

SU/21/77

June 9, 2021

**The Acting Chair's Summing Up
Angola—Fifth Review of the Extended Arrangement
Under the Extended Fund Facility, Request for Modifications of
Performance Criteria and Waiver of Nonobservance of
Performance Criterion
Executive Board Meeting 21/57
June 9, 2021**

Executive Directors welcomed the authorities' satisfactory progress under their Fund arrangement. Together with higher oil prices and improved global economic outlook, this has helped set the stage for a gradual recovery, although risks remain high. Directors urged the authorities to remain strongly committed to their program to enhance fiscal and debt sustainability, safeguard financial stability, and foster a more competitive and diversified economy.

Directors emphasized that continued fiscal discipline is necessary to achieve the planned rapid decline in public debt. They broadly welcomed the authorities' plans to save the bulk of the oil revenue windfall this year and recommended continuing to improve the debt profile. At the same time, they noted the need to make room for essential social spending and public investment, while improving spending oversight and arrears management.

Directors urged the authorities to continue monetary policy tightening in view of high inflation. They took positive note of the authorities' aim to bring real interest rates into positive territory. Directors also commended the authorities' commitment to greater exchange rate flexibility and their limited interventions in foreign exchange markets. They supported accumulating international reserves for precautionary purposes amid currently high oil prices.

Directors welcomed the adoption of the Financial Institutions Law and called for expeditious implementation of secondary legislation and finalization of the pending restructuring plan for a troubled public bank. Directors also urged completion of the strengthening of central bank independence and governance through the proposed National Bank of Angola Law.

Directors noted that strong non-oil growth is critical for sustainability and urged continued momentum on structural reforms. They highlighted reforms to enhance tax administration, public financial management, governance and transparency, and AML/CFT. They also noted the importance of a successful privatization process and a diversification strategy that avoids introducing trade distortions. Fuel subsidy reforms will be important once cash transfer program enrolment has reached a critical mass.