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Revised

July 29, 2020

**Joint Statement by Mr. Inderbinen, Mr. Chikada, Mr. Tan, Mr. Anwar, Mr. Kuretani,
and Mr. Makhammadiev on Angola
(Preliminary)
Executive Board Meeting
July 31, 2020**

We thank staff for their comprehensive report and Mr. Mahlinza and Mr. Essuvi for their insightful Buff statement.

We support the completion of the third review under the Extended Fund Facility and related requests, conditional on debt reprofiling with large official creditor being finalized in line with the program parameters. We note that the program remains on track, although Angola's economic outlook has considerably weakened and program risks have increased dramatically since the second review due largely to external factors. We commend the authorities for their program performance that has been broadly satisfactory and welcome the authorities' commitment to prudent policies and the reform agenda going forward.

Further support from the international community is warranted. The program continues to provide a consistent framework for reforms and should play a catalytic role for mobilizing international financial support and further debt reprofiling from bilateral creditors to meet the significant financing needs. Staff notes that IMF support will help meet part of the additional financing gap, with the remainder covered by the G20 DSSI and ongoing selected debt reprofiling as well as by policy adjustment in the supplementary budget. *Could staff provide more details on expected donor support and timelines for it? Should these financing resources fail to materialize, staff's comments on the mitigation plan would be welcome.* We expect the authorities to ensure that the financial assistance received be subject to adequate and transparent controls, including the auditing of crisis-related expenditures. We also urge the authorities to expedite the implementation of the recommendations of the Safeguards Policy Assessment, especially given the increased exposure to the Fund.

Strong fiscal consolidation, prudent debt management and debt reprofiling are critical to preserving debt sustainability. We welcome the additional non-oil revenue measures in July 2020 and that the conservative fiscal stance will continue while increasing healthcare spending to mitigate the impact of the crisis. We note that public debt is assessed to be sustainable and Angola's capacity to repay the Fund remains adequate, albeit subject to higher-than-usual risks. In this regard, we welcome staff's assurance that risks to the IMF are mitigated by the extended debt reprofiling. In light of very high risks to debt dynamics, we encourage the authorities to seek additional debt relief from a broader group of creditors and to maintain the reform momentum. We also encourage the authorities to continue to strengthen PFM capacity and improve debt transparency in coordination with the Fund and development partners.

It is important to sustain progress of the exchange rate reform and to maintain exchange rate flexibility as a shock-absorbing buffer. We take positive note that the exchange rate reforms have enhanced exchange rate flexibility and narrowed the spread between the official and the parallel market rates significantly. *However, we wonder what the main drivers of the recent widening of the spread are and what actions that the authorities have been taking to address these pressures.* Going forward, we encourage the authorities to eliminate remaining exchange restrictions (ERs) and welcome their commitment in this regard. We note that one ER will be removed only by end-March 2021. *In this vein, staff's elaboration on the possibility to terminate it earlier than scheduled are welcome.*

It is important to further strengthen the monetary policy framework. We encourage the authorities to submit the new BNA Law to parliament without further delay. It is regrettable that this benchmark has had to be reset again. At the time of the last review, staff cited 'political sensitivities' related to certain aspects of the law as the reason for the slow progress. *Have these issues since been resolved?*

Safeguarding financial sector stability and minimizing the fiscal impact of banking sector restructuring are warranted. We welcome the completion of asset quality reviews of 13 banks and note that two public banks need deep restructuring. We urge the authorities to prepare a time-bound action plan by the fourth review to put them on a sound financial footing. We also encourage the authorities to adopt all necessary AML/CFT regulations to resolve correspondent banking issues that weigh on the clearance of external arrears.