Executive Board Minutes 23/12-1

February 22, 2023–10:00 a.m.

Angola—2022 Article IV Consultation

Documents: SM/23/34, and Cor. 1, and Sup. 1, and Sup. 2, and Sup. 3; SM/23/35

Staff: Sy, AFR; Schaechter, SPR

Length: 40 minutes

ISSUED: March 20, 2024
APPROVAL: March 27, 2024

CEDA OGADA
Secretary

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[1] Minutes are the official record of a formal Board meeting in which the Board may adopt decisions and reach understandings related to the business of the Fund. Staff background documents issued before the meeting are the principal basis for the meeting. Preliminary "gray" or "buff" statements by Executive Directors and staff's responses to Directors' technical questions are circulated prior to the meeting. Adopted decisions and/or summings up—the Chair's "sense of the meeting" or policy conclusions/recommendations—are issued after the meeting. The minutes include all these elements, as well as the discussion record (a verbatim transcript of the discussion lightly edited for clarity). Minutes are made public consistent with the IMF's Open Archives Policy.

THE ACTING CHAIR'S SUMMING UP

Executive Directors agreed with the thrust of the staff appraisal. They commended the Angolan authorities' sound policies and commitment to reforms following the conclusion of the Fund-supported program and welcomed the economic recovery in 2022. Given continued vulnerabilities and elevated global uncertainty, Directors encouraged the authorities to maintain the reform momentum and diversify the economy to safeguard the hard-won macroeconomic stability and to ensure an inclusive and sustainable growth.

Directors welcomed the authorities' commitment to their medium-term fiscal and debt targets and called for ambitious, growth-friendly adjustments to achieve those targets. In that context, they recommended further mobilization of non-oil revenue, strengthening revenue administration and public financial management, and reforming state-owned enterprises. Such efforts, together with spending rationalization, would create the necessary fiscal space for public investment and targeted social spending. Directors also welcomed the authorities' commitment to fuel subsidy reforms when conditions allow, and encouraged faster implementation of the cash transfer program. Continued sound debt management is also crucial.

Directors commended the Banco Nacional de Angola's (BNA) decisive actions that resulted in a large disinflation in 2022. Noting that inflation remains elevated and risks to price stability persist, Directors recommended a wait-and-see approach to monetary policy actions to support the disinflationary path. Directors also supported the BNA's efforts to strengthen its policy effectiveness, including by aligning the interbank rate with the policy rate and transitioning toward an inflation-targeting framework. They also welcomed the authorities' commitment to exchange rate flexibility and their plan to eliminate the remaining exchange restrictions.

Directors encouraged the authorities to continue their efforts to strengthen financial stability, building on strong previous progress. They noted, in particular, the need to implement the remaining secondary legislation needed to fully implement the Financial Institutions Law, including for bank recovery and resolution planning. Directors also emphasized the importance of adopting a more comprehensive approach to dealing with problem banks. Efforts to address nonperforming loans should continue.

Directors highlighted the need to continue the strong reform momentum, since structural reforms would be essential to diversify Angola's economy and achieve inclusive and sustainable growth. They emphasized the need to bolster human and physical capital and access to private credit. Directors also noted the need to make further progress on strengthening governance, transparency, and the AML/CFT regime, to improve the business environment and promote private investment. In this context, they encouraged publication of the audited COVID expenditure reports. Completing the anti-corruption strategy is also important. Directors also commended the authorities' focus on building climate resilience and on fostering gender equality.

It is expected that the next Article IV Consultation with Angola will be held on the standard 12-month cycle.

EXECUTIVE BOARD ATTENDANCE [2]

A. Sayeh, Acting Chair

Executive Directors	**Alternate Executive Directors**
W. Nakunyada (AE)	
	R. N'Sonde (AF)
	C. Ramos Capaquira (AG), Temporary
	O. Parkyn (AP)
A. Bevilaqua (BR)	
Z. Zhang (CC)	
A. Guerra (CE)	
	L. Smith (CO), Temporary
	C. Just (EC)
A. Buisse (FF)	
J. Stephan (GR)	
	R. Jain (IN), Temporary
	A. Mateus (IT), Temporary
	M. Kashima (JA)
	N. Akosah (MD), Temporary
	F. Al-Kohlany (MI), Temporary
	S. Verhelst (NE), Temporary
	A. Marcussen (NO)
A. Mozhin (RU)	
A. BinZarah (SA)	
	R. Anwar (ST)
	B. Piasecki (SZ), Temporary
	W. Obeney (UK), Temporary
	T. Keating (US), Temporary

E. Tsounta, Acting Secretary
J. Morco, Summing Up Officer
P. Gkartzonikas, Board Operations Officer
M. McKenzie, Verbatim Reporting Officer

Also Present
African Department: S. Abdelrazek, C. Avila-Yiptong, V. Kramarenko, M. Souto, A. Sy, J. Weiss. Communications Department: N. Mombrial, T. Mossot. Fiscal Affairs Department: D. Benicio. Finance Department: N. Meshenko. Legal Department: S. Ayoub, N. Stetsenko.

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[2] For countries in each constituency, please see the Constituency Codes in the annex.

Monetary and Capital Markets Department: E. Karlsdottir. Research Department: M. Comunale, C. Okou. Strategy, Policy, and Review Department: A. Schaechter, J. Sin. World Bank Group: C. Fleischhaker, F. Gil Sander. Executive Director: P. Jennings (CO), R. Lim (ST), M. Mohieldin (MI), D. Palotai (EC), K. Subramanian (IN), F. Sylla (AF). Alternate Executive Director: A. Alhosani (MI), C. Amarasekara (IN), J. Betancur Mora (CE), P. De Ramon-Laca Clausen (CE), M. El Qorchi (MD), M. Mbuyamu (AF), M. Mert (EC), F. O'Brolchain (CO), S. Potapov (RU), B. Saraiva (BR), A. Ubisse (AE), V. Vumendlini (AE). Senior Advisors to Executive Directors: A. Abdullahi (AE), S. Chicas Cienfuegos (CE), M. Choueiri (MI), J. Essuvi (AE), J. Garang (AE), S. Hansda (IN), O. Hendrick (AG), L. Motsumi (AE), A. Nainda (AE), J. Rojas (CE), C. Sassanpour (MD), M. Scholer (NE), A. Tolstikov (RU), R. Velloso (BR), S. Wongwaisiriwat (ST). Advisors to Executive Directors: T. Abalala (SA), A. Abdul Raheem (MI), P. Al-Riffai (MI), M. Bangrim Kibassim (AF), B. Boostani (MD), R. Fayez (MI), D. Hamzah (MI), V. Lankester Campos (CE), P. Mansaray (AE), M. Merhi (MI), R. Moral Betere (CE), A. Mostajo Soto (AG), M. Park (AP), M. Pucnik (EC), A. Tall (AF), N. Wallin (NO), Y. Watanabe (JA), F. Lopez (CE), J. Tholl (GR), P. Benac (FF).

DISCUSSION RECORD [3]

The Acting Chair (Ms. Sayeh):

The authorities' success under the previous program set the stage for a robust recovery and disinflation in 2022, reflecting their strong reform commitment and improved external conditions. The 2023 budget seeks to return to a modest adjustment after fiscal loosening in 2022. This, along with monetary policy vigilance, will be critical to resuming the path toward the authorities' medium-term fiscal and debt targets, further strengthening debt sustainability, and guarding against vulnerabilities, to which Angola remains susceptible, despite recent improvements. Increasing the pace of fiscal structural reforms is another key component of this strategy.

The staff representative from the African Department (Mr. Sy):

We thank Directors for their comments and questions, which will help us tighten our policy recommendations.

In addition to our written answers, we would like to discuss our planned engagement on climate change-related issues, in coordination with other development partners.

As an important step, and following the ratification of the Paris Agreement in 2020, the Angolan authorities issued, in 2021, their nationally determined contribution (NDC), which outlines measures and their costings in key sectors for climate change mitigation and adaptation for 2020-2025. This NDC builds on the 2015 intended NDC.

The recently completed World Bank Country Climate and Development Report (CCDR) for Angola, is another key step. The CCDR identifies five areas of focus for a diversified, climate-resilient economy. Staff plans to continue working closely with our World Bank colleagues on these issues. Staff intends to leverage these two strands of work, with a focus on macro-criticality and financing.

In addition to policy recommendations on measures aimed at creating fiscal space for climate change-related spending and investments, staff will engage the authorities as they finalize the 2023-2027 National Development Plan and work on their medium-term fiscal framework. Staff's toolkit also

[3] Edited for clarity.

includes capacity development in the areas of green public financial management (PFM) and the Climate Public Investment Management Assessment (C-PIMA) module.

Regarding financing, the Angolan authorities have not requested at this stage a new Fund program, and we are happy to follow up with your questions.

Mr. Bevilaqua:

I thank Mr. Nakunyada and Mr. Essuvi for their informative buff statement, staff for the report, and Mr. Sy for today's update.

At the outset, let me reiterate that we fully share the buff statement's assessment that during the 2018-2021 Extended Fund Facility (EFF) supported program, significant progress was made in reducing fiscal vulnerabilities, strengthening fiscal management and the monetary policy framework, and consolidating the transition to a flexible exchange rate regime. It will be critical for the re-elected administration of President Lourenço to build on those remarkable achievements by accelerating the reform effort, with a special emphasis on strengthening governance and transparency, improving the business environment, and fostering private sector-led growth. Also, it will be important for the National Bank of Angola to continue the fight against inflation which, over the years, has proven to be stubbornly high.

As we have issued a comprehensive gray statement, today I would like to say a few words on the issue of economic diversification that correctly received a great deal of attention in the 2022 Article IV documents.

After a prolonged civil war that ended in 2002, Angola achieved high rates of economic growth as the oil sector developed and the country's physical infrastructure was rebuilt with oil revenues and oil-backed loans. Unfortunately, the legacy of that period was also one of high dependency on a single sector for economic activity, fiscal revenue, and exports. As the oil sector suffered with oil price volatility after the end of the commodity super-cycle in 2014, so did the Angolan economy.

The interesting selected issues paper on development planning has articulated well Angola's needs in social, human capital, and physical infrastructure spending. If unaddressed, these needs will continue to adversely affect productivity growth and pose obstacles to diversification. In our view, it will be particularly important to give priority to public and private investment in the education and health sectors for Angola to be able to enter a phase of sustainably high and inclusive growth.

Mr. N'Sonde:

We would like to offer three comments, in reaction to the staff's written responses to technical questions.

First, Angola's fiscal deficit and public debt remain high. As stated in our gray statement, enhancing non-oil revenue and adopting medium-term fiscal and expenditure frameworks is paramount to achieve the fiscal target set forth under the public financial stability law. We also agree with staff's recommendations on structural fiscal reforms. At the same time, even considering the need to diversify away from the oil sector, Angola should benefit from its current main export commodity in a consistent manner when oil prices are elevated. In this regard, we note that the 2022 oil revenue in local currency was lower than would be suggested by global prices, as the strong exchange rate appreciation has absorbed much of the dollar oil revenue windfall, as stated in the responses by staff to technical questions. Therefore, there is a delicate balance to strike between the necessary flexibility in the exchange rate and the need to contain excessive fluctuations, especially on the upside. Maybe staff wish to react on this point.

Second, we also stressed in our gray statement that the authorities should pursue the oil subsidy reform. Considering its socioeconomic impact, this reform should be implemented gradually, along with improving the targeting of cash transfer programs. We are comforted by staff's clarification on the planned 24-month multistep comprehensive fuel price subsidies reform, starting with low-hanging fruits, which include a comprehensive communications strategy and mitigation measures, followed by the completion of more complex reforms related to the national oil company and the downstream sector. We very much welcome this gradual approach.

Finally, on Angola's climate agenda, we agree that the Fund can contribute by enhancing capacity development assistance on PFM and C-PIMA. We would request the Fiscal Affairs Department to provide the necessary support in this area.

Mr. Buissé:

We published a detailed gray statement, so let me add three points.

First, we encourage the authorities to continue ongoing progress toward fiscal sustainability. Plans to address debt sustainability risks should not only rely upon current high oil prices but should be based on the implementation of a comprehensive strategy to increase tax revenues and diversify the economy. I positively note staff's responses on areas of the non-oil sector that may have strong growth potential and could support this critical transition. We are also encouraged to see that economic diversification will be a key pillar of the National Development Plans from 2023 and 2027. We fully concur with Mr. Bevilaqua that this diversification is absolutely key.

Second, on debt statistics, I would have welcomed more granular data in the report. In the December 2021 report, a comprehensive decomposition of public debt and debt service by creditor over the 2020-2022 period was included. I would see a lot of merit in reincorporating such a table. I would be happy to know if, beyond the large drop in the debt-to-GDP ratio, driven by exchange rate appreciation, the underlying composition of public debt by creditor has remained relatively unchanged since the previous report.

Finally, on capital controls, we know that Angola continues to maintain restrictions on the making of payments and transfers for current international transactions under the transitional arrangement of Article XIV, Section 2. Could you tell us a bit more about these measures and their impacts on economic actors and investments? Are they expected to be removed anytime soon?

Mr. Stephan:

We also issued a gray statement. I have four points.

First, on structural reforms, diversification of the economy is of the essence. Therefore, we encourage the authorities to facilitate private investments—in particular, in infrastructure—also to help reduce the country's dependence on oil.

Second, on the financial sector. We encourage the authorities to strengthen their efforts in addressing elevated nonperforming loans (NPLs) because dormant risks of NPLs on banks' balance sheets might restrict loans to private investors. In this regard, having a healthy financial sector is another precondition to foster non-oil sector growth.

Third, on fiscal revenues, we encourage the authorities to continue on the path toward the broadening the non-oil tax base so that an expected decline in oil revenues can be balanced out.

Last, on monetary policy, we welcome establishing price stability as the central bank's mandate.

Mr. Just:

We also welcome that Angola has ratified the Paris Agreement and has developed a plan to reduce its greenhouse gas emissions, something that the Fund, for some reason, has not done yet.

On climate, staff rightly should focus on the financing fiscal risks aspects of climate change and the green transition. There are also longer-term resilience issues, such as water and agriculture, but this is probably better left to the World Bank or other institutions.

The program undoubtedly was a success. Oil prices eventually came to the rescue. This is not a sustainable model going forward. We agree fully that a diversification of the economy is of the essence. We also welcome that the authorities have persevered with the disinflationary course. This should be a lesson to other countries where we have programs on the African continent and in other regions. This process takes a long time. It needs commitments in an arduous way, and you have to stay the course.

Mr. Al-Kohlany:

We issued a joint statement with Mr. Bijani and Mr. Akosah, where we broadly supported staff's assessment and recommendations. We welcome the renewed commitment from the authorities to maintain the reform momentum, which is crucial for maintaining macroeconomic stability and enhancing resilience in Angola. I wish to make two points today.

First, we sympathize with the need for the authorities to strike a delicate balance between subsidy reforms and political economy risks. We are in firm agreement that the process should proceed gradually, as noted in Mr. Nakunyada's buff statement, with a clear communications strategy. The introduction of the Kwenda Program in 2020 was an important step in moving toward targeted support to the vulnerable, and we encourage the authorities to expedite the expansion of this program. Fiscal adjustment can be further cemented with reforms to improve public expenditures, and divestment enhances budget credibility and accountability.

Second, we welcome the excellent analysis in the selected issues paper on Angola's prospects for achieving the Sustainable Development Goals. Angola lags substantially behind its peers, and the country is likely to face a time gap beyond 2030 to achieve them. We support the staff's recommendations, particularly on the diversification of the economy away from oil, enhancing domestic resource mobilization, improving the spending efficiency, and enhancing climate resilience. The upcoming National Development Plan is an opportunity to incorporate these policies to promote inclusive growth in Angola and to build economic resilience.

The staff representative from the African Department (Mr. Sy):

Thank you for the questions. Regarding the first question on the oil revenues in local currency, Angola, unlike many oil-exporting countries, has a flexible exchange rate. Relative to those, if you look at the boom-bust cycle, it is true that when the price of oil increases a lot in dollars, typically, the local currency appreciates, so you do not have as much local revenues as other countries. But there is a positive side to having a flexible exchange rate because, on the bust side, when the prices of oil go down, the currency typically depreciates. It dampens the negative effect of the falling prices on the budget. This is an issue we will keep looking at and discussing with the authorities, but we think they have merit to look at both sides of the issue.

On the question on debt statistics, the central bank of Angola publishes on its website the statistics by creditor. The situation, as far as we know, has not changed. China is the largest creditor. Last time we had the data, it accounted for about 30 percent of total debt, and it is split between 6.4 percent for non-Paris Club—which is mostly Ex-Im Bank of China and Sinosure—and then for commercial creditors, you have the China Development Bank and the Industrial and Commercial Bank of China for about 23 to 24 percent.

On the restrictions, the authorities have signaled their willingness to phase away restrictions.

Mr. Nakunyada:

On behalf of my authorities, I thank Directors for their support in completing Angola's 2022 Article IV consultation. We positively note your constructive recommendations and policy advice on the need for further fiscal structural reforms, data-dependent monetary policy, and further efforts to promote diversification. We will faithfully convey these important messages to our authorities.

I want to assure Directors that our authorities are committed to medium-term fiscal consolidation, underpinned by the twin fiscal and debt anchors. Accordingly, they are intensifying efforts to mobilize non-oil revenue to support priority social and investment spending. They are also making steadfast efforts to enhance PFM, while preparing the groundwork to remove fuel subsidies by expanding the Kwenda cash transfer program to cushion vulnerable households.

Further, they are pressing ahead with state-owned enterprise reforms, and they have made notable headway under the privatization program, PROPRIV. In line with the Directors' recommendations, our authorities will continue to make data-driven monetary policy adjustments to restore price stability, while maintaining a flexible exchange rate to absorb external shocks. They view these steps as essential to facilitate the transition to an inflation-targeting regime.

The authorities are accelerating financial sector reforms to ensure financial stability. Following the enactment of the Financial Institutions Law, they are advancing secondary legislation to strengthen the supervisory and regulatory framework. Progress made to strengthen the operations of Recredit is expected to help improve NPL recoveries and strengthen bank balance sheets.

Structural reforms also continue to rank high on the authorities' agenda to diversify the economy and enhance resilience to volatile oil prices. To this end, they are placing a high premium on strengthening governance, fighting corruption, and promoting private sector-led growth. Further, they attach prominence to human capital development, while taking decisive climate actions to ensure durable, inclusive, and green growth.

On capital controls, I just want to add that the authorities are taking a holistic approach, which is a total package of liberalization of the exchange rate and also the removal of controls and import priority lists. It is a package, and they are on their way to phase out capital controls.

Finally, I wish to thank the mission chief, Mr. Sy, and his team for their constructive engagement with my authorities.

The Acting Chair (Ms. Sayeh):

Angola is an Article XIV member. Angola maintains two multiple currency practices, subject to Fund approval under Article VIII. Approval of these measures is not recommended at this time. The 2022 Article IV consultation with Angola is hereby concluded.

The Acting Chair (Ms. Sayeh) adjourned the discussion.

ANNEX

- Gray Statements
- Staff’s Responses to Executive Directors’ Technical Questions
- Constituency Codes

Statement by Mr. Nakunyada and Mr. Essuvi on Angola
Executive Board Meeting 23/12
February 22, 2023

The Angolan authorities successfully implemented reforms under the Extended Fund Facility (EFF) arrangement from 2018–2021, despite the extremely difficult environment. Significant progress has been made to reduce fiscal vulnerabilities, rein in inflation, strengthen fiscal management and the monetary policy framework, preserve financial stability, and consolidate the transition to a flexible exchange rate regime. Riding on the solid groundwork laid under the EFF arrangement, the re-elected administration places a high premium on sustaining the reform momentum with special focus on addressing debt vulnerabilities, strengthening governance, and promoting economic diversification as articulated in the upcoming 2023–2027 National Development Plan.

Introduction

1. Our Angolan authorities appreciate the constructive dialogue with staff during the 2022 Article IV Consultations. They broadly share the thrust of the staff appraisal and policy priorities.

2. The recovery of the Angolan economy continues to gather pace, following the recession experienced from 2016–2020. The recovery largely benefitted from policy measures implemented under the Macroeconomic Stabilization Program (MSP) and solid foundations laid by reforms under the 2018–2021 Extended Fund Facility (EFF) arrangement. The authorities have remained in reform mode, while favorable international oil prices, and the rollback of pandemic restrictions provided additional growth impetus. Against this backdrop, the recently re-elected administration continues to make steadfast efforts in the implementation of Fund policy recommendations. They are determined to safeguard macroeconomic stability, exercise fiscal discipline to preserve debt sustainability, and advance structural reforms to ensure a durable and inclusive growth. The authorities also remain attentive to the need to foster economic diversification and climate adaption, reduce poverty and inequality, and intensify governance reforms to realize the objectives of the forthcoming 2023–27 National Development Plan (NDP).

Recent Economic Developments and Outlook

3. Economic activity rebounded strongly from a contraction of -5.5 percent in 2020 to 1.1 percent in 2021 and 2.8 percent 2022, spurred by recoveries in the non-oil sector and expansion of output in manufacturing, agriculture, construction, and services sectors. Oil production also increased, benefitting from new investments, simplification of licensing procedures, and removal of pandemic-induced maintenance impediments. Going forward, growth is projected to stabilize at 4.0 percent over the period 2023–2027. Nevertheless, the outlook remains challenged by geopolitical tensions, tightening global financial conditions, and subdued global growth prospects. Meanwhile, inflation declined significantly from

27.70 percent in January 2022 to 12.55 percent in January 2023 underpinned by improved food supplies, strengthening of the Kwanza, and tight monetary conditions. The current account registered a surplus of 11.0 percent of GDP in 2022 reflecting improved oil export earnings. Accordingly, gross international reserves (GIRs) improved from US$11.0 billion in 2020 to US$14.4 billion in 2022, representing more than 6 months of import cover.

Fiscal Policy and Debt Management

4. Fiscal consolidation ranks high on the authorities' agenda to create fiscal space to meet development needs and preserve debt sustainability in line with the dual fiscal and debt anchors. In this regard, the 2023 budget approved by the Parliament last week is consistent with the objective to achieve a non-oil primary fiscal deficit (NOPFD) of no more than 5 percent of GDP by end-2025 to firmly bring down the debt ratio to the medium-term target of 60 percent. To consolidate gains from tax reforms implemented in the last two years, further revenue generation efforts will focus on improving tax compliance and enforcement to recover tax arrears. Further, the authorities are concluding the integration of customs with the non-oil tax systems in the same electronic platform, to improve tax collection efficiency.

5. The authorities are implementing measures to streamline current spending and improve expenditure efficiency. Specifically, they are rationalizing perks for government officials, including the housing maintenance subsidy and vehicle allocations. Additional savings will be generated from the downgrading of ticket classes for official travels. Further, the authorities will prioritize ongoing growth-enhancing projects with high investment returns in 2023. As such, new projects are going to be considered in the pipeline starting in the FY2024 under the implementation of the 2023-2027 NDP. To improve public finance management, the authorities are developing the medium-term fiscal and expenditure frameworks (MTFF/MTEF) with Fund technical support. Concurrent efforts will be maintained to increase the share of investment projects that go through public tenders and the number of budget units, whose annual purchase plans are published on the Public Purchases Portal. Importantly, the authorities adopted a roadmap of actions designed to guide implementation of the 2019 Public Investment Management Assessment's (PIMA) recommendations.

6. The authorities continue to make efforts to improve debt management as part of their overall debt strategy. To this end, the one-year government securities' yield has declined significantly since implementation of the debt strategy. Government has also agreed with some domestic creditors to extend the maturities of some of the bonds including those denominated in foreign currency, a strategy that is intended to be maintained in the coming years. These measures coincide with the significant debt reduction occasioned by the strong growth, as well as the building of additional fiscal buffers benefitting from high oil prices. That said, since FY2021 the authorities have resumed debt service payments to major creditors, including obligations deferred under the Debt Service Suspension Initiative (DSSI).

Monetary, Exchange Rate and Financial Sector Policies

7. The BNA recently eased its monetary policy stance by reducing cumulatively 200bps of its benchmark interest rate to reflect the sustained decline in inflation. Although the current pace of disinflation gives additional room to continue easing monetary conditions, the BNA

will continue to monitor inflation dynamics and stand ready to make appropriate data-driven adjustments. Benefitting from Fund TA, the BNA is preparing the ground for a smooth transition towards a fully-fledged inflation targeting regime. Concurrent efforts to strengthen the central bank's communication and transparency frameworks are in progress to complement on-going efforts to bring down inflation to single digits by 2024. To consolidate gains from the successful unification of the exchange rate, the BNA will continue to allow the interplay of market forces in the foreign exchange market to help absorb external shocks. Further, the BNA plans to eliminate the remaining exchange restrictions to support the transition to an inflation targeting monetary regime, while intervening only to smoothen volatile market conditions.

8. Important strides have been achieved in the implementation of the 2019 Safeguards Assessment recommendations including amendments to the BNA Law. Looking ahead, the central bank re-affirms its commitment to adopt international best practices to ensure financial system stability. Besides enactment of the new Financial Institutions Law, progress has been made to approve complementary legislation. Additionally, the BNA is advancing its internal restructuring including the establishment of the Resolution Unit while ensuring its operational independence. The central bank also established the Council of Financial System Supervisors, a supervisory body constituted by all financial sector agencies.

9. The authorities concluded the process to strengthen Recredit's identified operational and governance weaknesses to improve NPL recoveries. Moreover, they are introducing stricter regulations to incentivize banks to reduce NPLs, which are concentrated in weaker banks. Further, the authorities are intensifying supervisory vigilance with particular attention to banks' credit portfolios.

Structural Reforms and Governance

10. Despite the challenging environment, the authorities have broadly remained on course to roll out SOEs reforms. Under the privatization program (PROPIV), 94 of the 178 selected assets have been privatized, including 27 in 2022 and 67 by the end-2021. In 2022, some of the key assets were privatized through IPOs at the Luanda Stock Exchange (LSE), representing the first stocks operations since its establishment. Additional assets will be included in the pipeline under the extended PROPIV 2023-2027 as part of the strategy to fight corruption and recover illicit assets.

11. To promote private sector led growth, the authorities are creating conditions to boost credit to the private sector. Accordingly, the National Development Fund (managed by the Development Bank of Angola – BDA) will avail a US$6.3 billion credit line starting in FY2023. This facility is expected to help facilitate access to credit to agriculture and other sectors, to finance grain production, livestock, and fisheries over the next five years. Moreover, they are also committed to improving financial inclusion by expanding mobile banking and digital infrastructure to cover previously underserved communities. These efforts will be reinforced by finalization of the first national strategy for financial inclusion.

12. While the authorities are committed to the removal of fuel subsidies, they are cautiously balancing this important decision with potential political economy risks. Guided by the

approval of the roadmap with TA from the Fund and the World Bank, they are assessing the socio-economic impact, while at the same time designing an effective communication strategy to enhance public awareness on the merits of removing inefficient subsidies. To mitigate the impact of the subsidies' removal on poor households, the authorities are also continuing their efforts to expand the *Kwenda* initiative by increasing the monthly payouts and expanding the list of beneficiaries towards their target of reaching 1.3 million households by end-2023.

13. Notable progress has been made in designing the national anti-corruption strategy that will be submitted for public consultation before approval and adoption. Meanwhile, the Attorney General's Office is implementing an anti-corruption mitigation plan approved in 2018. Regarding the asset declaration regime, the authorities recognize the deficiencies in the framework, and intend to revamp the Public Probity Law in accordance with international standards. Technical support from the Fund and the World Bank to prepare the reform legislation is currently under consideration. On COVID-19-related expenditures, the authorities are committed to the publication of the audited report after the institutional arrangements for the new entity responsible for the preparation of the report are fully completed.

Energy Transition and Climate Change Adaptation

14. The authorities continue to attach great prominence on energy sector reforms and are currently intensifying decarbonization efforts through the implementation of a new energy matrix based on renewables. This follows the introduction of new electricity tariffs to reduce consumption inefficiencies. Leveraging the country's endowments, the new energy matrix aims to reach 70 percent of electricity generated by renewable sources by end-2025. As current diesel-powered plants are replaced by gas-powered plants, the authorities are also making substantial investments in solar farms. Currently, three of the main solar parks already supply energy to the national grid, while the remaining projects are entering their initial construction phase. To complement the hydroelectric and solar energy generation capacity, feasibility studies are underway to establish wind farms and commencement of projects to produce green hydrogen.

15. Angola continues to face recurring climate shocks, with over 1 million people, mostly across three southern provinces, facing the devastating effects of the drought. As such, the authorities are developing a water management mega-project designed to transfer water to the affected areas and climate-proof the agricultural sector. The first project (*Canal do Cafu*) was implemented along a 160-kilometer stretch, bringing water from the *Cunene River* to the affected areas to benefit more than 235,000 families. They also plan to develop three similar projects in the coming years. Furthermore, in the last two years, the authorities have attached importance to the recovery and conservation of the mangroves along the coast. Further efforts have also been directed towards reforestation and combating desertification under the 2022–2035 National Strategy for Climate Change.

Conclusion

16. Our authorities re-affirm their commitment to a well-coordinated fiscal and monetary policy mix alongside structural reforms to accelerate the economic recovery and preserve macroeconomic stability. They value the Fund's technical and policy support which they regard as indispensable in their efforts to address attendant macroeconomic challenges. They look forward to continued Fund engagement to consolidate their post program gains and place the economy onto an accelerated growth trajectory. In this regard, the authorities seek Executive Director's support in concluding the 2022 Article IV Consultation.

Statement by Mr. Subramanian and Mr. Jain on Angola
Executive Board Meeting 23/12
February 22, 2023

1. We thank staff for their comprehensive reports on Angola. We also thank Mr. Nakunyada and Mr. Essuvi for buff statement.

2. **The economy is projected to grow at a faster pace in the medium term with greater support from non-oil sector**. Inflation fell in 2022 partly due to strengthening of domestic currency and monetary policy tightening, though the central bank has reduced its tightening bias since September 2022. Inflation is projected to decline sharply in 2023 and remain benign in subsequent years. Nevertheless, staff's advice to the central bank is for a wait and see policy approach given the balance of risks to inflation. *Staff may clarify: For medium-term projections of inflation (Table 1), what is their underlying assumption regarding the central bank's monetary policy path?*

3. **Amid flat output projected in oil sector during 2024-27, staff projects the fiscal deficit to increase during this period.** *Staff may like to elaborate*: *Why oil sector output is projected to remain flat during 2024-27?* While exchange rate appreciation might have benefited country's current account balance and, also reduced public debt in 2022, the authorities should remain alert to adverse movements in exchange rate led by further fall in crude oil prices. As per staff's assessment in Annex V, lagged effects of strong real exchange rate appreciation in 2022 are among factors driving the uncertainty for external sector. *Staff may like to share the trade elasticity estimates (w.r.t. real effective exchange rate) for Angola, if available.*

4. **We note staff's assessment that without policy action, authorities may find it difficult to achieve medium-term fiscal targets, non-primary fiscal deficit and public debt (both in terms of GDP) as set out under the Fiscal Sustainability Law (FSL).** Even though the authorities are committed to their dual anchors as articulated in FSL, they need to expedite policy efforts as suggested by staff to further mobilize non-oil revenue via tax policy measures; phase out of fuel subsidies; and ensure further progress on fiscal structural and administrative reforms.

5. **We take note of the fact that despite no accumulation of arrears in 2022, the government has significant amount of unrecognized arrears which need to be cleared**. In this regard, Staff recommended an audit of newly-recognized arrears. *Staff may like to elaborate on the nature of arrears. For instance, whether the government owes these arrears to public sector or private sector.*

6. **The Angolan authorities have undertaken several reforms under the 2018-21 extended fund facility, particularly in the areas of fiscal management, the monetary policy framework, financial stability, and central bank independence.** We appreciate the staff for their capacity development initiatives in Angola and hope that the country will continue to benefit from their technical assistance, particularly in various facets of public financial management. We are also encouraged to note that the central bank has begun taking steps toward an inflation-targeting framework while improving its forecasting and communication practices. Similarly, the authorities need to be commended for making progress in operationalizing and implementing the new Financial Institution Law which aims to align country's legal framework for supervision and resolution with international best practices. We also take note that the authorities broadly agree to staff's recommended priorities relating to the ongoing financial sector reforms.

7. **We understand that the Kwenda cash transfer program is crucial in delivering social assistance to the Angolan people in the form of cash and digital payments.** We, therefore, urge the authorities to address the infrastructure constraints to improve the coverage and effectiveness of the program. We welcome that various structural reforms are being planned to boost economic diversification. This is particularly important as the output in oil sector, hitherto a major source of growth, is expected to stay flat in coming years. *Staff may like to elaborate on the potential areas in non-oil sector (apart from agriculture sector) which the authorities intend to focus on as a part of their diversification strategy.*

8. **Staff has rightly recommended that ailing state-owned enterprises (SOEs) should be restructured and authorities should avoid further state financial support to such SOEs without credible restructuring plans for their viability.** In our view, authorities should consider this recommendation as budgetary support to SOEs without expecting positive outcomes will only exacerbate country's fiscal challenges.

9. **As stated in the "Selected Issues" document, Angola's progress toward the Sustainable Development Goals (SDGs) is slow.** In our view, the authorities must take cognizance of staff's recommendations on policy efforts to create additional fiscal space, enhance quality spending and increase private sector involvement in diversifying the economy. These policy measures will certainly help them meet large costs of reaching the SDGs by the target year of 2030.

10. Finally, we wish the authorities and people of Angola every success in their endeavors.

Statement by Mr. Bevilaqua, Mr. Velloso, and Ms. Cruz on Angola
Executive Board Meeting 23/12
February 22, 2023

We thank staff for the report and Messrs. Nakunyada and Essuvi for their helpful statement. We fully share the BUFF's assessment that during the 2018-21 EFF-supported program significant progress was made in reducing fiscal vulnerabilities, strengthening fiscal management and the monetary policy framework, and consolidating the transition to a flexible exchange rate regime. It will be critical for the re-elected administration of President Lourenço to build on these remarkable achievements by accelerating the reform effort, with especial emphasis on improving further the business environment and fostering private sector led growth and economic diversification.

We take positive note that the Angolan economy has been resilient, despite a challenging external environment, thanks to the authorities' commitment to sound policies and reforms. However, as oil production is expected to moderate, achieving high rates of sustainable and inclusive growth over the medium-term will depend on the continued steadfast implementation of the authorities' structural reform plans to boost productivity and promote economic diversification.

It is critical to continue mobilizing additional non-oil tax revenue and focusing on priority spending. In this regard, we call attention to the importance of modernizing the tax administration, including its organizational structure and compliance risk management, implementing the national PFM strategic action plan, and phasing out fuel subsidies. These measures, if appropriately supported by growth-enhancing structural reforms, will help to ensure the needed fiscal space to cover key investments in physical infrastructure and human capital, as well as additional social spending in support of the most vulnerable. In addition, we encourage the authorities to continue reforming the SOE sector with the goal of reducing the need for budgetary support to SOEs and mitigating fiscal risks to the budget.

Monetary policy should continue to pursue disinflation. We take positive note that inflation was lowed from 27 percent in 2021 to 13.8 percent in 2022, supported by monetary tightening and an appreciation of the kwanza. However, we note with concern that risks to inflation are rising given, more recently, a weaker exchange rate and non-oil growth momentum. Considering the historically high level of inflation in Angola, we encourage the National Bank of Angola to monitor the situation closely and be prepared to tighten monetary policy as needed to keep inflation on a firm downward path and inflation expectations anchored at a lower level.

Banking sector reforms are key to strengthening financial stability. We welcome the progress made so far through the implementation of the new Financial Institution Law, especially on banking supervision and macroprudential policies. However, we urge the authorities to accelerate the process of restructuring two state-owned problem banks, by implementing their already approved restructuring and exit from regulatory forbearance plans.

Finally, we encourage the authorities to continue their fight against corruption. We welcome progress on improving Angola's AML/CFT framework, as well as the integration of key measures aimed at buttressing governance and transparency and addressing corruption vulnerabilities in the next National Development Plan. This will be helpful to the country's economic diversification strategy by impacting favorably on the private sector investment environment.

With these remarks we wish the Angolan authorities success in their endeavors.

Statement by Mr. Massourakis and Ms. Mateus on Angola
Executive Board Meeting 23/12
February 22, 2023

We thank staff for the helpful set of papers and Messrs. Nakunyada and Essuvi for their insightful Buff statement. Angola has started to reap the benefits from the painful, yet necessary, adjustment under the EFF-supported program. Over the medium-term, the country needs to safeguard the hard-won macroeconomic stability, build buffers to cope with shocks and put emphasis on developing its economy further while diversifying away from oil. So, we were glad to read that the authorities place a high premium on sustaining the reform momentum. We broadly share staff's appraisal and would like to add few comments:

- **We encourage the authorities to be ambitious with their fiscal consolidation path now that the recovery is picking up pace and benefitting from favorable oil prices.** We understand the loosening of the fiscal stance in 2022, considering the global outlook and the aggressive fiscal restraint and underinvestment during the program years. However, as the country is still vulnerable to external shocks and the conditions are favorable to bolster fiscal buffers, we share staff's view that a sharper adjustment of the non-oil primary fiscal deficit is possible. To that end, we see some room to mobilize additional domestic revenue and to rationalize expenditures. On the latter, the authorities need to prioritize investments based on expected rates of return. In addition, we welcome the authorities' intention to phase out fuel subsidies while increasing social spending and transfers to the most vulnerable. We commend the authorities for the progress achieved on structural fiscal reforms and hope they will now focus on improving public financial management, tax administration and the functioning of state-owned enterprises.

- **We appreciate that inflation is finally coming down**. Banco Nacional da Angola (BNA) is still reducing the M2 aggregate, despite cutting the policy rate to lower levels which, however, now exceed headline inflation for the first time in many years. Against this background, we also find it reasonable to alleviate the tightening bias, while keeping ready to adjust should inflationary pressures increase. We welcome the work to move to an inflation-targeting framework and count on the Fund to provide the necessary technical assistance to this end. We likewise welcome the BNA plans to eliminate the remaining exchange restrictions and its commitment to intervene in foreign exchange markets only to smoothen volatile market conditions.

- **We appreciated the focus on diversification in this Article IV report.** We welcome Annex I on Climate Change in Angola and consider that future Article IV reports could delve deeper into diversification strategies considering the difficulties posed by climate change. In addition to enhancing the business climate and strengthening governance, we see investment in human capital as key to unleashing Angola's growth potential. We found staff analysis on spending on human and physical capital particularly useful. And, like staff, we also believe that improving financial inclusion, through easier access to credit, is an important channel to promote private sector activity. We welcome the progress in preparing the national anti-corruption strategy and look forward to its implementation.

Statement by Mr. Hendrick and Ms. Ramos Capaquira on Angola
Executive Board Meeting 23/12
February 22, 2023

We thank staff for the complete report and the relevant topics analyzed in the Selected Issues paper and Messrs. Nakunyada and Essuvi for their helpful Buff statement.

1. **The Angolan economy remained on a recovery path in 2022.** After five years of recession, the economy recovered in 2021 and maintained momentum in 2022, driven by both non-oil and oil sectors, the latter in positive territory after seven years of contraction. The economy, and especially the external accounts, was also favored by high oil prices. We welcome the commitment by the re-elected administration to sustain the reform momentum and policies to safeguard economic stability towards a more sustainable and resilient economy, which began years before and will remain to be the focus of their 2023-2027 National Development Plan (NDP). Consequently, the medium-term outlook points to a growth rate of around 4 percent, with better prospects for non-oil sectors amid diversification efforts.

2. **We welcome the authorities' measures to create further fiscal space to meet development needs while safeguarding fiscal sustainability.** The authorities' commitment to fiscal sustainability has been important in containing the non-oil fiscal deficit and maintaining debt on a downward trend in recent years. Going forward, continued efforts to mobilize revenue, control current spending, and improve capital spending management and efficiency will be critical to create additional fiscal space to address the country's needs in terms of human capital and infrastructure development, which will ultimately benefit long-term growth. In this regard, we acknowledge the authorities' steps towards implementing the 2019 Public Investment Management Assessment (PIMA) recommendations. We also take positive note of the measures to rationalize current spending. Similarly, the increase in social spending is essential to protect the vulnerable population from shocks. Therefore, efforts to accelerate the expansion of the transfer program *Kwenda* are welcome.

3. **The National Bank of Angola (BNA)'s commitment to achieve price stability is well noted.** Inflation decreased significantly in 2022; however, it remained high and there were signs of an increase in the last months of the year due to depreciation of the kwanza. Hence, we welcome the BNA's data-dependent approach and readiness to use its available tools to contain further price pressures. In this regard, the authorities' right balance to prevent any impact on growth recovery is relevant. We take positive note of the implementation of the 2019 Safeguards Assessment recommendations and encourage the authorities to continue working on it and on overall reforms to improve the monetary policy framework. We welcome the BNA's plans to eliminate the remaining exchange restrictions to support the transition to an inflation-targeting monetary regime. The decision to let the interplay of market forces in the FX market will consolidate the gains from the successful unification of the exchange rate.

4. **We welcome the progress in reforms to preserve the financial system stability.** The financial sector has shown positive indicators, although certain vulnerabilities remain, mainly in relation to the pending restructuring of two large banks, the high level of non-performing loans, and relatively low credit growth. In this context, we acknowledge the authorities' efforts to solve these problems and in general to operationalize the new Financial Institution Law. Regarding credit, continued actions for financial inclusion and the strengthening of small and medium-size enterprises

are relevant, especially to contribute to economic diversification. Furthermore, we positively note the decrease in dollarization of deposits and loans, driven partly by the currency appreciation. We encourage the authorities to work on reducing dollarization, which will help enhance monetary policy effectiveness.

5. **The authorities' efforts towards a diversified, resilient, and more equitable economy remain critical.** Given the country's high dependence on the oil sector, the vulnerability to price shocks, and the expected sector's zero growth in the medium term, economic diversification is paramount. In this vein, we welcome the ongoing initiatives, such as the support program for production, export diversification, and import substitution (PRODESI), enhanced by the Project to Support Credit (PAC); and the National Development Fund, as highlighted by the authorities in the Buff statement. Increased investment in human and physical capital development is essential, while ensuring a higher quality of spending, which shows room for improvement according to the analysis in the Selected Issues paper. Regarding climate change, we see merit in the authorities' work to boost renewable energy generation and their goal of reaching a 70 percent share by end-2025. The ongoing water supply projects in regions vulnerable to drought are also noteworthy. *We would appreciate if staff could provide further information on the upcoming 2023-2027 NDP's pillars to promote these structural reforms*.

With these remarks, we wish the Angolan authorities and people every success in their endeavors.

Statement by Mr. Jennings and Ms. Smith on Angola
Executive Board Meeting 23/12
February 22, 2023

We thank staff for their informative reports and Mr. Nakunyada and Mr. Essuvi for their insightful Buff statement.

The reforms accomplished under Angola's 2018-21 Extended Fund Facility helped to set the foundation for sustained economic growth and development. We welcome the successful conclusion of the recent presidential elections as well as the authorities' commitment to policy continuity and maintaining the positive reform momentum. Though the escalation in global oil prices—along with broad-based gains across several sectors—have bolstered Angola's recovery, downside risks remain significant, and the country continues to face significant developmental and social challenges which need to be addressed.

We are pleased to note the reduction in debt to GDP—from a peak of 138.4 percent in 2020 to a projected 66.1 percent in 2022—and encourage the authorities to make the adjustments necessary to ensure that this progress is sustained. We welcome the authorities' prudent liability management actions, which helped to reduce their 2022-23 gross financing needs as well as medium-term vulnerabilities. Given the authorities' plans to phase out fuel subsidies, their work on developing fuel pricing reform options, assessing the quantitative social impacts along with mitigation options for the vulnerable, as well as the fiscal impact and communications strategy are welcomed steps. *Can staff elaborate on the potential timeline for phasing out the subsidies and implementing mitigating policies?* We encourage the authorities to sustain their efforts, including by working with staff and other development partners, to strengthen public financial management (PFM). Measures to further mobilize non-oil revenues, improve tax administration, accelerate the implementation of the Kwenda cash transfer program and reform state owned enterprises would also strengthen fiscal sustainability.

The steady decline in inflation, from 27 percent at end-2021 to 13.8 percent at end-2022, is commendable. We are pleased to note the authorities' progress on structural reforms aimed at enhancing the monetary policy framework, financial stability, and central bank independence. The progress on strengthening the BNA's forecasting and communications practices should support effective inflation targeting. We agree with staff on the need to improve access to credit and encourage the authorities to develop a comprehensive strategy to reduce informality, strengthen private sector capacity, and boost private sector credit. To this end, we take positive note of the authorities' National Development Fund as a mechanism provide credit to agriculture and other sectors.

We commend the authorities on their work to strengthen the AML/CFT framework and reduce corruption and encourage them to address outstanding deficiencies, including those related to transparency of beneficial ownership information and asset recovery. We look forward to the April 2023 adoption of the Eastern and Southern Africa Anti-Laundering Group's (ESAAMLG) report on their AML/CFT assessment.

Angola's strong commitment to policies that foster gender equality are to be commended. We thank staff for the detailed analysis on gender equality indicators. We note that seats occupied by women in the national assembly grew from 26 percent in 2017 to 38 percent in 2022, that gender-equality measures have been institutionalized in the central government budget, including a methodology to assess the efficacy of programs promoting gender-equality that are funded by budget resources, and that the Ministry of Social Action, Family, and Promotion of Women (MASFAMU) has been implementing a number of programs to promote gender equality.

We look forward to the completion of the 2023-27 National Development Plan and encourage the authorities to factor climate change mitigation into their diversification plans. We note from staff's annex on climate change in Angola that climate change may lead to shorter rainy seasons, higher rainfall variability, and drier conditions, which would have negative implications for the agriculture, fisheries, and energy (in particular hydropower) sectors. In this context, the World Bank's Climate Change Development Report's (CCDR) identification of water resource management, climate-resilient power supply, climate-smart food production, green cities, and human capital, as critical areas for a diversified climate-resilient economy seems prudent.

Statement by Mr. Guerra and Ms. Moral Betere on Angola
Executive Board Meeting 23/12
February 22, 2023

We thank staff for their insightful report and timely selected issues, and Mr. Nakunyada and Mr. Essuvi for their illustrative Buff statement. The recovery in Angola is underway thanks to strong reform efforts, the increase in oil prices, and the resilience of a growing non-oil sector. All of this has been underpinned by political stability, a Macroeconomic Stabilization Program and a successful EFF, which has led to macroeconomic stability. Uncertainty regarding the outlook remains high, mainly associated with the evolution of oil prices and the global environment. Going forward, maintaining hard-worn debt sustainability remains key to financing Angola's long-term development challenges. We welcome the fact that capacity building efforts have been instrumental in the design and implementation of key reforms as stated in the Buff, and we thank staff for the information contained in Annex VI.

A return to fiscal adjustment is key to compensate for the loosening in 2002. We concur with staff that the authorities should take advantage of high oil prices to put the NOPFD on a downward path. To achieve this, it will be critical to continue mobilizing additional non-oil tax revenue as well as achieving further progress on fiscal structural and administrative reforms. In addition, fuel subsidies need to be phased out. and although we welcome the progress made by the authorities with the support of the IMF and the WB on this front, a faster implementation of the Kwanda cash transfer program remains vital to completing this reform. We remain concerned by the fact that the privatization plans continue to be delayed, and we join staff's call to eliminate further support for failing SOEs without a credible restructuring plan. We welcome the authorities' intention to bolster the PFM reform and regret the fact that they have not fulfilled their commitment under the IMF program to publish the audited COVID expenditure reports.

We emphasize the importance of enduring fiscal adjustment efforts and a prudent debt management strategy to preserve debt sustainability. We note that Angola's public debt remains sustainable, but risks remain high, and 2022 fiscal slippage has left debt dynamics more vulnerable to shocks. Going forward, continued liability management operations to smooth the debt profile will be welcomed. In addition, the authorities should continue to work towards the clearing of arrears and welcome the planned technical assistance on this front.

The BNA should remain vigilant against inflationary pressures. Although inflation has gone down, it still remains high and should be carefully monitored. We welcome that the

BNA has implemented most of the recommendations from the 2019 safeguards assessment and has plans to transition to an inflation-targeting regime. Nonetheless, we concur with staff that monetary design and implementation should be improved, we welcome the continued efforts of the authorities to transition to a flexible exchange rate regime and we support the development of an indicator-based intervention strategy for mitigating exchange rate volatility, *Is there any planned TA on this front?*

We welcome the authorities' commitment to complete ongoing financial sector reforms. However, further efforts are needed to complete the pending reform in the troubled largest public bank, and to reduce the still high level of NPLs.We welcome the recently approved AML/CFT law.

We welcome that economic diversification and reducing poverty and inequality remain top priorities for the Angolan authorities. We support the authorities' economic diversification plans to reduce over reliance on oil and welcome that the spending priorities are reflected in the coming 2023-27 National Development Plan (NDP). Investing in human capital and infrastructure should remain a priority, as should strengthening transparency, governance, and the business climate, which could help attract much needed private investment. In this vein, we urge the authorities to finalize the nationwide anti-corruption strategy. Finally, we would like to commend the authorities for their recent progress with gender policies.

We encourage the Angolan authorities to remain pro-actively engaged with the Fund and with all these comments, we wish them all the best in their future endeavors.

Joint Statement by Mr. Anwar, Ms. Kashima, Mr. Parkyn, Ms. Wongwaisiriwat, Ms. Park, and Mr. Watanabe on Angola
Executive Board Meeting 23/12
February 22, 2023

We thank staff for their comprehensive report, and Mr. Nakunyada and Mr. Essuvi for the informative buff statement. We welcome Angola's sustained macroeconomic stability amidst a very challenging environment. Preserving debt sustainability through fiscal structural reforms and diversifying the oil-dependent economy are critical, while carefully managing near-term challenges including still elevated inflation and supporting the vulnerable. **As we broadly concur with the thrust of the staff's appraisal and policy advice, we would like to offer the following comments for emphasis**.

Accelerating fiscal structural reforms is crucial for achieving medium-term fiscal sustainability. While we positively note the decline in public debt owing to strong exchange rate appreciation, we agree with staff that steady progress on fiscal structural reforms including further mobilizing non-oil revenues is required. In this context, improving tax administration capacity and exploring tax reforms such as VAT and PIT reforms, enhancing PFM, rationalizing spending and improving the procurement system are paramount. Costly fuel subsidies should be phased out while developing appropriate social support systems for the vulnerable. Developing a cash transfer mechanism is also important on this front. Further, as demonstrated in Table 5, given that more than 70 percent of Angola's public debt is financed by external entities, strengthening debt management capacity and developing the domestic bond market would also be beneficial. *Can staff elaborate on the authorities' strategies on this front?*

Supporting a disinflationary path to safeguard price stability remains a priority. We positively note that inflation has declined thanks to the BNA's monetary tightening and local currency appreciation. However, vigilance is warranted regarding the recent currency depreciation and booming non-oil performance. In this context, we agree with staff that a "wait and see strategy" is reasonable, while maintaining a data-dependent monetary policy stance and further strengthening the transmission mechanism. In this regard, steady steps towards introducing an inflation-targeting framework such as improving forecasting capacity are welcome.

It is necessary to enhance the regulatory and supervisory frameworks. Accelerating the implementation of the new Financial Institution Law is a priority. Efforts such as establishing a Financial Stability Department and the Council of Financial System Supervisors, improving banking supervision and macroprudential policies, and developing the financial sector safety net are welcome. Tackling NPLs is another priority, and we welcome the BNA's onsite inspection to all banks that will be completed by early 2023. The restructuring of two formerly state-owned troubled banks should also be accelerated and completed in a timely manner.

Improving the business climate and diversifying the economy are cornerstones for achieving sustainable and inclusive growth in Angola. Considering still high dependency on the oil industry, strengthening the business climate, and pursuing economic diversification are important steps in promoting private sector-led growth and foreign investments. We welcome the progress in the authorities' diversification plans and encourage further acceleration. However, it is not clear from the report and the Selected Issues Paper which plans can effectively be expedited given limited institutional capacity. While further progress on governance issues, AML/CFT frameworks, and SOE reform is welcome as a revenue-generating source for the government, we wonder which particular policies should be prioritized to unlock private sector participation in the near term. *Staff's comments are welcome*.

Statement by Ms. Medearis and Mr. Keating on Angola
Executive Board Meeting 23/12
February 22, 2023

We thank staff for this report and Mr. Nakunyada and Mr. Essuvi for the clear Buff statement. Angola's recent economic performance and commitment to continued reform progress is commendable. Supported by elevated oil prices and broad-based growth, economic recovery has continued apace. Monetary tightening and the strength of the kwanza have contributed to a notable decline in inflation, although upward risks to inflation require continued vigilance and a willingness to pursue further tightening if needed. **We broadly agree with staff's assessment, and we urge the authorities to maintain their reform momentum.** As staff note, a resumption of fiscal adjustment and continued commitment to economic diversification will be needed to guard against downside risks and preserve debt sustainability.

While elevated oil prices have supported strong external sector performance and buttressed fiscal revenue, we encourage the authorities to use this moment to resume a path of growth-friendly fiscal adjustment sufficient to rein in the non-oil primary fiscal deficit and meet debt-to-GDP targets. Volatile oil prices and the projected decline in oil prices highlight the economy's dependence on oil, a key vulnerability. We agree with staff that the authorities should build on the fiscal performance during the EFF and take steps to mobilize non-oil revenues and phase out fuel subsidies while bolstering a well-targeted social safety net. Last year's capital spending overruns also highlight the importance of following through on outstanding public financial management reforms. We take note of the benefits of the authorities' successful liability management operations and welcome their plans to leverage technical assistance on arrears prevention and cash management. We share staff's disappointment that the authorities have yet to meet their commitment to publish Covid expenditure reports and we call on them to do so promptly as a matter of good governance.

Last year's disinflation is heartening and highlights the success of the authorities' monetary tightening, supported by FX appreciation. We agree with staff on the importance of remaining vigilant and of standing ready to safeguard price stability through further tightening, if necessary. Keeping inflation on a downward path and making further progress to anchor inflation expectations at a lower rate are key policy goals. We encourage the BNA to take further steps to shift toward an inflation-targeting framework and to adjust monetary policy implementation tools to bring the interbank rate in line with the policy rate. We also support staff's suggestion for the BNA to develop, with IMF technical assistance, an indicator-based intervention strategy to limit excessive volatility and maintain the commitment to exchange rate flexibility.

We welcome the operationalization of the Financial Institution Law, the creation of a financial stability department, and the authorities' broader efforts to strengthen banking supervision and resolution. The low level of private credit growth in the context of ongoing restructurings of two former state-owned banks and efforts to address NPLs highlight the importance of a continued focus on financial stability. Recent AML/CFT improvements are welcome, but further steps, including on beneficial ownership transparency, are needed.

We welcome the broad-based growth in non-oil sectors and the authorities' intention to improve economic diversification under the National Development Plan. Accelerating economic diversification, improving the quality of social spending, and further reducing the economy's dependence on oil are urgent priorities. We welcome staff's selected issues paper on how fiscal adjustments can create space for capital spending to meet SDGs and how to spur private credit growth to the economy. Staff are right to highlight the importance of further strengthening governance and transparency and improving the business climate to achieving these goals. Measures to relax price controls, streamline licensing, and reduce administrative burdens also have an important role to play to promote investment. *We would welcome staff comments on the scope for using a greater portion of elevated oil revenues to improve the quality and strengthen the implementation of social spending, such as the cash transfer program.*

Statement by Mr. Dresse and Mr. Scholer on Angola
Executive Board Meeting 23/12
February 22, 2023

We thank Mr. Sy and his team for the insightful report, as well as Mr. Nakunyada and Mr. Essuvi for their Buff statement. Like the Angolan authorities, we broadly share the staff appraisal and commend the authorities for their successful exit from the 2018-21 Extended Fund Facility arrangement (EFF).

We positively note the strengthening economic recovery on the back of the important reforms undertaken during the 2018-21 EFF. Given these positive developments, we encourage the authorities to maintain the reform momentum, especially as regards economic diversification, and are pleased to note continuity in the authorities' economic team following the 2022 elections. Further strengthening resilience will mitigate the potential impact of external risks to the outlook, in particular a larger-than-expected decline in oil prices.

In this context, we agree with staff that faster fiscal consolidation in line with the fiscal targets is warranted. Given Angola's exposure to external shocks, fiscal policy should err on the prudent side and make use of high oil prices to grow fiscal buffers. We are pleased to note the authorities' continued commitment to their dual fiscal anchors. Such consolidation should be complemented by building on past structural fiscal reforms to improve public financial management, tax administration, and the management of state-owned enterprises. In particular, we emphasize the importance of reducing deviations between budgeted amounts and outturns.

We take note of the recent decision to ease the monetary policy stance, though it may have been preferable to maintain the previous rate given the upside risks to inflation. We commend the authorities for moving towards a fully-fledged inflation-targeting regime and for remaining committed to exchange rate flexibility. We encourage further progress on the implementation of the 2019 Safeguards Assessment.

We commend the authorities for their ambitious and comprehensive climate plans. We positively note that the new energy matrix will be primarily based on a variety of renewable energy sources. However, a comprehensive strategy also needs to consider moving away from the economy's overall dependence on oil through diversification and private sector-led growth. We also note the significant investment in climate adaptation measures, particularly targeted at the country's South. *Could staff comment on how the Fund can contribute to Angola's climate efforts?*

Statement by Mr. Sylla, Mr. N'Sonde, and Mr. Bangrim Kibassim on Angola
Executive Board Meeting 23/12
February 22, 2023

We thank staff for their informative reports, and Mr. Nakunyada and Mr. Essuvi for their helpful Buff statement.

We commend the Angolan authorities for their strong commitment to reforms in a challenging economic environment. We appreciate their resolve as evidenced by the measures implemented under the Macroeconomic Stabilization Program and the recent Extended Fund Facility (EFF) arrangement (2018-2021). The authorities' sustained efforts contributed to gradually improve macroeconomic stability and business confidence. The reforms and fiscal adjustments undertaken under the EFF helped enhance resilience and the post-pandemic recovery.

Going forward, reducing structural vulnerabilities, and reinforcing policy commitments will be critical to sustain recent macroeconomic progress. While the recovery is expected to strengthen, the authorities need to preserve hard-won macroeconomic gains, including by reversing the 2022 fiscal relaxation, and step-up efforts to meet the priorities set forth in their 2023-27 National Development Plan (NDP). These include reinforcing governance, addressing debt vulnerabilities, and advancing economic diversification considering the declining oil sector. We support the completion of the 2022 Article IV Consultation with Angola and will offer a few comments for emphasis.

Considering the need to preserve debt sustainability and create the fiscal space necessary to promote growth and support vulnerable groups, we stress the importance of implementing fiscal adjustments steadfastly and accelerating fiscal reforms. Staff's baseline scenario highlights that without policy action, no fiscal target would be met. *Angola lags its SSA peers in revenue collection even with elevated oil prices, which may warrant revamping the oil tax system. Staff's elaboration in this regard will be appreciated.* More importantly, enhancing non-oil revenue and adopting medium-term fiscal and expenditure frameworks is paramount to achieve the non-oil primary fiscal deficit target which serves as an appropriate anchor for fiscal sustainability given the volatile oil prices and now declining oil production. We support staff's valuable recommendations on structural fiscal reforms. The completion of oil subsidy reform should be pursued and, considering its socioeconomic impact, implemented gradually along with improving the *Cash Transfer Program*. Creating fiscal space for social protection will also require enhancing spending efficiency. We also encourage progress on collecting and publishing ultimate beneficiary ownership information and the audit of COVID-19 expenditure. Completing and implementing SOEs restructuring plans will contribute to reducing fiscal risks.

Given the elevated debt service and vulnerabilities to fiscal and exchange rate shocks, we encourage the authorities to strengthen debt management and explore a prudent borrowing policy. The authorities' recent efforts helped to put debt trajectory on a downward path and contain gross financing needs, including arrears. The integration of the 5-year PFM strategy to the NDP is a positive step as it will help weather the budget against shocks. The authorities should take advantage of technical assistance from the Fund and other partners to reinforce debt management and public investment frameworks.

Although inflation is declining, Banco Nacional de Angola (BNA) should stand ready to adjust its policy as needed. Given recent inflationary pressures, currency depreciation, and inflation upside risks, the authorities should remain vigilant on maintaining price stability. As achieving a single-digit inflation level by 2024 is a key priority, they should pursue operational improvements, notably in liquidity management while finalizing the inflation targeting (IT) framework. We positively note the authorities' commitment to exchange rate flexibility—which will continue to serve as an appropriate shock absorber—and to limiting FX interventions to prevent disorderly fluctuations. We are also delighted by their intention to eliminate remaining exchange restrictions as indicated in the Buff statement.

We welcome the authorities' ongoing efforts in reforming the financial sector and preserving financial stability. We encourage further reforms to address remaining financial vulnerabilities, notably, measures to strengthen banks' governance and prudential standards, and bolster the resolution framework. Tackling NPLs which are concentrated in weaker banks is necessary to support banks' restructuring, profitability, and lending. In this regard, attention should be given to the recovery plan of the asset management company *Recredit*. We welcome the authorities' financial inclusion strategy.

The authorities should build momentum for reforms towards economic diversification and reducing vulnerabilities to climate change in line with their 2023-27 National Development Plan. Angola is endowed with substantial natural resources, but weaknesses in human and physical capital and business environment weigh on growth prospects. The next revamping of the Public Probity Law is a positive step for strengthening governance. We acknowledge the ambition of the 2022-35 National Strategy for Climate Change and efforts to promote decarbonization and renewable energy. This will help mitigate the negative impact of climate change on agriculture, the energy sector, and forests. *Could staff elaborate* *on whether Angola's PIMA include a climate component and on the status of progress with the related recommendations if any?*

With these remarks, we wish the Angolan authorities' success in their endeavors.

Statement by Ms. Marcussen and Mr. Wallin on Angola
Executive Board Meeting 23/12
February 22, 2023

We thank staff for the well-written report, the topical Selected Issues document as well as Mr. Nakunyada and Mr. Essuvi for the useful BUFF statement. We broadly concur with staff's appraisal and encourage the authorities to continue efforts to diversify the economy and maintain reform momentum.

We note that Angola's recovery from the pandemic continued in 2022, with improvements in the oil and non-oil sectors and falling inflation. We welcome the Angolan authorities' strong implementation of the EFF reforms amid the pandemic and progress on most key recommendations of the 2021 Article IV consultation. However, as risks are tilted to the downside, we emphasize the importance of improving resilience and keeping up the reform momentum. Angola's dependency on oil production and is a matter of concern and a faster-than-expected decrease in oil prices could adversely impact the fiscal stance. We therefore agree that the implementation of the diversification plan and the phase-out of fuel subsidies should be accelerated to foster more resilient and inclusive growth. In this vein, we agree that improving the quality of social spending should be a priority and *ask staff to elaborate on how the government intends to improve the classification of social protection expenditure and the quality of social protection program investments.* We urge the authorities to follow through on their commitments in past IMF programs to publish the audited Covid expenditure reports.

We note that Angola's debt position is assessed as sustainable but that the outlook is vulnerable to different macroeconomic shocks. We welcome Angola's intention to clear remaining arrears and stress the importance of avoiding the accumulation of new arrears. While public debt is projected to decline to 63 percent of GDP in 2027 from the peak of 138.4 percent in 2020, it is concerning that the debt servicing expenditure is expected to remain around 60-70 percent of revenue in the medium term. In addition to carefully managing the debt service capacity, we stress the importance of tax policy reform and enhanced budget transparency to further mobilize revenues and remain on a sustainable debt path.

While taking note of the downward inflation trajectory, we are still concerned about the present, and historically high, inflation in combination with the Banco National de Angola's (BNA) reduced tightening bias. As inflation pressures could return, including due to risks stemming from Russia's war in Ukraine, we broadly agree with staff that a wait-and-see approach seems appropriate, but stress that further tightening may become necessary especially if the favorable outlook for non-oil growth materializes. We welcome the BNA's steps towards an inflation-targeting framework and efforts to mitigate excess exchange rate volatility. *Could staff elaborate on (i) how monetary policy announcements by major central banks have affected the monetary policy considerations by the BNA and (ii) a more detailed timeframe for the inflation-targeting framework project?*

We welcome that the BNA is making progress in operationalizing and implementing the new Financial Institution Law (FIL) to align legal frameworks for supervision and resolution with international standards to foster financial stability. In this vein, we welcome steps taken to introduce bank-specific capital requirements in line with Basel Pillar 2 and the establishment of a financial stability department for macroprudential policy and bank resolution purposes. Measures to strengthen financial stability are however warranted against the background of the high NPL ratio and the delay of the resolution of the two former state-owned banks.

Joint Statement by Mr. Buissé, Mr. Trott, Mr. Comolet, and Mr. Obeney on Angola
Executive Board Meeting 23/12
February 22, 2023

We thank staff for their comprehensive set of reports and Mr. Nakunyada and Mr. Essuvi for their insightful Buff statement.

We welcome Angola's return to growth following a five-year recession. Growth has been led by a recovery in non-oil activities, supported by strong fiscal, monetary and exchange rate reforms under the successfully concluded 2018-2021 EFF, and by an increase in oil production and profits. We broadly agree with Staff's analysis, particularly that against this positive backdrop downside risks remain. Debt levels remain very sensitive, and macroeconomic prospects are closely tied to the price of hydrocarbons. We welcome the government's continued efforts to tackle these risks, alongside making further improvements to the business environment, governance frameworks, and effectiveness of investment in people and infrastructure.

Fiscal policy and debt management

The report makes two strong cases for continued movement towards fiscal sustainability. Firstly, Angola's debt levels are highly vulnerable to downside risks, with staff analysis showing every key type of macroeconomic shock leading to a debt trajectory exceeding high-risk benchmarks. It is concerning that debt service is projected to remain around 60-70 percent of fiscal revenues in the medium term even in the baseline. Secondly, for Angola to make stronger progress against the SDGs, substantial fiscal space must be created. At present, the government spends a lower amount on human capital investments (such as health, education, social security) than regional peers. In this context, we note that with a fiscal loosening in 2022 and limited adjustment in 2023, reaching medium term fiscal targets will be unlikely. *Staff comments regarding the content and the reasons for the capital spending overruns in 2022 would be useful.*

Fuel subsidies represented 2.7% of GDP last year and are forecast to be 2% in 2023, so their reduction (while providing targeted support) would enable creation of fiscal space. *In what timeframe do staff recommend that fuel subsidy reforms be implemented?* We agree that the full annual costs of fuel subsidies should be reflected in the budget. The strengthening and broadening of the outreach of social expenditure remain critical.

The authorities have made good use of recent revenues to manage their liabilities, including the recent buyback of 2025 Eurobonds. Angola's external debt service path remains lumpy, and newly-recognized arrears require auditing. *Could staff elaborate on the escrow account movements in 2022 and its overall balance?*

Monetary and financial policy

Given relatively strong growth, we agree that further interest rate cuts should be taken with caution and be data-dependent. In part thanks to substantial effort from authorities, inflation has fallen considerably but remains at 13.8% at end-2022, and risks also remain elevated. We welcome the central bank's transition from money supply-targeting to inflation-targeting with Fund Technical Assistance, and support further efforts to eliminate the gap between the policy rate and interbank Luibor rate in a timely manner, to ensure effectiveness of monetary policy.

On banking, it is notable that non-performing loans are so heavily concentrated in two formerly state-owned banks. While this indicates relative health in the rest of the sector, given that the two banks hold 16% of system assets, we encourage authorities to continue efforts to accelerate NPL resolution.

Structural reforms

The oil sector remains almost a third of GDP and over half of fiscal revenues, meaning that negative oil price shocks quickly affect the exchange rate, fiscal and external accounts, debt levels and inflation pressures. The authorities' National Development Plan foresees diversification to mitigate these risks, and we encourage an acceleration of its implementation.

Authorities' efforts to strengthen institutional frameworks – including on AML/CTF, gender-equality, and PIMA – are laudable. We strongly encourage the authorities to address deficiencies noted by the Eastern & Southern Africa Anti-Money Laundering Group to ensure the country avoids FATF gray-listing, which would harm foreign investment and diversification efforts.

We thank staff for responding to the request in our gray for the previous Article IV consultation for greater consideration of climate change. Annex I outlines the complications climate change poses for diversification, especially the need to make agriculture sector growth climate-resilient. Issues such as these require greater financing needs than would otherwise be the case. *In this regard, staff comments regarding potential future use of Fund resources would be useful.*

Statement by Mr. Stephan and Mr. Krahnke on Angola
Executive Board Meeting 23/12
February 22, 2023

We thank staff for the comprehensive and informative set of reports and Mr. Nakunyada and Mr. Essuvi for their helpful Buff statement. **We broadly concur with staff's assessment.** We welcome the authorities' efforts to diversify the economy to increase resilience towards oil price shocks. In order to achieve sustainable and inclusive growth while mitigating debt vulnerabilities and oil-sector exposure, policies under the authorities' National Development Plan (NDP) should achieve sensible social spending, maintain a tight fiscal stance, strengthen macro-critical governance and diversify the economy. Moreover, reforms to improve the business climate and promote private investment remain of the essence. Therefore, a swift but comprehensive solution to problem banks' restructuring and a reduction of informality in access to private credit is crucial. We further acknowledge Angola's efforts to strengthen its AML/CFT framework and agree with staff that progress in this area is also vital for diversification. In this context, we would like to highlight the importance of increased transparency, including the publication of ultimate beneficial ownership information in procurement.

We consider it prudent to closely monitor risks associated with Angola's debt sustainability. Achieving a sustained reduction in public debt levels will require continued fiscal discipline as debt dynamics remain vulnerable to domestic and external shocks given the dependence on oil prices and the very high share of foreign-currency denominated debt. We welcome the authorities' commitment to keep public debt on a firm downward trajectory, but also note that the recent decline in public debt can be broadly attributed to a strong exchange rate appreciation. We therefore encourage the authorities to build fiscal buffers and mitigate the debt-related impact of potentially lower oil prices and pressures on the exchange rate in the future. The authorities should also facilitate increased credit from and to the private sector to finance the investment needed for economic diversification.

We take note of staff's assessment that without policy action, neither of Angola's fiscal targets are likely to be met in the medium term. The debt ratio would likely remain above 60 percent and the non-oil primary fiscal deficit (NOPFD) above 5 percent. Given the high cyclical nature of the oil sector, non-oil tax policy measures should be pursued to balance out expected declines in oil revenues. On the expenditure side, we encourage the authorities to speed up their planned structural fiscal reforms. As staff points out, the authorities should take advantage of the currently relatively high oil prices and take action to put the NOPFD on a sharper downward path toward its target and to clear remaining and reclassified arrears as intended. Planned Fund technical assistance should help boost efforts to address current arrears and to avoid them in the future.

We welcome the progress made by the central bank (BNA) towards an inflation-targeting framework and moving to a flexible exchange rate regime. We commend the authorities for the monetary tightening that has led to a reduction of the historically high level of inflation in 2022. With the modernized BNA law establishing price stability as the central bank's mandate and inflation still clearly in double-digits, we would caution against a premature easing of monetary policy. To support the credibility of the new monetary policy regime, staff rightly advises that the BNA should be wary of sustained pressures and follow a wait and see policy approach until inflation is on a firm downward path and expectations are anchored at a lower rate. In addition, we encourage the BNA to implement the remaining recommendations from the 2019 safeguards assessment by developing a framework for emergency liquidity assistance and strengthening its internal audit capacity.

Statement by Mr. Just and Mr. Pucnik on Angola
Executive Board Meeting 23/12
February 22, 2023

We thank staff for the well-written and comprehensive reports, and Messrs. Nakunyada and Essuvi for their helpful Buff statement. Backed by successful program implementation, Angola's macroeconomy has stabilized and higher oil prices have contributed to a rebound in economic activity. With oil prices at higher levels, the authorities have more leeway to make actual progress on the long overdue diversification of the economy away from oil, upgrading fiscal and monetary policy frameworks, tackling legacy issues in the financial sector, and addressing economic activity. Given that Angola is a highly oil-dependent country, we welcome the authorities' focus on increasing non-oil revenues to develop a long-term sustainable fiscal framework. In order to maintain strong, broad-based, and inclusive growth, we encourage the authorities to deepen and broaden structural reforms. Increased focus on curbing inflation is necessary for the long-term prospects of the economy and households. We broadly agree with the thrust of staff's appraisal and would like to emphasize the following points.

Fiscal overperformance should be used to bolster fiscal buffers, address structural reforms and protect the most vulnerable, as well as invest in human capital. Higher oil prices have resulted in twin surpluses, and we commend the authorities for using better financing conditions to smoothen the debt profile. A successful fuel subsidy reform in combination with fiscal structural measures will help increase fiscal resilience, but more forceful steps are needed to reduce overreliance on oil revenues in the medium term. Fiscal space should prioritize improving the delivery of social assistance and investment in human capital.

The BNA needs to stick to its disinflationary course, which is not yet complete. Staying firm is also necessary for a structural break with historically high inflation, which is also necessary for the planned transition to an inflation-targeting regime. We commend the authorities for liberalizing the FX market, as well as the continued commitment to FX flexibility.

Financial sector reform momentum needs to continue. We commend the authorities for the progress in operationalizing and implementing the New Financial Institution Law to strengthen the financial stability framework in line with international best practices. We positively note that a new coordination body, comprising representatives of all supervisory agencies, will define macroprudential policy and further contribute to the safeguarding the financial system's stability. We regret the delay in the restructuring of the two banks. *We would like to better understand the reasons for the successful capital injections, while the restructuring plan in two critical areas is not yet implemented.*

Further implementing structural reforms, including on governance and anti-corruption, is vital for the authorities' diversification plans aimed at expanding the non-oil economy. The authorities' policy actions should focus on further improving the business environment while reforming state-owned enterprises (SOEs); enhancing the playing field within the private sector; and adopting policies to combat corruption, strengthen protections against money laundering, and enhance transparency in public investments. Reducing the legacy of the state presence in SOEs through an ambitious privatization is particularly important to enable private sector-led non-oil growth.

Angola, supported by development partners, needs to make more sustained progress on addressing the country's social challenges. Making social protection systems more effective, and the improving equality of opportunities as well as access to education, are key to also advance economic diversification. We thank staff for pointing to the challenges arising from Angola's significant climate vulnerabilities, including heightened risks to food security and from significant water scarcity. While it is critical to start increasing resilience now, *we wonder whether the authorities already have the necessary capabilities to adequately factor in climate-related needs as well as costing into the National Development Plan. We would also appreciate staff's comments how the bilateral surveillance process will factor in the economic and financial risks arising from climate change in a consistent and coherent manner also over time.*

With these remarks, we wish the authorities every success in their future endeavors.

Statement by Mr. Mozhin and Mr. Tolstikov on Angola
Executive Board Meeting 23/12
February 22, 2023

We thank staff for the informative reports and Mr. Nakunyada and Mr. Essuvi for their helpful Buff statement.

We take positive note of the improving economic conditions in Angola. The economy continues its recovery from the prolonged recession of 2016-2020, benefitting from the reforms implemented under the 2018-21 EFF arrangement. Growth has resumed in 2021 and picked up further in 2022, helped by higher oil prices. Inflation has declined significantly, underpinned by the monetary tightening. International reserves have increased to 6 months of prospective imports, and the public debt-to-GDP ratio has declined dramatically. However, Angola continues to face significant risks and challenges, including fluctuation of oil prices, debt vulnerabilities, and the need to diversify the economy away from its dependence on oil.

We agree with staff on the need for further fiscal consolidation to ensure medium-term debt sustainability. The reduction in the public debt-to-GDP ratio from a peak of 138.4 percent in 2020 to 66.1 percent in 2022 looks impressive. However, we wonder if this was mainly due to high inflation, as nominal debt declined modestly from Kz. 45,7 trillion to Kz. 37,2 trillion. *We would welcome staff comments on the main factors behind the debt-to-GDP decline.* Going forward, with inflation suppressed, further debt reduction will require sustained fiscal consolidation efforts.

We welcome the authorities' commitment to reinvigorate structural fiscal reforms. In particular, the reform of fuel subsidies should be moved forward when the conditions are right, while supporting vulnerable population and mitigating inflationary risks. Therefore, faster implementation of the Kwenda cash transfer program is critical to make a fuel subsidies reform possible in 2023. Reinvigoration of public financial management reforms and strengthening procurement procedures could further improve the effectiveness of expenditures. On the revenue side, better tax administration and efforts to increase compliance are needed for mobilization of non-oil tax revenue.

A cautious approach to easing of monetary policy is justified. Given the history of high inflation, the authorities should continue cutting policy rates only when there are clear signs that disinflation is entrenched. We welcome the steps that the BNA is taking towards an inflation targeting framework, including progress in strengthening the monetary transmission mechanism, as well as forecasting and communication practices. The Fund's TA in this area is welcome.

With these remarks, we wish the Angolan authorities further success.

Joint Statement by Mr. Bijani, Mr. Mohieldin, Mr. Abdul Raheem, and Mr. Akosah on Angola
Executive Board Meeting 23/12
February 22, 2023

We thank staff for the well-written reports and Mr. Nakunyada and Mr. Essuvi for their informative Buff statement. We broadly agree with the thrust of the staff appraisal and policy recommendations. We would like to make the following points:

Angola has made a strong economic recovery from the pandemic, largely supported by high oil prices. Growth is projected to remain upbeat in the medium term accompanied by disinflation. However, significant downside risks to the growth outlook remain, including from larger-than-anticipated decline in oil prices, which could trigger currency depreciation and price pressures, and worsen the fiscal and external accounts. In addition, Angola is prone to adverse climatic conditions that would negatively impact the non-oil sector, especially agricultural production. Against this backdrop, we welcome the authorities' commitment to economic reforms in the context of the recently completed Extended Fund Facility and urge them to stay the course to safeguard macroeconomic stability and build economic resilience.

Preserving gains made in fiscal consolidation and firming up debt sustainability in the medium term is key to building fiscal resilience. We are concerned by the staff assessment that the fiscal adjustments in the draft budget for 2023 were insufficient to correct for the fiscal slippage in 2022 and to maintain Angola's medium-term fiscal anchors. *Were there any material differences between the draft and approved budgets for 2023 as they seem to have different implications (paragraph 9 and 11) for medium term fiscal anchors?* While oil prices remain relatively high, we urge the authorities to strengthen non-oil revenue and gradually phase out fuel subsidies, while expediting the development of a targeted social support system. We concur with staff that these fiscal adjustments would be strengthened by structural reforms to improve fiscal institutions and strengthen public financial and investment management frameworks.

Maintaining a tight monetary policy stance is important until inflation is firmly anchored. Despite the recent reduction in inflation, it is still relatively high and risks are tilted upward including from the recent exchange rate depreciation. Accordingly, we support the staff's recommendations for the central bank to pursue a wait and see approach and resist premature easing of policy until inflation and inflation expectations are firmly anchored at a lower rate. Over the medium term, we support the transition to an inflation targeting mechanism. We also welcome the authorities' commitment to maintaining exchange rate flexibility to act as a shock absorber and limiting FX interventions to mitigating excess volatility.

Expediating the restructuring of troubled banks and exiting from regulatory forbearance are key to easing financing conditions. With elevated NPLs, we urge the authorities to step up bank restructuring with firm time-bound commitments. Enhancing access to credit, particularly by small and medium enterprises, is important to develop the non-oil sectors and improve the resilience of the private sector to oil price shocks.

Economic diversification away from the oil sector is key to building resilience, creating jobs and improving human development. We welcome the authorities' commitment to economic diversification and promotion of an inclusive growth strategy under the 2023-27 National Development Plan. The success of the strategy rests on improving governance, supporting the business climate, as well as building resilience to climate change. We particularly highlight the staff's recommendations to reduce the substantial human development gap and shorten the timeframe for achieving the country's Sustainable Development Goals. *How effective has the Sovereign Wealth Fund of Angola been in saving oil windfalls for the benefit of future generations and support medium term economic diversification and job creation?* Continued tailored Fund TA support is very important to help authorities pursue their reform agenda.

With these remarks, we wish the authorities and the people of Angola all the success in their future endeavors.

Statement by Mr. Zhang and Ms. Yang on Angola
Executive Board Meeting 23/12
February 22, 2023

We thank staff for the well written reports and Mr. Nakunyada and Mr. Essuvi for the informative Buff statement. We take positive note of the economic recovery from the prolonged recession, underpinned by the significant reforms under the 2018-21 EFF program. However, downside risks and challenges remain, calling for steadfast implementation of structural reforms to address fiscal imbalances and promote economic diversification. We broadly agree with the staff appraisal and would like to offer the following comments.

We agree with staff that fiscal adjustment is needed to ensure medium-term sustainability. It is encouraging that the public debt-to-GDP ratio declined rapidly over 2021-22 following the peak at end-2020. We welcome the authorities' commitment to achieving a 60 percent debt-to-GDP ratio and a 5 percent non-oil primary fiscal deficit. The large financing needs to achieve the SDG targets also warrant fiscal adjustment to create fiscal space. In this regard, we urge the authorities to phase out fuel subsidies while increasing support for the vulnerable, a key step toward fiscal consolidation and reducing debt vulnerabilities. Faster implementation of the Kwenda cash transfer program would support the fuel subsidy reform.

We urge the authorities to improve public investment management and pursue a well-balanced and calibrated approach in advancing SOE reform. We take note of the weak quality of Angola's infrastructure across several categories, notwithstanding the considerable amount of capital expenditure incurred. It is concerning that the level of investment made has not translated into a corresponding improvement in the access of infrastructure and public services, indicating low impact and inefficiency of public investment. Therefore, we urge the authorities to step up efforts to improve efficiency and effectiveness of capital spending and address the weaknesses in public investment management institutions and practices. The authorities' SOE reform agenda, with the purpose to improve the efficiency of public sector assets and lower fiscal risk, is welcome. We emphasize that SOEs must operate as independent entities and be held accountable for their own debts and business activities. Meanwhile, privatization should not be the only approach considered in reforming SOEs; improving governance and creating the right incentives would also help.

Monetary policy should be data-dependent with a cautious approach to monetary easing. We commend the authorities for the monetary tightening in 2021 that brought down the inflation from its historically high level. Given inflation is still relatively high and risks are tilted upward, a wait and see approach is appropriate, and we are cautious against premature easing of monetary policy. We welcome the BNA's efforts in transitioning to an inflation targeting framework. We also commend the authorities for liberalizing the FX market, as well as the continued commitment to FX flexibility.

We encourage the authorities to continue their efforts in economic diversification. Angola's economy remains highly dependent on the oil industry, and diversifying the economy is essential for achieving sustainable and inclusive growth. We welcome the authorities' commitment to economic diversification and promotion of an inclusive growth strategy under the 2023-27 National Development Plan. Improving business environment and access to credit for private sectors will be the key to build resilience.

With these remarks, we wish the authorities every success in their policy endeavors.

Angola

Responses to Technical Questions Posed by Executive Directors in Advance of
SM/23/12—February 22, 2023

Staff's responses to technical and factual questions are below. Broader policy questions in the areas of the future use of Fund resources and climate policy will be addressed in staff's oral intervention at the Board meeting.

Oil Sector

1. *Why is oil sector output projected to remain flat during 2024-27?*

For the oil sector, staff maintains a broadly flat assumption on levels, given the recent discussions with the authorities and oil companies on the natural production decline in the existing oilfields and the planned investments in the medium-term, which remain mainly dedicated to maintenance operations and supporting the current level of production.

Fiscal Policy

2. *Staff may like to elaborate on the nature of arrears. For instance, whether the government owes these arrears to public sector or private sector.*

The arrears are primarily owed to private sector entities.

3. *Further, as demonstrated in Table 5, given that more than 70 percent of Angola's public debt is financed by external entities, strengthening debt management capacity and developing the domestic bond market would also be beneficial. Can staff elaborate on the authorities' strategies on this front?*

As noted in the Staff Report, the authorities have undertaken a number of measures to strengthen debt management capacity and develop the domestic bond market in recent years. This has included technical assistance in this area and, currently, an external resident debt management expert at the Ministry of Finance's Debt Management Office. Examples of this bearing fruit recently include the smoothing of Angola's external amortization path via (1) the use of a portion of the proceeds of the 2022 Eurobond issuance to buy back 2025 Eurobonds and (2) use of higher-than-expected dollar oil proceeds in 2022 to prepay some external commercial debt. In parallel, the authorities have in recent years successfully focused on achieving a lengthening of average domestic debt maturities, further reducing debt rollover needs, and also gradually opening the domestic debt market to foreign investors.

4. ***We would welcome staff comments on the scope for using a greater portion of elevated oil revenues to improve the quality and strengthen the implementation of social spending, such as the cash transfer program.***

While improving the quality and implementation of social spending is a priority, additional fiscal space would best be sought via mobilization of new non-oil revenues, fuel subsidy reform, and public financial management and public investment management reforms. Oil revenues were elevated in dollar terms in 2022 but, given strong exchange rate appreciation, not in local currency terms, and so the budgetary benefit (and thus scope for higher spending) of high oil prices last year was limited. From this year onward, oil revenues are projected to decline as a share of GDP, in line with expected oil prices and oil production prospects.

5. ***Angola lags its SSA peers in revenue collection even with elevated oil prices, which may warrant revamping the oil tax system. Staff's elaboration in this regard will be appreciated.***

Oil revenues are expected to decline from this year onward in line with global oil prices and expected oil production prospects. Oil revenues in 2022 are projected to have been flat as a share of GDP as expressed in local currency (as in the tables in the Staff Report); this was largely a function of strong exchange rate appreciation, which absorbed much of the dollar oil revenue windfall: While oil revenues are projected to have increased 63 percent in US dollar terms in 2022, they are projected to have increased only 20 percent in kwanza terms due to exchange rate effects. Staff believes that the best path toward bringing Angola's revenue performance in line with peers is to focus on non-tax revenues along the lines enumerated in the Staff Report. FAD continues to provide important support in this regard, including an ongoing mission on identifying strategies to maximize levels of voluntary tax compliance with an integrated risk-based approach.

6. ***Staff comments regarding the content and the reasons for the capital spending overruns in 2022 would be useful.***

Projects that had been scheduled to be initiated in late 2022 or 2023 were advanced to earlier in 2022. The latter projects were not included in the 2022 budget but were approved under a provision of Angola's budget law that allows the inclusion of new projects, approved by the president, if they are in line with the National Development Plan and financing sources have been secured. About one third of capital spending in 2022 through early December was related to projects not included in the 2022 budget.

7. ***Could staff elaborate on the escrow account movements in 2022 and its overall balance?***

The overall balance has been estimated at $3.5 billion as of end-December 2022, representing a net accumulation (after debt payments) of roughly $2 billion over the course of the year.

8. ***We would welcome staff comments on the main factors behind the debt-to-GDP decline.***

The large drop in the debt-to-GDP ratio has been driven by exchange rate appreciation (given the large external component of public debt), maintenance of a primary surplus, and a favorable interest rate-growth differential.

9. ***Were there any material differences between the draft and approved budgets for 2023 as they seem to have different implications (paragraph 9 and 11) for medium term fiscal anchors?***

The Staff Report is based on the draft 2023 budget as submitted to the National Assembly in December 2022. The details of the budget approved by the National Assembly on February 13, 2023 have not yet been made available to staff.

10. ***Can staff elaborate on the potential timeline for phasing out the subsidies and implementing mitigating policies? In what timeframe do staff recommend that fuel subsidy reforms be implemented?***

The authorities are currently working with technical assistance from the Fund and Bank on the planning and preparation stages of the reform. The authorities' working timeline for the full implementation of the roadmap for the comprehensive and gradual fuel price subsidies reform, along with the complementary measures, including mitigation policies, is envisaged to last no longer than 24 months (about 2 years) from the start of reform. Pillar One of the roadmap, which focuses on the comprehensive fuel reform plan, including the implementation of a comprehensive communication strategy, options for pricing reform, and mitigation measures, are expected to be complete in about 12 months. Some of the more complex elements of Pillar Two (clarification of the fiscal relationship between the Ministry of Finance and the Sonangol, the national oil company) and Pillar Three (comprehensive reform of the downstream sector) are expected to extend beyond one year.

11. ***In this vein, we agree that improving the quality of social spending should be a priority and ask staff to elaborate on how the government intends to improve the classification of social protection expenditure and the quality of social protection program investments.***

The authorities have expressed a desire to conduct expenditure and implementation reviews of about $1 billion invested predominantly in social infrastructure in provinces and localities. Staff has also encouraged the authorities to execute the new PFM strategy designed with the help of AFD and AfDB and to update and implement the remaining recommendations of the 2019 PIMA action plan, which should greatly improve public investment management through all phases.

Social spending has been inefficient and low and declining as a share of public spending and GDP compared to peers, based on numerous studies, including a recent staff assessment. The introduction of the Kwenda program, with cash transfer as its main component, plus productive employment and the implementation of a unique social registry, in 2020, is a positive sign of scaling up and improving targeting of social assistance, though challenges remain.

12. C*ould staff elaborate on whether Angola's PIMA include a climate component and on the status of progress with the related r*ecommendations if any?

Angola's last Public Investment Management Assessment (PIMA) did not include a climate component. It was carried out in 2019 and its final report was published in 2021. It focused on the traditional assessment of institutional and effectiveness strengths/weaknesses of the public investment management through three phases (planning, allocation of funds and implementations). Implementation of the key PIMA recommendations is essential for improving efficiency of public investments, creating fiscal space and improving overall macroeconomic stability. The PIMA recommendations have lagged for a variety of reasons, including due to delays associated to the pandemic, election, and staff turnover. The first of several three-day PIMA workshops is scheduled to begin in March 2023, targeting key staff and planning directors of several relevant Ministries will benefit from an FAD staff hands-on training on the prioritized areas of improvements recommended by the 2019 PIMA Action Plan.

Monetary Policy

13. ***For medium-term projections of inflation (Table 1), what is their underlying assumption regarding the central bank's monetary policy path?***

The underlying assumption regarding the monetary policy path pertains to the continued focus of the BNA on its objective, which entails a disinflationary path and reaching single digit inflation by the end of 2024. This includes its continued efforts to move away from the monetary aggregates regime and towards an inflation targeting one, with a focus in the near-term of aligning the interbank rate with the key policy rates.

14. ***Could staff elaborate on (i) how monetary policy announcements by major central banks have affected the monetary policy considerations by the BNA and (ii) a more detailed timeframe for the inflation-targeting framework project?***

(i) While announcements by major central banks are evaluated by the BNA in the context of developments in the external environment, domestic considerations seem to have outweighed predominated. The main consideration by the BNA (as conveyed in its MPC statement) is the strong reduction in annual inflation to 13.9% in December, as well as their assessment on inflationary pressures. The drop in inflation mainly reflects (as emphasized in the statement) monetary policy tightness (from 2021), exchange rate appreciation in 2022, as well as increase in the supply of food items.

(ii) An MCM technical assistance mission took place in June 2022 that laid out the near-term and medium-term objectives for the inflation targeting framework project. Progress has been made, but more needs to be done on the operational side in the near term. For instance, monetary operations need to ensure that the short-term interbank interest rate is aligned with the targeted policy rate, rather than towards a targeted monetary aggregate with the stabilization of excess reserves. The BNA is currently evaluating the road map set by TA and will follow-up.

External Sector and Exchange Rate

15. ***Staff may like to share the trade elasticity estimates (w.r.t. real effective exchange rate) for Angola, if available.***

Staff do not have trade elasticity estimates for Angola. The trade elasticities used in the EBA-lite exercise are the model default values estimated using a broad sample of countries.

16. ***Nonetheless, we concur with staff that monetary design and implementation should be improved, we welcome the continued efforts of the authorities to transition to a flexible exchange rate regime and we support the development of an indicator-based intervention strategy for mitigating exchange rate volatility, Is there any planned TA on this front?***

Developing a rules-based intervention strategy is one of the recommendations of an MCM TA mission in 2022 on the transition to inflation-targeting. There is no TA planned specifically on this topic as yet, but staff stands ready to support the authorities with additional TA as needed.

Banking Sector

17. ***We would like to better understand the reasons for the successful capital injections, while the restructuring plan in two critical areas is not yet implemented.***

The two banks' income and profitability in 2022 were significantly below plans, causing capital at end-2022 to be lower than projected, notwithstanding capital injections. Reasons include slower than expected resolution of nonperforming assets (a large share of assets continues to be non-interest bearing), losses from large net open positions in foreign currency, and capital injections taking place late in the year (August and December, respectively). Deferred loan loss provisions (LLP, regulatory forbearance) are a key feature of both banks' restructuring plans and these are to be gradually recognized over the banks' income statements (see also footnote to text figures 5-6, and footnote #2 to Table 6). Due to the lower-than-expected capital at end-2022, the banks were unable to (fully) recognize the planned LLPs and were granted extended regulatory forbearance.

Diversification, Governance, and Climate

18. ***Staff may like to elaborate on the potential areas in non-oil sector (apart from agriculture sector) which the authorities intend to focus on as a part of their diversification strategy.***

During meetings with various stakeholders during the AIV mission, the construction sector stood out as a key sector, especially to develop infrastructure, and to help facilitate the movement/trade of merchandise/services within and outside Angola. ICT also has a strong potential, as it supports the economy's digital infrastructure and can attract further investments (see also the 2021 consultation's SIP related to diversification for discussion of this sector).

Recent FDI seems to be channeled to other sectors in addition to mining and agriculture; namely telecommunications and fisheries (as well as livestock, to a lesser extent). For the manufacturing sector, several investment projects are taking place with a focus on food products.

19. ***We would appreciate if staff could provide further information on the upcoming 2023-2027 NDP's pillars to promote these structural reforms.***

Limited information is available on the details of the NDP for 2023-2027, as it is yet to be finalized. Broadly speaking, it will focus on the development of: (i) human capital; (ii) infrastructure and (iii) diversification of the economy. The diversification project will continue to be supported by the PRODESI project (which aims at supporting domestic production, diversifying exports, and substituting imports), among other efforts, while the support to the construction sector is key for the development of infrastructure (specially to support agribusiness).

20. ***However, it is not clear from the report and the Selected Issues Paper which plans can effectively be expedited given limited institutional capacity. While further progress on***

governance issues, AML/CFT frameworks, and SOE reform is welcome as a revenue generating source for the government, we wonder which particular policies should be prioritized to unlock private sector participation in the near term. Staff's comments are welcome.

In order to support and unlock private sector participation, the government need to prioritize its policies in the short-term towards:

1) Maintaining macroeconomic stability, capitalizing on the achievements made under the Fund-supported program.
2) intensifying efforts to improve the diversification project, specifically in addressing the implementation issues of the PRODESI project.

In the medium-term, government efforts need to be made in the following:

1) coordinating its policies and efforts towards improving productivity, particularly for infrastructure and human capital.
2) continuing to improve governance and the business environment—especially by: (i) having access to credit for SMEs and individuals, (ii) reducing the administrative burdens on investment, (iii) reducing price controls of goods and services.

21. *Could staff comment on how the Fund can contribute to Angola's climate efforts?*

The Fund can help contribute to Angola's climate efforts by helping to create the additional fiscal space (through measures outlined in the Staff Report) that will be necessary to finance some of the investments discussed in Annex I. More broadly, the IMF can contribute through capacity development focused on the IMF's green public financial management framework (green PFM) and climate public investment management assessment module (C-PIMA).

22. *Annex I outlines the complications climate change poses for diversification, especially the need to make agriculture sector growth climate-resilient. Issues such as these require greater financing needs than would otherwise be the case. In this regard, staff comments regarding potential future use of Fund resources would be useful.*

Staff will address this question orally.

23. *While it is critical to start increasing resilience now, we wonder whether the authorities already have the necessary capabilities to adequately factor in climate-related needs as well as costing into the National Development Plan. We would also appreciate staff's comments how the bilateral surveillance process will factor in the economic and financial risks arising from climate change in a consistent and coherent manner also over time.*

Staff will address this question orally.

24. *How effective has the Sovereign Wealth Fund of Angola been in saving oil windfalls for the benefit of future generations and support medium term economic diversification and job creation?*

The Sovereign Wealth Fund (SWF), with balances of about $2.2 billion in 2022, has helped to finance Angola's public municipalities investment program (PIIM) in recent years (for an estimated 0.5 percent of GDP in 2022). At the end of 2021, the SWF balance was roughly 2.8 billion. The reduction was mostly linked to the support of the PIIM. Sound governance will be critical to ensuring effective implementation.

CONSTITUENCY CODES

OEDAE
Angola, Botswana, Burundi, Eritrea, Eswatini, Ethiopia, The Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, South Africa, South Sudan, Sudan, Tanzania, Uganda, Zambia, and Zimbabwe

OEDAF
Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea, Guinea Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé & Príncipe, Senegal, Togo

OEDAG
Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay

OEDAP
Australia, Kiribati, Korea, Marshall Islands, Federated States of Micronesia, Mongolia, Nauru, New Zealand, Palau, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Tuvalu, and Vanuatu

OEDBR
Brazil, Cabo Verde, Dominican Republic, Ecuador, Guyana, Haiti, Nicaragua, Panama, Suriname, Timor-Leste, and Trinidad and Tobago

OEDCC
China

OEDCE
Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, and Spain

OEDCO
Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Ireland, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines

OEDEC
Austria, Belarus, Czech Republic, Hungary, Kosovo, Slovak Republic, Slovenia, and Turkey

OEDFF
France

OEDGR
Germany

OEDIN
Bangladesh, Bhutan, India, and Sri Lanka

OEDIT
Albania, Greece, Italy, Malta, Portugal, and San Marino

OEDJA
Japan

OEDMD
Algeria, Ghana, Islamic Republic of Iran, Libya, Morocco, Pakistan, and Tunisia

OEDMI
Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Maldives, Oman, Qatar, Somalia, United Arab Emirates, and Yemen

OEDNE
Andorra, Armenia, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Luxembourg, Moldova, Montenegro, Netherlands, Republic of North Macedonia, Romania, and Ukraine

OEDNO
Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, and Sweden

OEDRU
Russian Federation and Syrian Arab Republic

OEDSA
Saudi Arabia

OEDST
Brunei Darussalam, Cambodia, Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Nepal, Philippines, Singapore, Thailand, Tonga, and Vietnam

OEDSZ
Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, and Uzbekistan

OEDUK
United Kingdom

OEDUS
United States