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January 7, 2021

**Statement by Mr. Massourakis and Ms. Mateus on Angola  
(Preliminary)  
Executive Board Meeting  
January 11, 2021**

*We thank staff for the useful report and Mrs. Mannathoko and Mr. Essuvi for the insightful Buff statement further explaining the recovery of the non-oil sectors. Angola continues to perform in a very challenging environment, with international low oil prices and weak demand, Kwanza depreciation, and rising inflation, on the back of a 5-year recession. However, the authorities continued to steadily implement the program. Hence, we support the completion of the fourth review and the waivers for non-observance and applicability, as well as the modifications to conditionality. We would like to offer the following comments:*

- **The authorities continue to demonstrate good program ownership, which has benefitted program implementation.** While the structural agenda for the financial sector suffered some delays, significant steps have been taken in the right direction. We encourage the authorities to continue pushing this agenda forward. Enhanced central bank independence and crisis management and resolution frameworks, together with strengthening the asset management company, Recredit, and concluding the restructuring of the public bank will be key to financial stability, which is all the more important in a context of very constrained policy space.
- **The authorities took additional fiscal measures in the 2020 and put forward a conservative budget for 2021 to tame pressures over debt sustainability, mostly driven by external factors.** Despite these significant efforts, public debt dynamics remain dependent to oil prices and exchange rate movements. We appreciate that the authorities are working on contingency planning. In the event of external conditions worsen, it will be important to weigh all options bearing in mind how contractionary macroeconomic policies weigh on the much needed recovery.
- **Inflationary pressures increased since the last review.** We remain concerned that further depreciation can further aggravate inflation and undermine the program's objectives. While we agree with staff that raising interest rates would be beneficial for

reining in inflation and limiting further depreciations, we also understand the authorities' concerns over further dampening the economic activity when fiscal policy is also contractionary.

- **On the back of a 5-year long recession, and despite satisfactory program performance, growth prospects have worsened at each successive program review.** Such revisions to growth forecasts did not arise only out of the unexpected shock caused by the pandemic. We strongly support the program's objectives of reducing fiscal vulnerabilities; strengthening debt sustainability; reducing inflation; making the exchange rate regime more flexible; and ensuring financial sector stability. And we consider that there are many benefits from the implementation of the program, notably of a structural nature, towards a more balanced and diversified economy. However, we question whether programs should not be recalibrated, or at least reassessed, following external shocks, beyond the control of the authorities, to cushion such a pro-cyclical adjustment.