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GRAY/20/2764

July 29, 2020

**Statement by Mr. Raghani, Mr. Sylla, and Mrs. Boukpepsi on Angola
(Preliminary)
Executive Board Meeting 20/85
July 30, 2020**

We thank staff for the comprehensive report and Messrs. Mahlinza and Essuvi for their helpful Buff statement.

The Covid-19 pandemic, the decline in oil prices along with the oil production cuts under the OPEC+ agreements, have heightened the significant challenges facing Angola. Despite these adverse factors, the authorities have continued to address macroeconomic and structural challenges in line with the objectives of their Extended Fund Facility (EFF)-supported program. With most of the quantitative program criteria set for this review met as well as 5 out of 12 structural benchmarks implemented, **we support the completion of the third review under the EFF arrangement, the augmentation of access in the amount of SDR 540.1 million equivalent to 72 percent of Angola's quota.**

Sustained fiscal consolidation remains critical to ensure fiscal and debt sustainability over the medium term. We welcome the supplementary budget for 2020 which includes additional non-oil revenue measures, lower non-priority spending while protecting essential social and health-related expenditures. Looking ahead, given the risk of volatile oil prices, we encourage the authorities to pursue their efforts to further strengthen non-oil revenue notably through increased VAT collection and further broadening of the tax base.

Public debt is high but will gradually decline towards the authorities' medium-term debt target. We welcome the DSA findings that Angola's debt remains sustainable thanks to active external debt management, debt reprofiling and exceptional financing. We have taken positive note of the authorities' commitment to a prudent medium-term debt strategy, which will be of paramount importance given the country's high vulnerability to oil price and exchange rate shocks. We are also reassured by the authorities' plan to seek debt relief from a large group of creditors should downside risks materialize. Continuous support from the international community will be essential in this regard. *Could staff elaborate further on Angola's participation to the G20 DSSI?*

The Banco Nacional de Angola 's accommodative monetary stance has been appropriate but needs to be properly reversed once the crisis recedes. Measures taken to provide liquidity and support credit need to be carefully monitored to avoid any negative effect on inflation and exchange rate. Besides, Angola's transition to a market-clearing exchange rate regime since mid-October 2019 has served the country well during the crisis, the exchange rate playing its role of shock-absorber. In addition, progress made toward a market-determined exchange rate are commendable as they contribute to help reduce the exchange rate restrictions and multiple currency practices.

Financial sector stability needs to be preserved. In this regard, we look forward to the timely implementation of the recommendations of the Asset Quality Review and encourage the authorities to press ahead with the restructuring of the two public banks as well as further enhancing bank supervision and credit risk management. Steadfast efforts to press ahead with the implementation of the remaining financial sector reforms including the strategy for the State's future role in the banking sector or the adoption of amendments to the Financial Institutions Law are needed to further promote the sector stability. *Could staff indicate if any additional progress has been made so far in those areas?*

Pursuing the implementation of structural reforms is essential to diversify the economy and achieve higher broad based and inclusive growth. We commend the authorities for the steps already taken in advancing the reform agenda especially on revenue administration, State-Owned Enterprises, subsidy and Public Financial Management reforms. On revenue administration, the authorities' intention to develop a post-crisis revenue collection action plan will help increase tax compliance and revenue mobilization. The launching of the pilot phase of the cash transfer program supported by the World Bank is welcome as it will benefit to the most vulnerable and cushion the effects of the fuel subsidy reform. *We would appreciate it if staff could share any preliminary assessment on the implementation of this initiative.* We welcome the authorities' efforts to improve the business environment to support private sector driven diversification to move away from oil-dependent economy. Finally, we encourage the authorities to make further progress in strengthening the AML/CFT framework.

With these remarks, we wish the authorities and the people of Angola every success during these challenging times.