

**EXECUTIVE  
BOARD  
MEETING**

SM/23/34  
Supplement 1

February 8, 2023

To: Members of the Executive Board

From: The Secretary

Subject: **Angola—Staff Report for the 2022 Article IV Consultation—Informational Annex**

Board Action:	Executive Directors' <b>consideration</b> (Formal)
Tentative Board Date:	<b>Wednesday, February 22, 2023</b>
Publication:	Yes*
Questions:	Mr. Sy, AFR (ext. 38651) Mr. Weiss, AFR (ext. 37330) Ms. Abdelrazek, AFR (ext. 39726) Mr. Souto, AFR (ext. 38283) Ms. Avila-Yiptong, AFR (ext. 35915)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—African Development Bank, European Investment Bank, Food and Agriculture Organization, United Nations Development Programme, World Food Programme, World Trade Organization

**\*Unless an objection from the authorities is received prior to the conclusion of the Board's consideration, the document will be published.**





# ANGOLA

February 7, 2023

## STAFF REPORT FOR THE 2022 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

The African Department (in consultation with other departments)

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## FUND RELATIONS

As of December 31, 2022

<b>I. Membership Status</b> Joined: September 19, 1989; Article XIV		
<b>II. General Resources Account:</b>	<b>SDR Million</b>	<b>Percent of Quota</b>
<u>Quota</u>	740.10	100.00
<u>Fund holdings of currency (holdings rate)</u>	3,839.99	518.85
<u>Reserve tranche position</u>	113.57	15.35
<b>III.SDR Department:</b>	<b>SDR Million</b>	<b>Percent of Allocation</b>
Net cumulative allocation	982.36	100.00
Holdings	759.43	77.31
<b>IV. Outstanding Purchases and Loans:</b>	<b>SDR Million</b>	<b>Percent of Quota</b>
Extended Arrangements	3,213.4	434.18

<b>V. Latest Financial Arrangements</b>				
<u>Type</u>	<u>Date of Arrangement</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR Million)</u>	<u>Amount Drawn (SDR Million)</u>
Extended Fund Facility	7-Dec-18	27-Dec-21	3,213.40	3,213.40
Stand-By Arrangement	23-Nov-09	30-Mar-12	858.90	858.90

<b>VI. Projected Payments to the Fund</b>					
	Forthcoming				
Year	2023	2024	2025	2026	2027
Principal	134.08	178.83	373.58	535.57	535.57
Charges/Interest	166.49	159.43	157.79	130.70	94.11
<b>Total</b>	300.57	338.26	531.38	666.27	629.68

**Implementation of HIPC Initiative:** Not Applicable

**Implementation of Multilateral Debt Relief Initiative (MDRI):** Not Applicable

**Implementation of Catastrophe Containment and Relief (CCR):** Not Applicable

**Safeguards Assessment:**

The second safeguards assessment of the National Bank of Angola (BNA) was conducted in 2019 in connection with the Extended Fund Facility signed in December 2018. The assessment recommended legal and institutional reforms to improve the BNA's mandate, autonomy, and governance.

Following staff recommendations, the authorities adopted a new BNA Law and an audit committee was established to provide independent oversight of the central bank's operations. The 2019 assessment also found that the BNA was taking steps to strengthen its governance and control environment, including to improve capacity and operational controls in key functions. An updated foreign reserves management framework was adopted and implemented to reduce high-risk exposures and align with leading practices. Further, the BNA improved transparency of its financial statements and resolved key deviations from International Financial Reporting Standards (IFRS), including through implementation of IFRS 9. The BNA, in consultation with Fund staff, is developing a framework for emergency liquidity assistance. Efforts to modernize the internal audit function and enhance its capacity, with an external quality assessment planned for the second half of 2023, should also continue.

**Exchange Arrangements:** The de jure exchange rate arrangement is floating. The de facto exchange rate arrangement has been reclassified to floating from other managed (effective March 17, 2020) given the increase in the kwanza's flexibility since March 2020.

Two multiple currency practices that are subject to approval under Article VIII, Section 3 arise from the lack of a mechanism to prevent potential spreads in excess of 2 percent emerging (i) between successful bids within the BNA's foreign exchange auction; and (ii) for transactions that take place at the reference rate in place and the rate at which transactions take place in the foreign exchange auction on that day remain. Angola maintains restrictions on the making of payments and transfers for current international transactions under the transitional arrangements of Article XIV, Section 2. The measures maintained pursuant to Article XIV are: (i) limits on the availability of foreign exchange for invisible transactions i.e., travel expenses; and (ii) limits on unrequited transfers to foreign-based individuals and institutions.

**Article IV Consultation:** Angola is on the standard 12-month cycle. The next Article IV Consultation is scheduled to be completed by December 2023.

## TECHNICAL ASSISTANCE

Technical assistance activities since 2014 are listed below:

<u>Description</u>	<u>Year of Delivery</u>
<b>Monetary and Capital Markets (MCM)</b>	
Monetary Policy Framework Modernization/Inflation Targeting	2022
Financial Management	2021
Emergency Liquidity Assistance	2021
Basel II/III SREP Implementation	2021
Banking sector restructuring	2020
Development of capital markets	2020
Monetary policy implementation and operations	2020
Banking sector restructuring	2020
Foreign operations and FX policy implementation	2019–20
Medium- and long-term debt strategy (with WB)	2019
Technical Assistance on FX Market Operations	2018
Basel II Implementation	2018
Technical Assistance on Correspondent Banking Relationships	2016
AFRITAC South: Liquidity Management (various missions)	2015–18
AFRITAC South: Inflation Forecasting Framework (various missions)	2015–18
AFRITAC South: Macro-Prudential Analysis	2016, 2017
<b>Fiscal Affairs Department (FAD)</b>	
Tax Compliance	2022
Medium-term fiscal framework and fiscal risks	2022
PIMA Followup	2022
Fiscal reporting (follow-up)	2022
Seminar on fiscal risks	2021
Pima follow-up	2021
Gender budgeting	2021
AFRITAC South: arrears prevention and cash management	2022
AFRITAC South: medium-term expenditure framework	2021
AFRITAC South: program-based budgeting	2021
AFRITAC South: expenditure management procedures and capacity building	2021
AFRITAC South: improving cash management to prevent arrears incurrences	2020
Fiscal reporting	2019–20

(CONTINUED)

<b>Description</b>	<b>Year of Delivery</b>
Informality and international transfer pricing	2020
Excise tax	2020
VAT refunds	2019
Transfer pricing	2019
VAT strategy	2019
Tax policy diagnostic assessment	2019
AFRITAC South: Building capacity in the implementation and monitoring of the multi-year reform plan	2019
AFRITAC South: Enhancing AGT capacity to manage reforms	2019
AFRITAC South: IT upgrade to enable effective administration of VAT	2019
Public investment management assessment (PIMA)	2019
PFM diagnostic	2019
FAD and AFRITAC South: Information requirements for fiscal execution reports	2019
FAD and LEG: Fiscal responsibility law	2019
AFRITAC South: Customs and Tax Administration (various missions)	2015–18
AFRITAC South: (incl. FRL and Fiscal Rules) (various missions)	2014–18
AFRITAC South: Public Investment Management (various missions)	2015, 2017
AFRITAC South: Expenditure Control and Arrears (various missions)	2014, 2016, 2017
VAT Implementation	2016, 2017
MTFF (incl. FRL and Fiscal Rules)	2014, 2016
Statistics Department (STA)	
Government finance and debt statistics	2019–22
Consumer Price Index (CPI)	2020-22
National accounts, and external and monetary statistics	2019–22
Monetary and Financial Statistics (various missions)	2014, 2016, 2017
AFRITAC South: Price Statistics	2017
AFRITAC South: National Accounts (various missions)	2015-18
Institute for Capacity Development (ICD)	
ICD and AFR: Macroframework and Financial Programming	2020–21
Financial Programming and Policies (FPP1.0)	2014, 2020

(CONCLUDED)	
<u>Description</u>	<u>Year of Delivery</u>
<b>Legal Department</b>	
AML/CFT Framework	2017, 2018, 2019, 2020
BNA Law	2020

**Resident Representative:** Mr. Marcos Souto has been the IMF Resident Representative in Angola since August 2019.

# JOINT IMF WORLD BANK MANAGEMENT ACTION PLAN

Implementation Matrix			
Title	Products	Timing	Delivery Date
<b>A. Mutual Information on Relevant Work Programs</b>			
Bank work program in next 12 months	Public Finance Review		2023
	Angola Country Economic Memorandum		2023
	Diagnostic Trade Integration Study (DTIS)		2023
	Fiscal decentralization and PFM at subnational level		Ongoing
	Youth Jobs and Inclusion		2023
	Adaptive Social Safety Nets		2023
	Statistics TA (quarterly national accounts; economic censuses)		Ongoing
	Investment Climate (competition policy and investment policy & promotion)		Ongoing
	Smart Policies for private sector-led economic transformation		2023
	Accelerating Economic Diversification and Job Creation		2023
IMF work program in next 12 months	Post-Financing Assessment Mission		June 2023
	Article IV Mission		December 2023

<b>Implementation Matrix</b> (concluded)			
<b>B. Request for Work Program Inputs</b>			
<b>Title</b>	<b>Products</b>	<b>Timing</b>	<b>Delivery Date</b>
Fund request to Bank	Regular briefings on DPL and DPO discussions		Ongoing
Bank request to Fund	Collaboration on providing full set of macroeconomic framework and tables		Ongoing
<b>C. Agreement on Joint Programs and Missions</b>			
Joint products in next 12 months	Continuous dialogue on economic forecasting and macroeconomic modeling issues		Continuous
	Exchange of information and consultations on macroeconomic developments		
			Continuous
	Continuous dialogue on economic forecasting and macroeconomic modeling issues		Continuous

## STATISTICAL ISSUES

### I. Assessment of Data Adequacy for Surveillance

**General:** Data provision has shortcomings but is broadly adequate for surveillance. There are concerns about data quality and timeliness and efforts are underway to strengthen the statistical base, including through technical assistance from the Fund and World Bank.

Angola now has several regular and informative statistical publications, reflecting considerable progress in the provision of data and transparency in statistical reporting. Progress has been the strongest in the BNA and recently in the National Institute of Statistics (INE). Both now provide and publish much more extensive data on a timely basis. Data delivery and publication from the Ministry of Finance could be significantly improved. Data postings on the Ministry of Finance website include detailed revenues from the oil and diamond sectors and reports on public finances with a certain lag.

**National Accounts:** With support of Fund TA, INE is working to rebase the national accounts from the current 2002 to 2019 base year. The rebasing will also include work to update the measurement of the non-observed economy. Since data sources required for the new 2019 base year are not yet available, INE plans to undertake a two-stage rebase process. The first step is to update the base year to 2015 first (from 2002) and then later from 2015 to 2019. The rebasing process is expected to be finalized by 2023. Other important data bulletins are published by INE, including quarterly bulletins on business confidence, industrial production, and on merchandise trade. With technical assistance from the Fund and in collaboration with the Central Bank, INE is in the process of enhancing the existing sentiment surveys and compile an experimental Purchasing Managers Index (PMI).

**Price Statistics:** INE publishes monthly reports on consumer (CPI) and wholesale price indices. The weights for the CPI are derived from the Expenditure and Revenue Survey carried out by INE from February 2018 to March 2019, covering urban and rural areas of all 18 provinces. The current index structure is based on the month of December 2020. The wholesale price index captures the variation in the prices of products produced in the country as well as the imported products sold in the national market. This index covers the sectors agriculture and forestry, fishing, and manufacturing. At quarterly frequency, INE published a producer price index (PPI) with 2015 as base year. Luanda represents about 51 percent of the total of the sample of the national index. The industries that make up the PPI are grouped into categories according to the type of goods produced (intermediate goods, consumer goods, and energy). Further, a monthly construction material price index is published. Finally, an export and import price index is compiled monthly and published quarterly. The basis of this publication is the statistics on external trade, which represents the totality of exports and imports of goods. The indexes presented are unit value indexes and provide an approximation to the true export and import price indexes.

**Government Finance Statistics:** Reconciliation of above- and below-the-line data is yet to be achieved, in part due to the use of a mix of cash and accrual data for revenue and expenditure. The timeliness and quality of government finance statistics needs to be improved by streamlining the provision of reconciled information from the National Social Security Institute. The Ministry of Finance publishes in its website detailed information on oil fiscal revenues, but with delays, which hinder timely GFS compilation. Additional capacity development activities are being discussed with the authorities to improve source data and compilation practices.

**Monetary and Financial Statistics:** Monetary and Financial Statistics (MFS) for the central bank and depository corporation surveys have been revised with the help of STA technical assistance. The data are now based on the new standardized report forms (SRFs). The BNA delivers data to the IMF on a monthly basis. It also publishes comprehensive data on its webpage monthly. In October 2017, an STA's mission assisted the authorities in expanding the coverage of MFS to the other financial corporation (OFC) sector based on SRF 4SR. The BNA is now reporting OFC data to the IMF on a quarterly basis. The BNA also publishes other related reports; these include a quarterly inflation report as well as its annual report (summarizing monetary and macroeconomic as well as inflation developments), but those publications are published with a long lag. The BNA reports data on some key indicators of the Financial Access Survey (FAS), including mobile money, gender-disaggregated data, and the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs).

**Financial Sector Surveillance:** BNA recently resumed reporting quarterly financial soundness indicators to STA for publication on the IMF's website, including 13 core indicators and 8 additional indicators for Deposit-takers (DTs). The quality and timeliness of financial soundness indicators need to improve, and STA technical assistance is already planned for the first half of 2023.

**External Sector Statistics:** The balance of payments and international investment position statistics are compiled in line with the recommendations of the sixth edition of the IMF's Balance of Payments Manual. The quarterly statistics are compiled and disseminated on the IMF's website, with a lag of about three months after the reference period. STA has conducted two external sector statistics TA missions focusing on international reserves in August and November 2021. Following the mission's recommendations, Angola has started compiling the Reserves Data Template on a monthly basis and disseminating it on the BNA's website with a lag of about one month after the reference period. Also following the mission's recommendations, the BNA has excluded the collateralized securities in repo transactions from gross international reserves (GIR) assets starting from January 1, 2022, in addition to excluding the Treasury's FX deposits at the BNA.

## II. Data Standards and Quality

Angola has participated to the data standards initiatives since 2004, disseminating metadata in accordance with the General Data Dissemination System (GDDS). Angola started implementing the e-GDDS in December 2018, thereby publishing a set of macroeconomic data in both human- and machine-readable (SDMX) formats. This marks a major milestone in Angola's statistical development and data transparency reforms.

**Table 1. Angola: Common Indicators Required for Surveillance**

	Date of latest observation (mm/dd/yy)	Date received	Frequency of Data <sup>8</sup>	Frequency of Reporting <sup>8</sup>	Frequency of Publication <sup>8</sup>
Exchange Rates	1/20/2023	1/20/2023	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities <sup>1</sup>	11/2022	11/2022	M	M	M
Reserve/Base Money	9/2022	11/2022	M	M	M
Broad Money	09/2022	11/2022	M	M	M
Central Bank Balance Sheet	09/2022	11/2022	M	M	M
Consolidated Balance Sheet of the Banking System <sup>9</sup>	09/2022	10/2022	M	I	I
Interest Rates <sup>2</sup>	09/2022	11/2022	M	M	M
Consumer Price Index	09/2022	11/2022	M	M	M
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> – General Government <sup>4</sup>	NA	NA	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> – Central Government	09/2022	11/2022	Q	Q	Q
Stocks of Central Government and Central Government-Guaranteed Debt <sup>5</sup>	09/2022	11/2022	Q	Q	Q
External Current Account Balance	09/2022	09/2022	Q	Q	Q
Exports and Imports of Goods	09/2022	09/2022	Q	Q	Q
GDP/GNP <sup>6</sup>	2019 (est.)	03/05/2021	A	A	A
Gross External Debt	09/2022	09/2022	Q	Q	Q
International Investment Position <sup>7</sup>	09/2022	09/2022	Q	Q	Q

<sup>1</sup> Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

<sup>2</sup> Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

<sup>3</sup> Foreign, domestic bank, and domestic nonbank financing.

<sup>4</sup> The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

<sup>5</sup> Including currency and maturity composition.

<sup>6</sup> INE has yet to resume the dissemination of annual and quarterly national accounts. The Ministry of Economy and Planning (MEP) has published annual GDP estimates up to 2017. Staff has estimated nominal GDP for 2016–2017 based on MEP information.

<sup>7</sup> Includes external gross financial asset and liability positions vis-à-vis nonresidents.

<sup>8</sup> Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).

<sup>9</sup> Received from BNA, Bank Supervision Department, by request.