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GRAY/20/2763

July 29, 2020

**Statement by Mr. Mouminah, Mr. Alkhareif, and Mr. Aldrees on Angola
(Preliminary)
Executive Board Meeting 20/85
July 30, 2020**

We thank staff for the informative report and Mr. Mahlinza and Mr. Essuvi for their helpful Buff statement. We broadly concur with staff's analysis and policy recommendations and would limit our remarks to the following points for emphasis.

We support the completion of the third review under the EFF, as well as the requests for augmentation and rephrasing of access, waivers of nonobservance of performance criterion and applicability of performance criterion, modifications of performance criteria, indicative targets and structural benchmarks, and completion of financing assurances review. Indeed, we welcome the authorities' efforts to keep the program on track and take positive note of their steadfast program ownership and their determination to ensure macroeconomic stability. Against this background, we underscore the importance of ongoing TA support from the Fund, and other partners, to help mitigate implementation risks. We take note that Angola's capacity to repay the Fund is adequate, given debt reprofiling plans, albeit with risks on the high side.

We urge authorities to keep fiscal consolidation on track and to seek further debt relief to help safeguard debt sustainability. Public debt is assessed to be sustainable, but risks remain high. We note staff advice that should downside risks materialize, the authorities should seek further debt relief and undertake additional fiscal adjustment. At the same time, we note that fiscal adjustment is currently at the limit of what is recommended given the fragility of the economy. *Can staff comment on the room for additional fiscal adjustment and therefore the feasibility and impact of this, should risks materialize?* We are encouraged that the authorities were able to harness debt relief under G20 Debt Service Suspension Initiative for 2020 and welcome the recent credible steps towards debt rescheduling and intention to seek further debt relief from a wider group of creditors should downside risks materialize. Looking further ahead, the authorities should continue their efforts to strengthen non-oil revenue through both tax policy and administration measures and help realize their goal of bringing debt toward the medium-term target.

Lastly, we look forward to a timely restructuring of the two troubled banks to protect deposits and safeguard financial stability. Particularly, we join staff in highlighting the importance of having an updated time-bound action plan for the restructuring of these two banks during the fourth review. Although we recognize that the asset quality reviews (AQRs) completed in December 2019 could not have predicted the crisis, the AQRs provide a foundation for the authorities to lay out the future strategy for public banks. Further, we observe the limited fiscal space available to recapitalize banks. We encourage the authorities to strengthen the financial system, including by addressing the key vulnerabilities associated with high NPLs and weak liquidity positions. Finally, we take positive note that complementary legal and regulatory amendments are being adopted to strengthen the overall AML/CFT framework.

With these remarks, we wish the authorities further success.