7	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Clearance of payments arrears	0.9	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Clearance of external debt payments arrears	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sonangol reimbursement[2]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing Sources	**19.6**	**10.3**	**8.1**	**8.1**	**8.7**	**10.3**	**7.2**	**5.6**	**10.8**	**8.6**	**4.5**
Domestic deposit drawdown[3]	4.0	-1.1	-0.3	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Foreign deposit drawdown (escrow)	0.4	1.3	0.6	-1.5	-0.8	0.0	0.0	0.0	0.1	0.2	1.1
Privatization proceeds	0.1	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
FSDEA asset sales	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt issuance	12.6	9.5	7.3	9.4	9.4	10.1	7.0	5.5	10.6	8.3	3.3
Domestic	6.8	1.7	3.7	4.9	5.3	4.1	2.1	2.1	5.9	3.9	0.8
Treasury bills	1.9	1.0	0.9	0.8	0.8	0.8	0.7	0.6	0.7	0.2	0.8
Treasury bonds	4.9	0.7	2.7	4.1	4.5	3.3	1.4	1.4	5.2	3.6	0.0
Tbond in local currency (2-year)	3.1	0.7	2.7	4.1	0.8	0.7	0.4	0.2	0.2	0.3	0.0
Tbond in local currency (3-year)	0.0	0.0	0.0	0.0	3.8	2.6	1.0	1.3	5.0	3.3	0.0
Tbonds indexed to foreign currency	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	5.8	7.8	3.6	4.5	4.0	6.0	4.9	3.4	4.7	4.4	2.5
Of which: Eurobond	0.0	0.0	0.0	0.0	0.0	1.7	0.9	0.0	1.8	1.7	0.0
Of which: Budget support	1.9	4.6	0.8	1.1	1.0	0.9	0.9	0.3	0.1	0.1	0.1

Sources: Angola 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 of past expenses related to the National Urbanization and Housing Plan (PNUH).

[3] Including estimated balances that could be transferred from escrow accounts and FSDEA to the TSA.

- *Medium term (2021–25)*. The fiscal stance is tighter than previously projected (NOPFD is lower by 0.6 percent of GDP in 2021 relative to the Third Review), and international market access is expected to resume gradually in the post-program period. The baseline scenario assumes issuance of only $1.4 billion and $0.8 billion of Eurobonds in 2025 and 2026, respectively; the assumed interest rates reflect spreads of 750 basis points, a conservative assumption. It envisages continued external financing from secure existing credit lines and

[1] DSA for market-access countries (MACs): http://www.imf.org/external/np/pp/eng/2013/050913.pdf.

[2] Amounts reprofiled would be given a one-year grace period for payments, followed by three years of repayment.

plausible multilateral borrowing. It also assumes a gradual lengthening of domestic bond maturities, a key priority of the authorities.

- *Long term (2026–30).* The assumptions underlying the long-term framework are conservative. It 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 $2 billion in 2020, and a cumulative $6.3 billion in 2021–25. Reflecting this, Sonangol's external debt ratio is projected to increase from 5.5 percent of GDP in 2019 to 10.1 percent of GDP in 2020 and then to decline steadily, reaching 4.9 percent by 2025.

- *Guarantees*. The Government has sought loans from international banks to support private sector development that may involve sovereign guarantees. These will be 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 $170 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).

Box 1. Debt Reprofiling Operations

The authorities have requested debt service relief under the G20DSSI and have reached agreements on reprofiling selected debt with two of their large creditors.

- The authorities sent letters of request for DSSI to the Paris Club Secretariat and relevant G20 countries. They suspended principal and interest payments on the relevant debt as of September 2020 while they make progress towards signing memoranda of understanding with their creditors (and expect a refund on payments made between May and September 2020).

- The authorities reached agreements with two large creditors on debt reprofiling. The agreements include (i) a three-year deferral of principal payments; (ii) repayment of deferred principal falling due in 2020H2–2023H1 over seven years after the grace period, with some additional modest relief of principal in 2024–25. For one of the creditors, interest payments

Box 1. Debt Reprofiling Operations (concluded)

falling due during the deferral period are to be serviced by drawing down the associated escrow account, which will be replenished after the initial three-year deferral period.

In addition to supporting a steadily declining debt-to-GDP ratio, the debt reprofiling operations, including DSSI, help bring annual GFNs to more manageable levels throughout 2021–25 (average of 8.7 percent of GDP) and provide a moratorium in the next three years with a cumulative cash flow relief of $6.9 billion in 2020-22. Average annual GFNs in 2026-2030 decline to 7.3 percent of GDP.

External Debt Payments of the Central Government, 2020–25
(Billions of U.S. dollars, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	Totals
Principal	2.9	2.6	2.3	4.0	4.4	6.1	22.3
Interest	2.0	2.5	2.6	2.6	2.6	2.5	14.9
Total	**4.9**	**5.2**	**4.9**	**6.6**	**7.0**	**8.6**	**37.2**
DSSI extension to entire 2021	0	-0.4	0.0	0.2	0.2	0.2	0.0
Total	**4.9**	**4.7**	**4.9**	**6.7**	**7.2**	**8.8**	**37.3**
Memorandum							
Debt reprofiling savings 1/	-2.0	-3.2	-1.8	1.7	0.4	0.4	-4.4
DSSI savings for 2020 only 2/	-0.5	0.0	0.3	0.2	0.2	0.0	0.3
DSSI extenstion to 2021:H1 /2	0	-0.5	0.1	0.2	0.2	0.1	0.0
Commercial w/o DSRA 3/	-1.0	-1.9	-1.8	-0.2	0.0	0.3	-4.6
DSRA /4	-0.4	-0.8	-0.3	1.5	0.0	0.0	0.0
Debt reprofiling savings w/o DSRA	**-1.6**	**-2.3**	**-1.4**	**0.2**	**0.4**	**0.4**	**-4.3**

Source: Angolan authorities and staff estimates.

1/ Cash flow savings from all debt reprofiling operations, including DSSI extenstion up to June 2021.
2/ DSSI savings for official biltateral creditors and China Eximbank.
3/ Savings from debt reprofiling agreements with two large commercial creditors from China, CDB and ICBC, exluding operaitons with the DSRA.
4/ Cashflow savings from operations with the Debt Service Reserve Account (DSRA). DSRA is an escrow account with the CDB that is supposed to hold reserves for future debt payments. As part of debt reprofiling agreements with the CDB, the authorities agreed to use balances of this account to pay interest to the CDB in 2020-22, which will bring the account balance to nearly zero by mid-2022. However, in 2023 this account would need to be replenished to about US$1.5 billion.

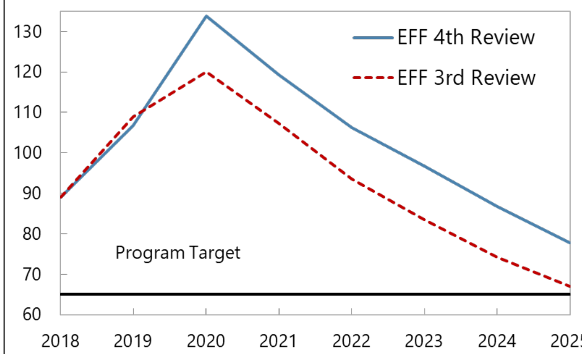
4. **The forecast record for Angola's key macroeconomic variables—growth, primary balance, and inflation—shows a relatively large median error, compared with other program countries.** This reflects, in part, a trend decline in oil production, volatility in oil prices, swings in agricultural production owing to erratic weather conditions, and limited economic diversification. The MAC-DSA realism module continues to characterize Angola's fiscal adjustment as optimistic, compared to those in other IMF arrangements. However, this

adjustment was largely frontloaded in 2018–19, and will have been largely completed by the end of 2020.

5. **Public debt is projected to rise from 107 percent of GDP in 2019 to 134 percent of GDP in 2020.** The projections for 2020 mostly reflect the depreciation of the exchange rate and the slump in oil prices in the wake of the COVID-19 shock (Text Table 2). Public debt is expected to decline to 120 percent of GDP in 2021, reflecting the beginning of recovery in growth and a tight fiscal stance.

6. **The public debt ratio is projected to remain elevated over the projection horizon and would take slightly longer to converge toward the medium-term anchor then previously projected** (Text Figure 1). The structural adjustment in the NOPFD assumed in the baseline scenario coupled with the agreed debt reprofiling would help reverse the upward trend in the public debt-to-GDP ratio in 2021 and bring it close to the authorities' anchor in the medium term. The sustained rebound in growth, supported by structural reforms to unlock key impediments to growth in Angola, such as strengthened business climate and governance, would complement the fiscal consolidation that is already in the baseline scenario and reduce debt significantly by 2025.

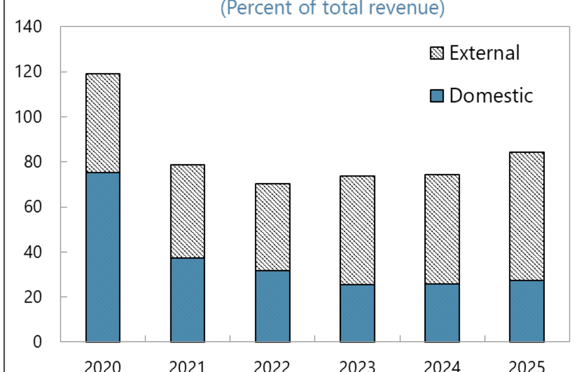
Text Figure 1. Angola: CG and Sonangol Debt, 2018-25[1]
(Percent of GDP)



Sources: Angolan authorities; and IMF staff estimates and projections.
1/ Including guaranteed debt.

7. **Notwithstanding the debt reprofiling and strong fiscal consolidation, total debt service will remain large and warrants careful management.** It is projected to exceed 100 percent of fiscal revenues in 2020, but this ratio will decline somewhat thereafter (Text Figure 2). The non-oil fiscal balances underpinning this outlook are predicated on a continued tight fiscal stance capitalizing on fiscal adjustment measures implemented through 2020. The gains from the gradual phasing-out of oil-collateralized debt envisaged under the program will increase the authorities' flexibility in managing their oil revenues. At the same time, GFNs are projected to remain contained from 2021 on, falling to 5-10 percent of GDP, comfortably below the standard 15 percent of GDP threshold.

Text Figure 2. Angola: Debt Service Projections, 2020-25
(Percent of total revenue)



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

8. **Angola's debt profile will remain subject to significant vulnerabilities**, including 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.

9. 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 projection horizon.
- *Real exchange rate shock*. A 30-percent, one-time real depreciation of the Kwanza would increase the debt ratio to 146 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—it would also 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 175 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 0.7 percent of GDP for bank recapitalization in 2020. Under this scenario, both debt and GFN ratios would exceed the high-risk benchmarks in 2020 but fall below it in the ensuing years. 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 2020–21. Under this scenario, gross financing needs would average 11 percent of GDP in 2021-25 and the debt-to-GDP ratio would remain above the high-risk benchmark through 2025.

10. 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.

11. 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

12. 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.

13. Angola's public external debt is projected to peak in 2020 and decline in the medium term. The path of Angola's external debt is projected to peak at 101 percent of GDP in 2020 and gradually converge to 62 percent of GDP in 2025. The drivers of the deteriorated external debt path are the same as those for public debt.

14. 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

15. Angola's public debt is sustainable with substantial previous reprofiling of interest and principal payments and a continued tight fiscal position, although high risks remain. On this basis, following its 2020 peak, which is now higher due to larger projected exchange rate depreciation, the debt ratio is projected to decline steadily toward the authorities' medium-term target. At the same time, an improved 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. Given the very high risks to Angola's debt sustainability, they remain ready to act to mitigate the impact of possible shocks to the Angolan economy and their possible negative effect on the dynamics of the public debt.

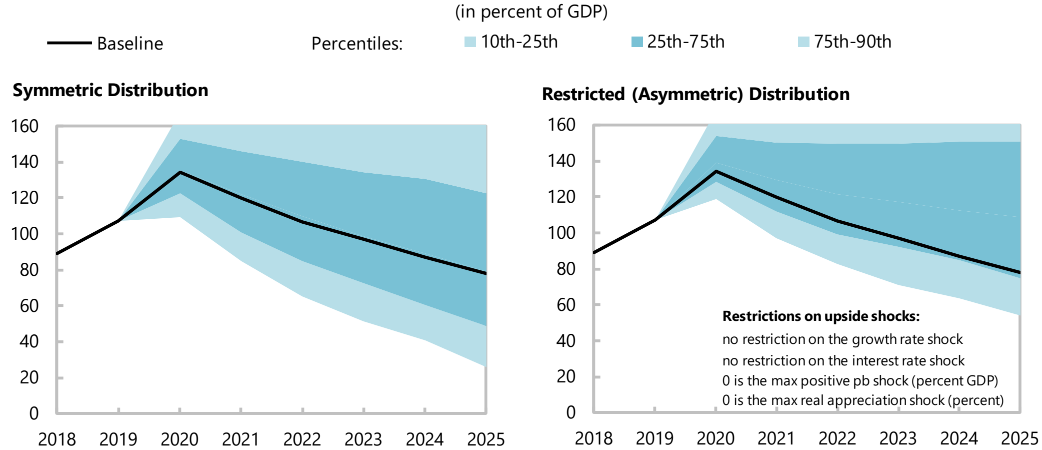
Figure 1. Angola: Public Sector Debt Sustainability Analysis (DSA)—Risk Assessment

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

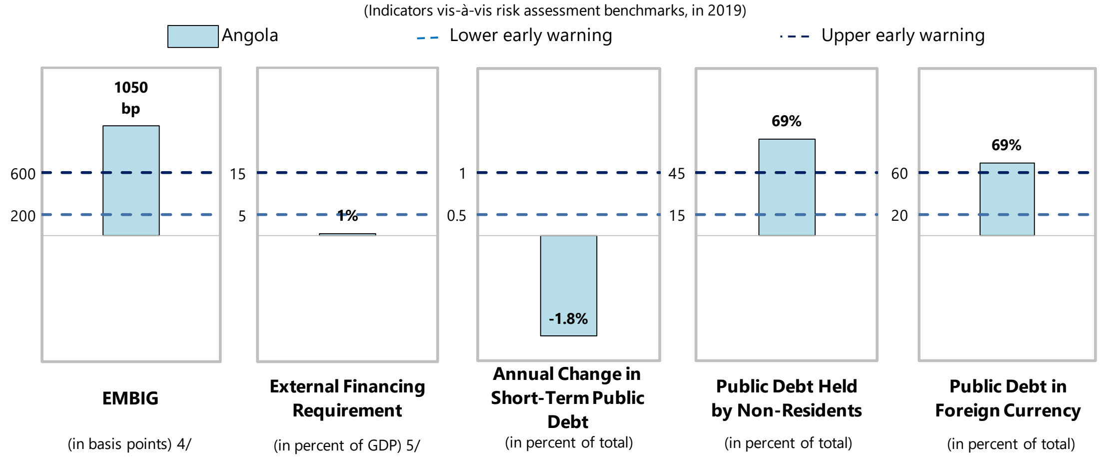
Evolution of Predictive Densities of Gross Nominal Public Debt

(in percent of GDP)



Debt Profile Vulnerabilities

(Indicators vis-à-vis risk assessment benchmarks, in 2019)



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.

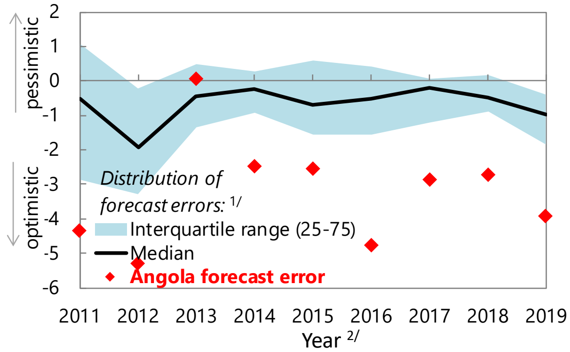
4/ EMBIG, an average over the last 3 months, 10-Sep-20 through 09-Dec-20.

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.

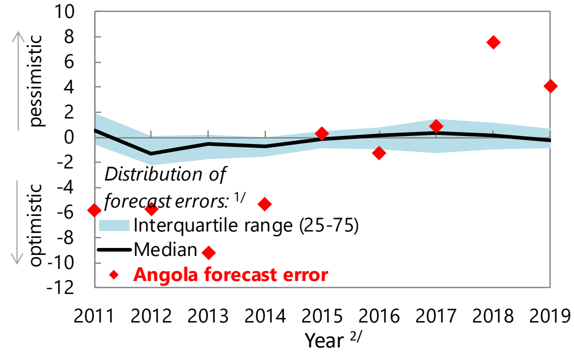
Figure 2. Angola: Public DSA—Realism of Baseline Assumptions

Forecast Track Record, versus program countries

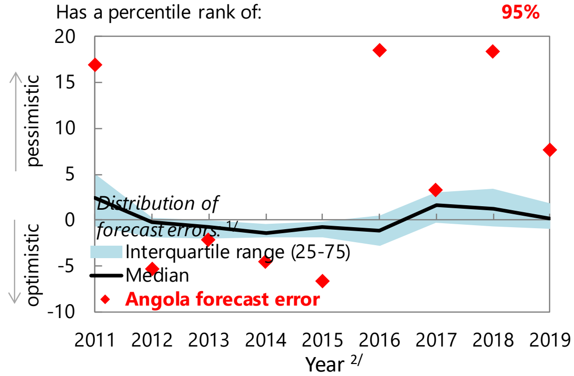
Real GDP Growth
(in percent, actual-projection)
Angola median forecast error, 2011-2019: **-2.85**
Has a percentile rank of: **3%**



Primary Balance
(in percent of GDP, actual-projection)
Angola median forecast error, 2011-2019: **-1.24**
Has a percentile rank of: **15%**

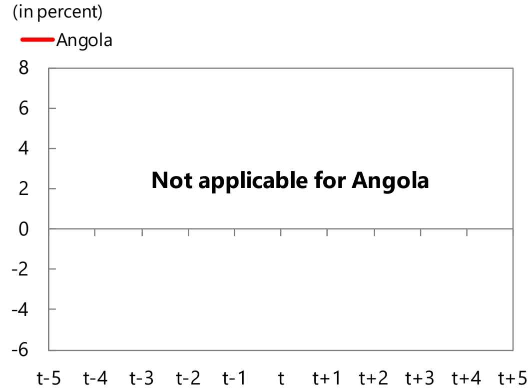


Inflation (Deflator)
(in percent, actual-projection)
Angola median forecast error, 2011-2019: **3.28**
Has a percentile rank of: **95%**



Boom-Bust Analysis 3/

Real GDP growth
(in percent)



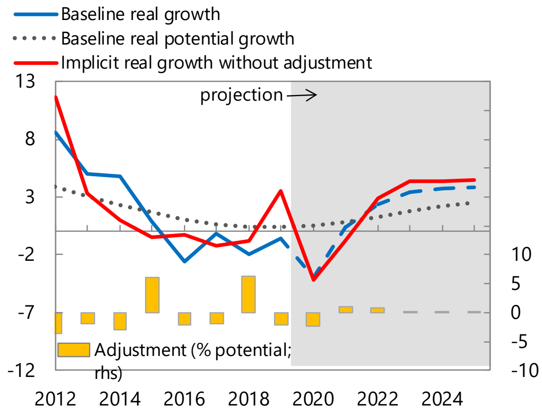
Source : IMF staff.
1/ Plotted distribution includes program countries, percentile rank refers to all countries
2/ Projections made in the spring WEO vintage of the preceding year
3/ Not applicable for Angola, as it meets neither the positive output gap criterion nor the private credit growth criterion.

Figure 2. Angola: Public DSA—Realism of Baseline Assumptions (concluded)

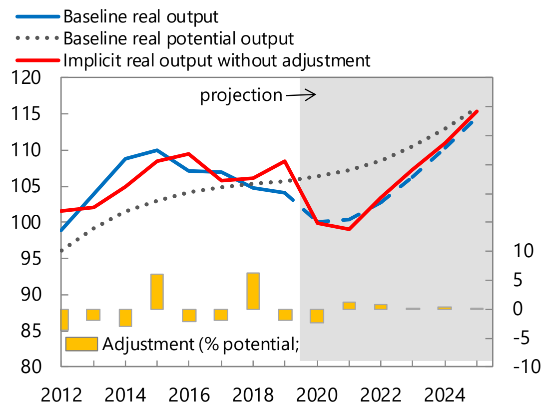
Growth and Level of Output in Absence of Fiscal Adjustment

Assumed multiplier of 1, persistence of 0.6

Real GDP Growth
(in percent)

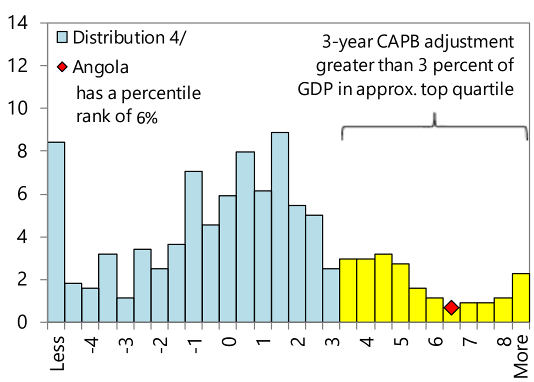


Real Output Level
(Baseline real output in 2020=100)

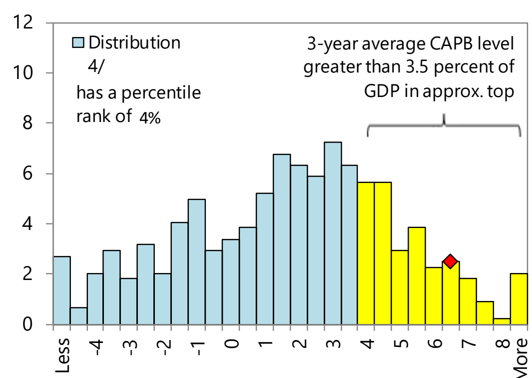


Assessing the Realism of Projected Fiscal Adjustment

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 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 3. Angola: Public DSA: Baseline Scenario

(in percent of GDP unless otherwise indicated)

Debt, Economic and Market Indicators [1/]

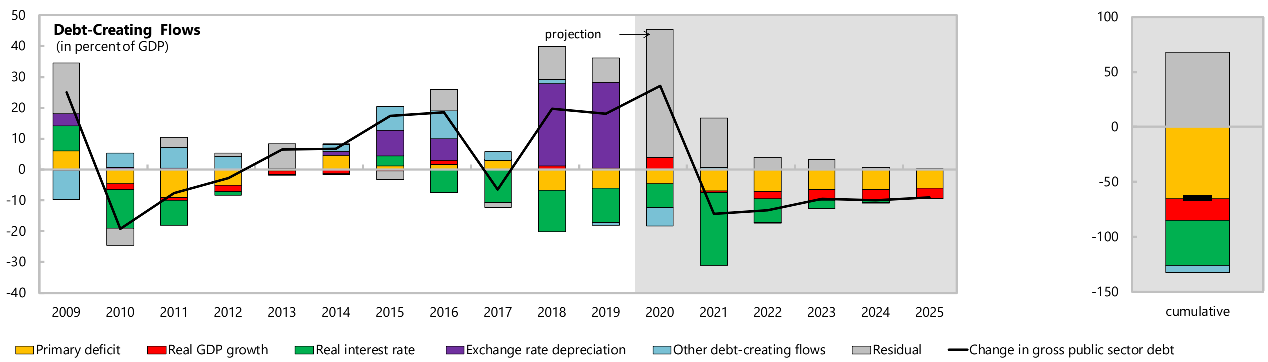
	Actual			Projections										
	2009-2017 [2/]	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total Nominal gross public debt	47.2	89.0	107.1	134.2	119.9	106.7	97.2	87.2	78.2	70.3	62.6	56.0	49.6	42.9
Debt of Central Government and Sonangol*	38.1	89.0	106.8	133.9	119.6	106.4	97.0	87.0	78.0	70.1	62.4	55.8	49.5	42.7
Public gross financing needs	11.9	15.6	11.1	17.0	9.2	8.0	8.1	8.7	10.3	7.2	5.6	10.8	8.6	4.5
Real GDP growth (in percent)	2.9	-2.0	-0.6	-4.0	0.4	2.4	3.5	3.7	3.8	3.7	3.7	3.8	3.8	3.8
Inflation (GDP deflator, in percent)	11.2	34.9	22.8	15.1	29.3	12.4	8.0	6.2	5.3	5.5	5.8	5.3	4.9	4.5
Nominal GDP growth (in percent)	14.4	32.2	22.1	10.5	29.7	15.1	11.7	10.1	9.3	9.4	9.7	9.3	8.9	8.5
Effective interest rate (in percent) [4/]	4.1	8.6	7.3	6.7	6.5	5.5	5.5	5.4	5.6	5.6	5.7	5.9	6.3	6.2

* Including guarantees.

As of December 09, 2020		
Sovereign Spreads		
EMBIG (bp) 3/		885
5Y CDS (bp)		n.a.
Ratings	Foreign	Local
Moody's	Caa1	Caa1
S&Ps	CCC	CCC
Fitch	CCC	CCC

Contribution to Changes in Public Debt

	Actual			Projections												
	2009-2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	cumulative	debt-stabilizing primary balance [9/]
Change in gross public sector debt	4.2	19.7	18.1	27.1	-14.3	-13.2	-9.4	-10.0	-9.0	-8.0	-7.7	-6.6	-6.4	-6.8	-64.2	
Identified debt-creating flows	1.3	9.0	10.1	-14.4	-30.2	-17.2	-12.7	-10.7	-9.2	-8.7	-8.4	-7.5	-6.7	-6.3	-132.1	
Primary deficit	-0.3	-6.7	-6.0	-4.7	-7.0	-7.1	-6.6	-6.4	-6.1	-5.9	-5.8	-5.4	-5.3	-5.1	-65.4	-1.2
Primary (noninterest) revenue and grants	32.6	21.9	20.0	18.2	20.3	20.4	20.0	19.5	19.1	18.7	18.5	18.2	18.0	17.8	208.7	
Primary (noninterest) expenditure	32.3	15.2	14.0	13.5	13.3	13.3	13.4	13.1	13.0	12.9	12.7	12.7	12.7	12.7	143.3	
Automatic debt dynamics [5/]	-1.5	14.4	17.0	-3.7	-24.0	-10.0	-6.0	-4.2	-3.0	-2.7	-2.5	-1.9	-1.4	-1.1	-60.4	
Interest rate/growth differential [6/]	-3.9	-12.3	-10.8	-3.7	-24.0	-10.0	-6.0	-4.2	-3.0	-2.7	-2.5	-1.9	-1.4	-1.1	-60.4	
Of which: real interest rate	-3.1	-13.4	-11.2	-7.6	-23.6	-7.5	-2.7	-0.9	0.1	-0.1	-0.2	0.2	0.6	0.7	-40.8	
Of which: real GDP growth	-0.8	1.0	0.4	3.9	-0.4	-2.5	-3.3	-3.3	-3.1	-2.6	-2.4	-2.2	-2.0	-1.8	-19.6	
Exchange rate depreciation [7/]	2.4	26.8	27.8	…	…	…	…	…	…	…	…	…	…	…	0.0	
Other identified debt-creating flows	3.1	1.3	-0.8	-5.9	0.7	-0.1	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-6.3	
Domestic cash and deposits (negative)	1.0	0.4	-1.5	-4.1	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-3.2	
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	2.1	0.9	0.6	-1.9	-0.1	-0.1	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-3.1	
Residual, including asset changes [8/]	2.9	10.7	8.0	41.5	15.9	4.0	3.3	0.7	0.2	0.7	0.8	0.9	0.4	-0.5	67.9	



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).

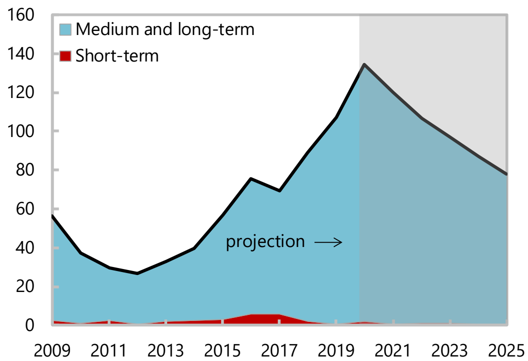
8/ Includes changes in the stock of guarantees, asset changes, and interest revenues (if any). For projections, includes exchange rate changes during the projection period.

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.

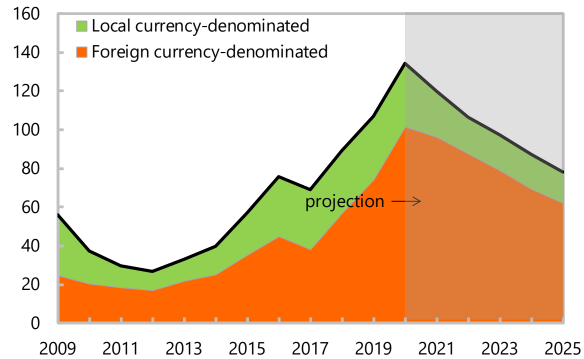
Figure 4. Angola: Public DSA—Composition of Public Debt and Alternative Scenarios

Composition of Public Debt

By Maturity
(in percent of GDP)



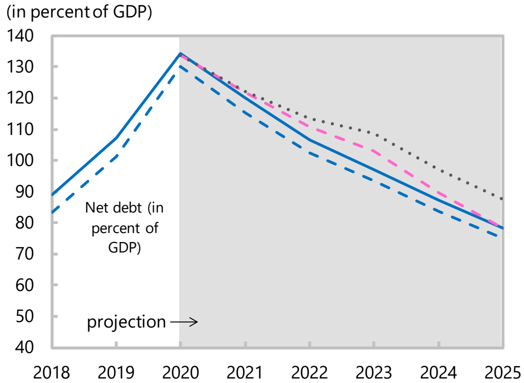
By Currency
(in percent of GDP)



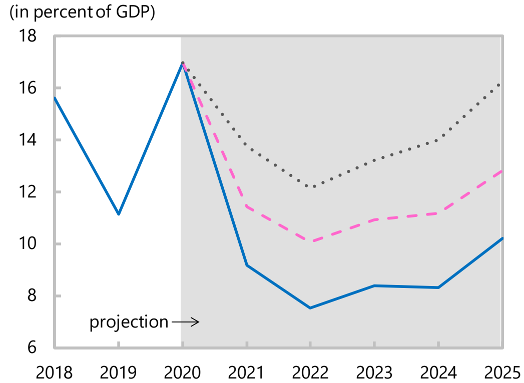
Alternative Scenarios

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)

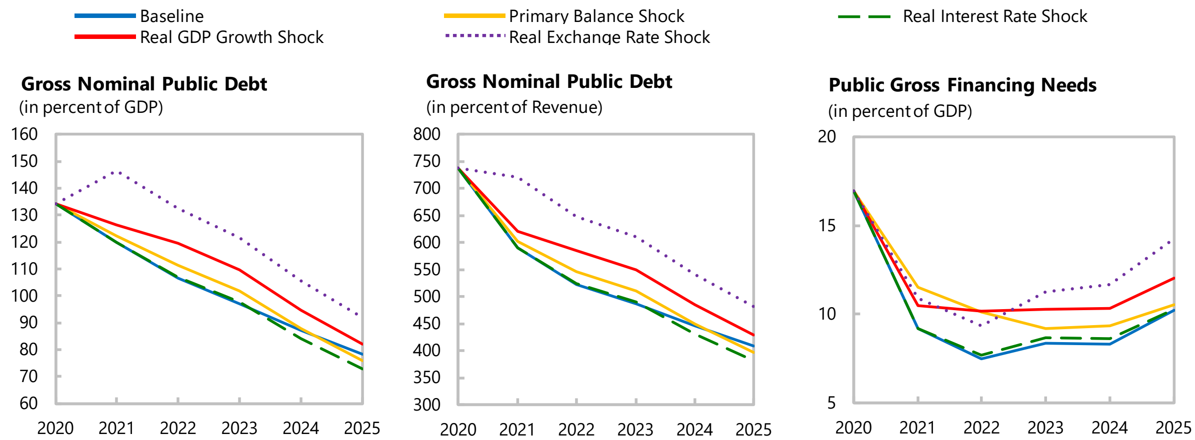
Baseline Scenario	2020	2021	2022	2023	2024	2025
Real GDP growth	-4.0	0.4	2.4	3.5	3.7	3.8
Inflation	15.1	29.3	12.4	8.0	6.2	5.3
Primary Balance	4.7	7.0	7.1	6.6	6.4	6.1
Effective interest rate	6.7	6.5	5.5	5.5	5.4	5.6
Constant Primary Balance Scenario						
Real GDP growth	-4.0	0.4	2.4	3.5	3.7	3.8
Inflation	15.1	29.3	12.4	8.0	6.2	5.3
Primary Balance	4.7	4.7	4.7	4.7	4.7	4.7
Effective interest rate	6.7	6.5	5.5	5.5	5.2	5.1

Historical Scenario	2020	2021	2022	2023	2024	2025
Real GDP growth	-4.0	2.2	2.2	2.2	2.2	2.2
Inflation	15.1	29.3	12.4	8.0	6.2	5.3
Primary Balance	4.7	2.1	2.1	2.1	2.1	2.1
Effective interest rate	6.7	6.5	5.0	4.6	4.0	3.7

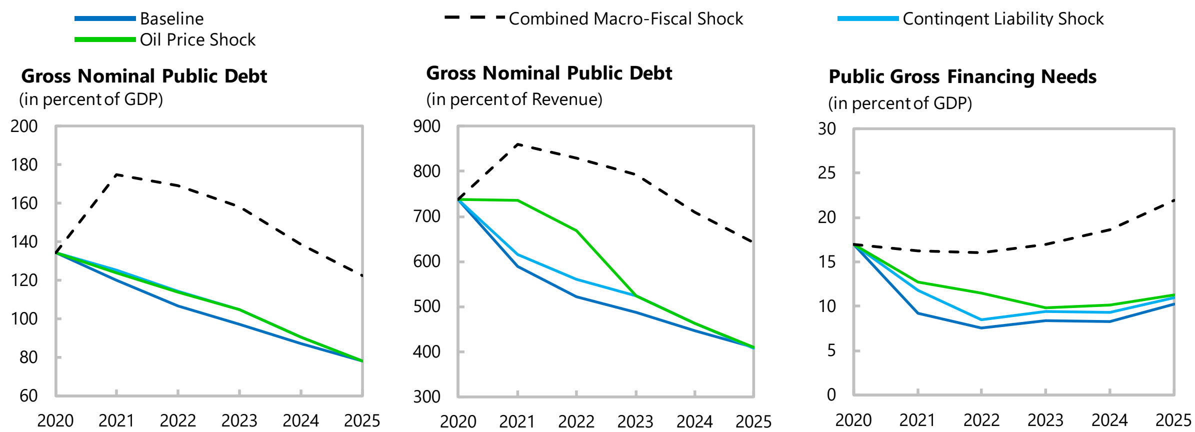
Source: IMF staff.

Figure 5. Angola: Public DSA—Stress Tests

Macro-Fiscal Stress Tests



Additional Stress Tests



Underlying Assumptions
(in percent)

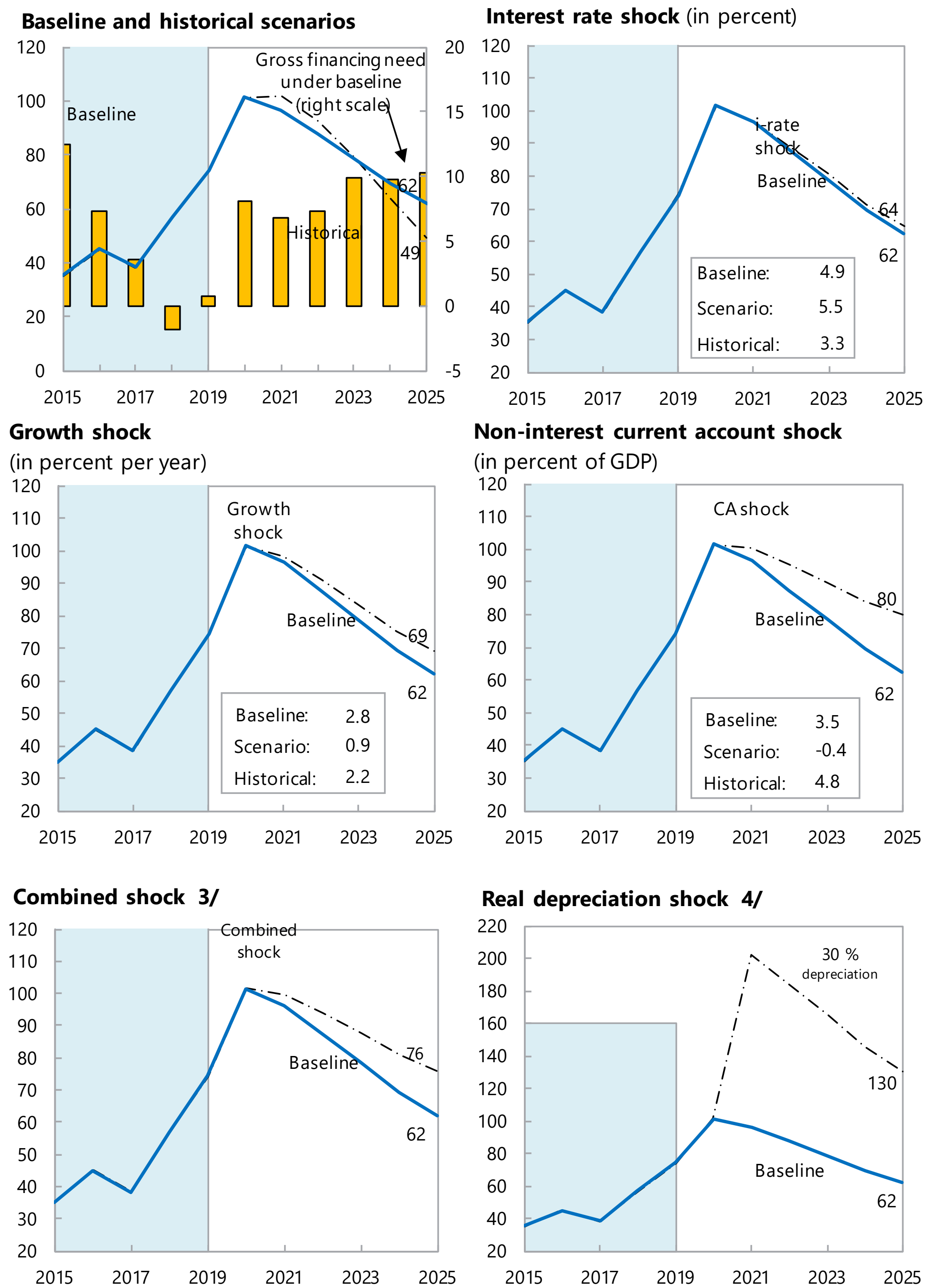
Primary Balance Shock	2020	2021	2022	2023	2024	2025
Real GDP growth	-4.0	0.4	2.4	3.5	3.7	3.8
Inflation	15.1	29.3	12.4	8.0	6.2	5.3
Primary balance	4.7	4.6	4.7	6.6	6.4	6.1
Effective interest rate	6.7	6.5	5.6	5.6	5.3	5.2
Real Interest Rate Shock						
Real GDP growth	-4.0	0.4	2.4	3.5	3.7	3.8
Inflation	15.1	29.3	12.4	8.0	6.2	5.3
Primary balance	4.7	7.0	7.1	6.6	6.4	6.1
Effective interest rate	6.7	6.5	5.7	5.7	5.6	5.6
Combined Shock						
Real GDP growth	-4.0	-3.3	-1.2	3.5	3.7	3.8
Inflation	15.1	28.4	11.5	8.0	6.2	5.3
Primary balance	4.7	4.6	4.7	6.6	6.4	6.1
Effective interest rate	6.7	8.4	5.6	5.8	5.7	5.7

Real GDP Growth Shock	2020	2021	2022	2023	2024	2025
Real GDP growth	-4.0	-3.3	-1.2	3.5	3.7	3.8
Inflation	15.1	28.4	11.5	8.0	6.2	5.3
Primary balance	4.7	6.4	5.9	6.6	6.4	6.1
Effective interest rate	6.7	6.5	5.5	5.5	5.2	5.1
Real Exchange Rate Shock						
Real GDP growth	-4.0	0.4	2.4	3.5	3.7	3.8
Inflation	15.1	44.7	12.4	8.0	6.2	5.3
Primary balance	4.7	7.0	7.1	6.6	6.4	6.1
Effective interest rate	6.7	8.4	5.4	5.4	5.2	5.2
Contingent Liability Shock						
Real GDP growth	-4.0	-1.4	0.6	3.5	3.7	3.8
Inflation	15.1	28.8	11.9	8.0	6.2	5.3
Primary balance	4.7	5.1	7.1	6.6	6.4	6.1
Effective interest rate	6.7	6.8	5.5	5.5	5.2	5.1

Source: IMF staff.

Figure 6. 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.

Figure 7. Angola: External Debt Sustainability Framework, 2015–25

(Percent of GDP, unless otherwise indicated)

	Actual					Projections						
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	**Debt-stabilizing non-interest current account 6/**
Baseline: External debt	35.1	45.0	38.2	56.8	74.2	**101.4**	**95.8**	**87.1**	**78.3**	**69.1**	**61.8**	**0.0**
Change in external debt	10.2	9.9	-6.8	18.6	17.4	27.2	-5.5	-8.7	-8.8	-9.2	-7.3	
Identified external debt-creating flows (4+8+9)	27.4	5.6	-14.9	-0.5	5.7	3.1	-3.5	-1.7	-0.8	0.0	0.1	
Current account deficit, excluding interest payments	9.2	3.5	-0.9	-11.2	-11.2	-3.2	-5.2	-3.9	-3.2	-2.7	-2.5	
Deficit in balance of goods and services	3.4	-0.9	-6.0	-17.9	-19.0	-9.1	-11.0	-9.2	-8.1	-7.4	-6.9	
Exports	33.4	28.4	29.2	47.7	51.9	41.3	41.0	38.3	36.2	34.4	33.6	
Imports	36.8	27.5	23.1	29.8	32.9	32.3	30.0	29.0	28.0	27.1	26.8	
Net non-debt creating capital inflows (negative)	8.7	-0.5	-7.2	-7.4	-2.6	-1.7	-2.5	0.2	1.3	1.9	1.7	
Automatic debt dynamics 1/	9.5	2.6	-6.8	18.1	19.5	7.9	4.2	2.1	1.1	0.8	0.8	
Contribution from nominal interest rate	0.8	1.4	1.5	2.6	3.6	4.1	4.5	4.2	3.9	3.5	3.3	
Contribution from real GDP growth	-0.3	0.9	0.1	1.1	0.4	3.9	-0.3	-2.1	-2.8	-2.7	-2.4	
Contribution from price and exchange rate changes 2/	9.1	0.2	-8.3	14.5	15.5	...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	-17.2	4.3	8.1	19.1	11.6	24.1	-2.0	-7.1	-8.0	-9.2	-7.3	
External debt-to-exports ratio (in percent)	105.1	158.7	131.1	119.1	142.9	245.3	233.8	227.6	216.5	200.6	183.9	
Gross external financing need (in billions of US dollars) 4/	12.9	7.3	4.4	-1.6	0.5	4.2	3.9	4.5	6.7	7.2	8.2	
in percent of GDP	12.5	7.4	3.6	-1.9	0.7	8.1	6.8	7.2	9.8	9.7	10.2	
Scenario with key variables at their historical averages 5/						**101.4**	**101.2**	**91.9**	**78.8**	**63.5**	**49.0**	**-3.6**
Key Macroeconomic Assumptions Underlying Baseline												
Real GDP growth (in percent)	0.9	-2.6	-0.2	-2.0	-0.6	-4.0	0.4	2.4	3.5	3.7	3.8	
GDP deflator in US dollars (change in percent)	-26.7	-0.7	22.6	-27.5	-21.4	-20.7	10.4	7.0	4.8	5.1	4.2	
Nominal external interest rate (in percent)	2.3	3.8	4.0	4.8	5.0	4.2	4.9	4.8	4.8	4.9	5.1	
Growth of exports (US dollar terms, in percent)	-43.4	-17.8	25.8	16.3	-15.0	-39.4	9.9	2.3	2.5	3.8	5.7	
Growth of imports (US dollar terms, in percent)	-29.1	-27.8	3.1	-8.6	-13.7	-25.3	2.9	6.2	4.7	5.2	7.0	
Current account balance, excluding interest payments	-9.2	-3.5	0.9	11.2	11.2	3.2	5.2	3.9	3.2	2.7	2.5	
Net non-debt creating capital inflows	-8.7	0.5	7.2	7.4	2.6	1.7	2.5	-0.2	-1.3	-1.9	-1.7	

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.

Annex II. Risk Assessment Matrix[1]

Potential Deviations from Baseline				
Source of Risks	**Relative Likelihood**	**Time Horizon**	**Impact on Angola**	**Policy Responses**
Unexpected shift in the Covid-19 pandemic. The disease proves harder to eradicate (e.g., due to difficulties in finding/distributing a vaccine), requiring more containment efforts and impacting economic activity directly and through persistent behavioral changes (prompting costly reallocations of resources). Monetary and fiscal policy response is insufficient amid dwindling policy space and concerns about debt sustainability. Financial markets reassess real economy risks leading to a repricing of risk assets, unmasking of debt-related vulnerabilities, and weakening banks and nonbank financial intermediaries–forcing them to reduce credit (further weighing on growth). Financing difficulties extend to vulnerable sovereigns, leading to cascading debt defaults, capital outflows, depreciation pressures, and in some cases inflation. Pandemic-prompted protectionist actions (e.g., export controls) reemerge, disrupting trade and global value chains.	**High**	**Short Term**	**Medium/ High**	Accommodate essential health spending and combine well-paced, growth-friendly spending adjustments that protect social spending and public investment with additional financing from international financial institutions (IFIs) and the donor community given limited scope for fiscal easing; reach out to a wider range of bilateral creditors to secure additional debt reprofiling; let the exchange rate adjust to changes in global conditions; and persevere with structural reforms to diversify the economy.
Widespread social discontent and political instability. Social tensions erupt as the pandemic and inadequate policy response cause economic hardship (including unemployment, higher incidence of poverty, and shortages and higher prices of essentials) and exacerbate preexisting socioeconomic inequities. Economic activity is disrupted. Growing political polarization and instability (e.g., contested elections) weaken policymaking and confidence.	**High**	**Short Term**	**Medium**	Accelerate the roll out of the cash-transfer program. Target fiscal measures to the most affected sectors and households with the aim of alleviating liquidity constraints while ensuring transparency and accountability in managing spending related to COVID-19; proactively seek additional financing from IFIs and the donor community given limited fiscal buffers.
Accelerating de-globalization. Geopolitical competition and fraying consensus about the benefits of globalization lead to further fragmentation. Reshoring and less trade reduce potential growth.	**High**	**Short Term**	**Low**	Reach out proactively to main trade partners to protect exports. Speed up structural reforms to enhance external competitiveness and economic diversification, including greater trade and financial integration in SADC and AfCFTA.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short term (ST)" and "medium term (MT)" are meant to indicate that the risk could materialize within 1 year and 3 years, respectively. **July 24, 2020 edition of the RAM.**

Potential Deviations from Baseline (concluded)				
Oversupply and volatility in the oil market. Supply increases following OPEC+ disagreements and lower demand keep energy prices close to historical lows, but uncertainty about possible production cuts and the pace of demand recovery lead to bouts of volatility.	Medium	**Short Term/ Medium Term**	High	Maintain exchange rate flexibility; adopt a steadfast fiscal policy response, including by mobilizing non-oil tax revenues and adjusting public spending and improving its efficiency; and accelerate reforms to diversify the economy.

Source of Risks	**Relative Likelihood**	**Time Horizon**	**Impact on Angola**	**Policy Responses**
Stronger-than-expected decline in crude oil production, which would reduce growth, oil tax revenues, and availability of foreign exchange.	Medium	**Short Term/ Medium Term**	High	Streamline administrative procedures to attract investment to the oil sector; move expeditiously with Sonangol's restructuring; mobilize additional non-oil fiscal revenues; accelerate reforms to diversify the economy.
Potential negative spillovers on the financial sector from the transition to a more flexible exchange rate. The capital position of some banks may be vulnerable to further exchange rate depreciation.	Medium	**Short Term/ Medium Term**	Medium	Address gaps in prudential regulations; assess potential fiscal contingent liabilities from weak banks; and ensure that resources are earmarked/budgeted to minimize risks to financial stability.
Shocks to the public debt trajectory, including further decline in oil prices, low economic growth, and materialization of contingent liabilities.	High	**Short Term/ Medium Term**	High	Re-calibrate monetary and fiscal policy to a proper response to the shock; allow for greater exchange rate flexibility; continue to strengthen public debt management, state-owned enterprise oversight, and transparency of public debt statistics. Reprofile selected public debt service over an extended period. Possible contingency measures could include (i) additional fiscal retrenchment; (ii) additional reprofiling by large creditors; (iii) partial running down of NIRs; and (iv) drawing down on the sovereign wealth fund.
Possibility that reform fatigue could arise, given pervasive hardships.	Medium	**Medium Term**	Medium	Scale up of cash transfers, with the help of the World Bank, to protect the most vulnerable from the side effects of reforms; continue well-focused technical assistance by the Fund and other development partners to mitigate implementation risks and mitigate side effects of reforms.

Appendix I. Letter of Intent

Luanda, December 22, 2020

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 MEFP and TMU of July 17, 2020 and the Supplementary Letter of Intent of September 7, 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.

Despite the external shock that hit Angola—increased health and human costs associated with the COVID-19 pandemic and a sudden stop of global economic activity that depressed oil demand and oil prices—the overarching objectives of our program remain the same: reducing fiscal vulnerabilities; strengthening debt sustainability; reducing inflation; completing the transition to a flexible exchange rate regime; ensuring financial sector stability; strengthening the anti-money laundering/combating the financing of terrorism framework and governance in general; and improving the business climate. These actions will help to ensure the success of our ongoing recovery from the shock and set the stage for advancing economic diversification and inclusive, private sector-led economic growth. Our performance under the program is on track and we remain tightly focused on these goals. The end-June 2020 PC on the non-oil primary deficit was met. Moreover, we met all but two end-September 2020 indicative targets (ITs). Based on preliminary data, we believe that all but one end-December PCs are also likely to be met. We continue to make progress in implementing structural benchmarks. We request a revision of the TMU to exclude government securities obtained when realizing collateral received in an emergency liquidity assistance operation to commercial banks from the definition of "claims" under this PC. We have secured appropriate financing assurances through the end of November 2021.

We request the conclusion of the Fourth Review. To this end, we request (i) a waiver for non-observance of the end-December PC on BNA's claims on the government; we do not expect the non-observance of this PC to be greater than Kz 300 billion; (ii) a waiver of applicability of the end-December 2020 PCs on the non-oil primary fiscal deficit (NOPFD), net international reserves, and reserve money; and (iii) modifications of the end-March 2021 ITs and end-June 2021 PCs on central bank advances to the central government and NOPFD and the end-June 2021 PC on reserve money. These modifications to program PCs and ITs are required by the continuing weak international environment and the shocks affecting our economy. They aim at adjusting our fiscal and monetary policies, supporting NIR management, aligning external disbursements with the pace of project execution, and protecting public debt sustainability.

We trust that the policies and measures set forth in the attached MEFP are appropriate to deliver on the broad objectives of our National Development Plan for 2018–22, namely stabilizing the economy and laying the ground for the major structural reforms needed to diversify it and ensure strong and inclusive growth to the benefit of the Angolan people. In the face of increased uncertainty caused by the shock, 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/	/s/
Vera Daves de Sousa Minister Ministry of Finance	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 external environment has remained fragile since the conclusion of the Third Review of the Extended Arrangement under the Extended Fund Facility (hereafter the "arrangement"). Angola continues to deal with a triple shock: (i) a health crisis in the wake of the COVID-19 pandemic; (ii) a collapse in international oil prices since February 2020, albeit with some recovery in recent months; and (iii) a slump in demand for oil, resulting from a depressed global economy. These shocks led to a slowdown in economic activity, and Angola has not accessed international capital markets. Accordingly, we have adjusted our policies to buffer the economy from the shocks while addressing our financing issues. We remain committed to the program, which will help Angola to emerge from the crisis successfully and maintain macroeconomic stability.

2. Angola has been hit hard by a strong terms-of-trade shock, which will delay growth recovery.

- *Economic activity will contract in 2020, as a result of the triple shock*. Real GDP experienced its largest decline in five years during the second quarter. The shock was felt in both the oil sector, driven by lower oil production and lower oil prices, and the non-oil sector, given the decline in most business activity owing to the pandemic. Growth has remained subdued in the second half of the year on continued low oil production and low oil prices, and on a still-limited recovery in business activity, given the magnitude of the shock.

- *Disinflation has been interrupted this year*. After declining to 16.9 percent at end-2019, inflation is projected to reach 25.0 percent at end-2020, driven by: a one-off value-added tax change; exchange rate depreciation resulting from the shock; and supply constraints stemming from lockdowns and the global pandemic.

- *Fiscal consolidation continued in 2020*. The non-oil primary fiscal deficit (NOPFD) at end-June outperformed the performance criterion (PC), reflecting expenditure restraint and stronger-than-expected non-oil revenues in the first half of 2020. Notwithstanding these efforts, the public debt ratio is expected to exceed 130 percent of GDP at end-December 2020, mostly because of the exchange rate depreciation in 2020.

- *The external position has weakened substantially in 2020 owing to the collapse of oil prices, but the impact of this shock has been mitigated to an important extent by the floating exchange rate*. The sharp post-COVID decline in global oil prices, compounded by lower domestic oil production, is estimated to have reduced goods exports by over 40 percent. Conversely, the impact on the current account has been substantially mitigated by the Kwanza's real depreciation which, together with the recession, has led to much lower imports of goods and services; lower oil company income transfers abroad provided an additional offset. With the export decline dominating, the current account is estimated to have swung to a moderate deficit. The financial account deficit is also estimated to have deteriorated, as higher deposit outflows and loss of market access more than offset lower foreign direct investment (FDI) outflows. While these adverse balance of payments (BOP) developments were substantially mitigated by bilateral debt reprofiling and the G20 Debt Service Suspension Initiative (DSSI), gross international reserves (GIRs) are estimated to have declined but still provide relatively comfortable import coverage.

- *Monetary policy is pivoting from responding to the external shock to progressing toward our inflation objectives.* At the height of the shock, the central bank (*Banco Nacional de Angola,* BNA) paused its monetary policy tightening efforts to ensure adequate liquidity in the financial system. With the financial system stabilized and gradual recovery underway, the BNA has restarted the disinflation process by using open-market operations (OMOs) and an increased reserve requirement ratio to reduce excessive liquidity.

- *The banking sector is overall well capitalized but remains vulnerable to shocks.* Banks are operating in a recessionary economic environment, a significant exchange rate depreciation, and high inflationary pressures. In addition, the COVID-19 pandemic has taken a toll on banks' balance sheets and their business models. Two troubled public banks are in a deep restructuring process.

3. Despite the challenging external environment and still-elevated risks, we remain focused on our overarching economic objectives. These include reducing debt vulnerability, resuming the disinflation process, consolidating the flexible exchange rate regime, and supporting economic diversification. To this end, we are implementing a robust set of macro-critical policies. We have achieved significant debt reprofiling via the G20 DSSI and with two of our large creditors; adopted additional non-oil revenue measures and are boosting health expenditures; continued to withdraw the BNA from the foreign exchange (FX) market to allow the market to develop, while pivoting monetary policy toward containing inflation; and we are continuing to implement the structural reforms that will lead to sustainable and inclusive growth.

II. MACROECONOMIC POLICIES AND STRUCTURAL REFORMS FOR 2020–21

A. Overview

4. The Government's economic policies will help Angola to recover from the shock while creating the conditions for inclusive growth after the crisis. We remain committed to the strategy and its two pillars: (i) sound policies to promote macroeconomic and financial stability; and (ii) structural reforms to lessen the oil dependence, diversify the economy, and reduce vulnerabilities. Macroeconomic and financial policies continue to be guided by our National Development Plan for 2018–22 (NDP18–22).

5. We remain firmly committed to our macroeconomic plans.

- *Growth*. We project non-oil growth to partially recover in 2021, as COVID-19 prevention measures and aggregate demand picks up. This will be supported by structural reforms. However, oil production will remain weak owing to the lingering effects of the shock, while global oil prices are expected to remain near current levels. As such, we project only a 0.4 percent recovery in overall growth in 2021, from -4.0 percent in 2020.

- *Inflation*. Our goal is to reduce annual inflation to a single digit by 2023 through (i) continued prudent fiscal policy; and (ii) tightened monetary conditions via an increasing reliance on OMOs and the BNA's policy rate as the key instruments of monetary policy, including by increasing its policy rate in real terms.

- *Fiscal sector*. Notwithstanding the difficult economic environment, we remain committed to policies that will preserve fiscal and debt sustainability. Specifically, our 2021 budget will deliver further fiscal consolidation through a combination of capitalizing on non-oil revenue measures implemented in the middle of 2020, the introduction of additional non-oil revenue measures, and continued expenditure restraint. At the same time, the budget will ensure sufficient fiscal space for COVID-19-related spending and protect overall social expenditure.

- *Exchange rate regime*. We are continuing to take steps toward developing the domestic FX interbank market. We extended access to our transparent FX trading platform, which was introduced in April 2020, and started auctions of FX forward contracts in September 2020. Both of these measures are helping to set the stage for the BNA to gradually reduce its role as Angola's main FX supplier. The exchange rate has remained flexible, which has helped to cushion the Angolan economy against external real shocks, contributing to a more efficient allocation of FX resources, improving competitiveness, and fostering economic diversification.

- *Monetary policy and financial sector*. Our reserve money (RM) targets, set in the context of the program PCs, will contain monetary aggregate growth in line with our inflation objective and lend credibility to our monetary policy. That credibility will be further enhanced by the increased autonomy of the central bank stemming from the forthcoming amended BNA Law, which was submitted to the Council of Ministers (structural benchmark—SB). Strengthening our financial system will require advancing swiftly on the restructuring of two troubled public banks, finalizing the adoption of the important reforms of the regulatory framework for banks, and addressing remaining banking sector vulnerabilities, including on the level of nonperforming loans (NPLs) held by the banking system and the bad asset management company, *Recredit*.

B. Fiscal Policy

6. Our fiscal policy has maintained fiscal and debt sustainability despite the economic crisis. The combination of new non-oil revenue measures approved in the supplementary 2020 budget and strict expenditure restraint have allowed us to overperform the 2020 NOPFD targets at end-March, end-June and end-September. Non-oil tax receipts outperformed expectations in the first half of 2020, reflecting strong performance of the personal income tax (PIT), value-added tax (VAT), corporate income tax (CIT) paid by large corporations, and settlement of tax arrears. Revenues in the second half of the year have benefitted, inter alia, from robust yields from the VAT and PIT. The freeze of non-essential spending on goods and services and on new hiring (except in the education and health sectors) has delivered substantial savings, while social assistance expenditure has been safeguarded.

7. The 2021 budget will maintain a broadly unchanged NOPFD. It will benefit from the full-year impact of the broad-based tax policy reforms introduced in 2020, including increasing PIT progressivity, broadening the VAT base at customs, optimizing the VAT refund account balances, differentiating CIT rates between companies, raising withholding rates for non-resident service providers, as well as adjusting property tax thresholds and excises on cigarettes and luxury cars. In 2021, we will focus on improving the implementation and fine-tuning of these revenue measures, as well as introducing additional operational measures that will further enhance the efficiency of our existing sources of revenue. We will also continue restraint in current spending and expenditure consolidation through further prioritization and efficiency improvements. Revenue and expenditure measures in the 2021 budget are as follows.

- *Non-oil revenue*. Building on tax reforms introduced in 2019 and 2020, we will strengthen the collection capacity of the revenue agency (AGT) by enhancing the integrity of the taxpayer databases; improving VAT monitoring; and establishing an invoice-based compliance strategy. We will discontinue the temporary exemption of capital goods adopted during the pandemic when it expires in April 2021. We will continue to fine-tune some of the newly adopted revenue measures in 2020, such as by introducing a 2.5 percent VAT withholding tax on all sales of goods and services made at automatic payment terminals (TPA). We will also lower the VAT threshold to Kz 50 million in October 2021, to be effective from January 2022.

- *Wage bill*. The 2020 hiring freeze (except for essential social services) will remain in place to contain the growth in the nominal wage bill.

- *Goods and services*. We will only slightly relax constraints on payments for goods and services established in 2020 to return overall spending on goods and services to slightly above its 2019 level relative to GDP.

- *Transfers and subsidies*. Transfers and subsidies will be kept under tight control, while targeted social spending floors will be preserved.

- *Capital expenditure*. We will continue to rein in capital expenditure relative to GDP through restraint in non-essential investment.

- *Payments arrears*. Despite the tight cash position expected in 2021, we remain committed to staying within the agreed program limits for the net accumulation of new arrears (ITs).

8. **We will continue fiscal structural reforms to support fiscal consolidation and debt sustainability.** Additional fiscal retrenchment is necessary to help attain our public debt (including Sonangol and TAAG) target of 60 percent of GDP, which we are now aiming to achieve in the long term, consistent with the objective established by the Fiscal Responsibility Law (FRL), adopted in August 2020. The adjustment will continue to be underpinned by a combination of continued non-oil revenue mobilization and restraint in current expenditure, while protecting key public investment and social expenditure to aid the most vulnerable. The structural reforms will focus on enhancing efficiency and scale of existing revenue streams through the simplification of regulation and administrative improvements.

- *Non-oil revenue*. Building on tax reforms introduced in 2019 and 2020, we will continue to strengthen the collection capacity of AGT through establishing better databases and stricter compliance. We will reduce tax expenditures; reform investment incentives; implement a property registration system; and broaden the tax base by integrating the informal sector. We will continue to be guided by the technical assistance (TA) from the IMF.

- *Cash-transfer program and subsidy reform.* Despite the COIVD-19 pandemic, the cash-transfer program, started in late May, had about 80,000 households registered by mid-November, with an aim to register 300,000 households by early 2021. We plan to accelerate the program once the pandemic abates and reach our goal of 1.6 million households by end-2023. We will resume the fuel subsidy reforms gradually when the cash-transfer program reaches a critical mass of households, and evaluate the program of special fuel subsidies for the agriculture and fishing sectors in 2021. In the meantime, we published a presidential decree in October 2020 on an automatic mechanism to establish the reference market price, whose results will be published monthly.

- *External arrears.* We have addressed the issue of external debt arrears, which had been giving rise to a breach of the relevant continuous PC. To that end, in line with program commitments, we set up an independent third-party escrow account in June 2020 in a sound bank in Angola where we have been depositing all debt service payments that were rejected by intermediary financial institutions for the purposes of meeting our external debt payments obligations. In addition, we continue to work on legacy claims by the former Federal Socialist Republic of Yugoslavia with one successor State and are verifying its claim; although these discussions were slowed down by the COVID-19 pandemic, we plan to reinvigorate them in the coming months. Furthermore, we have cleared arrears to a commercial creditor via an agreement to settle our outstanding obligations over a ten-year period, and are in discussions with a second commercial creditor to verify its claims, with the aim of reaching agreement on a repayment schedule in the near future.

- *Payments arrears.* By end-November, we verified and settled 80 percent of all payment arrears accumulated by the Central Government in 2018 and recorded in SIGFE but may miss the end-December SB on completing the verification and settlement because of the

COVID-19 pandemic. We are endeavoring to catch up for the delay. The net accumulation of new payments arrears reached Kz 81 billion at end-June 2020, below the program ceiling of Kz 250 billion (IT).

- *Medium-term fiscal framework (MTFF).* The FRL defines a fiscal rule, which includes a debt target and an operational target for the NOPFD. We completed a pilot MTFF in June and revised it in November to anchor the 2021 budget proposal and identified areas for improvement for its formal implementation in the 2022 budget. We are preparing a fiscal strategy to accompany the MTFF and will update it in April and October 2021, as required by the FRL.

- *Public investment management.* We have enacted the requirement in the 2021 budget to publish an initial project appraisal for all new public investment projects, undertaken after January 1, 2021 and above Kz 10 billion (SB for end-March 2021, reset for end-June 2021). We have started to publish appraisal documentation of major projects and will regularly review and update the cost estimates and selection criteria. We will continue to improve the governance of public private partnerships to reduce fiscal risks from contingent liabilities. We will continue to safeguard budgeted capital expenditure, allowing only exceptional cases where up to 7 percent of capital expenditure could be reallocated to current expenditure.

- *Fiscal transparency and accountability.* We continue regular publication of quarterly and yearly fiscal reports to disclose the collection and use of public resources and support the preparation and update of the pilot MTFF. We will continue to improve the coverage and timeliness of the reports under guidance from the IMF and enforce sanctions to senior officials for spending decisions above the approved budget ceilings.

C. Monetary and Exchange Rate Policies

9. We continue to strengthen our RM target policy framework to achieve price stability. The quantitative RM targets under the program (PCs) have been set consistent with our monetary policy and signal that the BNA is committed to establishing a credible nominal anchor, which will help mitigate pressures on the exchange rate and reduce inflation. To that end, we will use a range of instruments, particularly OMOs at market interest rates and the policy rate, to sterilize shocks to money aggregates that could compromise the RM targets, with an eye toward improving monetary policy transmission. We will also work to better align money market rates with the policy rate, as we are moving toward positive real interest rates and single-digit inflation, and to increase the signaling power of the policy rate. The end-December 2020 PC on BNA advances to the Central Government was not observed due to secondary market securities operations related to COVID relief. We have taken steps to address this by sterilizing the securities purchased via OMOs and have met the end-December 2020 RM PC. In 2021, intra-year direct lending by the BNA to the Government will be restricted to no more than 10 percent of the previous year's fiscal revenues, as defined in Article 29 of the BNA Law, while respecting related PCs. We have a March IT and June PC on this lending. We commit that no more than Kz

250 billion in new lending after the start of next year will be outstanding by end-September 2021 and that all advances will be settled solely in cash by the end of 2021.

10. We have amended the BNA Law to strengthen the BNA's mandate, autonomy, and governance. Working closely with IMF staff, we submitted the draft amended BNA Law to the Council of Ministers on December 15, 2020 (SB). Following approval by the latter, we will submit the BNA Law to the National Assembly by end-January 2021 (proposed new SB). The amended Law clearly defines the BNA's mandate; sets a clear primary policy objective; strengthens governance arrangements; legally protects BNA staff from undue influence from third parties; ensures the BNA's financial, functional, and its staff's personal autonomy; clearly distinguishes between emergency liquidity assistance (ELA) and monetary policy operations; and strengthens the solvency support frameworks.

11. We continue to strengthen governance at the BNA. Most recently, in line with the IMF's Safeguards Assessments Policy recommendations, we have (i) continued to reduce holdings with external managers, in line with our new investment policy; (ii) implemented the International Financial Reporting System (IFRS); (iii) strengthened internal audit capacity by moving forward on certifying additional staff and improving information systems, in line with our timeframe to continue through 2022; and (iv) drafted a new policy for the hiring of external auditors, which we have submitted to our Board for approval and will then submit to our Audit Council for approval.

12. Our exchange rate regime continues to make progress toward full flexibility. The FX trading platform has allowed a number of market players, such as oil and mineral companies, to trade directly with banks. As of November 2020, the Treasury also started to do the same. The platform will also allow the BNA to gradually withdraw from being the main supplier in the FX market. The BNA will also improve the predictability of its FX auctions by announcing the monthly indicative amounts to be auctioned in the following three months.

13. The impact of the COVID-19 shock has forced us to delay the rebuilding of the BNA's net international reserves (NIRs), even as we met the corresponding targets. Specifically, we comfortably met the end-September 2020 IT, and are on track to meeting the end-December PC. The program's 2021 targets provide us adequate room to accommodate persistent balance of payments weaknesses (reflecting in part further declines in oil production and continued loss of market access) with at most a moderate NIR decline, even as we start to rebuild our GIR position. We will continue to implement a monthly FX intervention budget consistent with the program NIR targets.

D. Financial Sector Policies

14. We are strengthening the regulatory framework for banks. We submitted amendments to the Financial Institutions Law (FIL) to the National Assembly for approval in August, following deliberations on the bank resolution regime, which took longer than expected. It is currently under consideration by the National Assembly for its final adoption (missed end-

September SB). We are aiming at its adoption by end-March 2021 (reset SB) to provide for an effective recovery planning and enhanced corrective actions, and resolution framework for weak banks in line with IMF Staff advice, including by strengthening the BNA's resolution authority mandate, enabling the application of a broad set of resolution tools, and safeguarding the potential use of public funds in resolution. Once approved, this important piece of legislation will also improve the prudential regulatory and supervisory framework for banks, including on corporate governance, with more rigorous fit and proper requirements for bank owners, Board members, and managers. We are committed to complementing the regulatory framework by the issuance by the BNA of secondary legislation, the drafting of which is already advanced. We are also committed to introducing improvements to the regulatory framework for the provisioning of ELA to banks, including on the collateral framework and minimum measures to mitigate the potential credit exposure of the BNA. We are working on the implementation of the revised Anti-Money Laundering Law, that was enacted in January 2020 (Law No.5/20 of January 27, 2020), and the complementary legal amendments issued in June 2020.

15. We are committed to advancing the restructuring of two troubled public banks and reducing the role of the State in the banking sector. There are currently four banks owned or controlled by the State and five banks in which the State is indirectly a significant shareholder. We are currently implementing the restructuring plan of the largest troubled public bank and we are updating the strategy to reduce the role of the State in the banking sector to strengthen financial stability. This updated strategy (missed end-February SB) will be comprehensive and include a plan for the pending restructuring of another public bank (missed end-June SB). We plan to adopt this plan by end-March 2021, ensuring upfront loss recognition of the capital shortfalls identified by the asset quality reviews (AQRs) of December 2019 without further reliance on public funds.

16. We continue to improve the governance and efficiency of *Recredit*. We included improvements in *Recredit*'s statutes to reinforce its governance and independence, including the introduction of a ten-year sunset clause and the transfer of assets only at fair value and following due diligence. We are committed to improving the transparency and accountability of *Recredit* with the publication of performance reports every six months and by publishing a summary of its business plan. We remain committed to finalizing governance arrangements, in particular with the nomination of an independent Board member (missed end-August SB), before end-February 2021. We remain committed to continuing disposing of the assets swiftly, targeting maximization of recovery value. Finally, we remain committed to improving the operational capacity of *Recredit*, including through outsourcing recovery of NPLs to external experts.

17. We are monitoring the banking system to ensure the preservation of financial stability in an environment of increasing risks. The COVID-19 pandemic is challenging further the asset quality of banks, so we are promoting the accuracy and timely classification by banks of their credit portfolios and related loan loss provisions according to international standards. We are intensifying the oversight of banks to identify borrower distress in a timely manner and checking the effectiveness of their approaches to NPL management. We are ensuring that the levels of capital and liquidity in the banking system remain adequate. We are monitoring the sovereign exposures held in the banking system and we are committed to ensuring banks' compliance with prudential requirements in relation to their net FX positions despite the depreciation of the domestic currency.

E. Public Debt Management

18. We remain committed to a prudent and proactive debt management debt strategy to support debt sustainability. We recently reprofiled our debt service due on substantial amounts of debt owed to some of our largest creditors, which resulted in significant cash-flow savings in the coming years. We have obtained debt relief under the DSSI for 2020 and will request an extension for the first half of 2021. We managed to renegotiate some large external arrears pre-dating the program and de-collateralize them from oil, thus freeing a stream of foreign exchange. Going forward, we will continue to abide by the ceilings for issuance of debt guarantees by the State (IT). We will better align interest rates on our domestic debt obligations with market rates, which will contribute to developing the domestic debt market, lengthen the maturity of the domestic debt, and help secure higher rollover rates. We will work to enhance our debt management strategy as part of our effort to improve Angola's public debt dynamics, together with conservative fiscal budgeting and execution. Given the very high risks to our debt sustainability, we remain ready to act to mitigate the impact of possible shocks to the Angolan economy and their possible negative effect on the dynamics of our public debt.

F. Structural Reforms

19. We remain committed to building essential infrastructure. We have secured important financial resources in the 2021 budget (almost US$400 million), seeking to optimize and consolidate important investment in the electricity and water sectors, supported by the World Bank and the African Development Bank. Projects include the generation, distribution, and transmission of electricity and the expansion of water supply to urban and rural areas in several municipalities. We are also planning to rehabilitate two important roads in 2021 and to build irrigation structures in the Calueque and Kizenga municipalities.

20. State-owned-enterprise (SOE) reforms continue to advance. We launched public tenders for 54 SOEs by end-October 2020 and were able to privatize 30 companies for a total proceed of Kz 55 billion, of which Kz 39 billion was transferred to the State. We have granted concession rights to three textile companies, which will generate revenue of Kz 1.4 billion annually for the next 10-15 years. We will finalize the privatization of 12 agricultural businesses and 5 farms by end-2020 and intend to privatize six large SOEs by end-2021 for expected total proceeds of Kz 330 billion. Under *Sonangol*'s "Regeneration Program," 12 non-core assets were put up for sale between September 2019 and October 2020, and 6 were sold for a total price of US$17 million. Since end-June 2020, we have launched or are about to launch the privatization of 9 SOEs and other assets, including *Sonangol*'s shares in two banks, mostly through the Angola Stock Exchange. Among the assets to be sold, there are also Sonangol's shares in another 4 companies (construction, telecommunications, fuel distribution). The arrears accumulated in

2016–18 between *Sonangol* and the State electricity producer PRODEL will be settled in December 2020 by compensation. We continue our effort to enhance SOEs' transparency. Accordingly, 59 SOEs, among which the 15 largest (by assets), published their audited 2019 annual reports on the SOEs oversight institute's (IGAPE) website by end-September. We remain committed to keeping privatization receipts fully disclosed to the Ministry of Finance and have incorporated sales proceeds in the budget when assets were owned directly by the State. We expect to fully implement the planned acceleration of the privatization program in 2021.

G. Governance

21. Governance reforms and corruption fight are progressing apace. Discussions with the United Nations (UN) to open an agency in Angola to fight drugs, crimes, corruption, and terrorism (UNODC) have been delayed owing to the pandemic, but we remain firmly committed to its successful establishment. This effort will further our cooperation with the UN to enhance governance and transparency on commercial transactions within the Southern African Development Community. Discussions to become a member of the Extractive Industries Transparency Initiative (EITI) are advancing, and we will undertake an analysis of the existing levels of disclosures to help inform priority areas for an EITI work plan. Sonangol is seeking to join Trace International, a globally recognized anti-bribery business association, aiming at being compliant with the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and other international anti-bribery legislation. All this effort is starting to reverberate. Angola moved from 69th to 32nd position in the FutureBrand Country Reputation Index (which covers 75 countries). The SOE Law was approved by the National Assembly in August 2020. It improved internal control, governance structure, professionalism, internal and external audit functions, and disclosure practices of SOEs. We will submit amendments to the SOE Law on segregation of power and compliance to the National Assembly, incorporating good international practices by end-June 2021 (proposed new SB). By mid-November, we awarded 254 out of 289 eligible public contracts via public tenders, above the annual target of 45 percent for 2020 (SB). We will work with the Court of Audit to provide information on pandemic related spending. We are in the process of preparing an assessment of the procurement system and certification of suppliers. We continue to provide training for implementing the electronic procurement platform, including at the provincial and municipal levels for the Integrated Program for Intervention in Municipalities (PIIM) projects. By end-October, 314 of the 593 budget units published their Annual Purchase Plans on the Public Procurement portal, and we will aim to have 60 percent in 2021.

H. Program Monitoring

22. The program will be monitored through semi-annual reviews. The complete schedule of reviews is presented in the companion staff report's Table 10, with agreed PCs, ITs, and SBs shown below in Tables 1 and 2, respectively. The Fifth and Sixth Reviews will be based on PCs at end-December 2020 and end-June 2021, respectively.

Table 1a. Angola: Performance Criteria and Indicative Targets Under the Extended Arrangement, 2020–2021

	2020												2021			
	March			June				September			December		March		June	
				Performance Criteria							Performance Criteria				Performance Criteria	
	2nd Rev.	Adjusted	Preliminary Actual	2nd Rev.	Adjusted	Preliminary Actual	Status	3rd Rev.	Adjusted	Preliminary	3rd Rev.	Preliminary[2]	3rd Rev.	Proposed	3rd Rev.	Proposed
Performance Criteria:																
Net international reserves of the Banco Nacional de Angola (BNA), floor (millions of U.S. dollars)[1]	9,581	9,383	10,569	9,790	8,258	10,641	**Met**	8,247	7,714	9,334	8,085	Not available	8,001	8,001	7,916	7,916
BNA claims on the Central Government, cumulative ceiling (billions of kwanzas) [2]	150	150	169	250	250	180	**Met**	300	300	436	0	300	150	350	250	300
Reserve money, ceiling (billions of kwanzas)[3]	1,739	2,037	1,922	1,774	2,311	2,035	**Met**	2,062	2,113	1,914	2,086	Not available	2,130	2,130	2,187	2,099
Non-oil primary fiscal deficit of the Central Government, cumulative ceiling (billions of kwanzas)[4,5]	461	461	290	1,033	1,033	840	**Met**	1,568	1,568	1,090	2,384	Not available	576	625	1,083	1,010
Non-accumulation of external debt payments arrears by the Central Government and the BNA, continuous ceiling (millions of U.S. dollars) [6]	0	0	26	0	0	52	**Not Met**	0	0	0	0	0	0	0	0	0
New oil-collateralized external debt contracted by or on behalf of the Central Government, the BNA, and Sonangol, continuous ceiling (U.S. dollars)[7]	0	0	0	0	0	0	**Met**	0	0	0	0	0	0	0	0	0
Indicative Targets:																
Stock of Central Government debt and debt of Sonangol, ceiling (billions of kwanzas)	41,879	41,879	38,132	41,879	42,994	40,896	**Met**	42,994	42,994	44,042	42,994	Not available	51,212	55,951	51,212	55,951
Social spending, cumulative floor (billions of kwanzas)[4,8]	311	311	425	622	622	830	**Met**	1,031	1,031	1,262	1,440	Not available	446	446	892	892
Net accumulation in the stock of payments arrears by the Central Government, ceiling (billions of kwanzas)	250	250	120	250	250	81	**Met**	250	250	..	250	Not available	250	250	250	250
Disbursements of oil-collateralized external debt by the Central Government, cumulative ceiling (millions of U.S. dollars)[4]	200	200	0	400	400	16	**Met**	600	600	16	1,160	Not available	219	219	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	0	300	300	105	**Met**	300	300	105	300	Not available	300	300	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] End-December 2020 PC on BNA claims on the central government expected; actual data not yet available.

[3] 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.

[4] Cumulative from January 1.

[5] Includes clearance of payments arrears in cash.

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

[7] Excluding debt contracted to finance oil-extraction equipment.

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

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, February 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 expected to be met. 80 percent have been cleared; the authorities intend to complete the process by end-June 2021. More time 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		Expected to be met. 88 percent of public contracted have been awarded through open tenders.
• **Public investment.** Publish initial project appraisal report for all new public investment projects above Kz 10 billion undertaken from January 2021.	*Strengthen accountability*	End-March 2021		Reset to end-June 2021 in the Fourth Review.
II. Financial sector reforms				
• **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-February 2020	**Not met**	Reset to end-March 2021. The finalization is waiting on the preparation of a restructuring plan of one public bank, which is currently underway.
• **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-September 2020	**Not met**	Reset to end-March 2021. Under consideration in parliament after submission in August 2020.
• **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**	Submitted to Council of Ministers, December 2020.
• **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-June 2020	**Not met**	Reset to end-March 2021. The implementation of the restructuring plan of one public bank is pending.
• **Strengthening of Recredit.** Ensure proper governance arrangements and operational procedures (including asset valuation and workout) are implemented at Recredit to maximize recoveries and minimize fiscal cost: make additional changes in a Presidential Decree**.**	*Maximize value recovery and minimize potential fiscal liabilities*	End-August 2020	**Not met**	Pending the nomination of the independent Board member,expected by end-February 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	**Met**	Submitted May 30, 2020 and adopted August 2020.
Proposed New Structural Benchmarks				
• **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		
• **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		

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 (revised). Angola: NIR Adjustors (Baseline Scenario), 2019–21

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

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.	Proposed	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	47.3	47.9
Disbursements from multilaterals (except the IMF) and Eurobonds	3,777	3,615	40	23	1580	223	485	262	1,160	734	1,042
Disbursements from multilaterals (except the IMF)	777	615	40	23	80	223	485	262	1,160	734	1,042
Disbursements from Eurobonds	3,000	3,000	0	0	1500	0	0	0	0	0	0
Debt service to multilaterals, except the IMF, and Eurobonds	576	586	9	6	437	310	449	326	882	19	448
Debt service to multilaterals, except the IMF	0	135	9	6	88	85	97	100	176	19	96
Debt service to Eurobonds	576	451	0	0	349	226	353	226	705	0	353

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

a. Upward by:

- US$200 million, on a quarterly basis, 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.

- 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$200 million, on a quarterly basis, 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$400 million for 2020Q2, US$600 million for 2020Q3, and US$800 million for 2020Q4, cumulatively. Similarly, in 2021, the adjustor's lower limit is US$200 million for 2021Q1 and US$400 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 2020Q3, the average adjusted reserve money thus defined amounted to Kz 2,113 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 (Baseline Scenario), 2019–21
(Units as indicated)

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 Review	Adjusted	Actual	2nd Review	Adjusted	Actual	2nd Review	Adjusted	Actual	3rd Review	Adjusted	Actual	3rd Review	3rd Rev	Proposed	3rd Rev	Proposed
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	2130	2,130	2187	2,099
Currency in Circulation	451	524	479	417	489	479	426	554	489	511	500	491	517	529	503	543	495
Bank's Accounts (Reserves) in Kwanzas	877	1,018	958	834	977	1,012	851	1,109	1,133	1,022	1,075	1,036	1,035	1058	1,051	1087	1,035
Bank's Accounts (Reserves) in Foreign Currency	421	488	433	488	571	431	497	648	413	528	538	387	534	543	577	557	568
Reserve Requirement Ratios (Percent)																	
Domestic Currency	17	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

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

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

Definition

9. The non-oil primary fiscal deficit (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 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).

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	733.17
Cap units	300	400	100	200

[1] That is, excluding debt obligations, as defined in paragraph 15 of this TMU.

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

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

Definition

12. 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.

13. 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 (*Continuous Ceiling*)

Definition

14. 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.

15. 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.

16. The contracting of new oil-collateralized debt (including prefinancing) by or on behalf of the Central Government, the BNA, or Sonangol, on a gross basis, is subject to a continuous zero ceiling under the arrangement.

II. INDICATIVE TARGETS

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

Definition

17. 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

18. 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.

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

Definition

19. 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.

20. 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

21. 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.

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

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

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

Definition

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

24. 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.

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

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

III. REPORTING REQUIREMENTS

27. 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	Monthly	No later than 6 weeks after the end of each month	
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	Quarterly	No later than 8 weeks after the end of each quarter	
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.

Statement by Ita Mary Mannathoko, Executive Director for Angola
and Jorge Essuvi, Advisor to Executive Director
January 11, 2021

The Angolan economy has suffered from a series of strong shocks, beginning with the oil price shock in 2014 and continuing with the current shocks related to COVID-19. The 2014 shock more than halved crude oil prices, leading to a sharp drop in oil receipts. The authorities recognized then that large primary surpluses would be needed to help stabilize high debt levels after the oil shock, and following IMF advice, undertook significant fiscal consolidation, resulting in an 18 percent of GDP improvement in the non-oil primary fiscal balance over 2015-16, mainly through spending cuts. Following a sharp 4 percentage point decline in real GDP growth in 2015, the economy went into recession in 2016 and has 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 these reforms. However, the recovery envisaged in the program -- which seemed imminent though slow at the end of 2019 -- was interrupted by COVID-19 in 2020. The silver lining is that following an adjustment process that began in 2015, the non-oil economy assumed a sustained upward trajectory with real GDP growth rising through 2019. While this trend was interrupted by the 2020 shocks, a recovery in the non-oil economy began end 2020 and is expected to continue in 2021 and beyond.

INTRODUCTION

1. Our Angolan authorities appreciate the constructive engagement they had with staff during discussions on the fourth review under the Extended Fund Facility (EFF) program. They value the Fund's support under the EFF, considering it essential to their efforts to restore macroeconomic stability.

2. In 2020, the authorities had to contend with the triple shock caused by the COVID-19 pandemic, the global oil price collapse and weak global demand, amidst an already difficult adjustment process. Pre-pandemic projections had indicated a slight growth recovery for 2020, boosted by the sustained upward growth trajectory seen in the non-oil economy since 2015, however as seen with other countries, these adverse shocks drove the economy further into recession in 2020.

3. Despite the challenging economic environment, the authorities remain committed to effective program implementation and to their reform agenda both of which focus on macroeconomic stabilization and restoring growth in the medium term. The updated National Development Plan 2018-2022 will underpin the recovery, as the authorities address structural bottlenecks impacting productivity, competitiveness and growth. Measures in human capital development and public sector reform, and changes supporting economic diversification will promote more sustainable and inclusive growth. Against this backdrop, the authorities look forward to Executive Directors' support for the completion of the fourth review and its associated requests.

ECONOMIC DEVELOPMENTS AND OUTLOOK

4. Economic activity contracted significantly in 2020. This was the most severe year of recession in the last five years, with a sharp decline in business activity in H1:2020. However, with the estimated rebound in non-oil GDP which started in the latter part of 2020, GDP growth for 2021 is projected to recover to 0.4 percent. Non-oil GDP is expected to grow by about 2.5 percent in 2021, as sectors affected by pandemic-related confinement measures continue to recover, and the resilience of agriculture is sustained. Although oil prices are on an upward trend, the near-term outlook still remains subject to significant downside risks for the sector, given the effect of the pandemic on oil exploration and operations, which could constrain production in 2021. The negative impact on oil GDP would extend to its related export and fiscal revenues; and there could also be spillovers to the non-oil economy.

5. With COVID-19 containment, the external position weakened substantially in 2020 reflecting the associated global oil price shock and constraints on production. The impact on the current account was however mitigated in part by import contraction in response to significant real exchange rate depreciation and lower domestic demand. Lower interest payments reflecting bilateral debt reprofiling and relief from the G20 Debt Service Suspension Initiative (DSSI), have also helped to limit the balance of payments impact. While gross international reserves have declined, they remained at a reasonable 9.9 months of prospective imports of goods and services at end-December 2020.

PROGRAM PERFORMANCE

6. Program performance has been broadly adequate. Performance criteria (PCs), and indicative targets (IT) at end-June and end-September 2020 were all met with the exception of the end-September ITs for central bank claims on the Central Government and the stock of central government debt and debt of Sonangol. Even though direct financing of the Central Government has remained within the PC target, necessary acquisitions of government securities on the secondary market as part of a debt settlement and to stabilize markets in the wake of COVID-19, led to the target being breached. Corrective action has since been taken, and a technical adjustment of the target is requested as part of this review. With regards the non-oil primary fiscal deficit (NOPFD), the end-June target was met with a margin, and, based on preliminary indications, the authorities also appear to have managed to meet the end-year target. Modification of the end-June 2021 NOPFD target to reflect the lower deficit projected for the full year, while increasing the end-March IT to accommodate seasonality in non-oil tax revenues, is proposed as part of this review.

7. Preliminary indications are that all end-December 2020 PCs and ITs will be met with the exception of the PC on central bank claims on the Central Government (for the reasons noted above). The establishment of an escrow account in July 2020 to which all external debt service payments rejected by correspondent banks are deposited, has resolved the past problem with the PC on non-accumulation of external debt payments arrears. While it was missed at end-June 2020, it has since been met at end-September and should be met again for end-December 2020.

8. Despite delays caused by the impact of the COVID-19 pandemic, the authorities remain committed to meeting all structural benchmarks and have made considerable progress, while some SBs were reset for end-March 2021 due to human and institutional constraints caused by the pandemic. Progress seen includes the submission to the National Assembly of the Financial Institutions Law (FIL) in August 2020 and of the BNA Law in December 2020, ahead of its end-January SB target. Full completion of two other key actions (banking sector restructuring/recapitalization and finalization of a strategy for the role of the state in the banking sector) is awaiting the restructuring plan for the Banco Económico (below).

9. On the fiscal front, notable progress has been made with PFM reforms. This includes the approval of the Fiscal Responsibility Law (FRL) by the National Assembly in August 2020, as well as the processes of improving the efficiency and transparency of the procurement process (for which the targeted level of open tenders was far exceeded), and settling domestic payment arrears from 2018, of which the authorities settled 80 percent (approaching the target of 100 percent). The SOE privatization plan initiated in 2019 and approved in 2020 is also advancing. By end-December 2020, a total of 34 SOEs had been privatized through public tenders (an update of the 30 cited in the staff report), with 17 more expected to be privatized by end Q1:2021. Privatization receipts will be used primarily for infrastructure financing, strengthening viable SOEs that will be privatized, and repayments of central government debt.

MACROECONOMIC POLICIES

10. The authorities' policy focus remains on fiscal, monetary and financial stability, and addressing risks. This entails fiscal discipline alongside an effective debt management strategy; pursuing sound monetary policy while allowing exchange rate adjustment to shocks; and progressing important structural reforms including in the financial sector.

Fiscal policy

11. As noted by staff, the authorities continued to implement difficult fiscal consolidation measures in 2020 despite the recession. The combination of stronger-than-expected non-oil tax revenue and deep expenditure cuts helped to meet the end-year non-oil primary fiscal deficit target. Non-oil tax receipts outperformed expectations in H1:2020, reflecting strong performance on personal income tax, VAT, corporate income tax paid by large corporations, and the settlement of tax arrears.

12. Fiscal priorities remain geared at attaining a primary fiscal balance that will foster fiscal and debt sustainability. To this end a prudent, conservative 2021 budget was approved by the National Assembly on December 14, 2020, reflecting the impact of revenue measures implemented in 2020. In particular, the authorities recently eliminated a number of VAT exemptions and raised selected CIT rates. In addition, in April 2021, VAT relief measures related to the COVID-19 pandemic will be phased out. The authorities also plan to implement additional inspection measures to improve tax compliance. The additional revenues anticipated with these measures are sufficient to offset the likely decline in oil revenues, and are consistent with the non-oil primary fiscal deficit needed to maintain the debt sustainability trajectory. The authorities will also continue to restrain non-priority

spending and work to enhance the quality of spending. As a result, ceteris paribus, the overall budget should reach a surplus of 0.3 percent of GDP in 2021.

The authorities compiled a pilot medium-term fiscal framework (MTFF) and its related fiscal strategy in 2020, related to the new requirements under the FRL. The pilot MTFF anchored the recently approved 2021 budget. The MTFF takes into account medium-term fiscal targets and internalizes the implications of public investment decisions for the medium term.

Debt and debt management

13. Notwithstanding the significant fiscal consolidation efforts described above, the public debt ratio is expected to exceed 130 percent of GDP at end-December 2020, mostly because of the exchange rate depreciation's impact on the local currency value of foreign debt, but also reflecting the sharp and sustained contraction of GDP since 2015. This combination over the past five years has exacerbated the debt to GDP ratio, which has risen from about 60% of GDP in 2015 at the time of the first oil price shock, to 90% of GDP at the start of the EFF in 2018 to over 130% in 2020. It is useful to note however that the public debt in dollar terms has remained roughly stable over the past year. The sustained depreciation of the kwanza with a decline in the REER index from 146 in 2017 to 71 in 2020, has also added to the external debt service burden with corresponding fiscal implications. There are both upside and downside risks to debt dynamics from key variables, including oil prices and the exchange rate – which are both currently at more favorable levels than projected in the debt sustainability analysis.

14. Recognizing this dual pressure on the debt to GDP ratio, the authorities remain committed to prudent and proactive debt management practices to support debt sustainability. Recently they reprofiled debt service with two large creditors, which resulted in significant cash-flow savings in the coming years. They also obtained debt relief under the DSSI for 2020 and will request an extension for the first half of 2021. They also renegotiated large external arrears pre-dating the program and de-collateralized them from oil, thus freeing up receipts to bolster foreign reserves. They continue to impose ceilings on debt guarantees by the State. The authorities also aim to better align government securities yields with market rates to support domestic debt rollover rates and maturity extension. Furthermore, given the unpredictability of global events and risks to debt sustainability, the authorities are enhancing their debt management strategy and remain ready to act to mitigate the impact of possible shocks to the Angolan economy and their possible negative effect on the dynamics of public debt.

Monetary, exchange rate and financial sector policies

15. In the wake of COVID-19, the BNA had temporarily eased its monetary policy stance to ensure adequate liquidity in the system. Now, with a gradual recovery underway in the non-oil economy, the BNA has resumed tightening the monetary stance using open-market operations and increased reserve requirement ratios to contain excess liquidity. Given ongoing inflationary pressures linked in part to exchange rate depreciation, the BNA will maintain this stance in 2021. Furthermore, BNA agrees that increasing its policy rate in real terms should be part of its arsenal to bring inflation down to single digits by 2023.

16. The BNA is also taking measures to develop the domestic FX interbank market which will allow it to reduce its role as the main FX supplier. Recent actions, including the adoption of the Bloomberg FX trading platform and measures to enhance full price discovery in the FX market, with continued progress in developing the market, will help to limit the spread between official and parallel exchange rates. Looking ahead, the authorities plan to eliminate exchange rate restrictions, in line with program undertakings.

17. A focus on financial sector stability remains key, with the restructuring of two public banks playing an important role. To this end, the authorities are now implementing the recapitalization and restructuring process of the Banco de Poupança e Crédito (BPC) and will finalize the restructuring of the Banco Económico (BE) once the new Financial Institutions Law is enacted. The authorities also remain committed to addressing the remaining governance and operational challenges at Recredit and to advancing the resolution of the nonperforming loans it had purchased. BNA intends to issue complementary guidelines after adoption of the FIL.

Structural reforms and governance

18. In addition to progress on structural benchmarks (noted earlier), more general work on structural reforms will continue. Progress in improving public financial management is reflected in part in the enactment of the Fiscal Responsibility Law and the ongoing work on the MTFF, both of which will help to anchor fiscal policy to prudent rules. The authorities are also committed to increasing the utilization of public tenders and the budget units whose annual purchase plans are published on the Public Purchases Portal.

19. The authorities have also continued to prioritize progress in improving governance, enhancing transparency, and fighting corruption. In this vein 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 freezing bank accounts linked to the related individuals.

CONCLUSION

20. The authorities reiterate their commitment to the reform agenda aimed at 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 fourth review under the EFF arrangement.