EXECUTIVE BOARD MEETING

EBS/20/128

July 20, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Angola—Third Review Under the Extended Arrangement Under the Extended Fund Facility, Requests for Augmentation and Rephasing of Access, Waivers of Nonobservance of Performance Criterion and Applicability of Performance Criterion, Modifications of Performance Criteria, and Completion of Financing Assurances Review**

Board Action:	Executive Directors' **consideration** (Formal)
Tentative Board Date:	**Thursday, July 30, 2020**
Additional Information:	Once third-party assurances on the provision of financing, including debt relief, have been received, a supplement will be issued providing updated information, together with the proposed decision.
Publication:	Yes*
Questions:	Mr. de Zamaroczy, AFR (ext. 36934) Ms. Mwase, AFR (ext. 34963) Mr. De Resende, AFR (ext. 34526)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—African Development Bank, World Trade Organization

***The authorities have indicated that they consent to the Fund's publication of this paper.**

INTERNATIONAL MONETARY FUND

ANGOLA

July 20, 2020

THIRD REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, REQUESTS FOR AUGMENTATION AND REPHASING OF ACCESS, WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERION AND APPLICABILITY OF PERFORMANCE CRITERION, MODIFICATIONS OF PERFORMANCE CRITERIA, AND COMPLETION OF FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. The economic outlook has substantially deteriorated since the Second Review, driven by the negative effects of the COVID-19 pandemic on global economic activity and oil prices. The adverse impact of the shock on the Angolan economy, which is highly dependent on oil (95 percent of exports, two-thirds of government revenue), adds to the hardship from five consecutive years of recession. Rapid exchange rate depreciation and the decline in oil prices have pushed the public debt-to-GDP ratio to a very high level. However, continued fiscal retrenchment, prudent debt management, and debt reprofiling are expected to improve debt dynamics progressively.

Program performance. It has been broadly satisfactory since the Second Review. End-December 2019 and end-June 2020 *performance criteria* (PCs) on net international reserves; central bank claims on the Central Government; and reserve money were met. The end-December 2019 PC on non-oil primary fiscal deficit (NOPFD) and all *continuous* PCs, except those on external arrears, were met. There is no reason to believe that the end-June 2020 PC on NOPFD was missed. All end-December 2019 and end-March 2020 *indicative targets* were met, some by a margin. Of the 12 *structural benchmarks* up to end-June 2020, five were met and seven were not met, although two of the latter have since then been implemented.

Exceptional financing. In light of the decline in oil prices, the authorities requested IMF access augmentation; decided to avail themselves of the G20 Debt Service Suspension Initiative for 2020; and, in staff's judgement, have undertaken credible steps toward a debt restructuring with two large creditors; and are seeking specific and credible assurance on debt relief from a third official creditor. Staff supports the requests for access augmentation and rephasing.

Risks. Although significant risks remain, in particular very high risks to debt dynamics and oil prices, the authorities are keeping the program on track by implementing prudent fiscal and debt policies, including a conservative supplementary budget for 2020; pursuing sound monetary and exchange rate policies; and continuing structural reforms.

Approved By
Abebe Aemro Selassie (AFR) and Gavin Gray (SPR)

Discussions took place during March 18–April 16, 2020 through teleconferencing. The mission held discussions with Minister of State for Economic Development Manuel Nunes Júnior, Minister of Finance Vera Daves, Minister of Economy and Planning Sérgio dos Santos, Minister of Industry and Commerce Victor Fernandes, Minister of Mineral Resources, Petroleum, and Gas Diamantino Azevedo, *Banco Nacional de Angola* Governor José Massano, and other senior officials. The staff team comprised Messrs. de Zamaróczy (head), de Resende, and Mmes. Gove and Mwase (all AFR); Ms. Chen (FAD); and Messrs. Halikias (SPR), Monaghan, and Otero (both MCM), Souto (resident representative), and Miguel (local economist). Messrs. Mahlinza and Essuvi (OEDAE) participated in key policy meetings. Ms. Donoso provided research support. Mr. Ogaja and Ms. Adjahouinou assisted with the preparation of this report.

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WEATHERING THE COVID-19 PANDEMIC

1. **Angola's economy and short-term perspectives have been devastated by a triple, COVID-19-induced external shock.** The shock includes economic and health crises and the collapse of oil prices, compounded by agreed reductions in Angola's oil exports under OPEC+. The third component of the shock is specific to Angola, which is highly dependent on oil exports. The authorities have adopted timely measures to tackle the challenges rising from the shock (Box 1), and remain committed to the program, including the fight against corruption.

Box 1. Angola: Response to the Pandemic and Lower Oil Prices

Containment Measures

A mandatory 14-day quarantine for passengers arriving from high-risk countries and suspension of most flights and passenger ships were instituted on March 20. A state emergency, followed by a state of calamity, have been implemented since March 27, 2020. The latest extension has less restrictive requirements: (i) compulsory confinement at home, except to go to work and to purchase essential goods; (ii) borders are closed except to import humanitarian goods; (iii) circulation between provinces is allowed for business and commerce activities, except to and from Luanda, which is under a cordon sanitaire; (iv) public services and private businesses are allowed to function with 50 percent of personnel and with reduced hours; schools, universities, restaurants are closed and public events banned; (v) private and public transportation is limited to essential purposes; and (vi) violation of rules is subject to prosecution.

Fiscal Measures

The authorities announced a fiscal package in late March to tackle the impact of the pandemic and lower oil prices. The main revenue measures include: (i) extension of the corporate income tax deadline by up to 60 days for selected companies; (ii) exemption of value-added tax (VAT) and customs duties on goods imported under humanitarian aid and donations, and these goods, including those produced locally, and their associated services, are tax-deductible; (iii) a 12-month VAT tax credit for imported capital goods and raw materials used in the production of 54 essential goods in the basic basket; (iv) an interest-free, deferred payment option for social security contributions into the second half of 2020; and (v) deferred payment of the urban property tax until October 2020.

The main spending measures include : (i) a 30 percent freeze on goods and services, except for essential health expenditure; (ii) reduction in the number of ministries from 28 to 21; (iii) suspension of selected capital expenditure; (iv) suspension of non-priority social support programs; (v) suspension of "additional credits" with few exceptions; (vi) hiring freeze in the civil service, except for essential staff; (vii) enhanced expenditure processing and reporting; (viii) reduced travel and real estate investments; (ix) reclassification of vehicles for senior officials' business transportation; (x) suspension of purchase of new vehicles for personal use and reprioritization of vehicles whose acquisition has started; (xi) suspension of exports of essential goods for 30 days; (xii) regulated prices for an approved list of medical goods related to COVID-19.

Monetary Policy Measures

The *Banco Nacional de Angola* (BNA) introduced several measures to support liquidity and credit: (i) the rate of the 7-day permanent liquidity absorption facility was cut from 10 percent to 7 percent on March 27; (ii) additional liquidity support equivalent of 0.5 percent of GDP was provided to banks and a liquidity line of Kz 100 billion (about US$170 million) for the purchase of government securities from non-financial corporations was opened; (iii) the credit-stimulus program has been expanded to allow banks to deduct the amount of credit extended to selected sectors from their reserve requirement obligations; (iv) financial institutions were instructed to grant a moratorium of 60 days for debt service; (v) the minimum allocation of credit to promote the production of essential products increased from 2 percent to 2.5 percent of commercial banks' net assets; and (vi) banks have been instructed to provide credit in local currency to assist importers of essential goods.

2. Low oil prices, heightened oil-price volatility, and restricted oil exports are delaying growth recovery (Figures 1–4; Tables 1–6).

- *The economy is in its fifth year of recession.* Economic activity in 2020 is projected to contract (-4 percent—the deepest yearly contraction in three decades) on the back of a decline in oil exports and its spillover to non-oil sectors.

- *The adverse terms-of-trade shock has led to sizeable real and nominal depreciations of the exchange rate.* After the significant progress toward a market-clearing regime in 2019Q4, the exchange rate is expected to continue to absorb the bulk of the external shock.

- *Inflation is projected to increase.* Despite the continuation of fiscal retrenchment and a large negative output gap, end-year inflation is projected to increase to 22 percent, mainly because of exchange rate depreciation and a moderately accommodative monetary policy.

- *Despite the projected decline in oil revenue, fiscal retrenchment continues.* The non-oil primary fiscal deficit (NOPFD) at end-December 2019 outperformed the program target; the indicative target (IT) at end-March 2020 was met; and in the absence of data, there is no evidence to suggest that the end-June performance criterion (PC) was missed.[1] In response to the shock, the authorities have prepared a supplementary budget for this year. Nonetheless, the debt-to GDP ratio is projected to surge, mainly because of the expected exchange rate depreciation and output contraction.

- *The outlook for Angola's external position has deteriorated.* This mainly reflects the projected decline in oil exports in 2020. In 2019, the floating exchange rate helped mitigate the impact of lower oil prices and kept the current account in substantial surplus. Together with bringing planned Eurobond issuance of US$1.5 billion forward, this allowed a buildup in gross international reserves (GIRs) by year end to the equivalent of 13 months of prospective imports of goods and services. The current account in 2020 is projected to swing to a deficit, because of the slump in oil exports; the impact on the balance of payments (BOP) would only be partially offset by lower services imports (owing to lower oil production) and stronger foreign direct investment, mainly reflecting higher inflows to domestic oil companies from overseas parents). The brunt of the adjustment will be borne by the exchange rate, although part of the BOP deterioration will be accommodated by net international reserves (NIRs) decumulation. Even so, a substantial external financing gap is projected to emerge, which will be filled by access augmentation, and debt reprofiling under the G20 Debt Service Suspension Initiative (G20DSSI) and selected debt reprofiling by Angola's large creditors.

[1] This PC will be assessed during the Fourth Review.

- *Monetary policy has evolved with the onset of the crisis.* The BNA suspended the gradual tightening in late-March 2020—which had aimed at supporting disinflation and the exchange rate—and increased liquidity and credit support to the economy.

- *Some banks remain weak and highly vulnerable to shocks.* The economic crisis could exacerbate existing strains in the banking sector. Nonperforming loans (NPLs) had grown to 35 percent by September 2019 and two public banks need deep restructuring. The crisis may adversely affect liquidity and asset quality.

3. The outlook remains subject to very high risks (Annexes I–II). Growth is subject to elevated risks stemming from deep and prolonged effects of the COVID-19 pandemic. Depressed global demand may keep oil prices low and the pandemic may put pressure on the health system. The materialization of these risks could aggravate revenue shortfall, increase expenditure, stymie economic recovery, and delay the expected reduction in public debt. Upside risks could arise from the lifting of oil quotas and higher oil prices than assumed in the program.[2] Continued technical assistance (TA) will help mitigate implementation risks.

THE PROGRAM REMAINS ON TRACK, DESPITE DAUNTING CHALLENGES

4. Program implementation has been broadly satisfactory despite the crisis (MEFP Tables 1–2). End-December 2019 and end-June 2020 PCs on net international reserves; central bank claims on the Central Government; and reserve money (RM) were met. The end-December 2019 PC on NOPFD and all *continuous* PCs, except those on external arrears, were met. There is no reason to believe that the end-June 2020 PC on NOPFD was missed. All end-December 2019 and end-March 2020 ITs were met, some by a margin. Of the 12 *structural benchmarks* (SB) up to end-June 2020, five were met and seven were not met, although two of the latter have since then been implemented.

POLICY DISCUSSIONS

Policy discussions were conducted against the backdrop of the COVID-19 pandemic. They focused on measures to keep the economy afloat and continue with essential reforms in the midst of the crisis, while recalibrating the program's macroframework and conditionality.

A. Preserving Fiscal Retrenchment

5. Additional non-oil revenue measures are being taken in 2020. With reductions in oil exports, oil revenue in 2020 is projected to decline by 14 percent, compared to the 2019 outcome.

[2] Reference oil prices for the remainder of 2020 and for 2021 in the baseline scenario are below the projected prices in the recent *World Economic Outlook Update* (WEO).

Non-oil revenue will suffer from reduced activity and pandemic-related tax relief measures, amounting to 0.3 percent of GDP. However, the National Assembly approved a non-oil revenue package in July, which increases personal income tax (PIT) progressivity and eliminates several exemptions. The supplementary budget, under consideration by the National Assembly, also contains non-oil revenue measures, such as higher excise taxes on imported luxury cars and cigarettes. The estimated yield of these measures is 0.3 percent of GDP, which offsets the tax relief shortfall (Text Table 1). The brunt of non-oil revenue will come from a reduction in the VAT refund stock, an administrative decision involving no collection effort.

Text Table 1. Angola: Main Non-Oil Revenue and COVID-19 Relief Measures, 2020

	Annual Yield (billion Kzs)	Annual Yield (percent of GDP)	Expected in 2020 (percent of GDP) 1/
Non-oil revenue measures	**123**	**0.36**	**0.32**
Value added tax - lowering refund stock from 35% to 25%	*88*	*0.26*	*0.26*
Excise tax - raising taxes for imported luxury cars and cigarettes	*9*	*0.03*	*0.01*
Personal income tax	*79*	*0.23*	*0.08*
Removing exemptions, applying new regime	58	0.17	0.08
Applying to military income	21	0.06	0.0
Corporate income tax - reduce rate from 30% to 25%	*-102*	*-0.30*	*-0.08*
Property tax - administrative change	*23*	*0.07*	*0.00*
Other revenue measures	*27*	*0.08*	*0.04*
COVID-19 tax relief measures	**-100**	**-0.29**	**-0.29**

Sources: Angolan authorities; and IMF staff projections.

[1] The estimated yield is based on partial implementation of the measures from mid-2020.

6. **Despite the crisis, the conservative fiscal stance will continue in 2020, although its composition will tilt toward selected expenditure compression.** The budget was in overall surplus at end-2019 for the second consecutive year. Despite the crisis, the NOPFD may end up even lower than the end-2020 program target, as a result of the supplementary budget, which will weigh on non-essential expenditure. Within this tight fiscal position, however, the authorities intend to increase healthcare spending to mitigate the effects of the COVID-19 pandemic.[3] They also have contingent plans to delay domestically financed investment and accelerate revenue measures should risks materialize. Staff proposes an adjustor to the NOPFD to avoid undue compression in essential social and investment spending in the event of excessive exchange rate depreciation

[3] The baseline scenario assumes US$100 million (16 percent of 2019 healthcare spending) in COVID-19 health spending in 2020. Several initiatives to increase COVID-19 spending are being coordinated with the UN, WHO, and World Bank (WB), which have procedures to transparently account for resources being directed at fighting the pandemic. The overall social spending envelope is expected to remain above the social spending floor (IT).

(TMU ¶11). Under this proposal, the NOPFD target would be adjusted upward by the impact of excess depreciation above the program baseline on foreign-financed public investment—to safeguard debt sustainability, this adjustment would be limited annually to 1 percent of GDP.[4]

7. Non-oil revenue mobilization will continue in 2021. Implementation of reforms introduced in 2019 and 2020, together with gradual recovery of growth in 2021, will raise non-oil revenue by 0.2 percent of GDP. Continued reform measures in major tax categories will increase revenue by at least another 0.6 percent of GDP (Text Table 2). The measures will include further reducing the stock of the VAT refund account; expanding the base of the VAT at customs; removing some VAT exemptions; further reforming the PIT to broaden its base and progressivity; introducing a minimum tax for the corporate income tax; strengthening transfer pricing rules; improving property registration; and starting to integrate the informal sector (MEFP ¶8).

Text Table 2. Angola: Main Revenue Measures, 2021

	Annual Yield (Percent of GDP)
Total	0.60-1.30
Value added tax	0.35-0.71
Personal income tax	0.12-0.25
Corporate income tax	0.10-0.22
Excise tax	0.05-0.10

Sources: Angolan authorities; and IMF staff projections.

8. Payments arrears. In 2019, total payments arrears, equivalent to 2.4 percent of GDP, were cleared—about one third through cancellations (Text Table 3). About 79 percent of the arrears *not recorded* in the budget information technology system (SIGFE) were cleared, thus exceeding the end-March 2020 target. Because of the tight fiscal situation, the authorities have suspended cash payments of arrears for the remainder of the year, and are requesting a modification of the corresponding IT. To prevent new arrears accumulation, the authorities are enhancing the reporting and recording of arrears and plan to accelerate their clearance, once liquidity conditions improve.

Text Table 3. Angola: Clearance of Payments Arrears Accumulated up to End-2017

(Percent of GDP, unless otherwise indicated)

	2018	2019	2020	2021	Total
TOTAL[1,2,3]	**1.5**	**2.4**	**1.2**	**0.5**	**5.6**
SIGFE	0.4	1.0	1.2	0.0	2.7
NON-SIGFE	1.1	1.4	0.0	0.5	3.0
Memorandum Items:					
Percent SIGFE[2,3]	19	32	100	100	100
Percent Non-SIGFE[2,3]	30	79	79	100	100

Sources: Angolan authorities; and IMF staff estimates and projections.
[1] Gross amounts, i.e., not netting out claims that could be deemed invalid by the certification.
[2] In cumulative terms.
[3] The stock of arrears includes cancellations.

9. As a result of the revenue shortfall, gross financing needs (GFNs) will be sizable in 2020, but will gradually decline to more manageable levels in the medium term (Tables 7–8). COVID-19-induced expenses, bank recapitalization, arrears clearance, and critical investment will all contribute to higher GFNs. Those will be filled by exceptional financing from the G20DSSI, debt reprofiling from Angola's large creditors, budget support from multilateral organizations (including

[4] The proposed adjustor is asymmetric and is based on the difference between the projected and the actual average exchange rates during the year.

IMF access augmentation), privatization proceeds, disbursements from existing credit lines within program limits, drawdowns from government deposits, and sale of financial assets of the Sovereign Wealth Fund (FSDEA). The latter will reduce borrowing needs.

B. Protecting Debt Sustainability

10. Public debt remains very elevated and subject to heightened risks. The debt-to-GDP ratio is projected at 123 percent at end-2020, mostly reflecting large currency depreciation and lower nominal output. Because oil exports are projected to remain subdued in the coming years, debt indicators will remain high, albeit declining. Debt dynamics are sensitive to growth, oil prices, and the real exchange rate. To keep the debt-to-GDP ratio on a steadily declining path, in addition to fiscal retrenchment, the authorities remain committed to their conservative medium-term debt strategy.

11. Debt sustainability has required proactive external debt management and exceptional financing. The authorities hired legal and financial advisors to help manage external debt. They repaid the outstanding oil-collateralized debt stock owed to an official bilateral creditor. Significant reprofiling of debt service commitments will ease financing pressures and help bring down the GFNs. The authorities have requested debt relief under the G20DSSI for 2020 and, in staff's judgement, have undertaken credible steps with two of their large creditors toward a debt rescheduling. Specifically, selective reprofiling of amortization due in the three-year period starting in June 2020, with a corresponding deferral of three years, with some further partial relief of principal in 2024–25, and repayments phased gradually over a seven-year period, starting in 2023.[5] The authorities are also seeking specific and credible assurance from a third creditor for a reprofiling on similar terms in order to deliver an outcome in line with program parameters. Staff assesses that, with these operations, the 2020–21 fiscal financing gaps will be closed, including with the drawdown of reserves. These operations have been incorporated in the DSA (Annex III). However, given heightened uncertainty in the current environment, the authorities have indicated that they would seek debt relief from a wider group of creditors, should downside risks materialize.

C. Adapting Monetary Policy to Help Mitigate the Crisis

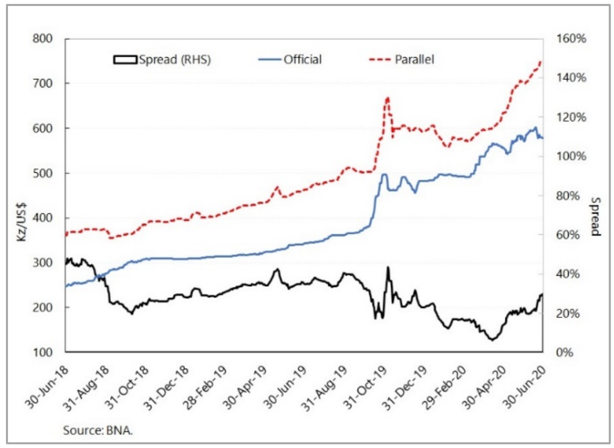
12. Monetary policy is used to mitigate some of the impacts of the crisis. BNA's crisis-mitigating measures have signaled a flexibilization of liquidity control, with potential implications for inflation and exchange rate depreciation, and will need to be carefully managed and reversed, once the crisis abates. The baseline scenario assumes a tightening of monetary policy from 2021 onward.

[5] Steps include engaging with the concerned creditors for an extended period (including explaining the program parameters and the debt sustainability analysis (DSA); making a public announcement about such engagement; hiring financial and legal advisors; and securing agreements with two of them, whereas for the third creditor, an agreement is being worked out. For two of the smaller facilities, the principal amortization schedule has been shifted into the future by three years. Where relevant, interest payments during the grace period will be financed by drawing down corresponding escrow account balances.

D. Enhancing Exchange Rate Regime Reform

13. Exchange rate reform has progressed. Following the transition toward a market-clearing exchange rate since mid-October 2019, the large overvaluation, which had built up through the first half of last year, was eliminated. In fact, the exchange rate appears to have overshot to some extent in late last year and is currently estimated to be moderately undervalued (Annex IV). On the basis of standard methodologies, the external position is assessed to be stronger than warranted by fundamentals for 2019. With the onset of the crisis in mid-March, the depreciation of the exchange rate accelerated and is expected to continue throughout the remainder of the year (Text Figure 1). Several reforms have been implemented recently to continue the transition toward market determination: (i) since January 2020, oil companies are authorized to sell foreign exchange (FX) directly to banks with which they have business relations; and (ii) on April 1, an electronic trading platform started to be used for FX transactions; the platform was extended to include diamond companies at end-June, and is expected to be expanded to other market participants, including the Treasury. These reforms, combined with others undertaken by the BNA, including the new regulation to eliminate informal restrictions imposed by banks on the withdrawal of FX deposits (end-December 2019 SB), and new regulations to reduce operational cost in over-the-counter FX sales by banks have increased exchange rate flexibility and helped reduce the spread between the official and the parallel market rates from 151 percent in December 2017 to an all-time low of 6 percent in mid-April (Annex V). However, the spread has widened lately to about 30 percent, the cause of which remains under investigation, and could be linked to the shallowness of the parallel market and a tendency to overshoot temporarily, when strong depreciation pressures arise (e.g., when oil prices fall), as happened in the past.

Text Figure 1. Angola: Daily Foreign Exchange Rates and Spreads, 2018–20



Source: BNA.

E. Safeguarding Banking Sector Stability

14. Banking sector weaknesses were quantified at end-2019. The BNA completed asset quality reviews (AQRs) of 13 banks, comprising 93 percent of system assets (SB; MEFP ¶15). Those confirmed private banks' resilience to previous challenges with modest capital shortfalls identified in five smaller banks. However, two public banks had a combined capital shortfall equivalent to 3.7 percent of 2020 GDP (Annex VI). Four of the seven weak banks returned to regulatory compliance by end-June 2020 (SB, missed) and recapitalization plans for the remaining three banks are at an advanced stage. The AQRs also identified systemic shortfalls in banks' risk management, including large related-party exposures.

15. The authorities are preparing plans to restructure two public banks. As the losses identified in the AQRs exceed shareholder and subordinated debt holder value in these banks, and there is limited fiscal support available, these banks need deep restructuring. The authorities are finalizing plans to preserve deposits and maintain financial stability (SB, missed; MEFP ¶16). Although one bank has commenced restructuring, the losses identified by the AQR have yet to be fully recognized and both banks have not returned to full compliance with regulatory requirements by end-June (SB, missed). The second bank engaged external consultants to assist with restructuring and discussions with the BNA are continuing. In light of these delays and the impact of COVID-19 on these two banks, staff will request an updated time-bound action plan for the restructuring of these two banks during the Fourth Review.

16. Governance and operational procedures at the bad-asset-management company, *Recredit*, have markedly improved. Changes in *Recredit*'s internal regulations now allow it to take operational decisions without prior approval and its Board members are without conflicts of interest. It has also formed a strategic and monitoring committee that meets quarterly. The authorities plan to strengthen *Recredit*'s accountability and mandate by amending the relevant Presidential Decree (modified SB; MEFP ¶17). *Recredit* has made notable progress with the recovery process for most of the original six business groups under its purview. It acquired 80 percent of the largest public bank's residual NPLs in June 2020 at a price of 6 percent of nominal value.

17. The authorities are strengthening bank oversight and credit-risk management. This includes more rigorous fit and proper requirements for bank owners in the new Financial Institutions Law (FIL); updating asset classification and provisioning rules by end-September 2020; adopting new bank guidance on bank corporate governance and on effective credit-risk management practices by end-December 2020 (MEFP ¶18); and preparing an action plan to strengthen credit infrastructure (MEFP ¶19).

F. Accelerating Structural Reforms and Improving Governance

18. Structural reforms have progressed, but with delays.

- *Revenue administration.* The authorities remain committed to improving tax efficiency and governance and supporting a broad range of tax policy reforms. With help of IMF TA, measures under preparation aim at accelerating computerization and requiring mandatory e-filing; speeding up recovery of tax arrears; enhancing audit and verification; and improving payment modalities to reduce tax fraud. In addition, a post-crisis revenue collection action plan, with a focus of enhanced monitoring of key industries and largest taxpayers, will be developed to strengthen compliance and secure revenue streams.

- *Subsidy reform*. The pilot phase of the WB-supported cash-transfer program started in May to cover several thousands of poor households, with an eventual objective of reaching 1.6 million households nationwide by end-2021. The next phase of subsidy reform, which involves raising public transportation tariffs and the prices of gasoline and diesel, will start in

2021, when a critical number of low-income households are reached by the cash-transfer program, with the ultimate objective of introducing an automatic fuel-pricing mechanism.

- *State-owned enterprise (SOE) reform.* By end-June, 40 SOEs were offered for public tender and 14 were privatized for US$53 million, with another 40 assets slated for sale by end-2020. Of Sonangol's (the state oil company) 9 non-core assets offered for privatization between September 2019 and June 2020, 5 were sold for US$17 million, and 4 will be tendered by end-2020. The arrears accumulated during 2016–19 between Sonangol and PRODEL (the state electricity company) were verified in early 2020 and will be cleared by end-August. To improve transparency, the 12 largest SOEs (by assets) published their audited 2019 annual reports on the SOE oversight institute's webpage by end-June, and the remaining 3 will publish them by end-August, with external audits to be completed by end-September (MEFP ¶23).

- *Public financial management (PFM) reforms.* The authorities submitted a draft Fiscal Responsibility Law (FRL) to the National Assembly in July (SB, missed), which defines the fiscal policy framework, including a fiscal rule.[6] They published an end-year fiscal report for 2019 (full year and fourth quarter) in June 2020 to support the pilot Medium-Term Fiscal Framework (MTFF), which was largely completed by end-June and will be revised after the supplementary budget is approved, to help anchor the 2021 budget proposal. In line with the recommendations from the Public Investment Management Assessment completed in December 2019, the authorities will publish initial project appraisal reports for all projects above Kz 10 billion (about US$17 million) undertaken from January 2021 onward (new SB, MEFP ¶8). The authorities have continued to improve the efficiency and transparency of the public procurement process. By end-June, they awarded 69 percent of all qualified projects through public tender, on track to meet their target of 45 percent for 2020 (SB). By mid-June, they published the Annual Purchase Plans of 308 (of 593) Budget Units on the Public Purchases' Portal. The Ministry of Finance is working on improving the portal where information on public procurement processes are made available.

19. The reform of the AML/CFT legal framework has been completed, albeit with a delay (SB, missed). As part of the effort to fight corruption, improve governance, and help mitigate correspondent bank pressures, a revised AML/CFT Law was unanimously approved by the National Assembly and came into force in January 2020. It addresses a number of previously identified deficiencies—inter alia by introducing a comprehensive definition of politically exposed persons. Complementary legal and regulatory amendments are being adopted to strengthen the overall AML/CFT framework. To that end, following the adoption of the Law, the BNA recently enacted an AML/CFT regulation for financial institutions and AML/CFT-related aspects have been included in the FIL to strengthen 'fit and proper' requirements.

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[6] The fiscal rule includes the following key elements: (i) until 2025, the NOPFD-to-non-oil GDP ratio is defined in the MTFF; (ii) a downward path of the Central Government's public debt toward the target of 60 percent of GDP; and (iii) from 2025 onwards, a NOPFD-to-non-oil GDP ratio below 5 percent.

20. Reforms to the BNA Law and FIL are progressing, but the corresponding SBs were missed. They will ensure that the BNA has increased operational autonomy, a mandate to pursue price stability, enhanced governance and oversight, and stronger legal tools to preserve financial stability, in line with international good practices.

- Regarding the BNA Law, the main issues are the lack of adequate personal and financial autonomy provisions. In particular, the definition of a price stability mandate, the procedure of appointment and dismissal of key BNA officials, provisions on BNA's capital, profits, and earnings, and quasi-fiscal activities still fall short of international good practice.

- The FIL's early intervention and resolution framework, despite significant improvements in line with IMF recommendations, still needs additional work, notably regarding the asset management tool, the early intervention and resolution regimes, and the need for safeguards to protect public funds.

The gaps in the two draft Laws will be addressed by end-September 2020, (SBs, missed and proposed resets).

21. The Government remains committed to improving governance and fighting corruption. It continues to pursue important reforms to enhance governance at SOEs. A SOE Law and associated regulations are planned to be submitted to the National Assembly, to enhance reporting, transparency, monitoring, and internal and external controls (new SB, MEFP ¶24). Focus will also be placed on increasing the professionalism of SOE management. The Government has been discussing ways to increase cooperation with the UN on combating corruption, drug trafficking, organized crime, and terrorism.

PROGRAM ISSUES AND RISKS

22. Confronted with a major external shock, the authorities have requested access augmentation. Sharply lower oil prices, compounded by restrictive OPEC+ quotas, have opened up a large BOP gap, with the current account worsening by US$1.4 billion in 2020 and US$1.2 billion in 2021, compared to Second Review projections, and temporary loss of market access. On the fiscal side, the Covid-19 shock, by sharply lowering oil revenues, has generated additional financing needs relative to the Second Review, of US$3.8 billion in 2020 and US$2.9 billion in 2021 (Text Table 4).[7] Accordingly, the

Text Table 4. Angola: Additional Fiscal Financing Needs due to Covid-19 Shock

(Millions of U.S. dollars)

	2020	2021
Additional Financing Needs	**3,821**	**2,899**
Fund augmentation	369	370
Policy adjustment	860	295
Required reprofiling	2,591	2,234
G20 Covid-19 debt service relief	1,062	0
Debt reprofiling from largest creditors	1,529	2,234

Sources: Angolan authorities; and IMF staff calculations and estimates.

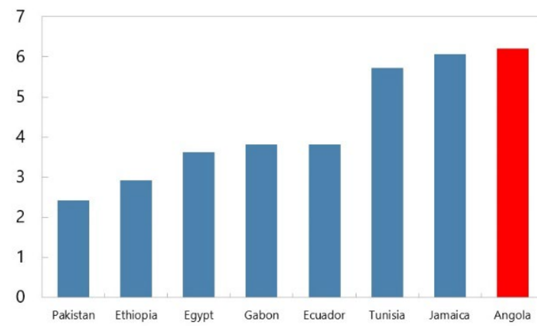
[7] The additional financing needs relative to the Second Review in Text Table 4 are part of the overall fiscal financing gap in Table 7, which incorporates the fiscal adjustment of the supplementary budget in the fiscal framework and records reprofiling as identified financing.

authorities have requested access augmentation, to be used for budget support, from 361 percent of quota (SDR 2,673 million) to 434 percent (SDR 3,213 million), within normal access limits under the GRA, corresponding to an additional SDR 540 million. After considering the policy adjustment in the supplementary budget, the augmentation would provide part of the needed additional financing, with the remainder provided by the G20DSSI and selected debt reprofiling.[8] In addition, with the expected expansion of the pandemic in Angola, the authorities would like to have room for advancing the import of medical and testing supplies and thus are requesting a rephasing of IMF disbursements for the remainder of 2020 (Table 10). Staff supports the authorities' requests, as the additional fiscal adjustment in the supplementary budget already pushes the limit of what is advisable, given the economy's weakness and crisis-related pressures on health spending.

23. Capacity to repay the IMF remains adequate, albeit subject to higher-than-usual risks. With the proposed access augmentation, some capacity to repay indicators move toward the upper end of their ranges, compared to other normal access programs (Text Figures 2–3 and Tables 9–10). IMF credit outstanding, as a share of GDP, peaks at 6.2 percent, at the high end compared to other upper-credit tranche arrangements. IMF credit, as a percent of non-collateralized external debt and GIRs, net of collateralized debt service, is at relatively more moderate at 12.6 percent and 26.2 percent, respectively. Peak repayments to non-pledged exports of goods and services are in line with other normal access EFF arrangements. Risks to the IMF are mitigated by the extended debt reprofiling.

Text Figure 2. Angola: Peak IMF Credit-to-GDP Ratio in Recent EFFs

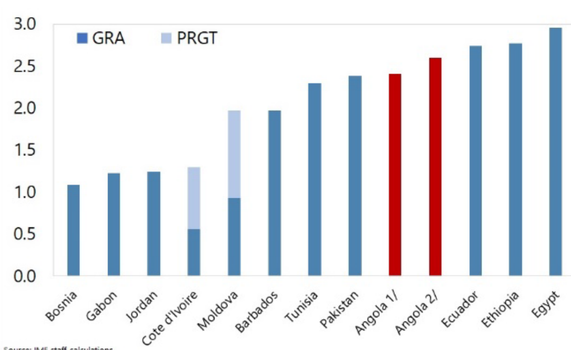
(Percent of GDP)



Sources: IMF Staff reports for program requests; and IMF staff calculations.

Text Figure 3. Angola: Peak Repayment-to-Exports in Recent EFFs

(Percent of Exports of Goods and Services)



Source: IMF staff calculations.
1/ Relative to exports of goods and services.
2/ Relative to unemcumbered exports of goods and services, i.e., net of oil-collateralized external debt service.

24. Financial burden sharing is expected to continue. The World and the African Development Banks are expected to provide budget support of US$1 billion in 2020 and US$665 million in 2021. The G20DSSI and selected debt reprofiling will fill a major part of Angola's

[8] Text Table 4 presents the formal terms of reprofiling. Reprofiling in Table 4b and DSA Text Table 2 also includes the impact on interest payments on the higher debt levels of reprofiled credit lines.

financing needs. On this basis, the program is fully financed for the next 12 months, with good prospects for its last half-year.

25. There are delays with the implementation of the recommendations of the Safeguards Policy Assessment. The BNA is strengthening important functions, including reserves management, internal audit, and risk management. The timeliness of financial statements publication has improved, but the full implementation of International Financial Reporting Standards is still missing. Delays also include the establishment of a framework for BNA lending to commercial banks to mitigate financial risks and the legal amendments to the BNA Law for governance and oversight reforms, noted above.

26. Multiple currency practices (MCPs) and exchange restrictions (ERs) continue to be reduced, and there is no breach of the continuous PCs, as the remaining ones pre-date the program.[9] The trade restrictions related to import licensing to foster economic diversification are also assessed not to constitute a breach of the relevant continuous PC. The application of a stamp tax on foreign exchange operations (SB) was eliminated in October 2019, removing an ER and an MCP (ER, Article VIII, 2a and MCP, Article VIII, 3). The authorities will present a detailed plan and timeline to continue the removal of ERs and MCPs by end-September 2020, including the elimination of the special tax on transfers to non-residents under foreign TA or management service contracts (ER, Article VIII, 2a) by end-March 2021. Import licensing requirements introduced in January 2019 (Presidential Decree No. 23–19), which require importing firms to demonstrate prior efforts to secure domestic sourcing, constitute a trade restriction. However, staff assesses that they were not primarily motivated by BOP-related reasons—given their primary objectives of economic diversification, compelling evidence that they did not materially distort trade flows, and concurring judgment by the WTO—and hence do not give rise to a breach of the relevant continuous PC. Nonetheless, from a policy perspective, staff urged the authorities to scale back the regulations.

27. External debt payments arrears.

- *Private creditors*. Angola accumulated US$46 million in new arrears between end-September 2019 and end-December 2019, owing to constraints associated with correspondent banks transacting in U.S. dollars. The authorities report having accumulated up to US$52 million in new arrears between end-December 2019 and end-June 2020. Going forward, they are expecting to accumulate small monthly additional arrears, until the correspondent banking issues are resolved (see below). The authorities continue good-faith discussions to resolve outstanding payments arrears and thus the lending-into-arrears policy is deemed satisfied.
- *Official creditors.* The authorities continue to verify one successor state's legacy claims on arrears to the former Socialist Federal Republic of Yugoslavia.

[9] As described in the Informational Annex of IMF Country Report No. 18/156, with the exception of the ER arising from the operation of a priority list and the ER and MCP deriving from the stamp tax on FX operations, which were eliminated (see below).

28. The authorities request waivers of nonobservance of and applicability for PCs and propose modifications to program conditionality as follows.

- They request a waiver for the nonobservance of the continuous PC on external debt payment arrears linked to continued problems with external payments rejected by correspondent banks, with a breach of up to US$52 million by end-June 2020. However, the authorities took remedial action, as per the last MEFP, by setting up an independent escrow account in a bank in Angola (MEFP ¶8) and enacting the new AML/CFT Law. Going forward, rejected payments will be deposited in this account, hence they will not give rise to a breach for the purpose of the PC. In view of these remedial actions, and given the criticality of Fund support for the success of the program, staff assesses that the requirements of the lending into arrears policy are satisfied.

- They request a waiver of applicability for the end-June 2020 PC on NOPFD, as in the absence of data, there is no evidence that this PC was not met.

- They propose to change the PC on the NIR floors to help mitigate the crisis to US$8,085 million for end-December 2020. The proposed modification mainly reflects lower Eurobond issuance and lower oil prices relative to the Second Review baseline and is consistent with the program's NIR adjustor. Despite lower gross reserves, reserve adequacy would improve (due to lower imports) to 104 percent of the ARA metric, and is projected to improve further, to 107 percent by the end of the program, and 118 percent by 2024. They propose to change the PCs on RM ceilings starting at end-December 2020 to accommodate increases observed in monetary aggregates, largely caused by the BNA's response to the COVID-19 shock, but consistent with the relevant program adjustor.

- They propose modifications to the IT for the ceiling on the stock of Central Government debt and debt of Sonangol to accommodate the slower pace of debt repayment.

- They propose to reset three SBs and to introduce two new SBs to strengthen governance and PFM.

STAFF APPRAISAL

29. Angola's economy is devastated by a triple shock in the wake of the COVID-19 pandemic. Looking ahead, restricted oil production and lower oil prices are expected to continue to weigh on oil exports, putting pressure on economic activity, the current account, international reserves, and the exchange rate, while also contributing to an elevated debt burden. Risks on the external side will continue to stem mostly from oil prices and production. On the domestic side, risks come from potential health and humanitarian crises and an aggravated economic downturn.

30. Despite the shock, the authorities remain strongly committed to the program. They submitted a conservative supplementary budget to the National Assembly in July, with additional non-oil revenue measures and stringent expenditure management, while preserving critical social and health outlays. The remaining financing gap will be financed by running down government deposits and assets, exceptional financing under the G20DSSI, and selected bilateral debt reprofiling. In the medium term, fiscal consolidation will be largely achieved through increased non-oil revenue, in particular through enhanced VAT collection.

31. Angola's public debt is assessed to be sustainable, but risks remain very high. Following its 2020 peak, the debt ratio is projected to decline steadily toward the authorities' medium-term target. There are high risks associated with this debt trajectory given Angola's high vulnerability to oil price and exchange rate shocks. The authorities should remain proactive, particularly in dealing with the fallout from the COVID-19 pandemic. They should continue to seek further debt relief and additional fiscal adjustment to safeguard debt sustainability, if downside risks materialize.

32. There is limited scope for further monetary policy easing. The BNA has been quick to react to the onset of the crisis and implement several mitigating measures, which relaxed monetary policy. Once the crisis abates, the authorities should stand ready to rein in pressures on inflation and the exchange rate.

33. Exchange rate reform has continued to progress and remaining MCPs and ERs will be eliminated. The transition toward a market-clearing exchange rate regime since mid-October 2019 has been a major step forward and has served Angola well in the crisis. The exchange rate can now play a shock-absorbing role to ensure better allocation of real resources and scarce FX. The BNA should not try to counter the expected depreciation of the exchange rate.

34. Safeguarding financial sector stability requires decisive action, given the limited fiscal space available for bank recapitalization. Timely restructuring of two troubled banks is important to protect deposits and safeguard financial stability. The AQRs performed in late 2019 were a point-in-time exercise that could not have anticipated the crisis. The resulting fall in economic output, combined with the April moratorium on loan repayments and enforcement of collateral, introduces substantial risks to asset quality in the medium term.

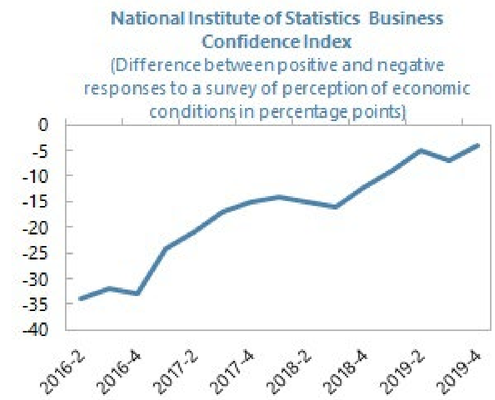
35. Ongoing structural reforms will enhance fiscal governance, reduce fiscal risks, and reinvigorate private-sector-led growth. The authorities' progress in SOE privatization, public procurement, and the fiscal policy framework will allow more efficient use of public resources, while giving room for private-sector-led development and economic diversification.

36. Risks have dramatically risen, but the authorities' strong policy response and perseverance with reforms will help keep the program on track. The Government's resolve to tackle the crisis head-on and significant international financing support (access augmentation, G20DSSI, selected debt reprofiling) are critical to keep the program on track. Despite the crisis, the authorities are persevering with their prudent fiscal and debt policies and reforms. Appropriate balancing of monetary and exchange rate policies against the economic impact of the COVID-19 shock will complement the fiscal effort and help mitigate the impact of oil-price volatility. Implementation of structural reforms (e.g., privatization programs) will help diversify the economy and improve potential growth prospects, while new safety nets will lessen the hardships for the most vulnerable. The program continues to act as a strong commitment device, sending a positive signal to stakeholders, and helping catalyze donor support. Continued IMF TA, in coordination with development partners, will continue to strengthen implementation capacity.

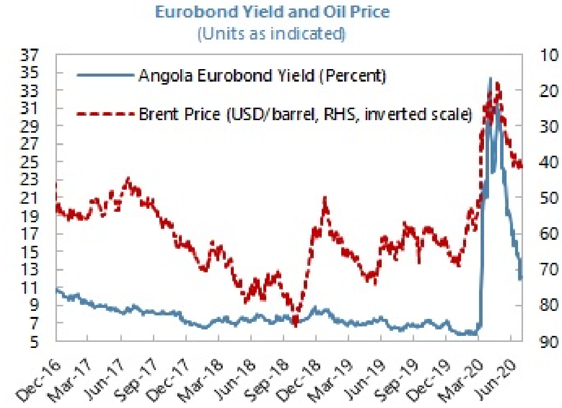
37. Staff supports the authorities' requests for the completion of the Third Review, access augmentation, rephasing, waivers, and modifications to conditionality. The program continues to provide a consistent framework for reforms, while mobilizing support from international financial institutions and debt reprofiling from bilateral creditors. Given the authorities' efforts to keep the program on track and ownership of reforms, staff (i) recommends completion of the Third Review; (ii) supports the waiver of non-observance of the continuous PC on external debt payment arrears given corrective action; (iii) support the waiver of applicability for the PC on NOPFD; (iv) supports the proposed modification of the PCs on RM and NIRs; (v) supports access augmentation and rephasing; (vi) supports the setting of targets for the Fourth and Fifth Reviews; and (vii) recommends the completion of the financing assurances review.

Figure 1. Angola: Selected High-Frequency Indicators, 2016–20

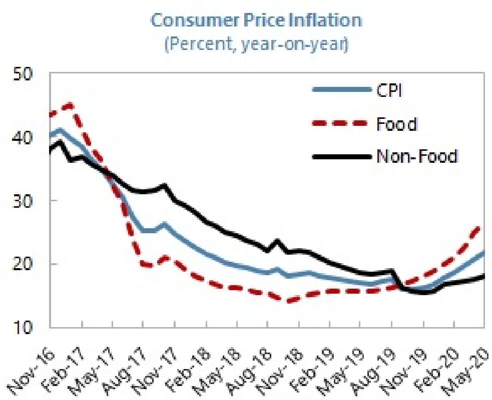
Before COVID-19, business confidence was rising.



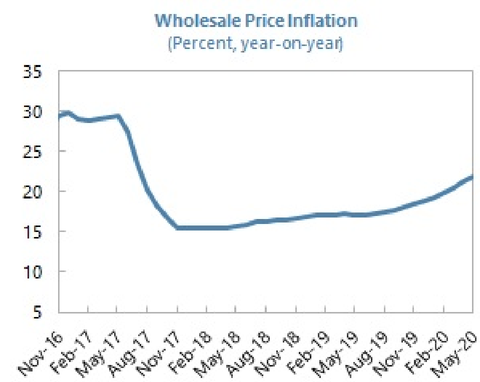
The COVID-19 shock dramatically reduced oil prices and increased Angolan bond yields until recently.



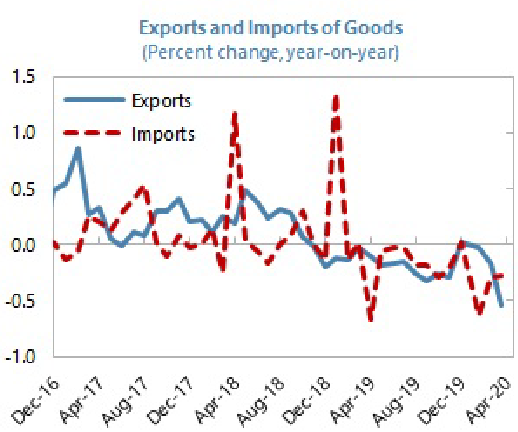
Consumer price disinflation stopped and is reversing…



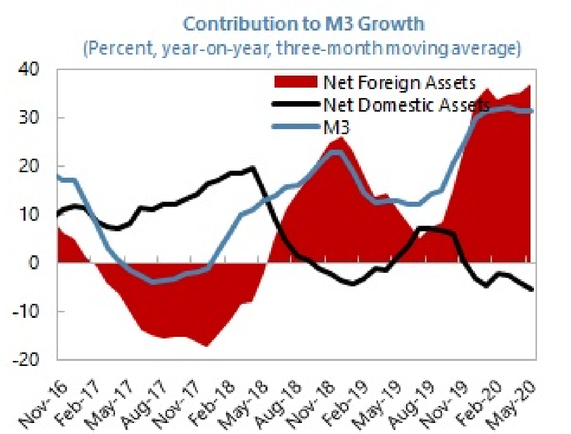
…While wholesale price inflation continues trending up.



Lower oil exports continue to drive the trade balance.



Net foreign assets are the main contributor to M3 growth.

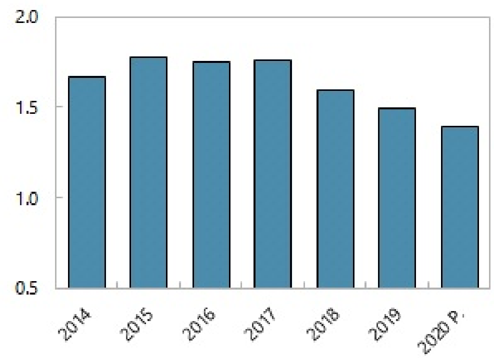


Sources: Angolan authorities; and IMF staff estimates and projections.

Figure 2. Angola: Fiscal Developments, 2014–20

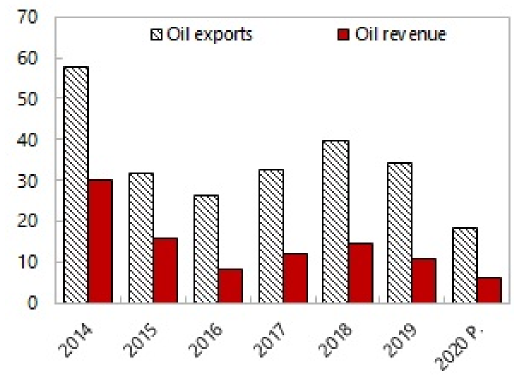
Oil production continues to decline…

Oil and Gas Production
(Millions of barrels per day)



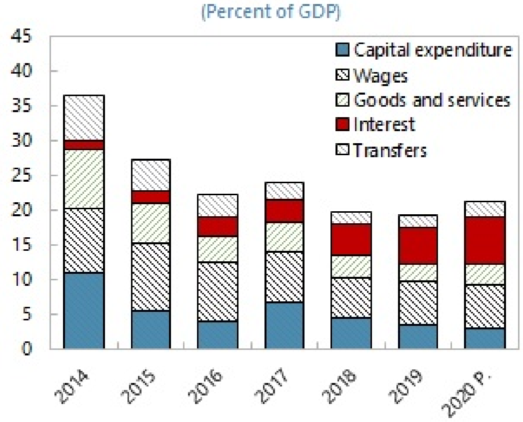
… Negatively affecting both oil exports and oil revenues.

Oil Exports and Revenue
(Billions of U.S. dollars)



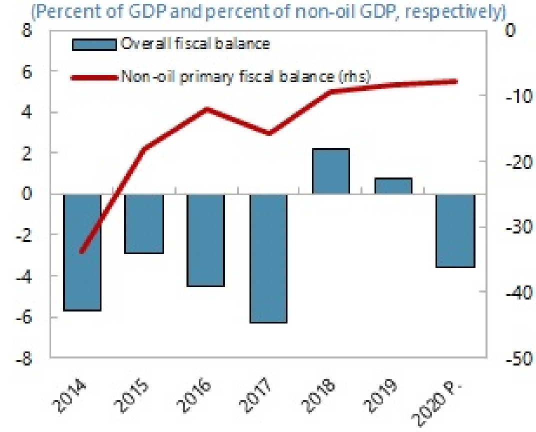
Expenditures will be under pressure in 2020…

Expenditure
(Percent of GDP)



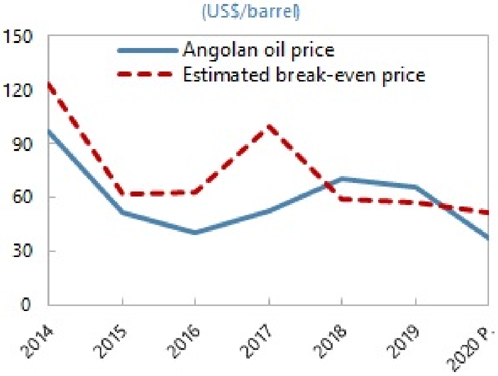
… Yet, the non-oil primary fiscal balance will improve.

Overall and Non-Oil Fiscal Primary Balances
(Percent of GDP and percent of non-oil GDP, respectively)



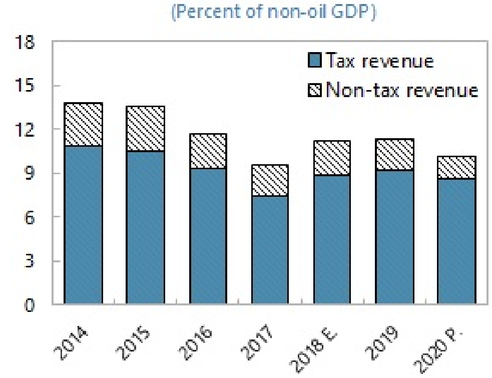
Oil prices will remain subdued.

Oil Price
(US$/barrel)



Mobilization efforts on non-oil tax revenue will continue.

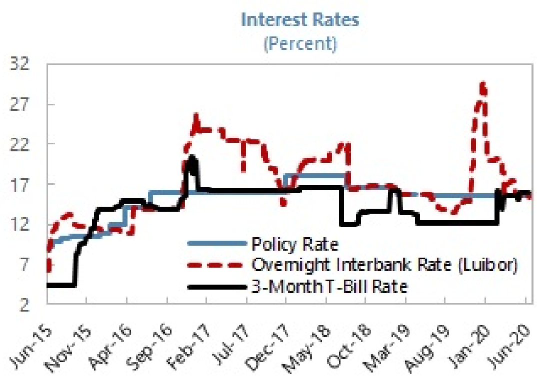
Non-Oil Revenue
(Percent of non-oil GDP)



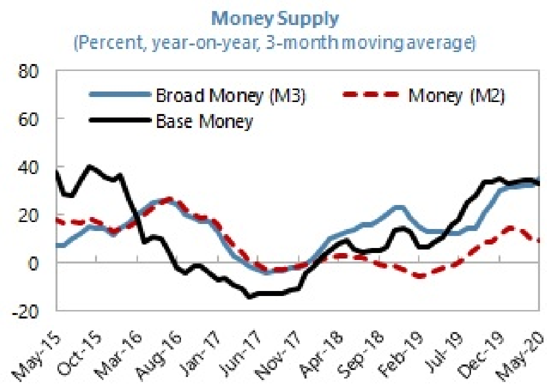
Sources: Angolan authorities; and IMF staff estimates and projections.

Figure 3. Angola: Monetary Developments, 2015–20

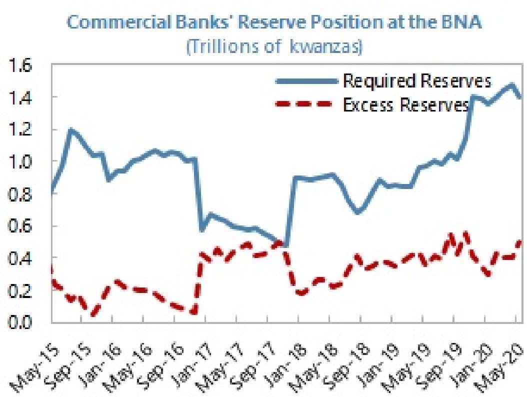
BNA policy rate and T-Bill rates are below market rates.



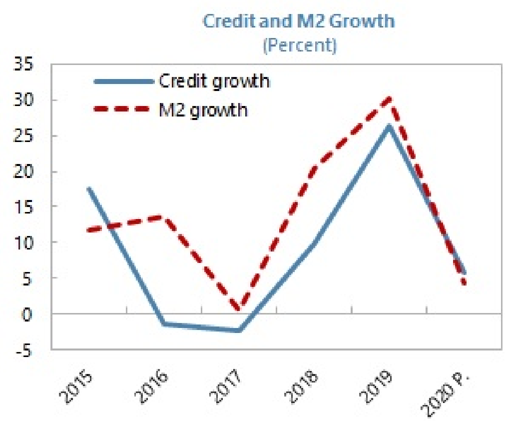
Growth of broad money aggregates has accelerated.



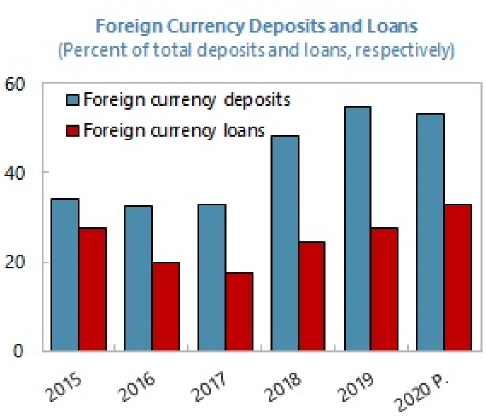
Excess reserves declined in late 2019, but are up again.



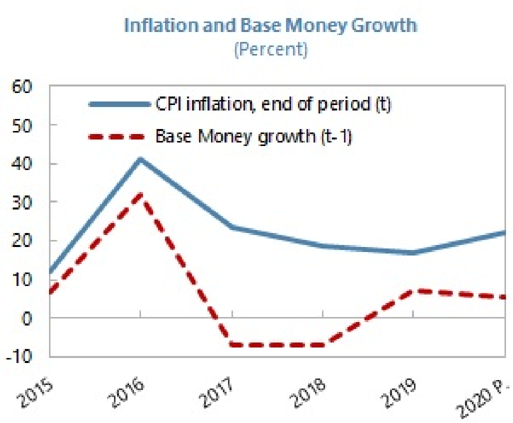
Credit and M2 growth will decelerate in 2020.



Dollarization remains elevated.



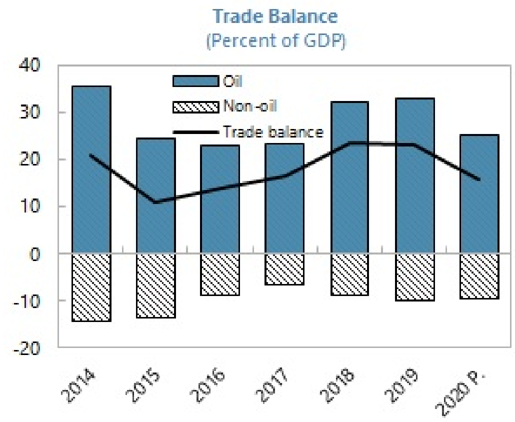
Inflation is expected to accelerate in 2020.



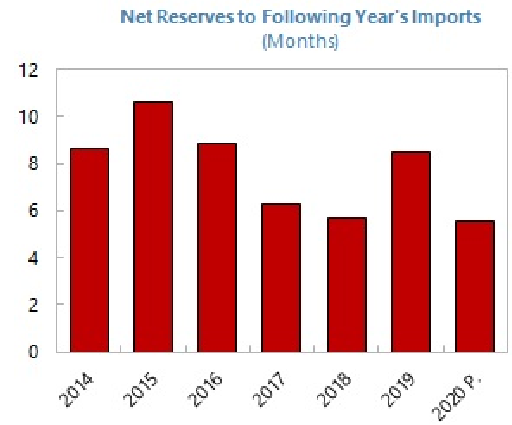
Sources: Angolan authorities; and IMF staff estimates and projections.

Figure 4. Angola: External Sector Developments, 2014–20

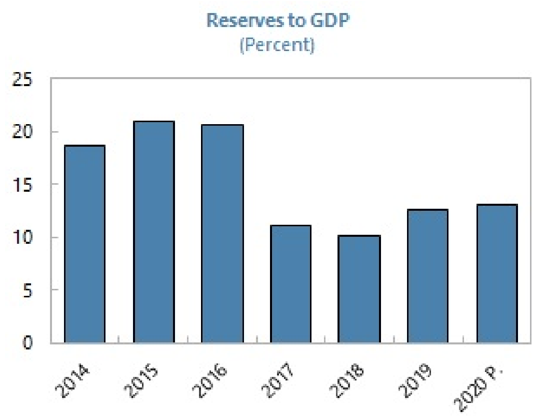
The trade balance will decline in 2020 with oil exports.



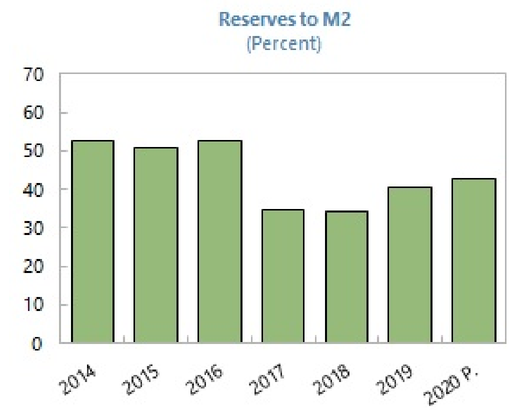
International reserves will decline in 2020, compared to future imports.



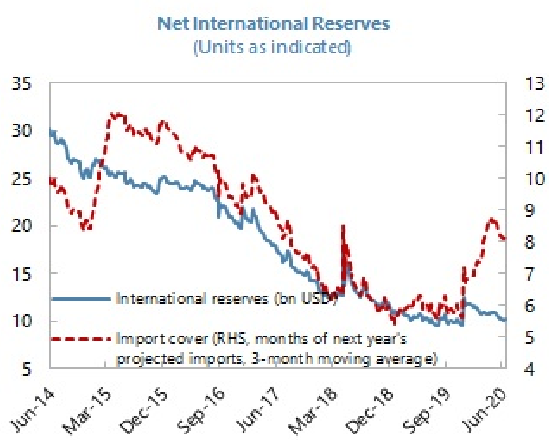
Yet, the reserve position will improve compared to GDP…



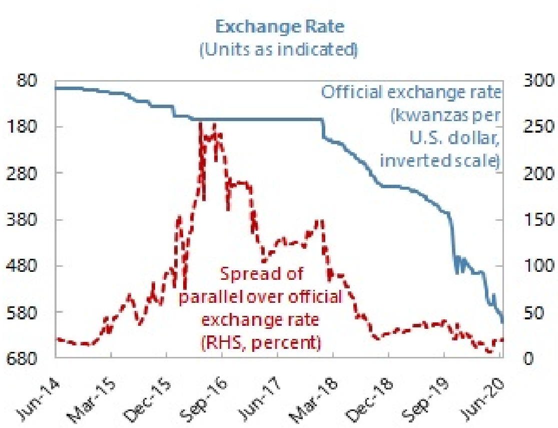
… And to money supply.



International reserves in dollars will bottom out this year.



Exchange rate developments reflect regime liberalization in 2019.



Sources: Angolan authorities; and IMF staff estimates and projections.

Table 1. Angola: Main Economic Indicators, 2019–23
(Units as indicated)

	2019		2020		2021		2022		2023	
	2nd Rev.	Est.	2nd Rev.	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.
Real economy (percent change, except where otherwise indicated)										
Real gross domestic product	-1.1	-0.9	1.2	-4.0	2.8	3.2	3.2	3.0	4.0	4.0
Oil sector	-5.0	-6.6	1.3	-6.8	2.5	6.1	1.6	1.6	1.6	1.6
Non-oil sector	0.6	1.4	1.1	-2.8	3.0	2.3	4.0	3.5	5.0	4.8
Nominal gross domestic product (GDP)	21.5	21.8	26.4	7.3	18.4	25.2	13.6	19.2	10.5	13.6
Oil sector	28.5	27.5	27.7	-17.8	16.7	31.2	10.5	23.1	6.5	12.2
Non-oil sector	18.6	19.5	25.8	18.2	19.2	23.4	15.0	18.0	12.2	14.1
GDP deflator	22.8	22.9	25.0	11.8	15.2	21.4	10.1	15.7	6.3	9.3
Non-oil GDP deflator	18.0	17.8	24.5	21.6	15.7	20.6	10.7	14.0	6.9	8.9
Consumer prices (annual average)	17.2	17.1	23.9	21.0	15.7	20.6	10.7	14.0	6.9	8.9
Consumer prices (end of period)	17.5	16.9	23.0	22.2	14.0	19.6	8.0	10.0	6.0	8.0
Gross domestic product (billions of kwanzas)	32,537	32,622	41,131	34,993	48,712	43,819	55,358	52,249	61,197	59,377
Oil gross domestic product (billions of kwanzas)	9,978	9,899	12,744	8,133	14,872	10,671	16,432	13,134	17,504	14,738
Non-oil gross domestic product (billions of kwanzas)	22,558	22,723	28,387	26,861	33,840	33,147	38,926	39,114	43,693	44,639
Gross domestic product (billions of U.S. dollars)	88.4	89.4	75.7	61.8	78.7	65.8	82.2	70.7	86.7	77.4
Gross domestic product per capita (U.S. dollars)	2,934	2,968	2,439	1,991	2,462	2,058	2,498	2,148	2,556	2,281
Central government (percent of GDP)										
Total revenue	19.8	20.0	20.9	17.6	21.5	18.8	21.7	19.7	21.5	19.7
Of which: Oil-related	12.4	12.1	13.4	9.7	12.9	10.3	12.6	10.7	12.2	10.6
Of which: Non-oil tax	6.1	6.5	6.4	6.7	7.5	7.3	8.0	7.9	8.3	8.0
Total expenditure	18.8	19.2	20.0	21.1	19.9	20.5	19.8	19.7	19.1	18.8
Current expenditure	15.9	15.8	17.0	18.3	16.7	17.5	16.6	16.4	15.8	15.4
Capital spending	2.8	3.5	3.1	2.9	3.2	3.0	3.3	3.3	3.4	3.4
Overall fiscal balance	1.0	0.8	0.8	-3.6	1.6	-1.6	1.9	0.0	2.4	1.0
Non-oil primary fiscal balance	-5.6	-5.7	-5.6	-6.0	-4.7	-5.1	-4.4	-4.5	-4.3	-4.1
Non-oil primary fiscal balance (percent of non-oil GDP)	-8.1	-8.2	-8.1	-7.9	-6.8	-6.8	-6.3	-6.0	-6.0	-5.5
Money and credit (end of period, percent change)										
Broad money (M2)	22.6	30.2	21.6	4.4	25.6	18.1	12.3	19.1	8.1	12.8
Percent of GDP	29.6	31.3	28.5	30.5	30.2	28.8	29.8	28.7	29.2	28.5
Velocity (GDP/M2)	3.4	3.2	3.5	3.3	3.3	3.5	3.4	3.5	3.4	3.5
Velocity (non-oil GDP/M2)	2.3	2.2	2.4	2.5	2.3	2.6	2.4	2.6	2.5	2.6
Credit to the private sector (annual percent change)	25.8	25.9	28.8	6.2	22.2	25.4	14.0	21.0	17.5	17.8
Balance of payments										
Trade balance (percent of GDP)	22.7	23.0	23.0	15.5	22.6	17.2	22.6	18.7	22.7	19.2
Exports of goods, f.o.b. (percent of GDP)	39.9	38.8	41.4	32.0	40.7	33.5	40.2	35.0	39.3	34.7
Of which: Oil and gas exports (percent of GDP)	38.4	38.3	39.4	29.5	38.6	30.9	37.5	31.9	36.2	31.5
Imports of goods, f.o.b. (percent of GDP)	17.2	15.8	18.4	16.5	18.1	16.4	17.6	16.3	16.6	15.5
Terms of trade (percent change)	-14.1	-10.8	-12.5	-43.8	2.1	11.3	5.7	3.0	2.6	8.3
Current account balance (percent of GDP)	3.3	5.7	0.5	-2.0	0.4	-1.4	0.5	-0.9	1.2	-0.3
Gross international reserves (end of period, millions of U.S. dollars)	15,470	17,321	17,152	15,582	18,631	16,729	19,831	17,929	20,831	18,929
Gross international reserves (months of next year's imports)	7.6	12.9	8.2	10.6	8.6	10.2	9.1	10.3	9.3	10.3
Net international reserves (end of period, millions of U.S. dollars)	9,447	11,302	10,006	8,100	10,356	7,782	11,556	8,982	11,556	10,080
Exchange rate										
Official exchange rate (average, kwanzas per U.S. dollar)	368	365	...	...	...	...	...	...	...	...
Official exchange rate (end of period, kwanzas per U.S. dollar)	485	482	...	...	...	...	...	...	...	...
Public debt (percent of GDP)										
Public sector debt (gross)[1]	110.9	109.2	102.0	122.8	95.1	112.5	86.0	97.5	77.4	86.8
Of which: Central Government debt and Sonangol[2]	110.8	108.9	101.7	122.5	94.9	112.2	85.8	97.3	77.2	86.6
Of which: Central Government debt[3]	107.2	105.6	97.0	118.8	88.7	108.8	79.1	94.7	71.4	83.8
Oil										
Oil and gas production (millions of barrels per day)	1.517	1.493	1.537	1.392	1.575	1.477	1.600	1.500	1.625	1.524
Oil and gas exports (billions of U.S. dollars)	33.9	34.2	29.8	18.3	30.4	20.3	30.9	22.5	31.4	24.4
Angola oil price (average, U.S. dollars per barrel)	64.0	65.2	55.0	37.4	55.0	39.3	55.0	42.9	55.0	45.7
Brent oil price (average, U.S. dollars per barrel)	64.4	64.0	60.5	41.3	58.0	43.2	57.3	45.2	57.4	46.9

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] Includes debt of the Central Government, external debt of state oil company Sonangol and state airline company TAAG, and guaranteed debt.

[2] Includes debt guaranteed and excludes debt owed by the Central Government to Sonangol related to the National Urbanization and Housing Plan (PNUH).

[3] Excludes debt guaranteed and includes debt owed by the Central Government to Sonangol related to the National Urbanization and Housing Plan (PNUH).

Table 2a. Angola: Statement of Central Government Operations, 2019–23

(Billions of Kwanzas, unless otherwise indicated)

	2019		2020		2021		2022		2023
	2nd Rev.	Prel.	2nd Rev.	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.	Proj.
Revenue	**6,426**	**6,529**	**8,576**	**6,145**	**10,466**	**8,248**	**11,996**	**10,283**	**11,705**
Taxes	6,009	6,058	8,156	5,734	9,966	7,741	11,420	9,685	11,022
Oil	4,036	3,952	5,508	3,403	6,305	4,529	6,976	5,582	6,272
Non-oil	1,973	2,105	2,649	2,331	3,660	3,212	4,444	4,103	4,750
Social contributions	231	311	281	245	335	302	386	357	407
Grants	0	3	0	0	0	0	0	0	0
Other revenue	186	157	138	166	165	205	190	242	276
Expenditure	**6,103**	**6,271**	**8,241**	**7,399**	**9,686**	**8,968**	**10,970**	**10,301**	**11,137**
Expense	**5,183**	**5,144**	**6,975**	**6,399**	**8,152**	**7,654**	**9,171**	**8,577**	**9,118**
Compensation of employees	1,936	1,999	2,203	2,218	2,649	2,651	3,059	2,916	3,150
Use of goods and services	740	844	1,186	1,001	1,404	1,309	1,596	1,560	1,773
Interest	1,743	1,703	2,718	2,436	3,035	2,857	3,283	3,086	3,041
Domestic	791	795	1,219	1,045	1,389	1,140	1,432	1,134	986
Foreign	952	908	1,498	1,390	1,645	1,717	1,851	1,951	2,055
Subsidies	159	79	253	242	202	182	230	217	246
Other expense	605	519	615	502	861	655	1,003	797	908
Net investment in nonfinancial assets	**920**	**1,127**	**1,266**	**1,001**	**1,534**	**1,315**	**1,799**	**1,724**	**2,019**
Net lending (+) / Net borrowing (-)	**324**	**258**	**336**	**-1,254**	**779**	**-720**	**1,026**	**-18**	**568**
Statistical discrepancy	0	137	0	0	0	0	0	0	0
Net acquisition of financial assets (+: increase)	**27**	**-713**	**-1,181**	**-2,446**	**-58**	**-1,530**	**-574**	**-571**	**183**
Domestic	214	-686	-861	-2,290	-32	-1,061	-552	0	-256
Cash and deposits[1]	9	-686	-1,011	-2,510	-507	-1,061	-552	0	-256
Equity and investment fund shares	205	0	150	220	475	0	0	0	0
Other accounts receivable	0	0	0	0	0	0	0	0	0
Foreign	-187	-27	-320	-157	-25	-469	-22	-571	439
Net incurrence of liabilities (+: increase)	**-296**	**-834**	**-1,517**	**-1,192**	**-837**	**-810**	**-1,600**	**-554**	**-386**
Domestic	-1,388	-1,796	-2,339	-2,341	-615	-884	-1,640	-891	-307
Debt securities	72	-122	-1,462	-2,156	214	-684	-1,033	-741	-307
Disbursements	1,884	1,583	2,068	1,679	1,925	1,848	1,893	3,047	3,439
Amortizations	-1,812	-1,705	-3,530	-3,835	-1,711	-2,532	-2,925	-3,788	-3,746
Loans	0	-278	0	0	0	0	0	0	0
Other accounts payable[2]	-1,460	-1,396	-877	-185	-829	-200	-607	-150	0
Foreign	1,092	962	822	1,149	-222	74	40	337	-79
Disbursements	3,055	2,992	4,015	2,597	3,204	2,690	2,871	1,854	2,625
Of which: Budget support under the program	514	425	1,078	1,464	1,192	1,466	0	0	0
Amortizations	-1,963	-2,030	-3,193	-1,448	-3,426	-2,616	-2,831	-1,517	-2,704
Memorandum items:									
Non-oil primary fiscal balance	-1,837	-1,867	-2,302	-2,117	-2,286	-2,245	-2,441	-2,332	-2,459
Angola oil price (average, U.S. dollars per barrel)	64.0	65.2	55.0	37.4	55.0	39.3	55.0	42.9	45.7
Social expenditures[3]	1,100	1,726	1,440	1,440	1,948	1,753	2,491	2,351	2,969
Public sector debt (gross)[4]	36,070	35,626	41,938	42,982	46,330	49,286	47,602	50,967	51,558
Of which: Central Government and Sonangol[5]	36,047	35,533	41,850	42,865	46,228	49,148	47,488	50,823	51,410
Of which: Central Government[6]	34,864	34,436	39,879	41,420	43,226	47,238	43,764	48,875	49,759

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] Historical figures may include valuation effects related to foreign-currency denominated deposits. Projections for 2020-23 include deposit withdrawals from FSDEA.

[2] Includes repayment of debt owed to Sonangol related to the National Urbanization and Housing Plan (PNUH).

[3] Spending on education, health, social protection, and housing and community services. For 2020 onwards are projected floors.

[4] Includes debt of the Central Government, external debt of state oil company Sonangol and state airline company TAAG, and guaranteed debt.

[5] Includes debt guaranteed and excludes debt owed by the Central Government to Sonangol related to the National Urbanization and Housing Plan (PNUH).

[6] Excludes debt guaranteed and includes debt owed by the Central Government to Sonangol related to the National Urbanization and Housing Plan (PNUH).

Table 2b. Angola: Statement of Central Government Operations, 2019–23

(Percent of GDP, unless otherwise indicated)

	2019		2020		2021		2022		2023
	2nd Rev.	Prel.	2nd Rev.	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.	Proj.
Revenue	**19.8**	**20.0**	**20.9**	**17.6**	**21.5**	**18.8**	**21.7**	**19.7**	**19.7**
Taxes	18.5	18.6	19.8	16.4	20.5	17.7	20.6	18.5	18.6
Oil	12.4	12.1	13.4	9.7	12.9	10.3	12.6	10.7	10.6
Non-oil	6.1	6.5	6.4	6.7	7.5	7.3	8.0	7.9	8.0
Social contributions	0.7	1.0	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue	0.6	0.5	0.3	0.5	0.3	0.5	0.3	0.5	0.5
Expenditure	**18.8**	**19.2**	**20.0**	**21.1**	**19.9**	**20.5**	**19.8**	**19.7**	**18.8**
Expense	**15.9**	**15.8**	**17.0**	**18.3**	**16.7**	**17.5**	**16.6**	**16.4**	**15.4**
Compensation of employees	6.0	6.1	5.4	6.3	5.4	6.1	5.5	5.6	5.3
Use of goods and services	2.3	2.6	2.9	2.9	2.9	3.0	2.9	3.0	3.0
Interest	5.4	5.2	6.6	7.0	6.2	6.5	5.9	5.9	5.1
Domestic	2.4	2.4	3.0	3.0	2.9	2.6	2.6	2.2	1.7
Foreign	2.9	2.8	3.6	4.0	3.4	3.9	3.3	3.7	3.5
Subsidies	0.5	0.2	0.6	0.7	0.4	0.4	0.4	0.4	0.4
Other expense	1.9	1.6	1.5	1.4	1.8	1.5	1.8	1.5	1.5
Net investment in nonfinancial assets	**2.8**	**3.5**	**3.1**	**2.9**	**3.2**	**3.0**	**3.3**	**3.3**	**3.4**
Net lending (+) / Net borrowing (-)	**1.0**	**0.8**	**0.8**	**-3.6**	**1.6**	**-1.6**	**1.9**	**0.0**	**1.0**
Statistical discrepancy	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of financial assets (+: increase)	**0.1**	**-2.2**	**-2.9**	**-7.0**	**-0.1**	**-3.5**	**-1.0**	**-1.1**	**0.3**
Domestic	0.7	-2.1	-2.1	-6.5	-0.1	-2.4	-1.0	0.0	-0.4
Cash and deposits[1]	0.0	-2.1	-2.5	-7.2	-1.0	-2.4	-1.0	0.0	-0.4
Equity and investment fund shares	0.6	0.0	0.4	0.6	1.0	0.0	0.0	0.0	0.0
Other accounts receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	-0.6	-0.1	-0.8	-0.4	-0.1	-1.1	0.0	-1.1	0.7
Net incurrence of liabilities (+: increase)	**-0.9**	**-2.6**	**-3.7**	**-3.4**	**-1.7**	**-1.8**	**-2.9**	**-1.1**	**-0.6**
Domestic	-4.3	-5.5	-5.7	-6.7	-1.3	-2.0	-3.0	-1.7	-0.5
Debt securities	0.2	-0.4	-3.6	-6.2	0.4	-1.6	-1.9	-1.4	-0.5
Disbursements	5.8	4.9	5.0	4.8	4.0	4.2	3.4	5.8	5.8
Amortizations	-5.6	-5.2	-8.6	-11.0	-3.5	-5.8	-5.3	-7.3	-6.3
Loans	0.0	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable[2]	-4.5	-4.3	-2.1	-0.5	-1.7	-0.5	-1.1	-0.3	0.0
Foreign debt securities	3.4	2.9	2.0	3.3	-0.5	0.2	0.1	0.6	-0.1
Disbursements	9.4	9.2	9.8	7.4	6.6	6.1	5.2	3.5	4.4
Of which: Budget support under the program	1.6	1.3	2.6	4.2	2.4	3.3	0.0	0.0	0.0
Eurobonds	4.4	4.2	1.2	0.0	0.0	0.0	2.4	0.0	0.0
Project loans and other	3.5	3.6	5.9	3.2	4.1	2.8	2.8	3.5	4.4
Financing to be identified	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortizations	-6.0	-6.2	-7.8	-4.1	-7.0	-6.0	-5.1	-2.9	-4.6
Other accounts payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Non-oil primary fiscal balance	-5.6	-5.7	-5.6	-6.0	-4.7	-5.1	-4.4	-4.5	-4.1
Angola oil price (average, U.S. dollars per barrel)	64.0	65.2	55.0	37.4	55.0	39.3	55.0	42.9	45.7
Social expenditures[3]	3.4	5.3	3.5	4.1	4.0	4.0	4.5	4.5	5.0
Public sector debt (gross)[4]	110.9	109.2	102.0	122.8	95.1	112.5	86.0	97.5	86.8
Of which: Central Government and Sonangol[5]	110.8	108.9	101.7	122.5	94.9	112.2	85.8	97.3	86.6
Of which: Central Government[6]	107.2	105.6	97.0	118.4	88.7	107.8	79.1	93.5	83.8

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] Historical figures may include valuation effects related to foreign-currency denominated deposits. Projections for 2020-23 include deposit withdrawals from FSDEA.

[2] Includes repayment of debt owed to Sonangol related to the National Urbanization and Housing Plan (PNUH).

[3] Spending on education, health, social protection, and housing and community services. For 2020 onwards are projected floors.

[4] Includes debt of the Central Government, external debt of state oil company Sonangol and state airline company TAAG, and guaranteed debt.

[5] Includes debt guaranteed and excludes debt owed by the Central Government to Sonangol related to the National Urbanization and Housing Plan (PNUH).

[6] Excludes debt guaranteed and includes debt owed by the Central Government to Sonangol related to the National Urbanization and Housing Plan (PNUH).

Table 2c. Angola: Statement of Central Government Operations, 2019–23
(Percent of non-oil GDP, unless otherwise indicated)

	2019		2020		2021		2022		2023
	2nd Rev.	Prel.	2nd Rev.	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.	Proj.
Revenue	**28.5**	**28.7**	**30.2**	**22.9**	**27.3**	**24.9**	**30.8**	**26.3**	**26.2**
Taxes	26.6	26.7	28.7	21.3	25.6	23.4	29.3	24.8	24.7
Oil	17.9	17.4	19.4	12.7	15.5	13.7	17.9	14.3	14.0
Non-oil	8.7	9.3	9.3	8.7	10.1	9.7	11.4	10.5	10.6
Social contributions	1.0	1.4	1.0	0.9	0.8	0.9	1.0	0.9	0.9
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue	0.8	0.7	0.5	0.6	0.9	0.6	0.5	0.6	0.6
Expenditure	**27.1**	**27.6**	**29.0**	**27.5**	**26.9**	**27.1**	**28.2**	**26.3**	**24.9**
Expense	**23.0**	**22.6**	**24.6**	**23.8**	**22.4**	**23.1**	**23.6**	**21.9**	**20.4**
Compensation of employees	8.6	8.8	7.8	8.3	7.8	8.0	7.9	7.5	7.1
Use of goods and services	3.3	3.7	4.2	3.7	4.1	3.9	4.1	4.0	4.0
Interest	7.7	7.5	9.6	9.1	7.3	8.6	8.4	7.9	6.8
Domestic	3.5	3.5	4.3	3.9	3.5	3.4	3.7	2.9	2.2
Foreign	4.2	4.0	5.3	5.2	3.7	5.2	4.8	5.0	4.6
Subsidies	0.7	0.3	0.9	0.9	0.7	0.5	0.6	0.6	0.6
Other expense	2.7	2.3	2.2	1.9	2.6	2.0	2.6	2.0	2.0
Net acquisition of nonfinancial assets	**4.1**	**5.0**	**4.5**	**3.7**	**4.5**	**4.0**	**4.6**	**4.4**	**4.5**
Net lending (+) / Net borrowing (-)	**1.4**	**1.1**	**1.2**	**-4.7**	**0.4**	**-2.2**	**2.6**	**0.0**	**1.3**
Statistical discrepancy	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of financial assets (+: increase)	**0.1**	**-3.1**	**-4.2**	**-9.1**	**-0.2**	**-4.6**	**-1.5**	**-1.5**	**0.4**
Domestic	0.9	-3.0	-3.0	-8.5	0.0	-3.2	-1.4	0.0	-0.6
Cash and deposits[1]	0.0	-3.0	-3.6	-9.3	0.0	-3.2	-1.4	0.0	-0.6
Equity and investment fund shares	0.9	0.0	0.5	0.8	0.0	0.0	0.0	0.0	0.0
Other accounts receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign	-0.8	-0.1	-1.1	-0.6	-0.2	-1.4	-0.1	-1.5	1.0
Net incurrence of liabilities (+: increase)	**-1.3**	**-3.7**	**-5.3**	**-4.4**	**-0.6**	**-2.4**	**-4.1**	**-1.4**	**-0.9**
Domestic	-6.2	-7.9	-8.2	-8.7	-1.0	-2.7	-4.2	-2.3	-0.7
Debt securities	0.3	-0.5	-5.2	-8.0	1.3	-2.1	-2.7	-1.9	-0.7
Disbursements	8.4	7.0	7.3	6.3	9.1	5.6	4.9	7.8	7.7
Amortizations	-8.0	-7.5	-12.4	-14.3	-7.8	-7.6	-7.5	-9.7	-8.4
Loans	0.0	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other accounts payable[2]	-6.5	-6.1	-3.1	-0.7	-2.3	-0.6	-1.6	-0.4	0.0
Foreign	4.8	4.2	2.9	4.3	0.5	0.2	0.1	0.9	-0.2
Disbursements	13.5	13.2	14.1	9.7	6.3	8.1	7.4	4.7	5.9
Of which: Budget support under the program	2.3	1.9	3.8	5.5	2.5	4.4	0.0	0.0	0.0
Amortizations	-8.7	-8.9	-11.2	-5.4	-5.8	-7.9	-7.3	-3.9	-6.1
Memorandum items:									
Non-oil primary fiscal balance	-8.1	-8.2	-8.1	-7.9	-7.3	-6.8	-6.3	-6.0	-5.5
Angola oil price (average, U.S. dollars per barrel)	64.0	65.2	55.0	37.4	59.0	39.3	55.0	42.9	45.7
Social expenditures[3]	4.9	7.6	5.1	5.4	5.4	5.3	6.4	6.0	6.7
Public sector debt (gross)[4]	159.9	156.8	147.7	160.0	107.0	148.7	122.3	130.3	115.5
Of which: Central Government and Sonangol[5]	159.8	156.4	147.4	159.6	106.7	148.3	122.0	129.9	115.2
Of which: Central Government[6]	154.5	151.5	140.5	154.2	102.7	143.4	112.4	125.0	111.5

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] Historical figures may include valuation effects related to foreign-currency denominated deposits. Projections for 2020-23 include deposit withdrawals from FSDEA.

[2] Includes repayment of debt owed to Sonangol related to the National Urbanization and Housing Plan (PNUH).

[3] Spending on education, health, social protection, and housing and community services. For 2020 onwards are projected floors.

[4] Includes debt of the Central Government, external debt of state oil company Sonangol and state airline company TAAG, and guaranteed debt.

[5] Includes debt guaranteed and excludes debt owed by the Central Government to Sonangol related to the National Urbanization and Housing Plan (PNUH).

[6] Excludes debt guaranteed and includes debt owed by the Central Government to Sonangol related to the National Urbanization and Housing Plan (PNUH).

Table 2d. Angola: Statement of Central Government Operations, 2019–23
Debt Reprofiling Recorded as Exceptional Financing
(Billions of Kwanzas, unless otherwise indicated)

	2019		2020		2021		2022		2023
	2nd Rev.	Prel.	2nd Rev.	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.	Proj.
Revenue	**6,426**	**6,529**	**8,576**	**6,145**	**10,466**	**8,248**	**11,996**	**10,283**	**11,705**
Taxes	6,009	6,058	8,156	5,734	9,966	7,741	11,420	9,685	11,022
Oil	4,036	3,952	5,508	3,403	6,305	4,529	6,976	5,582	6,272
Non-oil	1,973	2,105	2,649	2,331	3,660	3,212	4,444	4,103	4,750
Social contributions	231	311	281	245	335	302	386	357	407
Grants	0	3	0	0	0	0	0	0	0
Other revenue	186	157	138	166	165	205	190	242	276
Expenditure	**6,103**	**6,271**	**8,241**	**7,548**	**9,686**	**8,890**	**10,970**	**10,080**	**10,830**
Expense	**5,183**	**5,144**	**6,975**	**6,548**	**8,152**	**7,575**	**9,171**	**8,356**	**8,811**
Compensation of employees	1,936	1,999	2,203	2,218	2,649	2,651	3,059	2,916	3,150
Use of goods and services	740	844	1,186	1,001	1,404	1,309	1,596	1,560	1,773
Interest	1,743	1,703	2,718	2,585	3,035	2,778	3,283	2,865	2,733
Domestic	791	795	1,219	1,045	1,389	1,140	1,432	1,134	986
Foreign	952	908	1,498	1,539	1,645	1,638	1,851	1,731	1,748
Subsidies	159	79	253	242	202	182	230	217	246
Other expense	605	519	615	502	861	655	1,003	797	908
Net investment in nonfinancial assets	**920**	**1,127**	**1,266**	**1,001**	**1,534**	**1,315**	**1,799**	**1,724**	**2,019**
Net lending (+) / Net borrowing (-)	**324**	**258**	**336**	**-1,403**	**779**	**-642**	**1,026**	**203**	**876**
Statistical discrepancy	0	137	0	0	0	0	0	0	0
Net acquisition of financial assets (+: increase)	**27**	**-713**	**-1,181**	**-2,446**	**-58**	**-1,530**	**-574**	**-571**	**183**
Domestic	214	-686	-861	-2,290	-32	-1,061	-552	0	-256
Cash and deposits[1]	9	-686	-1,011	-2,510	-507	-1,061	-552	0	-256
Equity and investment fund shares	205	0	150	220	475	0	0	0	0
Other accounts receivable	0	0	0	0	0	0	0	0	0
Foreign	-187	-27	-320	-157	-25	-469	-22	-571	439
Net incurrence of liabilities (+: increase)	**-296**	**-834**	**-1,517**	**-2,608**	**-837**	**-2,301**	**-1,600**	**-1,979**	**-1,001**
Domestic	-1,388	-1,796	-2,339	-2,341	-615	-884	-1,640	-891	-307
Debt securities	72	-122	-1,462	-2,156	214	-684	-1,033	-741	-307
Disbursements	1,884	1,583	2,068	1,679	1,925	1,848	1,893	3,047	3,439
Amortizations	-1,812	-1,705	-3,530	-3,835	-1,711	-2,532	-2,925	-3,788	-3,746
Loans	0	-278	0	0	0	0	0	0	0
Other accounts payable[2]	-1,460	-1,396	-877	-185	-829	-200	-607	-150	0
Foreign	1,092	962	822	-266	-222	-1,417	40	-1,088	-694
Disbursements	3,055	2,992	4,015	2,597	3,204	2,690	2,871	1,854	2,625
Amortizations	-1,963	-2,030	-3,193	-2,864	-3,426	-4,107	-2,831	-2,942	-3,320
Exceptional financing (+: increase)									
Debt reprofiling	...	...	...	1,565	...	1,413	...	1,205	308
Foreign interest	...	...	...	149	...	-78	...	-220	-308
Foreign amortization	...	...	...	1,416	...	1,491	...	1,425	616
Memorandum items:									
Non-oil primary fiscal balance	-1,837	-1,867	-2,302	-2,117	-2,286	-2,245	-2,441	-2,332	-2,459
Angola oil price (average, U.S. dollars per barrel)	64.0	65.2	55.0	37.4	55.0	39.3	55.0	42.9	45.7
Social expenditures[3]	1,100	1,726	1,440	1,440	1,948	1,753	2,491	2,351	2,969
Public sector debt (gross)[4]	36,070	35,626	41,938	42,982	46,330	49,286	47,602	50,967	51,558
Of which: Central Government and Sonangol[5]	36,047	35,533	41,850	42,865	46,228	49,148	47,488	50,823	51,410
Of which: Central Government[6]	34,864	34,436	39,879	41,420	43,226	47,238	43,764	48,875	49,759

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] Historical figures may include valuation effects related to foreign-currency denominated deposits. Projections for 2020-23 include deposit withdrawals from FSDEA.

[2] Includes repayment of debt owed to Sonangol related to the National Urbanization and Housing Plan (PNUH).

[3] Spending on education, health, social protection, and housing and community services. For 2020 onwards are projected floors.

[4] Includes debt of the Central Government, external debt of state oil company Sonangol and state airline company TAAG, and guaranteed debt.

[5] Includes debt guaranteed and excludes debt owed by the Central Government to Sonangol related to the National Urbanization and Housing Plan (PNUH).

[6] Excludes debt guaranteed and includes debt owed by the Central Government to Sonangol related to the National Urbanization and Housing Plan (PNUH).

Table 3. Angola: Monetary Accounts, 2019–23
(End of period; billions of Kwanzas, unless otherwise indicated)

	2019		2020		2021		2022		2023
	2nd Rev.	Prel.	2nd Rev.	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.	Proj.
					Monetary Survey				
Net foreign assets	**6,186**	**7,120**	**7,789**	**7,077**	**8,937**	**8,111**	**10,295**	**9,415**	**10,547**
Net domestic assets	**3,439**	**3,099**	**3,916**	**3,594**	**5,759**	**4,490**	**6,206**	**5,588**	**6,371**
Claims on central government (net)	1,583	2,448	764	2,929	1,349	2,779	820	2,684	2,155
Claims on other financial corporations	15	11	19	13	23	17	27	20	22
Claims on other public sector	115	152	144	180	172	222	198	262	299
Claims on private sector	4,678	4,524	6,024	4,802	7,361	6,020	8,392	7,284	8,579
Other items (net)[1]	-2,952	-4,036	-3,036	-4,330	-3,147	-4,547	-3,231	-4,661	-4,684
Broad money (M3)	**9,626**	**10,219**	**11,705**	**10,671**	**14,696**	**12,601**	**16,501**	**15,003**	**16,918**
Money and quasi-money (M2)	9,616	10,214	11,696	10,666	14,687	12,597	16,492	14,998	16,913
Money	3,374	3,206	4,094	3,445	5,138	4,146	5,772	5,043	5,799
Currency outside banks	363	419	415	427	514	500	584	628	726
Demand deposits, local currency	3,011	2,787	3,679	3,018	4,624	3,646	5,188	4,415	5,074
Quasi-money	1,824	1,647	2,228	1,783	2,801	2,154	3,142	2,608	2,997
Time and savings deposits, local currency	1,824	1,647	2,228	1,783	2,801	2,154	3,142	2,608	2,997
Foreign currency deposits	4,418	5,361	5,374	5,438	6,748	6,297	7,577	7,347	8,116
Money management instruments and other liabilities	9	5	9	5	9	5	9	5	5
					Monetary Authorities				
Net foreign assets	**4,961**	**5,687**	**6,311**	**5,258**	**7,285**	**5,967**	**8,545**	**7,167**	**8,232**
Net international reserves	4,582	5,450	5,854	4,957	6,773	5,613	8,004	6,795	7,850
Net incurrence of liabilities	379	237	457	300	511	354	541	371	382
Net domestic assets	**-2,885**	**-3,400**	**-3,697**	**-2,919**	**-4,189**	**-3,273**	**-5,027**	**-4,035**	**-4,705**
Claims on other depository corporations	367	340	451	415	514	496	555	546	590
Claims on central government (net)	-1,618	-1,012	-1,158	146	-887	858	-438	822	876
Claims on private sector	58	49	72	58	86	72	99	85	96
Other items (net)[1]	-1,691	-2,777	-3,062	-3,539	-3,903	-4,699	-5,243	-5,488	-6,268
Reserve money	**2,076**	**2,287**	**2,614**	**2,339**	**3,096**	**2,694**	**3,518**	**3,132**	**3,527**
Currency outside banks	485	540	554	551	686	644	780	810	935
Commercial bank deposits	1,591	1,747	2,060	1,788	2,410	2,051	2,738	2,322	2,592
Memorandum items:									
Nominal gross domestic product (percent change)	21.5	21.8	26.4	7.3	18.4	25.2	13.6	19.2	13.6
Reserve money (percent change)	21.5	33.8	25.9	2.3	18.4	15.2	13.6	16.2	12.6
Broad money (M3) (percent change)	22.6	30.1	21.6	4.4	25.6	18.1	12.3	19.1	12.8
Money and quasi-money (M2) (percent change)	22.6	30.2	21.6	4.4	25.6	18.1	12.3	19.1	12.8
Claims on private sector (percent change)	25.8	25.9	28.8	6.2	22.2	25.4	14.0	21.0	17.8
Claims on central government (percent change; net)	-36.1	-8.3	-51.7	19.7	76.6	-5.1	-39.3	-3.4	-19.7
Money multiplier (M2/reserve money)	4.6	4.5	4.5	4.6	4.7	4.7	4.7	4.8	4.8
Velocity (GDP/M2)	3.4	3.2	3.5	3.3	3.3	3.5	3.4	3.5	3.5
Velocity (non-oil GDP/M2)	2.3	2.2	2.4	2.5	2.3	2.6	2.4	2.6	2.6
Credit to the private sector (percent of GDP)	14.4	13.9	14.6	13.7	15.1	13.7	15.2	13.9	14.4
Foreign currency deposits (share of total deposits)	47.7	54.7	47.6	53.1	47.6	52.1	47.6	51.1	50.1
Credit to the private sector in foreign currency (share of total credit)	31.8	27.4	29.8	32.8	27.3	30.8	25.3	26.7	23.3

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] Including exchange rate valuation.

Table 4a. Angola: Balance of Payments, 2019–23
(Millions of U.S. dollars, unless otherwise indicated)

	2019		2020		2021		2022		2023
	2nd Rev.	Prel.	2nd Rev.	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.	Proj.
Current account	**2,900**	**5,132**	**375**	**-1,255**	**340**	**-947**	**438**	**-711**	**-291**
Trade balance	20,070	20,593	17,421	9,586	17,824	11,290	18,597	13,225	14,836
Exports, f.o.b.	35,300	34,726	31,317	19,776	32,032	22,049	33,068	24,735	26,858
Crude oil	32,456	31,396	28,845	17,532	29,109	19,422	29,611	21,588	23,345
Gas and oil derivatives	1,493	1,309	1,003	728	1,253	878	1,253	959	1,020
Diamonds	1,130	1,130	1,200	1,247	1,308	1,388	1,628	1,612	1,698
Other	221	891	269	269	361	361	576	576	795
Imports, f.o.b	15,230	14,133	13,896	10,191	14,207	10,760	14,471	11,510	12,021
Services (net)	-9,507	-7,718	-9,865	-5,545	-10,367	-6,497	-10,878	-7,742	-8,573
Credit	597	455	561	401	533	353	556	373	394
Debit	10,104	8,172	10,426	5,946	10,900	6,850	11,434	8,114	8,967
Primary income (net)	-7,278	-7,516	-6,855	-5,044	-6,778	-5,469	-6,926	-5,899	-6,229
Credit	459	693	480	636	501	680	524	713	742
Debit	7,737	8,209	7,335	5,680	7,279	6,149	7,449	6,612	6,971
Secondary income (net)	-385	-227	-326	-252	-339	-271	-355	-295	-326
General Government	-16	-17	-11	6	-11	3	-12	-1	-4
Others	-369	-373	-315	-257	-328	-274	-343	-295	-322
Of which: Personal transfers	-327	-331	-280	-228	-291	-243	-304	-262	-286
Capital account	**3**	**2**	**3**	**2**	**3**	**2**	**3**	**2**	**2**
Financial account	**5,265**	**5,472**	**1,726**	**4,412**	**1,872**	**1,502**	**-759**	**-1,377**	**-614**
Direct investment	554	1,749	-85	-1,175	-811	-1,695	-1,787	-2,272	-3,034
Net acquisition of financial assets	5	-2,349	4	-195	4	-217	4	-241	-260
Net incurrence of liabilities	-549	-4,098	90	980	816	1,478	1,791	2,031	2,774
Portfolio investment	-3,153	-1,676	-1,653	265	-153	265	-2,153	265	265
Other investment	7,864	5,399	3,464	5,322	2,836	2,933	3,180	631	2,155
Trade credits and advances	-1,959	-1,871	-1,781	-1,150	-1,822	-1,269	-1,863	-1,411	-1,519
Currency and deposits	7,267	4,632	2,793	5,407	2,248	1,986	2,864	1,738	2,217
Loans	2,555	2,638	2,451	1,064	2,411	2,215	2,179	303	1,457
Medium and long-term loans	1,101	1,184	1,447	60	1,707	1,511	1,475	-401	753
Of which: Central Government (net)	2,283	2,253	1,943	556	2,285	2,089	1,941	76	876
Short-term loans	1,454	1,454	1,004	1,004	704	704	704	704	704
Others	0	0	0	0	0	0	0	0	0
Errors and omissions	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**-2,362**	**-338**	**-1,349**	**-5,665**	**-1,530**	**-2,448**	**1,200**	**668**	**324**
Financing	**2,362**	**338**	**1,349**	**5,665**	**1,530**	**2,448**	**-1,200**	**-668**	**-324**
Net international reserves authorities (- = increase)	1,199	-656	-559	3,202	-350	318	-1,200	-1,200	-1,098
Exceptional financing	1,164	995	1,908	2,463	1,879	2,130	0	0	0
Financing gap	1,164	995	1,908	2,463	1,879	2,130	0	0	-98
IMF	499	495	1,123	1,463	1,129	1,465	0	0	-98
Other IFIs	665	500	785	1,000	750	665	0	0	0
Memorandum items:									
Current account (percent of GDP)	3.3	5.7	0.5	-2.0	0.4	-1.4	0.5	-1.0	-0.4
Goods and services balance (percent of GDP)	12.0	14.4	10.0	6.5	9.5	7.3	9.4	7.8	8.1
Trade balance (percent of GDP)	22.7	23.0	23.0	15.5	22.6	17.2	22.6	18.7	19.2
Capital and financial account (percent of GDP)	3.2	7.6	3.8	-3.2	3.3	1.3	2.0	1.4	2.0
Overall balance (percent of GDP)	-2.7	-0.4	-1.8	-9.2	-1.9	-3.7	1.5	0.9	0.4
Exports of goods, f.o.b. (percent change)	-13.4	-14.8	-11.3	-43.0	2.3	11.5	3.2	12.2	8.6
Of which: Oil and gas exports (percent change)	-14.3	-14.1	-12.1	-44.2	1.7	11.2	1.7	11.1	8.1
Imports of goods, f.o.b. (percent change)	-3.7	-10.5	-8.8	-27.9	2.2	5.6	1.9	7.0	4.4
Terms of trade (percent change)	-14.1	-11.2	-12.5	-41.3	2.1	11.3	5.7	3.0	8.3
Exports of goods, f.o.b. (share of GDP)	39.9	38.8	41.4	32.0	40.7	33.5	40.2	35.0	34.7
Imports of goods, f.o.b. (share of GDP)	17.2	15.8	18.4	16.5	18.1	16.4	17.6	16.3	15.5
Gross international reserves									
Millions of U.S. dollars	15,470	17,321	17,152	15,582	18,631	16,729	19,831	17,929	18,929
Months of next year's imports	7.6	12.9	8.2	10.6	8.6	10.2	9.1	10.3	10.3
Official exchange rate (average, kwanzas per U.S. dollar)	368	365	...	...	...	...	...	...	...

Sources: Angolan authorities; and IMF staff estimates and projections.

Table 4b. Angola: Balance of Payments, 2019–23
Debt Reprofiling Recorded as Exceptional Financing
(Millions of U.S. dollars, unless otherwise indicated)

	2019		2020		2021		2022		2023
	2nd Rev.	Prel.	2nd Rev.	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.	Proj.
Current account	**2,900**	**5,132**	**375**	**-1,505**	**340**	**-832**	**438**	**-412**	**109**
Trade balance	20,070	20,593	17,421	9,586	17,824	11,290	18,597	13,225	14,836
Exports, f.o.b.	35,300	34,726	31,317	19,776	32,032	22,049	33,068	24,735	26,858
Crude oil	32,456	31,396	28,845	17,532	29,109	19,422	29,611	21,588	23,345
Gas and oil derivatives	1,493	1,309	1,003	728	1,253	878	1,253	959	1,020
Diamonds	1,130	1,130	1,200	1,247	1,308	1,388	1,628	1,612	1,698
Other	221	891	269	269	361	361	576	576	795
Imports, f.o.b	15,230	14,133	13,896	10,191	14,207	10,760	14,471	11,510	12,021
Services (net)	-9,507	-7,718	-9,865	-5,545	-10,367	-6,497	-10,878	-7,742	-8,573
Credit	597	455	561	401	533	353	556	373	394
Debit	10,104	8,172	10,426	5,946	10,900	6,850	11,434	8,114	8,967
Primary income (net)	-7,278	-7,516	-6,855	-5,294	-6,778	-5,353	-6,926	-5,601	-5,828
Credit	459	693	480	636	501	680	524	713	742
Debit	7,737	8,209	7,335	5,930	7,279	6,033	7,449	6,314	6,570
Secondary income (net)	-385	-227	-326	-252	-339	-271	-355	-295	-326
General Government	-16	-17	-11	6	-11	3	-12	-1	-4
Others	-369	-373	-315	-257	-328	-274	-343	-295	-322
Of which: Personal transfers	-327	-331	-280	-228	-291	-243	-304	-262	-286
Capital account	**3**	**2**	**3**	**2**	**3**	**2**	**3**	**2**	**2**
Financial account	**5,265**	**5,472**	**1,726**	**6,800**	**1,872**	**3,736**	**-759**	**552**	**188**
Direct investment	554	1,749	-85	-1,175	-811	-1,695	-1,787	-2,272	-3,034
Net acquisition of financial assets	5	-2,349	4	-195	4	-217	4	-241	-260
Net incurrence of liabilities	-549	-4,098	90	980	816	1,478	1,791	2,031	2,774
Portfolio investment	-3,153	-1,676	-1,653	265	-153	265	-2,153	265	265
Other investment	7,864	5,399	3,464	7,710	2,836	5,166	3,180	2,560	2,958
Trade credits and advances	-1,959	-1,871	-1,781	-1,150	-1,822	-1,269	-1,863	-1,411	-1,519
Currency and deposits	7,267	4,632	2,793	5,407	2,248	1,986	2,864	1,738	2,217
Loans	2,555	2,638	2,451	3,452	2,411	4,449	2,179	2,232	2,259
Medium and long-term loans	1,101	1,184	1,447	2,448	1,707	3,745	1,475	1,528	1,555
Of which: Central Government (net)	2,283	2,253	1,943	2,944	2,285	4,323	1,941	2,004	1,678
Short-term loans	1,454	1,454	1,004	1,004	704	704	704	704	704
Others	0	0	0	0	0	0	0	0	0
Errors and omissions	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**-2,362**	**-338**	**-1,349**	**-8,303**	**-1,530**	**-4,566**	**1,200**	**-962**	**-77**
Financing	**2,362**	**338**	**1,349**	**8,303**	**1,530**	**4,566**	**-1,200**	**962**	**77**
Net international reserves authorities (- = increase)	1,199	-656	-559	3,202	-350	318	-1,200	-1,200	-1,098
Exceptional financing	1,164	995	1,908	5,101	1,879	4,248	...	1,630	401
Financing gap	1,164	995	1,908	2,463	1,879	2,130	...	0	0
IMF	499	495	1,123	1,463	1,129	1,465	...	0	-98
Other IFIs	665	500	785	1,000	750	665	...	0	98
Debt reprofiling	...	...	...	2,638	...	2,118	...	1,630	401
Foreign interest	...	...	...	250	...	-116	...	-298	-401
Foreign amortization	...	...	...	2,388	...	2,234	...	1,929	802
Memorandum items:									
Current account (percent of GDP)	3.3	5.7	0.5	-2.0	0.4	-1.4	0.5	-1.0	-0.4
Goods and services balance (percent of GDP)	12.0	14.4	10.0	6.5	9.5	7.3	9.4	7.8	8.1
Trade balance (percent of GDP)	22.7	23.0	23.0	15.5	22.6	17.2	22.6	18.7	19.2
Capital and financial account (percent of GDP)	3.2	7.6	3.8	-3.2	3.3	1.3	2.0	1.4	2.0
Overall balance (percent of GDP)	-2.7	-0.4	-1.8	-9.2	-1.9	-3.7	1.5	0.9	0.4
Exports of goods, f.o.b. (percent change)	-13.4	-14.8	-11.3	-43.0	2.3	11.5	3.2	12.2	8.6
Of which: Oil and gas exports (percent change)	-14.3	-14.1	-12.1	-44.2	1.7	11.2	1.7	11.1	8.1
Imports of goods, f.o.b. (percent change)	-3.7	-10.5	-8.8	-27.9	2.2	5.6	1.9	7.0	4.4
Terms of trade (percent change)	-14.1	-11.2	-12.5	-41.3	2.1	11.3	5.7	3.0	8.3
Exports of goods, f.o.b. (share of GDP)	39.9	38.8	41.4	32.0	40.7	33.5	40.2	35.0	34.7
Imports of goods, f.o.b. (share of GDP)	17.2	15.8	18.4	16.5	18.1	16.4	17.6	16.3	15.5
Gross international reserves									
Millions of U.S. dollars	15,470	17,321	17,152	15,582	18,631	16,729	19,831	17,929	18,929
Months of next year's imports	7.6	12.9	8.2	10.6	8.6	10.2	9.1	10.3	10.3
Official exchange rate (average, kwanzas per U.S. dollar)	368	365	...	...	...	...	...	...	...

Sources: Angolan authorities; and IMF staff estimates and projections.

Table 5. Angola: Public Debt, 2019–25

(Percent of GDP)

	2019		2020		2021		2022		2023	2024	2025
	2nd Rev.	Prel.	2nd Rev.	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.		Projections	
Total public debt[1]	**110.9**	**109.2**	**102.0**	**122.8**	**95.1**	**112.5**	**86.0**	**97.5**	**86.8**	**77.0**	**69.7**
Short-term	2.3	0.9	0.4	2.0	0.3	1.6	0.4	1.4	1.7	1.4	1.1
Medium and long-term	108.5	108.4	101.6	120.9	94.8	110.9	85.6	96.2	85.2	75.6	68.7
Domestic	34.4	33.0	26.5	28.9	23.9	23.4	19.6	18.6	16.1	14.1	12.3
Short-term	2.2	0.7	0.2	1.8	0.1	1.4	0.2	1.2	1.5	1.3	0.9
Medium and long-term	32.2	32.3	26.3	27.1	23.8	22.0	19.4	17.4	14.5	12.8	11.3
External	76.5	76.2	75.5	94.0	71.2	89.1	66.4	78.9	70.8	62.9	57.5
Short-term	0.2	0.2	0.2	0.2	0.1	0.2	0.1	0.2	0.1	0.1	0.1
Medium and long-term	76.3	76.1	75.3	93.8	71.0	88.9	66.2	78.8	70.6	62.8	57.4
Of which: Sonangol	6.8	6.6	6.1	7.3	5.8	6.9	5.2	5.9	4.7	3.5	3.2

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] Includes debt of the Central Government, external debt of state oil company Sonangol and state airline company TAAG, and guaranteed debt.

Table 6. Angola: Financial Soundness Indicators, September 2018–September 2019

(Percent)

	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
Capital Adequacy													
Regulatory capital/Risk-weighted assets	23.4	27.0	27.5	24.2	29.0	30.1	31.4	31.1	24.3	27.3	27.5	27.7	27.9
Core Capital (Tier 1)/Risk-weighted assets	18.3	21.1	21.5	21.7	22.7	23.9	24.8	24.6	20.6	22.4	22.5	23.0	23.6
Asset Quality													
Foreign Currency Credit/Total Credit	27.9	28.2	28.6	28.1	27.1	27.3	28.0	27.7	27.5	28.9	28.9	28.9	29.2
Nonperforming loans (NPLs) to gross loans	27.7	27.1	26.7	28.3	28.1	27.8	28.4	28.5	29.4	35.5	35.5	35.4	34.6
(NPLs - Provisions for NPLs)/Core Capital	18.7	16.7	15.2	19.9	14.8	12.9	1.7	1.1	3.0	-13.4	-13.1	-13.0	-13.7
Distribution of Credit by Sector													
Claims on the private sector/Gross domestic assets	30.2	29.9	29.7	30.2	29.7	29.2	28.8	29.1	29.2	27.7	27.6	27.3	27.5
Claims on the government/Gross domestic assets	40.4	40.3	39.7	39.9	39.2	39.8	39.3	38.5	38.6	34.3	34.6	33.7	34.2
Earnings and Profitability													
Return on Assets (ROA)	4.4	4.6	4.4	4.4	0.8	1.2	0.9	1.2	1.5	0.4	0.1	0.3	0.8
Return on Equity (ROE)	24.5	25.3	24.8	26.6	4.9	6.3	4.6	6.4	8.4	2.6	0.7	1.9	6.3
Total Costs/Total Income	99.5	99.5	99.6	99.6	99.5	99.7	99.9	99.9	99.9	102.6	98.1	93.7	86.8
Interest Rate on Loans - Interest Rate on Demand Deposits (Spread)	28.0	28.5	26.9	27.3	19.5	23.8	24.1	23.0	22.0	19.9	21.2	21.1	19.1
Interest Rate on Savings	4.4	4.2	3.9	4.5	5.3	5.2	6.3	3.6	4.2	3.7	3.8	4.1	4.5
Liquidity													
Liquid Assets/Total Assets	20.5	21.2	21.9	22.2	21.8	22.2	23.1	24.5	22.8	24.4	24.1	23.5	24.3
Liquid Assets/Short-term Liabilities	27.5	28.4	29.2	28.6	29.0	29.6	29.8	31.3	29.1	30.8	30.2	29.5	30.4
Total Credit/Total Deposits	47.1	46.7	45.4	44.2	45.3	44.6	43.5	43.8	44.1	44.1	44.4	43.2	44.0
Foreign Currency Liabilities/Total Liabilities	44.8	46.5	46.5	46.1	46.6	45.7	45.7	45.6	45.8	45.7	46.1	46.5	47.6
Sensitivity and Changes to Market[1]													
Net open position in foreign exchange to capital [2]	55.3	36.0	33.5	36.5	28.9	29.4	29.3	29.0	32.2	30.6	14.2	23.1	28.4
Number of reporting banks during the period	29	29	29	27	26	26	26	26	26	26	26	26	26

Sources: Angolan authorities; and IMF staff estimates.

[1] Based on the information provided by the Department of Supervision of Financial Institutions of Banco Nacional de Angola.

[2] Positive numbers indicate a long position in U.S. dollars.

Table 7. Angola: Fiscal Financing Needs and Sources, 2019–25

(Billions of U.S. dollars, unless otherwise indicated)

	2019		2020		2021		2022	2023	2024	2025
	2nd Rev.	Prel.	2nd Rev.	Proj.	2nd Rev.	Proj.	Projections			
Financing Needs[1] (A)	**13.4**	**14.1**	**12.9**	**12.0**	**9.2**	**9.0**	**7.4**	**7.7**	**7.2**	**8.7**
Primary deficit (cash basis)	-6.2	-5.9	-5.5	-2.2	-6.3	-3.2	-4.2	-4.7	-4.9	-5.1
Debt service	14.9	16.0	16.5	13.4	13.4	11.9	11.4	12.4	12.0	13.6
External debt service	7.9	8.5	8.3	5.1	8.3	6.4	4.7	6.2	6.7	8.7
Principal	5.3	6.0	5.7	2.6	5.6	3.9	2.1	3.5	4.0	6.0
Interest	2.6	2.4	2.6	2.4	2.7	2.6	2.6	2.7	2.7	2.6
Domestic debt service	7.0	7.5	8.2	8.4	5.1	5.5	6.7	6.2	5.4	4.9
Principal	4.8	5.3	6.1	6.5	2.8	3.8	5.1	4.9	4.2	3.9
Interest	2.2	2.2	2.1	1.8	2.3	1.7	1.5	1.3	1.1	1.0
Recapitalizations	0.6	0.1	0.3	0.4	0.8	0.0	0.0	0.0	0.0	0.0
Domestic arrears clearance	4.1	3.9	0.7	0.3	0.4	0.3	0.2	0.0	0.0	0.0
External arrears clearance	...	...	...	0.0	...	0.0	0.0	0.0	0.1	0.1
Sonangol reimbursement[2]	0.0	0.0	0.9	0.0	0.9	0.0	0.0	0.0	0.0	0.0
Financing Sources (B)	**12.2**	**12.6**	**9.8**	**9.5**	**6.5**	**6.9**	**7.4**	**7.7**	**7.2**	**8.7**
External debt disbursements	6.2	6.1	5.2	2.0	3.2	1.8	2.5	3.4	3.4	5.4
Domestic debt disbursements	5.1	4.5	3.6	3.0	3.1	2.7	4.1	4.5	3.9	3.3
Privatization	0.0	...	...	0.1	...	0.1	0.1	0.0	0.0	0.0
Deposits withdrawals (+)[3]	0.9	2.1	1.0	3.0	0.1	1.2	0.5	-0.3	-0.1	0.0
FSDEA asset sales	...	...	...	1.5	...	1.1	0.2	0.1	0.0	0.0
Financing Gap (A-B)	**1.2**	**1.5**	**3.1**	**2.5**	**2.7**	**2.1**	**0.0**	**0.0**	**0.0**	**0.0**
Program financing[4]	1.2	1.5	3.1	2.5	2.7	2.1	0.0	0.0	0.0	0.0
***Memorandum Items*:**										
Total cash balances[5]	1.6	0.1	1.5	0.0	1.4	0.1	1.0	0.1	0.0	0.0
External debt rollover rate (in percent)[6]	87	84	63	40	40	28	42	43	40	54
Domestic debt rollover rate (in percent)[7]	38	35	35	26	39	46	59	73	72	66

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] To be filled with new issuances. These financing needs may differ from the DSA's standardized gross financing needs.

[2] Repayment to Sonangol of debt related to the National Urbanization and Housing Plan (PNUH).

[3] This excludes FSDEA and cash transactions related to privatization receipts and arrears clearance starting in 2020.

[4] For past reviews, this includes balances transferred from escrow accounts to the Treasury's single account (including withdrawals from FSDEA). Starting from the Third Review, these have been reclassified and reflected in deposit withdrawals to ensure better comparability with the balance of payments.

[5] Domestic usable cash reserves, in months of total annual expenditure.

[6] Ratio of disbursements (excl. program financing) to external debt service.

[7] Ratio of domestic securities issuance (excl. government securities issued for recapitalizations and arrears clearance) to domestic debt service (excl. repayment of BNA advances).

Table 8. Angola: External Financing Requirements and Sources, 2019–25

(Millions of U.S. dollars)

	2019		2020		2021		2022		2023		2024		2025
	2nd Rev.	Prel.	2nd Rev.	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.	2nd Rev.	Proj.	Proj.
Gross financing requirements	**5,625**	**3,318**	**7,959**	**5,575**	**6,442**	**5,780**	**4,952**	**3,456**	**5,499**	**4,648**	**5,375**	**4,673**	**5,525**
Current account deficit	-2,900	-5,132	-375	1,217	-340	906	-438	664	-1,056	241	-1,542	-284	-628
External debt amortization	8,525	8,449	8,334	4,358	6,782	4,875	5,390	2,792	6,362	4,223	6,611	4,711	5,598
Government	5,334	5,512	5,874	2,557	5,535	3,926	4,205	2,054	4,889	3,523	5,243	4,127	6,035
Sonangol	1,561	1,508	1,781	1,781	1,299	1,299	1,312	1,301	1,565	1,554	1,590	1,579	900
Banks	323	323	323	323	323	323	323	323	323	323	323	323	323
Central Bank	0	0	0	0	0	0	1	0	2	0	2	0	0
Other private (net)	1,307	1,107	356	-303	-375	-674	-451	-886	-417	-1,177	-546	-1,318	-1,660
IMF	0	0	0	0	0	0	0	0	192	184	306	246	554
Gross sources of financing	**2,847**	**3,974**	**6,732**	**2,373**	**5,493**	**5,463**	**4,840**	**4,656**	**3,934**	**5,746**	**3,785**	**5,919**	**7,079**
Capital account (net)	3	2	3	2	3	2	3	2	3	2	3	2	2
Foreign direct investment (net)	-554	-1,749	85	1,136	811	1,652	1,787	2,224	2,412	2,982	2,445	3,091	3,099
External borrowing	6,502	6,407	6,030	4,174	5,047	3,658	3,914	3,628	4,012	4,197	3,780	4,016	4,510
Government[1]	4,136	4,207	3,980	2,124	3,297	1,908	2,264	1,978	2,462	2,647	2,430	2,666	3,160
Sonangol	1,666	1,500	1,500	1,500	1,300	1,300	1,200	1,200	1,100	1,100	900	900	900
Banks	700	700	550	550	450	450	450	450	450	450	450	450	450
Central bank	0	0	0	0	0	0	0	0	0	0	0	0	0
External debt securities - Eurobonds	3,000	3,000	1,500	0	0	0	2,000	0	2,000	0	2,000	0	1,500
Foreign deposits (net)	-7,267	-4,680	-2,793	-5,401	-2,248	-1,979	-2,864	-1,730	-4,493	-2,209	-4,442	-1,955	-2,788
IMF	499	495	1,123	1,463	1,129	1,465	0	0	0	0	0	0	0
World Bank and AfDB[2]	665	500	785	1,000	750	665	0	532	0	773	0	764	756
Change in reserves (+ = increase)	**-1,217**	**656**	**553**	**-3,202**	**350**	**-318**	**1,200**	**1,200**	**0**	**1,098**	**0**	**1,246**	**1,554**
Memorandum Items:													
Collateralized external debt stock	15,611	17,154	16,739	16,880	16,153	17,491	15,302	19,173	12,810	20,653	10,099	19,419	18,504

Sources: Angolan Authorities; and IMF staff estimates and projections.

[1] The bulk of which is project financing.

[2] Includes only budget support operations.

Table 9. Angola: Indicators of IMF Credit, 2019–28

(Units as indicated)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Actual	Projections								
Existing and prospective Fund arrangements					(Millions of SDRs)					
Disbursements	358.0	1,070.2	1,070.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock of existing and prospective Fund credit	1,073.0	2,143.2	3,213.4	3,213.4	3,079.3	2,900.5	2,498.7	1,963.1	1,427.6	892.0
Obligations	0.9	15.4	51.5	70.6	204.0	244.8	473.8	589.4	567.7	549.8
Principal (repayment/repurchase)	0.0	0.0	0.0	0.0	134.1	178.8	401.8	535.6	535.6	535.6
Charges and interest	0.9	15.4	51.5	70.6	69.9	66.0	72.0	53.9	32.1	14.2
Obligations, relative to key variables					(Percent)					
Quota	0.1	2.1	7.0	9.5	27.6	33.1	64.0	79.6	76.7	74.3
Gross domestic product	0.0	0.0	0.1	0.1	0.4	0.4	0.7	0.8	0.8	0.7
Gross international reserves	0.0	0.1	0.4	0.5	1.5	1.7	3.0	3.5	3.2	3.0
Unencumbered gross international reserves[1]	0.0	0.2	0.5	0.6	1.6	2.0	3.4	4.0	3.4	3.1
Export of goods and services	0.0	0.1	0.3	0.4	1.0	1.2	1.9	2.2	2.0	1.9
Unencumbered exports of goods and services[1]	0.0	0.1	0.3	0.4	1.1	1.3	2.0	2.4	2.1	1.9
Central Government revenues	0.0	0.2	0.6	0.7	1.8	2.1	3.4	4.0	3.6	3.3
Unencumbered Central Government revenues[1]	0.0	0.2	0.6	0.8	2.1	2.5	3.9	4.5	3.8	3.5
External debt service	0.0	0.4	1.1	2.1	4.5	5.0	7.7	10.6	9.8	7.3
Non-collateralized external debt service	0.0	0.7	1.3	2.7	6.6	8.5	10.6	15.7	11.3	7.9
Fund credit outstanding, relative to key variables					(Percent)					
Quota	145.0	289.6	434.2	434.2	416.1	391.9	337.6	265.3	192.9	120.5
Gross domestic product	1.7	4.7	6.7	6.2	5.5	4.7	3.8	2.8	1.9	1.1
Gross international reserves	8.5	18.8	26.3	24.6	22.3	20.0	16.0	11.8	8.2	4.8
Unencumbered gross international reserves[1]	10.8	21.3	28.4	26.2	24.9	23.3	18.0	13.2	8.6	5.0
External debt	2.9	5.5	8.2	8.1	7.9	7.6	6.6	5.3	4.0	2.7
Non-collateralized external debt[2]	4.3	8.0	12.1	12.6	12.8	12.1	10.3	7.8	6.0	4.0
Memorandum items:					(Millions of U.S. dollars, unless otherwise indicated)					
Quota (millions of SDRs)	740.1	740.1	740.1	740.1	740.1	740.1	740.1	740.1	740.1	740.1
Gross domestic product	89,417	61,797	65,774	70,725	77,356	84,239	90,904	97,153	102,629	108,483
Gross international reserves	17,321	15,582	16,729	17,929	18,929	19,929	21,506	22,984	24,280	25,664
Exports of goods and services	35,180	20,177	22,402	25,107	27,252	29,082	34,176	36,525	38,584	40,784
Central Government revenues	17,896	10,852	12,381	13,920	15,250	16,276	19,127	20,442	21,594	22,826
External debt service	8,001	5,012	6,503	4,696	6,200	6,796	8,459	7,671	8,064	10,515
Total external debt[3]	51,574	53,453	53,819	54,244	53,728	52,474	51,863	51,439	49,324	46,303

Sources: Angolan authorities; and IMF staff projections.

[1] Subtracting collateralized external debt service.

[2] Subtracting collateralized external debt.

[3] Including Sonangol, TAAG, and public guarantees.

Table 10. Angola: Access and Phasing Under the Extended Arrangement, 2018–21

(Units as indicated)

		Original Program			Revised Program		
Availability Date	Conditions[1]	Purchase			Purchase		
		Millions of SDRs	Millions of U.S. dollars	Percent of Quota	Millions of SDRs	Millions of U.S. dollars	Percent of Quota
December 7, 2018	Board approval of the Extended Arrangement	715	991	97	715	991	97
March 29, 2019	Observance of end-December 2018 performance criteria, completion of first review	179	249	24	179	249	24
September 30, 2019	Observance of end-June 2019 performance criteria, completion of second review	179	249	24	179	249	24
March 31, 2020	Observance of end-December 2019 performance criteria, completion of third review	400	547	54	731.7	1,000	99
October 30, 2020	Observance of end-June 2020 performance criteria, completion of fourth review	400	547	54	338.5	463	46
April 30, 2021	Observance of end-December 2020 performance criteria, completion of fifth review	400	548	54	535.1	732	72
November 1, 2021	Observance of end-June 2021 performance criteria, completion of sixth review	400	548	54	535.1	732	72
Total		**2,673**	**3,678**	**361**	**3,213.4**	**4,417**	**434**
***Memorandum item*:**							
Angola's quota		740.1			740.1		

Source: IMF.

[1] Observance of performance criteria includes both periodic and continuous performance criteria.

Annex I. Risk Assessment Matrix[1]

Potential Deviations from Baseline				
Source of Risks	**Relative Likelihood**	**Time Horizon**	**Impact on Angola**	**Policy Responses**
Prolonged Covid-19 outbreak. Containment measures remain in place (in some places intensify or need to be re-introduced) through early 2021. Longer containment and uncertainties about the intensity and the duration of the outbreak reduce supply (including through global value chains' disruption) and domestic and external demand. Deteriorating economic fundamentals and the associated decline in risk appetite result in a second wave of financial tightening (amplified as hidden fragilities are unmasked) and in debt service and refinancing difficulties for corporates and households. Rising bankruptcies translate into financial institutions' losses, forcing them to cut credit, with further adverse implications for growth. Concerns about public debt sustainability mount, and EMs and frontier economies experience a greater number of sudden stops.	**High**	**Short Term/ Medium Term**	**High**	Accommodate essential health spending and combine well-paced, growth-friendly spending adjustments that protect social spending and public investment with additional financing from international financial institutions (IFIs) and the donor community given limited scope for fiscal easing; let the exchange rate adjust to changes in global conditions; and persevere with structural reforms to diversify the economy.
Widespread social discontent and political instability. Social tensions erupt due to dissatisfaction with the policy response to the epidemic and the economic fallout, including massive unemployment, higher incidence of poverty and shortages of essentials. Beyond immediate economic disruption and adverse confidence effects, the resulting pollical instability complicates adjustment following Covid-19. **Intensified geopolitical tensions and security risks** (e.g., in response to pandemic) cause socio-economic and political disruption, disorderly migration, and lower confidence.	**Medium**	**Short Term**	**Medium**	Accelerate the roll out of the cash-transfer program. Target fiscal measures to the most affected sectors and households with the aim of alleviating liquidity constraints while ensuring transparency and accountability in managing spending related to COVID-19; proactively seek additional financing from IFIs and the donor community given limited fiscal buffers.
More protectionism. Pandemic-prompted protectionist actions (e.g., export controls) stay in place and deteriorating economic conditions re-ignite broader protectionist measures.	**High**	**Short Term**	**Medium**	Reach out proactively to main trade partners to protect exports. Speed up structural reforms to enhance external competitiveness and economic diversification, including greater trade and financial integration in SADC and AfCFTA.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. Conjectural risks are especially relevant over shorter horizons (up to 2 years) given the current baseline. Structural risks (omitted from this streamlined version) remain salient over shorter and longer horizons (up to 3 years). **April 2, 2020 edition of the RAM.**

Source of Risks	Relative Likelihood	Time Horizon	Impact on Angola	Policy Responses
Oversupply in the oil market. Supply increases following the breakdown of the OPEC+ agreement together with demand shocks mean that energy prices remain at depressed levels. Uncertainty about future production contribute to continued high price volatility.	High	**Short Term**	Medium	Maintain exchange rate flexibility; adopt a steadfast fiscal policy response, including by mobilizing non-oil tax revenues and adjusting public spending and improving its efficiency; and accelerate reforms to diversify the economy.
Stronger-than-expected decline in crude oil production, which would reduce growth, oil tax revenues, and availability of foreign exchange.	Medium	**Short Term/ Medium Term**	High	Streamline administrative procedures to attract investment to the oil sector; move expeditiously with Sonangol's restructuring; mobilize additional non-oil fiscal revenues; and accelerate reforms to diversify the economy.
Potential negative spillovers on the financial sector from the transition to a more flexible exchange rate. The capital position of some banks may be vulnerable to further exchange rate depreciation.	Medium	**Short Term/ Medium Term**	Low	Address gaps in prudential regulations; assess potential fiscal contingent liabilities from weak banks; proceed with public bank restructuring.
Shocks to the public debt trajectory, including further decline in oil prices, low economic growth, and materialization of contingent liabilities.	High	**Short Term/ Medium Term**	High	Re-calibrate monetary and fiscal policy to a proper response to the shock; continue to strengthen public debt management, state-owned enterprise oversight, and transparency of public debt statistics; and reprofile selected official debt service over an extended period.
Possibility that reform fatigue could arise, given pervasive hardships.	Medium	**Medium Term**	Medium	Scale up of cash transfers to protect the most vulnerable from the side effects of reforms; and continue well-focused technical assistance by the IMF and other development partners to mitigate implementation risks and mitigate side effects of reforms.

Annex II. Technical Assistance

Area	Tech. Ass. Provider	Timeline
Tax Policy and Revenue Administration		
Informality and international transfer pricing	IMF (FAD)	February 2020
Excise tax	IMF (FAD)	January 2020
VAT refunds	IMF (FAD)	Nov.–Dec. 2019
Building capacity in the implementation and monitoring of the multi-year reform plan	IMF (AFRITAC South)	November 2019
Transfer pricing	IMF (FAD)	October 2019
VAT strategy	IMF (FAD)	Sept. –Oct. 2019
Tax policy diagnostic assessment	IMF (FAD)	July 2019
Enhancing AGT capacity to manage reforms	IMF (AFRITAC South)	July 2019
IT upgrade to enable effective administration of VAT	IMF (AFRITAC South)	June 2019
Expenditure Policy and Expenditure Administration		
Expenditure management procedures and capacity building	IMF (AFRITAC South)	April 19
Energy subsidy reform and social safety net	World Bank	2019–21
Social safety net system: targeting, registration, payments	World Bank	2019–21
Pilot child cash-transfer program	UNICEF	Ongoing
Electricity tariff reform	World Bank	2021
Financial Programming and Policies (FPP1.0)	IMF (ICD)	January 2020
Public Financial Management		
Fiscal decentralization and PFM at subnational level	World Bank	Ongoing
Fiscal Reporting	IMF (FAD)	March 19–Jan. 20
Improving Cash Management to prevent arrears incurrences	IMF (AFRITAC South)	January 2020
Public investment management assessment (PIMA)	IMF (FAD)	December 2019
Information requirements for fiscal execution reports	IMF (FAD, AFRITAC)	November 2019
Fiscal responsibility law	IMF (FAD, LEG)	October 2019
PFM diagnostic	IMF (FAD)	April 2019
Medium- and long-term debt strategy	IMF (MCM) and World Bank	April 2019
SOE Reform		
SOE reform, privatization, and PPPs	World Bank	2019–21
Corporate governance, financial performance: SOE diagnostic	World Bank	2020
Capital Markets		
Development of capital markets	IMF (MCM)	2020
Monetary and Exchange Rate Policies, and Central Bank Governance		
Monetary policy implementation and operations	IMF (MCM)	2020

Area	Tech. Ass. Provider	Timeline
BNA Law	IMF (LEG)	2020
Foreign operations and FX policy implementation	IMF (MCM)	2019–20
Financial Sector Stability		
AML/CFT framework	IMF (LEG)	2019–20
Banking sector restructuring	IMF (MCM)	2020
Risk assessment of illicit financial flows	World Bank	Ongoing
Financial inclusion, supervision, and stability	World Bank	2022
Economic and Social Statistics		
Government finance and debt statistics	IMF (STA)	2019–20
National accounts, and external and monetary statistics	IMF (STA) and W.B.	2019–21
Economic census	World Bank	2019-20
Consumer Price Index (CPI)	IMF (STA)	2020
Angola Poverty Assessment	World Bank	2020
Angola Water, Sanitation, and Hygiene (WASH) Sector Diagnostic	World Bank	2020
Macroframework and Financial Programming	IMF (ICD/AFR)	2020–21
Business Climate		
Payments systems	World Bank	2020
Business environment reform (tax admin. and trade facilitation)	World Bank	2022

Sources: Angolan authorities; European Union (EU); UNICEF; World Bank; and IMF.

Annex III. Debt Sustainability Analysis Update

The collapse in oil prices in early 2020 and the ensuing exchange rate depreciation have led to a further increase in Angola's already very high public debt, creating serious challenges for debt sustainability. In response, the authorities have undertaken strong fiscal retrenchment, both in the near and the medium terms, and have secured significant reprofiling of debt service. Public debt is expected to peak at 123 percent of GDP at end-2020, in large part reflecting the one-off impact of real exchange rate depreciation, as well as lower growth. Under the program, it is projected to steadily decline to 70 percent of GDP by 2025, close to the authorities' medium-term target, driven by the envisaged structural fiscal consolidation, and supported by the large share of oil revenues, which provides a natural medium-term hedge to the initial exchange rate shock. At the same time, debt reprofiling helps assure financing in 2020 and reduces gross financing needs (GFNs) to more manageable levels from 2021 onwards. Notwithstanding, debt dynamics remain highly vulnerable to further shocks, and further debt relief may be needed if downside risks materialize.

A. Public Debt Sustainability Analysis

1. Public debt perimeter. For the purposes of this Debt Sustainability Analysis (DSA), the public debt perimeter covers the domestic and external debt of the Central Government; the external debt of the state-owned oil company, Sonangol, and the state-owned airline, TAAG; public guarantees; and reported external liabilities of other state entities, including external arrears.

2. Macro-fiscal and financing assumptions. The main macro-fiscal assumptions underpinning the DSA are based on the companion Staff Report (SR) baseline scenario for the Third Review: (i) adherence to the authorities proposed supplementary budget in 2020, underpinned by additional fiscal measures in 2020, to mitigate a deteriorated external environment; (ii) non-oil primary fiscal deficit (NOPFD) retrenchment in 2021, with the impact of structural revenue measures committed to by the authorities, carrying over into the medium term; (iii) more restrictive public sector support in 2020–21, including for bank recapitalization and Sonangol reimbursement; (iv) privatization receipts in 2020–21; and (v) steadfast implementation of the structural reform agenda. In addition, the current baseline framework reflects updates to the global macroeconomic assumptions and official statistics from Angola, which include: (i) continued recession in 2020, a recovery in 2021, and sustained growth in the medium term; and (ii) a lower oil production than envisaged in the Second Review of the EFF in 2020 and the medium term.

3. The main assumptions on budget financing and debt rollover include the following.

- *Financing gap:* Lower oil revenues give rise to a fiscal financing gap (SR Text Table, ¶22), which is assumed to be filled by additional spending cuts (SR Table 2b), the proposed augmentation of IMF access, continued budget support from international financial institutions and bilateral partners, and debt reprofiling. Specifically:
    - In the wake of uncertainty and global health concerns, international market conditions have deteriorated sharply increasing the cost of financing. Specifically, EMBIG sovereign spreads have increased sharply reaching 1,073 basis points at end-June 2020, implying

temporary loss of international capital market access. Accordingly, the authorities have requested IMF access augmentation up to the ceiling of normal access (from 361 percent of quota to 435 percent, corresponding to an additional US$748 million) to cover part of the projected financing gap—of which US$373 million will be disbursed in 2020.

- Angola is expected to benefit from budget support from other development partners in 2020, with about US$600 million from the World Bank, US$400 million from the AfDB (of which, US$165million, already disbursed, represents funds originally planned to be disbursed in 2019), and US$100 million from a bilateral official development agency.
- The authorities are committed to progressively aligning government security yields with market rates to support domestic rollover rates.
- *Financing needs*. GFNs will peak in 2020 and exceed the MAC-DSA's high-risk benchmark for emerging economies[1] (hereafter the "high-risk benchmark;" Text Table 1), but fiscal financing is assured. The authorities took decisive action to pre-pay a collateralized official bilateral credit line in December 2019. As part of the G20 Debt Service Suspension Initiative (G20DSSI), Angola is expected to benefit from a reprofiling of all principal and interest coming due between June 1 and December 31, 2020 from official creditors ("debt service suspension").[2] In addition, the authorities have received assurances from their large creditors to defer selected principal payments to well beyond the end of the program (Text Table 2 and Box 1).

Text Table 1. Angola: Fiscal Financing Needs and Sources, 2020–30
(Percent of GDP)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Financing Needs[1]	**19.9**	**13.8**	**10.5**	**9.9**	**8.6**	**9.6**	**6.4**	**7.0**	**10.8**	**8.9**	**9.0**
GFN as in the DSA	18.7	13.4	10.2	9.9	8.4	9.4	5.7	6.8	10.7	8.8	8.9
Overall deficit	3.6	1.6	0.0	-1.0	-1.3	-1.5	-1.8	-2.0	-2.0	-1.9	-2.1
Debt amortization	15.1	11.7	10.2	10.9	9.7	11.0	7.5	8.8	12.7	10.7	11.1
Domestic	11.0	5.8	7.3	6.3	5.0	4.3	1.9	2.9	4.7	3.0	3.4
External	4.1	6.0	2.9	4.6	4.7	6.6	5.6	5.9	7.9	7.7	7.7
Existing debt	4.1	6.0	2.7	4.0	3.9	5.2	3.3	3.1	4.9	4.6	4.7
New debt	0.0	0.0	0.2	0.6	0.8	1.5	2.3	2.9	3.1	3.1	3.0
Recapitalizations	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Clearance of payments arrears	0.5	0.5	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Clearance of external debt payments arrears	0.0	0.0	0.0	0.0	0.2	0.1	0.7	0.1	0.1	0.1	0.1
Sonangol reimbursement[2]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing Sources	**19.9**	**13.8**	**10.5**	**9.9**	**8.6**	**9.6**	**6.4**	**7.0**	**10.8**	**8.9**	**9.0**
Domestic deposit drawdown[3]	7.0	2.3	-0.1	0.4	0.3	0.1	0.0	0.0	0.0	0.0	0.0
Foreign deposit drawdown (escrow)	0.4	1.1	1.1	-0.7	-0.4	0.0	0.0	0.0	0.1	0.1	0.6
Privatization proceeds	0.1	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt issuance	12.3	10.4	9.4	10.2	8.7	9.6	6.4	7.0	10.7	8.8	8.5
Domestic	4.8	4.2	5.8	5.8	4.6	3.6	1.6	3.5	6.0	4.5	5.0
Treasury bills	1.8	1.4	1.2	1.5	1.3	0.9	0.2	0.4	1.4	0.7	1.5
Treasury bonds	3.0	2.8	4.6	4.3	3.3	2.6	1.4	3.1	4.7	3.8	3.5
Tbond in local currency (2-year)	2.8	2.3	2.2	3.4	0.8	0.7	0.4	0.4	0.4	0.3	0.3
Tbond in local currency (3-year)	0.0	0.0	0.0	0.0	2.1	1.9	1.0	2.7	4.3	3.5	3.2
Tbonds indexed to foreign currency	0.2	0.5	2.4	0.9	0.5	0.0	0.0	0.0	0.0	0.0	0.0
External	7.4	6.1	3.5	4.4	4.1	6.0	4.8	3.5	4.7	4.4	3.4
Of which: Eurobond	0.0	0.0	0.0	0.0	0.0	1.7	1.2	0.0	1.6	1.5	0.8
Of which: Budget support under the program	4.2	3.3	0.8	1.0	0.9	0.8	0.3	0.3	0.1	0.0	0.0

Sources: Angola authorities; and IMF staff estimates and projections.
[1] To be filled with new issuances. These financing needs may differ from the DSA's standardized gross financing needs.
[2] Repayment of past expenses related to the National Urbanization and Housing Plan (PNUH).
[3] Including estimated balances that could be transferred from escrow accounts and FSDEA to the Treasury single account.

[1] DSA for market-access countries (MACs): http://www.imf.org/external/np/pp/eng/2013/050913.pdf.

[2] Amounts reprofiled would be given a one-year grace period for payments, followed by three years of repayment.

Text Table 2. Angola: Central Government External Debt Service, 2020-2021
(Millions of U.S. dollars)

	2020	2021
External debt service, with reprofiling	**5,067**	**6,375**
Principal	2,642	3,862
Interest payments and commissions	2,425	2,513
Scheduled external debt service	**7,705**	**8,493**
Principal on Central Government debt	5,031	6,096
Interest payments and commissions	2,675	2,397
of which: on existing Central Government debt	2,577	2,170
Domestic debt service	**4,943**	**1,492**
Principal	0	0
Interest payments and commissions	4,943	1,492

Sources: Angolan authorities; and IMF staff calculations and estimates.

- *Medium term (2021–25)*. Fiscal retrenchment is expected to continue (SR Table 7) and international market access is expected to resume gradually in the post-program period. The baseline scenario assumes issuance of US$1.5 billion of Eurobonds in 2025 to roll over the bullet repayment falling due that year. It envisages continued external financing from secure existing credit lines and plausible multilateral borrowing. The baseline scenario assumes the rollover of about US$5.1 billion in dollar-denominated domestic debt coming due in 2022–23. It also assumes a gradual lengthening of domestic bond maturities, a key priority of the authorities. The authorities are working on supportive policies that would induce a reduction in the banking system's exposure to the *Banco Nacional de Angola* (BNA) in order to provide space to support an increase in maturity of Treasury bonds that banks can hold.

- *Long term (2026–30)*. The framework was extended to 2030 in order to verify that debt relief results in durably sustainable debt dynamics beyond the grace and IMF repayment periods. The assumptions underlying the framework are conservative. This is especially the case for (i) the oil-price assumption, which is some 12 percent lower than the recent *World Economic Outlook Update* (WEO) projections for 2020–21; (ii) domestic financing assumptions: continued gradual lengthening of domestic bond maturities, judged to be well within what the banking system can absorb; (iii) and external financing, stemming most from secure existing credit lines. In addition, growth is projected to decelerate from 2024 on, and no additional fiscal revenue measures are built into the framework.

- *Sonangol*. The baseline scenario assumes that the Treasury suspends reimbursing Sonangol from 2020 onwards for past quasi-fiscal National Urbanization and Housing Plan-related (PNUH) expenses. During the program, Sonangol expects to meet its financing needs with its own cash flow and asset sales, complemented by moderate new borrowing. The baseline scenario continues to assume conservative external borrowing by Sonangol, amounting to

US$1,5 billion in 2020, and a cumulative US$5.4 billion in 2021–25. Reflecting this, Sonangol's external debt ratio is projected to increase from 6.6 percent of GDP in 2019 to 7.5 percent of GDP in 2020 and then to decline steadily, reaching 3.3 percent by 2025.

- *TAAG*. The authorities intend to issue a central government guarantee of about US$105 million in 2020Q3 for the purchase of small planes, but will delay disbursements on the associated credit line. The baseline scenario assumes no other borrowing by TAAG given subdued economic activity in the aftermath of COVID-19.

- *Other systemically relevant state-owned enterprises (SOEs)*. The baseline scenario does not include prospective borrowing by other large SOEs that currently are not included in the debt perimeter, including Angola Telecom, ENDE, Endiama, ENSA, EPAL, Prodel, and RNT. The authorities report estimated borrowing of about 8 percent of GDP in 2019–22, likely requiring State guarantees.

- *Guarantees*. The baseline scenario includes prospective loans by the AfDB to the private sector with sovereign guarantees. The Government has also sought loans from international banks to support private sector development that may involve sovereign guarantees.[3] These will be incorporated in the baseline scenario, once loans are contracted and guarantees are issued. The program includes ceilings (*indicative targets*) on new guarantees by the State.

- *Privatization.* The baseline scenario includes conservative assumptions of privatization receipts (net of costs) amounting to US$75 million and US$100 million in 2020 and 2021, respectively.

- *Clearance of external arrears:* The baseline scenario assumes the gradual clearance of external arrears to a one private entity (beginning in 2024) and continued clearance of arrears to another private entity (including a one-off payment in 2025).

Box 1. Angola: Debt Reprofiling Operations

The authorities have requested debt service relief under the G20DSSI, have reached agreements on reprofiling selected debt with two of their large creditors, and are in discussions with them to finalize the operational modalities of these agreements.

- The authorities sent letters of request to the Paris Club Secretariat; the World Bank; the IMF; and relevant G20 countries.

[3] Loans from Afreximbank and Deutsche Bank in the amount of US$2.7 billion aim at supporting private-sector projects in the next 3–4 years. These loans will be intermediated by local banks and backed by State guarantees.

Box 1. Angola: Debt Reprofiling Operations (concluded)

- They continue engaging with their large creditors to finalize agreements on selected and voluntary reprofiling of debt service. The authorities signed an agreement with a large creditor in June 2020 on debt reprofiling. The agreement includes (i) a three-year deferral of principal payments; (ii) repayment of deferred principal falling due in 2020H2–2023H1 for the largest facility to be repaid over seven years after the grace period, with some additional modest relief of principal in 2024–25; (iii) for two smaller facilities, the original schedule of principal payment is moved three years into the future; (iv) interest payments falling due during the deferral period is to be serviced by drawing down the associated escrow account, which will be replenished gradually after the initial three year deferral period; and (v) no penalty for the reprofiling. An agreement with a second large creditor is being worked out with a similar reprofiling of principal payments. Interest payments on these loans are expected to be paid normally in the absence of associated escrow accounts. The authorities have secured concrete and credible financing assurances from these creditors. As a next step, they are working to finalize the debt reprofiling agreement. Discussions with regard to the reprofiling of another large official creditor are ongoing, with the aim of securing a reprofiling that would deliver outcomes consistent with program parameters.

In addition to supporting a steadily declining debt-to-GDP ratio, the debt reprofiling operations bring annual GFNs to more manageable levels throughout 2021–25 (average of 10.3 percent) and provide a moratorium in the next three years with a cumulative debt flow relief of US$6.7 billion. The agreed reprofiling package lowers GFNs further, to an annual average of 8.3 percent of GDP in 2026–30. The annual average GFN during 2021–30 is 9.3 percent.

4. **The forecast record for Angola's key macroeconomic variables—growth, primary balance, and inflation—shows a relatively large median error, compared with other program countries.** This reflects, in part, the large volatility in oil production and prices, swings in agricultural production owing to erratic weather conditions, and limited economic diversification. The MAC-DSA realism module continues to characterize Angola's fiscal adjustment as optimistic, compared to those in other IMF arrangements. However, this adjustment was largely frontloaded in 2018–19, and would have been largely completed absent the recent crisis confronting Angola.

5. **Public debt is projected to rise from 109 percent of GDP in 2019 to 123 percent of GDP in 2020.** The projections for 2020 mostly reflect the depreciation of the exchange rate and the collapse in oil prices in the wake of the COVID-19 shock (Text Table 3). Public debt is expected to decline to 113 percent of GDP in 2021, reflecting the beginning of recovery in growth and strong fiscal measures.

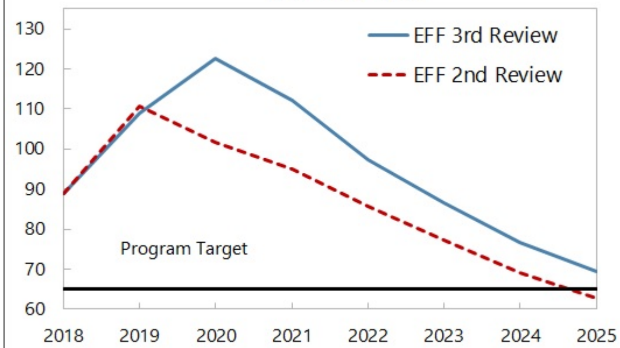
Text Table 3. Angola: Public Debt, 2019–21
(Percent of GDP)

Breakdown	2019		2020		2021	
	2nd Rev.	3rd Rev.	2nd Rev.	3rd Rev.	2nd Rev.	3rd Rev.
Domestic debt	**34.1**	**32.9**	**26.2**	**28.9**	**23.6**	**24.0**
Of which: FX Linked/Denominated	19.7	19.4	11.8	14.3	8.9	10.9
External debt	**75.9**	**75.6**	**74.5**	**92.4**	**69.9**	**86.6**
Central Government	69.0	68.7	68.2	84.8	63.9	79.4
Sonangol and TAAG	6.9	6.9	6.3	7.6	6.0	7.2
Guarantees	**0.9**	**0.8**	**1.3**	**1.6**	**1.6**	**1.9**
Total public debt	**110.9**	**109.2**	**102.0**	**122.8**	**95.1**	**112.5**

Sources: Angolan authorities; and IMF staff calculations and projections.

6. The public debt ratio is projected to remain elevated over the projection horizon and would take slightly longer to converge toward the medium-term anchor then previously projected (Text Figure 1). The structural adjustment in the NOPFD assumed in the baseline scenario coupled with debt reprofiling would help reverse the upward trend in the public debt-to-GDP ratio in 2021 and bring it close to the medium-term anchor by 2025. The rebound in growth, coupled with sustained recovery in the medium term—supported by structural reforms to unlock key impediments to growth in Angola, such as strengthened business climate and governance—would complement the fiscal consolidation that is already in the baseline scenario and reduce debt significantly by 2025.

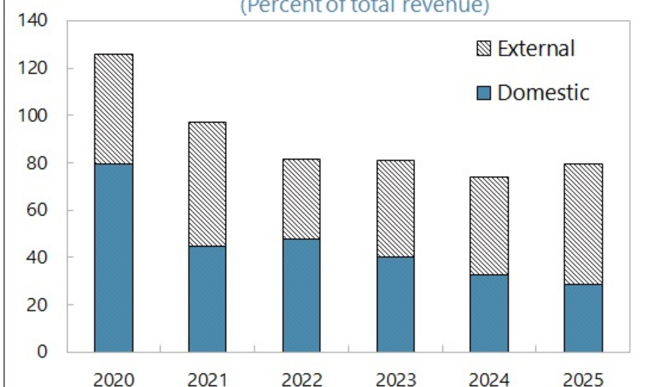
Text Figure 1. Angola: Central Government and Sonangol Debt, 2018–25[1]
(Percent of GDP)



Sources: Angolan authorities; and IMF staff estimates and projections.
1/ Including guaranteed debt.

7. Notwithstanding the debt reprofiling and strong fiscal consolidation, total debt service will remain large and warrants careful management. It is projected to exceed 100 percent of fiscal revenues in 2020, but this ratio will decline somewhat thereafter (Text Figure 2). The revenue forecasts underpinning this outlook are predicated on strong structural revenue measures in 2021, in line with the authorities' MEFP commitments, along the lines suggested by FAD technical assistance, with conservative initial yields, which can be expected to increase in the post-program period (SR Text Table in ¶7). The gains from the gradual phasing out of oil-collateralized debt envisaged under the program will increase the authorities' flexibility in managing their oil revenues. At the same time, GFNs are projected to remain contained from 2021 on, falling comfortably below the standard 15 percent of GDP threshold.

Text Figure 2. Angola: Debt Service Projections, 2020–25
(Percent of total revenue)



Sources: Angolan authorities; and IMF staff estimates and projections.

8. Angola's debt profile will remain subject to significant vulnerabilities, including exposure to currency risk (over four-fifths of Angola's debt is denominated in, or indexed to foreign currency, although the large share of oil revenues provides a strong medium-term hedge to exchange rate shocks); exposure to interest rate risk; and narrow creditor base, especially in the domestic market.

9. The baseline debt path is vulnerable to macroeconomic shocks, as noted below.

- *Growth shock*. If projected real GDP growth rates are lowered by one standard deviation, the debt ratio would remain significantly above the high-risk benchmark over the projection horizon.

- *Real exchange rate shock*. A 30-percent, one-time real depreciation of the Kwanza would increase the debt ratio to about 137 percent of GDP and debt would remain significantly above the high-risk benchmark over the projection horizon. Although further exchange rate depreciation would improve the Kwanza value of oil revenues—a factor not considered in this standardized shock scenario—it would also increase the interest bill.

- *Combined shock*. A combination of various macro-fiscal shocks—growth, inflation, primary balance, exchange rate, and a 200-basis-point increase in the effective interest rate—would increase the debt ratio to 164 percent of GDP, and GFNs above the high-risk benchmark. Under such a severe stress scenario, it is likely that Angola would no longer be able to service its debt.

- *Contingent-liability (CL) shocks*. The baseline scenario includes amounts equivalent to 0.7 percent of GDP for bank recapitalization in 2020. Under this scenario, both debt and GFN ratios would exceed the high-risk benchmarks in 2020, but fall below it in the ensuing years. The materialization of large borrowing or CL risks from non-financial SOEs could pose further threat to debt sustainability. CL risks should be mitigated under the program, including through adherence to prudent borrowing strategy; moderate issuance of sovereign guarantees; restructuring of Sonangol; and SOE privatization.

- *Oil-price shock*. To reflect the risk from Angola's high dependence on oil, a customized scenario featuring a two-year drop (averaging 30 percent) in the projected price of the Angolan oil basket is considered for 2020–21. Under this scenario, the debt-to-revenue ratio would peak at about 736 percent and the debt-to-GDP ratio would remain above the high-risk benchmark over the entire projection horizon.

10. Angola's public debt is highly vulnerable to downside risks. The asymmetric fan chart shows that in the case of systematically unfavorable macroeconomic shocks (e.g., fiscal and exchange rate shocks), the debt trajectory would exceed the high-risk benchmark with high likelihood.

11. The exposure of Angola's public debt to significant vulnerabilities is summarized by the heat map. This shows that debt and GFNs breach their high-risk benchmarks in both the baseline and stress test scenarios. The heat map also flags risks stemming from market sentiment (this is a change from the last review in part because of the sharp rise in sovereign spreads), investor base, and currency composition.

B. External Debt Sustainability Analysis

12. The debt coverage in the external DSA includes external debt of the Central Government, Sonangol, TAAG, and public guarantees of debt denominated in foreign currency. No information is available on private sector external debt. The authorities continue to make efforts to collect private sector debt data, including with the help of IMF technical assistance.

13. Angola's public external debt is projected to peak in 2020 and decline in the medium term. The path of Angola's external debt is projected to peak at 94 percent of GDP in 2020 and gradually converge to 58 percent of GDP in 2025. The drivers of the deteriorated external debt path are the same as those for public debt. The share of external debt in total debt would decline to represent about half of total debt in the medium term.

14. External financing requirements are projected to increase in 2020, but improve toward the end of the program. They would peak at about 10 percent of GDP in 2020, largely reflecting a sharp decline in oil prices and production, and decline to about 6 percent in 2022 before rising and stabilizing at about 7 percent of GDP in 2023–25, as the principal and interest payment deferrals underpinning debt reprofiling expire and higher debt service obligations roll in.

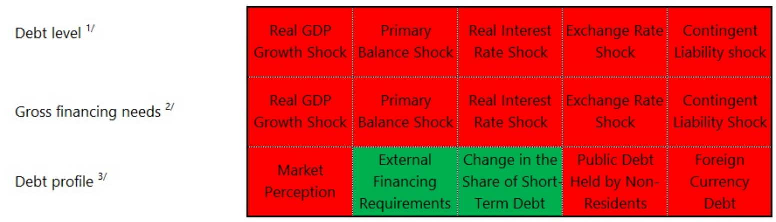
15. Angola's external debt remains vulnerable to shocks, especially to unfavorable current account developments and large exchange rate depreciation. Absent countervailing policy actions, external debt would peak at 155 percent of GDP in response to a 30 percent depreciation in the real effective exchange rate. It is also vulnerable to further declines in oil prices and growth, tighter financing conditions, and materialization of contingent liabilities from the financial sector.

C. Bottom Line Assessment

16. Angola's public debt is sustainable with substantial reprofiling of interest and principal payments and strong fiscal adjustment underpinned by structural non-oil revenue measures, although high risks remain. On this basis, following its 2020 peak, the debt ratio is projected to decline steadily toward the authorities' medium-term target. At the same time, an improved overall fiscal balance and the envisaged debt reprofiling are projected to keep GFNs contained in the medium term. However, in view of numerous sources of vulnerability, decisive action will be needed to safeguard debt sustainability if risks materialize.

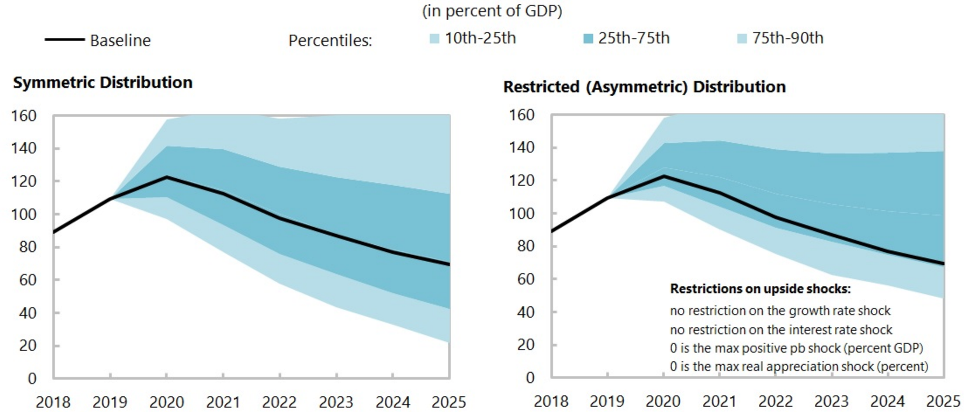
Figure 1. Angola: Public Sector Debt Sustainability Analysis (DSA)—Risk Assessment

Heat Map



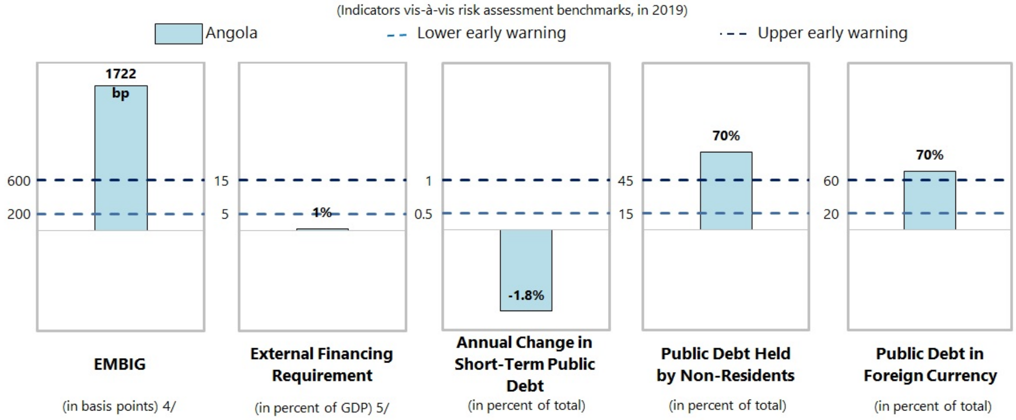
Evolution of Predictive Densities of Gross Nominal Public Debt

(in percent of GDP)



Debt Profile Vulnerabilities

(Indicators vis-à-vis risk assessment benchmarks, in 2019)



Source: IMF staff.

1/ The cell is highlighted in green if debt burden benchmark of 70% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

2/ The cell is highlighted in green if gross financing needs benchmark of 15% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

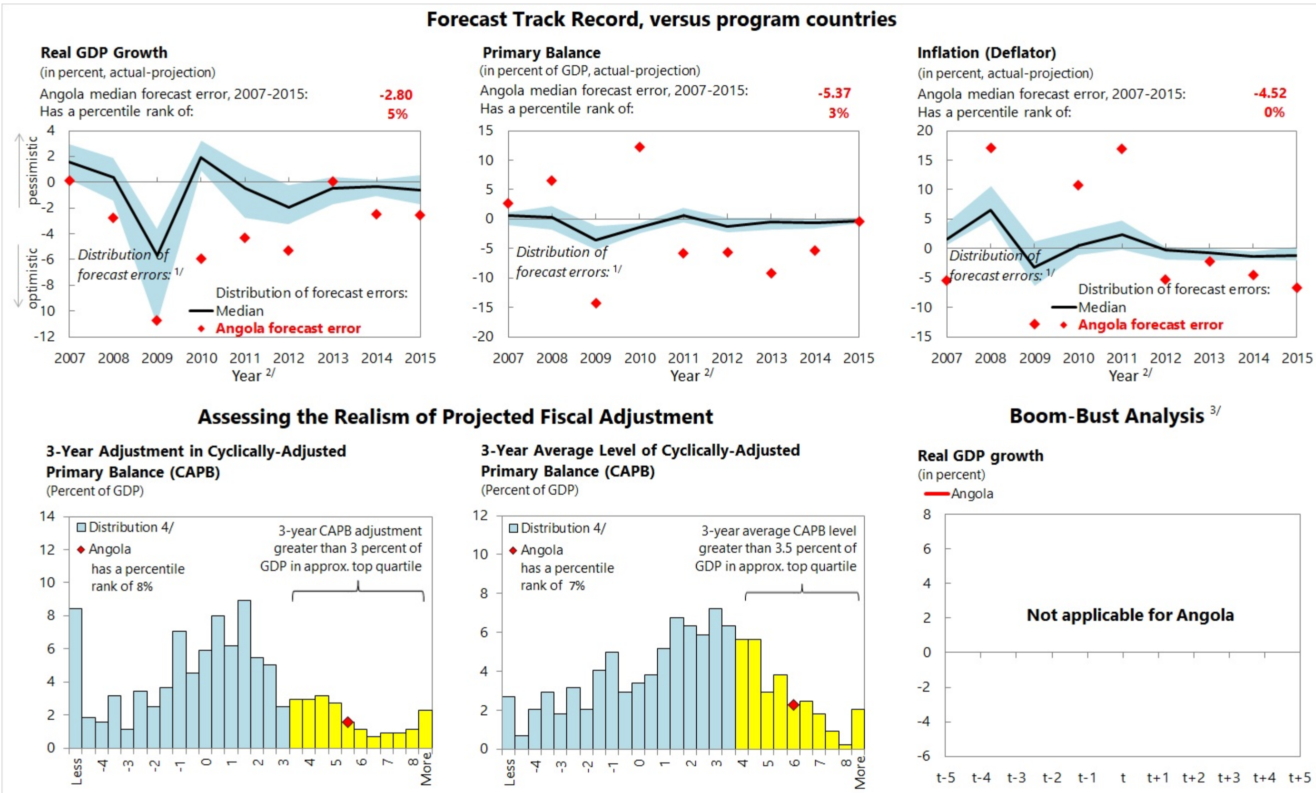
3/ The cell is highlighted in green if country value is less than the lower risk-assessment benchmark, red if country value exceeds the upper risk-assessment benchmark, yellow if country value is between the lower and upper risk-assessment benchmarks. If data are unavailable or indicator is not relevant, cell is white.
Lower and upper risk-assessment benchmarks are:

200 and 600 basis points for bond spreads; 5 and 15 percent of GDP for external financing requirement; 0.5 and 1 percent for change in the share of short-term debt; 15 and 45 percent for the public debt held by non-residents; and 20 and 60 percent for the share of foreign-currency denominated debt.

4/ EMBIG, an average over the last 3 months, 01-Apr-20 through 30-Jun-20.

5/ External financing requirement is defined as the sum of current account deficit, amortization of medium and long-term total external debt, and short-term total external debt at the end of previous period.

Figure 2. Angola: Public DSA—Realism of Baseline Assumptions



Source : IMF Staff.

1/ Plotted distribution includes program countries, percentile rank refers to all countries.

2/ Projections made in the spring WEO vintage of the preceding year.

3/ Not applicable for Angola, as it meets neither the positive output gap criterion nor the private credit growth criterion.

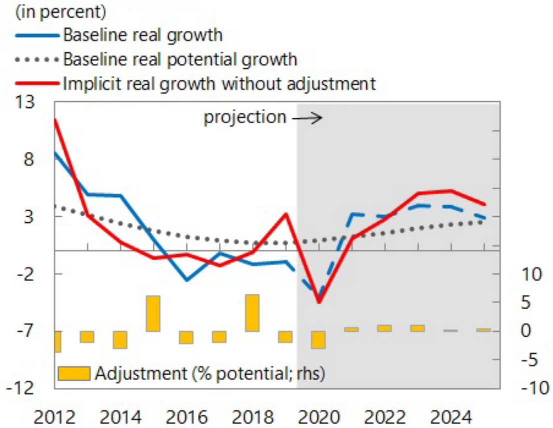
4/ Data cover annual observations from 1990 to 2011 for advanced and emerging economies with debt greater than 60 percent of GDP. Percent of sample on vertical axis.

Figure 2. Angola: Public DSA—Realism of Baseline Assumptions (concluded)

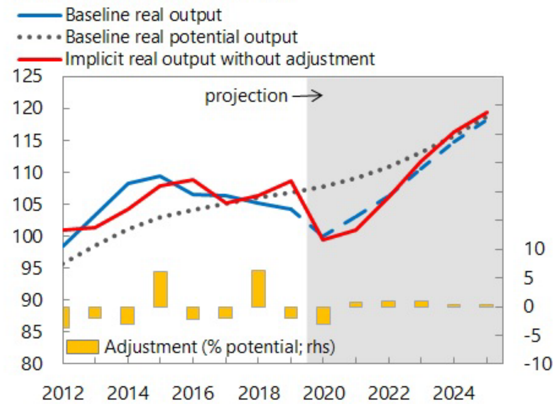
Growth and Level of Output in Absence of Fiscal Adjustment

Assumed multiplier of 1, persistence of 0.6

Real GDP Growth
(in percent)

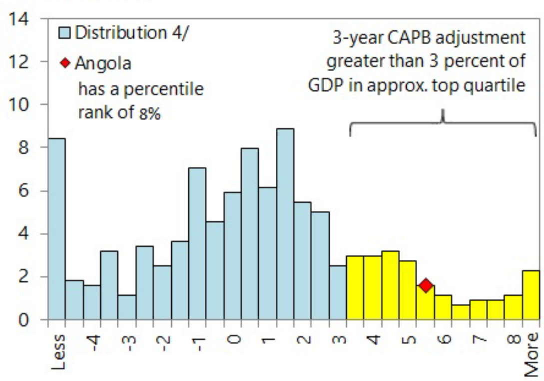


Real Output Level
(Baseline real output in 2020=100)



Assessing the Realism of Projected Fiscal Adjustment

3-Year Adjustment in Cyclically-Adjusted Primary Balance (CAPB)
(Percent of GDP)



3-Year Average Level of Cyclically-Adjusted Primary Balance (CAPB)
(Percent of GDP)

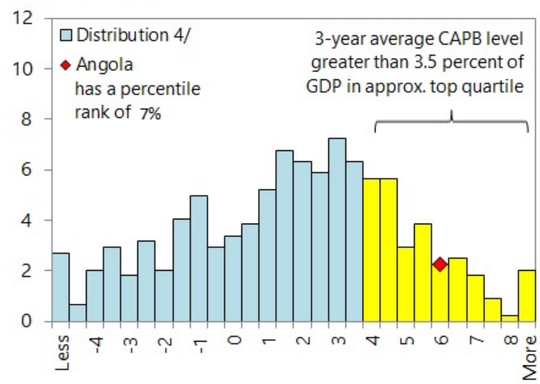


Figure 3. Angola: Public Sector Debt Sustainability Analysis (DSA)—Baseline Scenario

(Percent of GDP, unless otherwise indicated)

Debt, Economic and Market Indicators [1/]

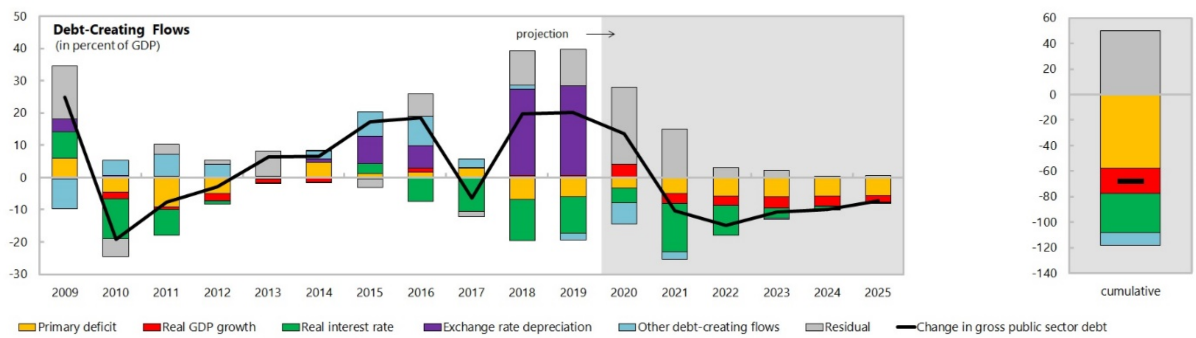
	Actual			Projections										
	2009-2017 [2/]	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total Nominal gross public debt	47.2	89.0	109.2	122.8	112.5	97.5	86.8	77.0	69.7	64.0	57.6	52.0	46.7	41.1
Debt of Central Government and Sonangol*	38.1	89.0	108.9	122.5	112.2	97.3	86.6	76.8	69.5	63.8	57.5	51.8	46.5	40.9
Public gross financing needs	11.9	15.6	10.9	18.7	13.4	10.2	9.9	8.4	9.4	5.7	6.8	10.7	8.8	8.9
Real GDP growth (in percent)	2.9	-1.2	-0.9	-4.0	3.2	3.0	4.0	3.8	3.0	3.2	3.3	3.4	3.5	3.5
Inflation (GDP deflator, in percent)	11.2	33.8	22.9	11.8	21.4	15.7	9.3	6.9	5.8	5.9	5.7	5.3	4.9	4.5
Nominal GDP growth (in percent)	14.4	32.2	21.8	7.3	25.2	19.2	13.6	11.0	9.0	9.3	9.2	8.9	8.5	8.2
Effective interest rate (in percent) [4/]	4.1	8.6	7.2	6.9	6.7	6.4	6.1	5.9	5.8	5.8	5.9	6.2	6.7	7.1

* Including guarantees.

As of June 30, 2020		
Sovereign Spreads		
EMBIG (bp) 3/		1073
5Y CDS (bp)		2655
Ratings	Foreign	Local
Moody's	B3	B3
S&Ps	CCC	CCC
Fitch	B-	B-

Contribution to Changes in Public Debt

	Actual			Projections												
	2009-2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	cumulative	debt-stabilizing primary balance [9/]
Change in gross public sector debt	4.2	19.7	20.2	13.6	-10.4	-14.9	-10.7	-9.8	-7.3	-5.7	-6.4	-5.6	-5.3	-5.6	-68.1	
Identified debt-creating flows	1.3	9.0	9.0	-10.3	-25.4	-18.0	-13.0	-10.2	-7.9	-7.7	-7.3	-6.6	-6.0	-5.6	-118.1	
Primary deficit	-0.3	-6.7	-6.0	-3.4	-4.9	-5.9	-6.1	-5.8	-5.6	-5.5	-5.4	-5.2	-5.1	-5.2	-58.0	-2.3
Primary (noninterest) revenue and grants	32.6	21.9	20.0	17.6	18.8	19.7	19.7	19.3	18.9	18.7	18.6	18.3	18.1	18.0	205.7	
Primary (noninterest) expenditure	32.3	15.2	14.0	14.2	13.9	13.8	13.6	13.5	13.3	13.2	13.2	13.1	13.0	12.8	147.8	
Automatic debt dynamics [5/]	-1.5	14.4	17.1	-0.4	-18.1	-12.1	-6.5	-4.0	-2.2	-2.2	-1.9	-1.4	-0.9	-0.5	-50.3	
Interest rate/growth differential [6/]	-3.9	-12.3	-10.7	-0.4	-18.1	-12.1	-6.5	-4.0	-2.2	-2.2	-1.9	-1.4	-0.9	-0.5	-50.3	
Of which: real interest rate	-3.1	-12.9	-11.3	-4.5	-15.0	-9.3	-3.1	-1.0	-0.1	-0.2	0.0	0.4	0.8	1.0	-31.0	
Of which: real GDP growth	-0.8	0.6	0.7	4.1	-3.1	-2.9	-3.4	-3.0	-2.1	-2.0	-1.9	-1.8	-1.7	-1.5	-19.4	
Exchange rate depreciation [7/]	2.4	26.8	27.8	...	...	...	...	...	...	...	...	...	...	...	0.0	
Other identified debt-creating flows	3.1	1.3	-2.1	-6.5	-2.4	0.0	-0.4	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	-9.8	
Domestic cash and deposits (negative)	1.0	0.4	-2.1	-7.2	-2.4	0.0	-0.4	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	-10.4	
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Equity and investment fund shares	2.1	0.9	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	
Residual, including asset changes [8/]	2.9	10.7	11.2	23.9	15.1	3.1	2.3	0.3	0.6	2.0	0.9	1.0	0.7	0.0	50.0	



Source: IMF staff.

1/ Public sector is defined as the Central government plus public companies and includes public guarantees, defined as CG garantees to SOEs and private firms.

2/ Based on available data.

3/ EMBIG.

4/ Defined as interest payments divided by debt stock (excluding guarantees) at the end of previous year.

5/ Derived as [(r - π(1+g) - g + ae(1+r)]/(1+g+π+gπ)) times previous period debt ratio, with r = interest rate; π = growth rate of GDP deflator; g = real GDP growth rate;
a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

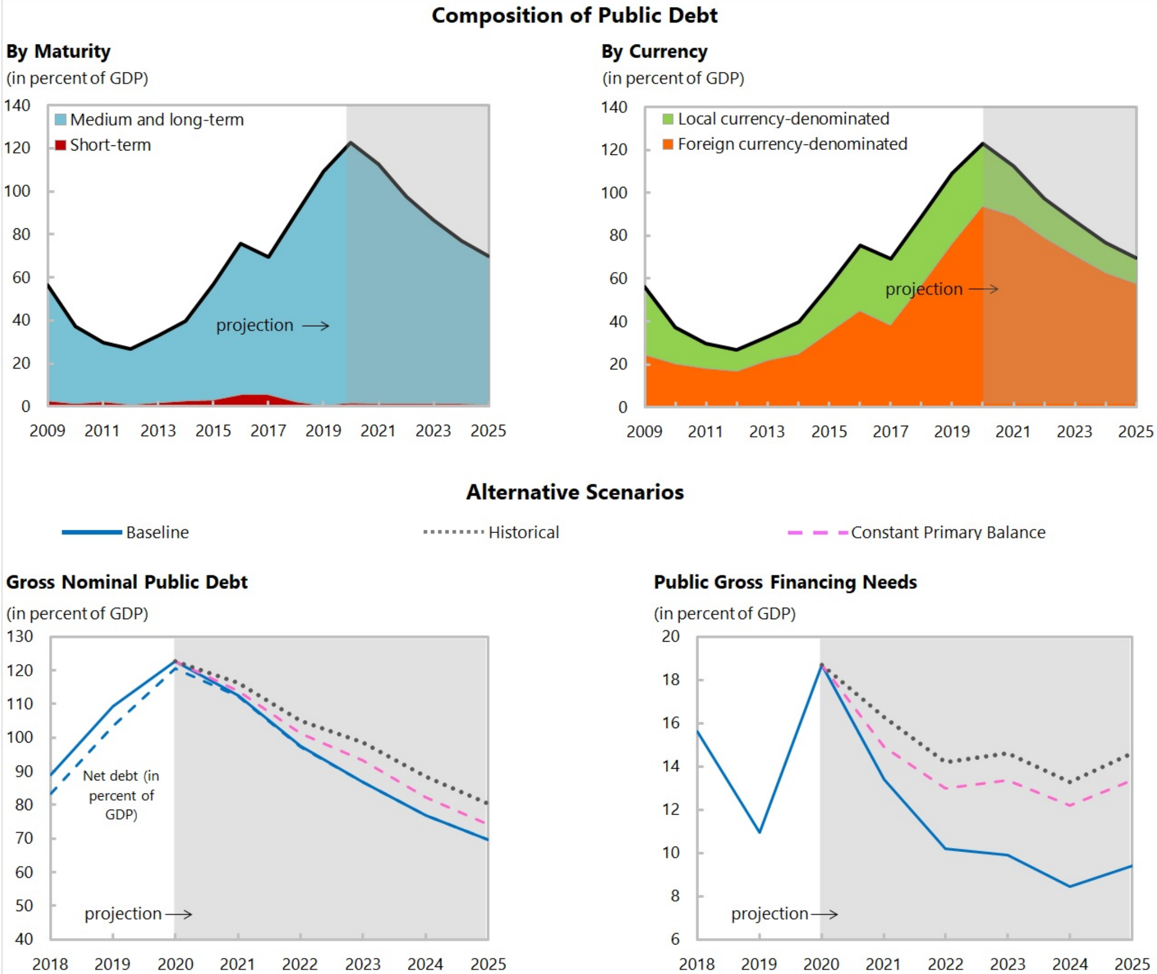
6/ The real interest rate contribution is derived from the numerator in footnote 5 as r - π (1+g) and the real growth contribution as -g.

7/ The exchange rate contribution is derived from the numerator in footnote 5 as ae(1+r).

8/ Includes changes in the stock of guarantees, asset changes, and interest revenues (if any). For projections, includes exchange rate changes during the projection period.

9/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

Figure 4. Angola: Public DSA—Composition of Public Debt and Alternate Scenarios



Underlying Assumptions
(in percent)

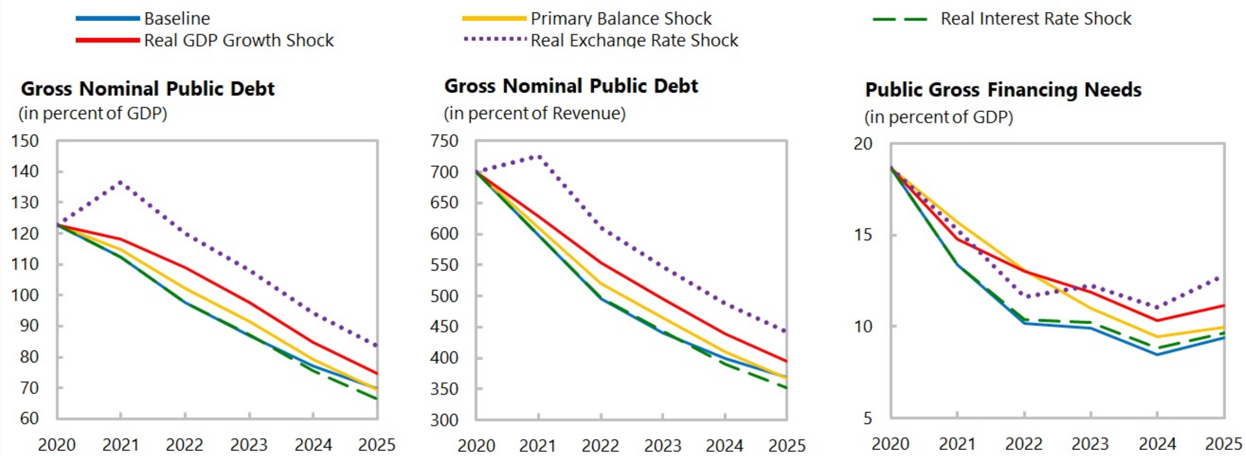
Baseline Scenario	2020	2021	2022	2023	2024	2025
Real GDP growth	-4.0	3.2	3.0	4.0	3.8	3.0
Inflation	11.8	21.4	15.7	9.3	6.9	5.8
Primary Balance	3.4	4.9	5.9	6.1	5.8	5.6
Effective interest rate	6.9	6.7	6.4	6.1	5.9	5.8
Constant Primary Balance Scenario						
Real GDP growth	-4.0	3.2	3.0	4.0	3.8	3.0
Inflation	11.8	21.4	15.7	9.3	6.9	5.8
Primary Balance	3.4	3.4	3.4	3.4	3.4	3.4
Effective interest rate	6.9	6.7	6.4	6.1	5.8	5.5

Historical Scenario	2020	2021	2022	2023	2024	2025
Real GDP growth	-4.0	2.3	2.3	2.3	2.3	2.3
Inflation	11.8	21.4	15.7	9.3	6.9	5.8
Primary Balance	3.4	2.1	2.1	2.1	2.1	2.1
Effective interest rate	6.9	6.7	5.9	5.0	4.2	3.6

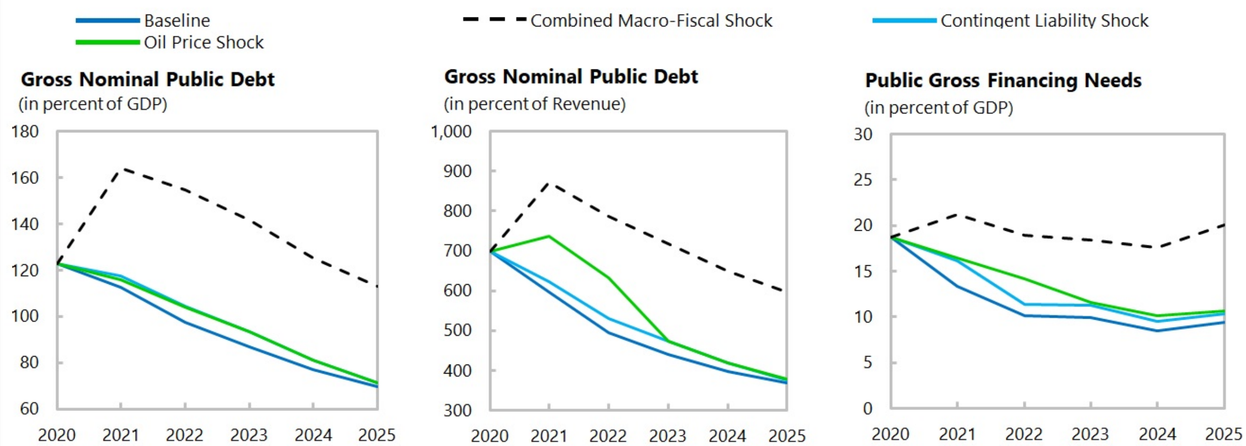
Source: IMF staff.

Figure 5. Angola: Public DSA—Stress Tests

Macro-Fiscal Stress Tests



Additional Stress Tests



Underlying Assumptions
(in percent)

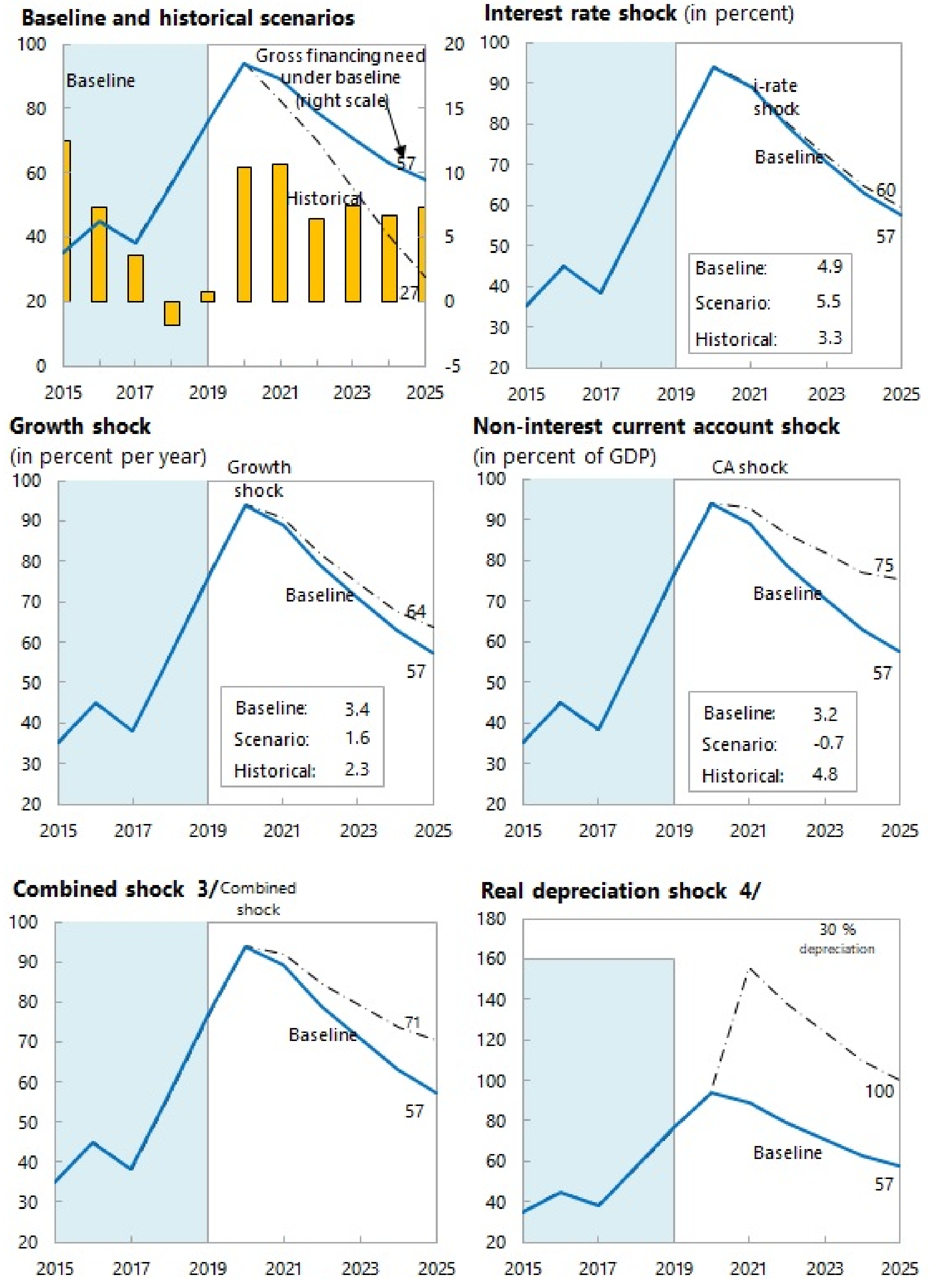
	2020	2021	2022	2023	2024	2025
Primary Balance Shock						
Real GDP growth	-4.0	3.2	3.0	4.0	3.8	3.0
Inflation	11.8	21.4	15.7	9.3	6.9	5.8
Primary balance	3.4	2.5	3.5	6.1	5.8	5.6
Effective interest rate	6.9	6.7	6.5	6.2	5.8	5.5
Real Interest Rate Shock						
Real GDP growth	-4.0	3.2	3.0	4.0	3.8	3.0
Inflation	11.8	21.4	15.7	9.3	6.9	5.8
Primary balance	3.4	4.9	5.9	6.1	5.8	5.6
Effective interest rate	6.9	6.7	6.6	6.4	6.2	6.1
Combined Shock						
Real GDP growth	-4.0	-0.4	-0.5	4.0	3.8	3.0
Inflation	11.8	20.5	14.8	9.3	6.9	5.8
Primary balance	3.4	2.5	3.5	6.1	5.8	5.6
Effective interest rate	6.9	8.6	6.4	6.3	6.2	6.0

	2020	2021	2022	2023	2024	2025
Real GDP Growth Shock						
Real GDP growth	-4.0	-0.4	-0.5	4.0	3.8	3.0
Inflation	11.8	20.5	14.8	9.3	6.9	5.8
Primary balance	3.4	4.3	4.6	6.1	5.8	5.6
Effective interest rate	6.9	6.7	6.4	6.1	5.8	5.5
Real Exchange Rate Shock						
Real GDP growth	-4.0	3.2	3.0	4.0	3.8	3.0
Inflation	11.8	36.8	15.7	9.3	6.9	5.8
Primary balance	3.4	4.9	5.9	6.1	5.8	5.6
Effective interest rate	6.9	8.6	6.1	5.9	5.6	5.4
Contingent Liability Shock						
Real GDP growth	-4.0	1.4	1.3	4.0	3.8	3.0
Inflation	11.8	20.9	15.3	9.3	6.9	5.8
Primary balance	3.4	2.9	5.9	6.1	5.8	5.6
Effective interest rate	6.9	7.1	6.5	6.1	5.8	5.5

Source: IMF staff.

Figure 6. Angola: External Debt Sustainability: Bound Tests [1/,2/]

(External debt in percent of GDP)



Sources: International Monetary Fund, Country desk data, and staff estimates.
1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.
2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.
3/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.
4/ One-time real depreciation of 30 percent occurs in 2021.

Table 1. Angola: External Debt Sustainability Framework, 2015–25

(Percent of GDP, unless otherwise indicated)

	Actual					Projections						
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Debt-stabilizing non-interest current account 6/
Baseline: External debt	35.1	45.0	38.2	56.8	76.2	**94.0**	**89.1**	**78.9**	**70.8**	**62.9**	**57.5**	**1.9**
Change in external debt	10.2	9.9	-6.8	18.6	19.4	17.7	-4.9	-10.2	-8.2	-7.9	-5.4	
Identified external debt-creating flows (4+8+9)	27.4	5.6	-14.9	0.4	5.9	7.7	1.4	1.8	1.4	0.9	1.0	
Current account deficit, excluding interest payments	9.2	3.5	-0.9	-11.1	-11.2	-2.1	-2.8	-2.9	-3.2	-3.5	-3.6	
Deficit in balance of goods and services	3.4	-0.9	-6.0	-17.9	-19.0	-7.1	-7.9	-7.9	-8.2	-8.4	-8.1	
Exports	33.4	28.4	29.2	47.7	52.0	35.3	36.9	36.4	35.7	34.7	33.5	
Imports	36.8	27.5	23.1	29.8	33.0	28.2	29.0	28.4	27.5	26.3	25.4	
Net non-debt creating capital inflows (negative)	8.7	-0.5	-7.2	-6.6	-2.6	2.0	2.7	3.2	3.9	3.7	3.4	
Automatic debt dynamics 1/	9.5	2.6	-6.8	18.1	19.7	7.9	1.4	1.4	0.7	0.7	1.2	
Contribution from nominal interest rate	0.8	1.4	1.5	2.6	3.6	4.3	4.2	3.8	3.5	3.2	2.9	
Contribution from real GDP growth	-0.3	0.9	0.1	0.6	0.7	3.6	-2.8	-2.4	-2.8	-2.5	-1.7	
Contribution from price and exchange rate changes 2/	9.1	0.2	-8.3	14.9	15.4	...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	-17.2	4.3	8.1	18.2	13.6	10.0	-6.3	-12.0	-9.5	-8.8	-6.4	
External debt-to-exports ratio (in percent)	105.1	158.7	131.1	119.1	146.6	266.3	241.6	217.1	198.0	181.3	171.3	
Gross external financing need (in billions of US dollars) 4/	12.9	7.3	4.4	-1.6	0.5	6.0	6.5	4.4	5.7	5.6	6.6	
in percent of GDP	12.5	7.4	3.6	-1.8	0.7	10.4	10.7	6.3	7.5	6.7	7.3	
Scenario with key variables at their historical averages 5/						**94.0**	**82.1**	**69.7**	**55.3**	**40.7**	**27.4**	**-3.6**
Key Macroeconomic Assumptions Underlying Baseline												
Real GDP growth (in percent)	0.9	-2.6	-0.2	-1.2	-0.9	-4.0	3.2	3.0	4.0	3.8	3.0	
GDP deflator in US dollars (change in percent)	-26.7	-0.7	22.6	-28.1	-21.3	-11.9	3.0	10.3	6.2	5.9	4.8	
Nominal external interest rate (in percent)	2.3	3.8	4.0	4.8	5.0	4.7	4.8	4.9	4.9	4.9	5.0	
Growth of exports (US dollar terms, in percent)	-43.4	-17.8	25.8	16.3	-15.0	-42.6	11.0	12.1	8.5	6.7	4.4	
Growth of imports (US dollar terms, in percent)	-29.1	-27.8	3.1	-8.4	-13.8	-27.7	9.1	11.4	7.0	5.2	4.1	
Current account balance, excluding interest payments	-9.2	-3.5	0.9	11.1	11.2	2.1	2.8	2.9	3.2	3.5	3.6	
Net non-debt creating capital inflows	-8.7	0.5	7.2	6.6	2.6	-2.0	-2.7	-3.2	-3.9	-3.7	-3.4	

1/ Derived as [r - g - r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock, with r = nominal effective interest rate on external debt; r = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.

2/ The contribution from price and exchange rate changes is defined as [-r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock. r increases with an appreciating domestic currency (e > 0) and rising inflation (based on GDP deflator)

3/ For projection, line includes the impact of price and exchange rate changes.

4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

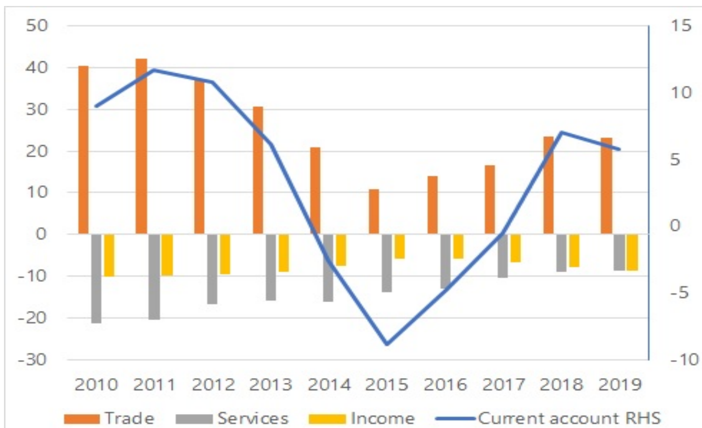
Annex IV. External Sector Assessment

Since the start of the program, Angola has made significant progress in bringing its external position closer to equilibrium: the large overvaluation that was built during the fixed exchange rate period has been eliminated; net external liabilities remain manageable; and foreign exchange (FX) reserve adequacy has been improving. The transition to a more flexible exchange rate regime has been a major factor in this regard and is providing a substantial buffer against external shocks. On the basis of standard methodologies, the external position is assessed to be substantially stronger than warranted by fundamentals for 2019, with an estimated Kwanza undervaluation of over 15 percent. The COVID-19 shock and the collapse in oil prices are a source of major uncertainty going forward, but the new exchange rate regime should play an important stabilizing role.[1]

1. Angola's current account (CA) remained in substantial surplus in 2019. Despite adverse oil sector developments—an 8 percent decline in oil prices and a 6½ percent decline in oil production—the trade balance (as a share of GDP) was little changed relative to 2018, as imports also remained subdued, mainly reflecting the shock-absorbing role of the exchange rate. From a longer-term perspective, the strengthening of the CA in recent years mainly reflects the rebound in oil prices from their 2015–17 slump, along with a steady narrowing of the services deficit—consistent with declining oil production (Text Figure 1).

Text Figure 1. Angola: Current Account Balance Components

(Percent of GDP)



Source: Angolan authorities.

2. Capital flows pose limited vulnerabilities. Although temporary loss of market access limits external financing, under the baseline scenario Angola is not envisaged to tap the Eurobond market over the next four years. Regarding other types of capital flows, portfolio equity and private portfolio debt flows are limited, with the bulk of financial flows representing long-maturity public sector placements abroad, project-related financing, and banking sector activities for facilitating international trade.

[1] Prepared by Ioannis Halikias.

3. The sharp fluctuations in the real effective exchange rate (REER) in recent years largely mirror shifts in exchange rate policy (Text Figure 2). A number of subperiods can be distinguished in this regard.[2]

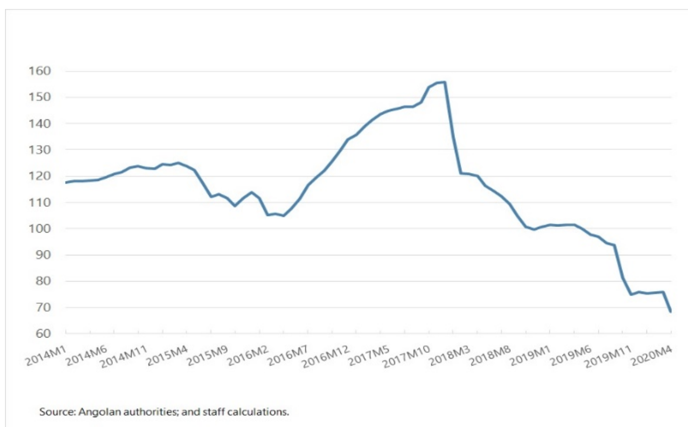
- Through *end-2017*, Angola pursued a de facto fixed exchange rate to the dollar. The peg was supported by heavy intervention, which resulted in large reserve losses, with oil prices declining from 2015 onward. In addition to intervention, the authorities relied on extensive FX rationing via a "priority list." As a result, the exchange rate had become substantially overvalued by end-2017.

- Faced with depleted reserves, the peg was abandoned at the *start of 2018*. Through the first three quarters of that year, the Kwanza was allowed to depreciate rapidly, with the priority list streamlined and ultimately abandoned. As a result of increased exchange rate flexibility and reduced intervention, staff's assessment at the time of the Extended Fund Facility program request was that the Kwanza's overvaluation had been largely corrected by end-2018, with 'EBA-lite' methodologies suggesting an exchange rate broadly in line with fundamentals (*IMF Country Report No. 18/370*).

- Starting in *the fourth quarter of 2018 and through the first half of 2019*, exchange rate policy shifted again. Nominal exchange rate adjustment became more restrained, with heavy intervention resulting in a substantial miss of the end-June 2019 performance criterion on net international reserves (NIRs). The pause in REER depreciation (and slight appreciation), at a time when lower oil prices implied a depreciating equilibrium exchange rate, entailed the progressive re-emergence of a substantial Kwanza overvaluation, as reflected in the widening of the official-parallel market premium from 20 percent to over 40 percent.

Text Figure 2. Angola: Real Effective Exchange Rate, 2014–20

(Index, 2010=100)



- The start of the *fourth quarter of 2019* witnessed another major shift in the exchange rate regime. The Kwanza was allowed to float—with much-reduced intervention—guided by the adoption, with IMF staff support, of an FX intervention budget consistent with the program's

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[2] Annex IV provides complementary information on exchange rate developments.

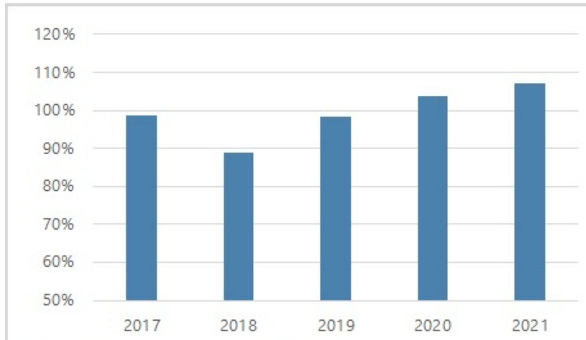
NIR targets. As a result, the Kwanza depreciated sharply in October, before eventually stabilizing around its market-clearing level, as reflected by the narrowing of the official-parallel market premium to under 20 percent.

- With the collapse in world oil prices in *March 2020*, in the wake of the COVID-19 pandemic, the REER started depreciating sharply again, a trend consistent with a depreciated equilibrium exchange rate.

4. **NIRs rose to US$11.3 billion at end-2019,** equivalent to 8½ months of prospective imports of goods and services. This reflected robust policy performance under the program, adverse oil sector developments notwithstanding, but also one-off factors—notably bringing forward a US$1.5 billion Eurobond issue. The NIR increase brought gross international reserves (GIRs) to US$17.3 billion, or 98 percent of the IMF's Assessing Reserves Adequacy (ARA) metric (Text Figure 3). Continued policy adjustment under the program, along with the proposed access augmentation, financing from other international financial institutions, also supported by debt reprofiling by the G20 and Angola's large creditors, are projected to bring GIRs to just under 110 percent of the ARA metric by the end of the program—albeit somewhat below the 120 percent threshold viewed as relevant for large commodity exporters.

Text Figure 3. Angola: International Reserve Adequacy, 2017–21

(Percent of ARA metric)

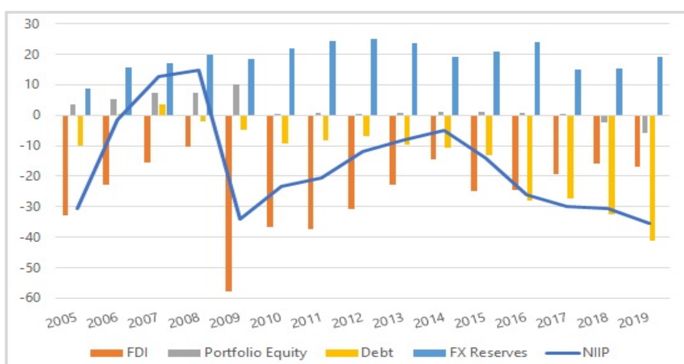


Source: Angolan authorities; and staff calculations.

5. **Despite the GIR buildup, Angola's net international investment position (NIIP) deteriorated somewhat** (as a share of GDP), falling to -35 percent of GDP by end-2019 (Text Figure 4). This deterioration fully reflects a denominator effect—the NIIP actually narrowed in U.S. dollar terms. The 2019 trends in the NIIP were once again dominated by rising sovereign external debt, reflecting continued Eurobond

Text Figure 4. Angola: Net International Investment Position, 2005–19

(Percent of GDP)



Source: Angolan authorities.

issuance. Overall, IMF staff continues to view Angola's vulnerabilities as manageable, with limited risk of capital flow reversals. Portfolio equity and private portfolio debt flows are limited, with the bulk of financial flows representing long-maturity public sector placements abroad, project-related financing, and banking sector activities for facilitating international trade. With no Eurobond issuance envisaged in the coming years, Angola's NIIP is projected to stabilize and its composition to improve, with foreign direct investment representing a growing share of external liabilities.

6. **Following the shift to a more flexible exchange rate regime, Angola's external position is assessed to be stronger than warranted by fundamentals.** Based on the balance of payments outturns for 2019, EBA-lite calculations suggest that the overvaluation, which had re-emerged by mid-2019, had been corrected by end-year, with the Kwanza being currently moderately undervalued. This could result from the overshooting of the exchange rate in the wake of the mid-October 2019 exchange rate liberalization. Specifically, the EBA-lite current account methodology points to an undervaluation of a little over 15 percent (Text Table 1), and a similar picture emerges from the REER methodology (Text Table 2).

Text Table 1. Angola: Current Account Methodology, 2019
(Percent)

CA-Actual	**5.8**
Cyclical Contributions (from model)	1.4
Cyclically adjusted CA	**4.4**
CA-Norm	**-0.9**
Cyclically adjusted CA Norm	**-2.3**
Multilaterally Consistent Cyclically adjusted CA Norm	**-1.8**
CA-Gap	**6.2**
of/which Policy gap	1.66
Elasticity	-0.37
REER Gap	**-16.9**
CA-Fitted	1.3
Residual	4.5
Natural Disasters and Conflicts	0.6

Source: Angolan authorities and staff calculations.

Text Table 2. Angola: EBA-Lite—REER Methodology
(Units as indicated)

Ln(REER) Actual	4.69
Ln(REER) Fitted	4.85
Ln(REER) Norm	4.85
Residual	-0.16
REER Gap	-15.7%
Policy Gap	1%
Natural Disasters and Conflicts	-1.2%

Source: Angolan authorities and staff calculations.

7. Looking ahead, the recent collapse in oil prices, in the wake of the COVID-19 pandemic, brings in a new period of uncertainty. Although the current account is projected to switch to a deficit and GIRs to decline in 2020, the more flexible exchange rate is expected to perform its shock-absorbing role. So far, exchange rate developments since the oil-price slump appear consistent with the depreciated equilibrium exchange rate: by April 2020, the REER depreciation reached almost 35 percent year-on-year, and the official-parallel market spread has been within a 6–30 percent range, suggesting that the Kwanza has remained close to market perceptions of the new equilibrium. Nonetheless, the recent extreme volatility in oil prices and overall risks to the macro- and policy frameworks warrant close monitoring.

Annex V. Transition to a Market-Clearing Exchange Rate

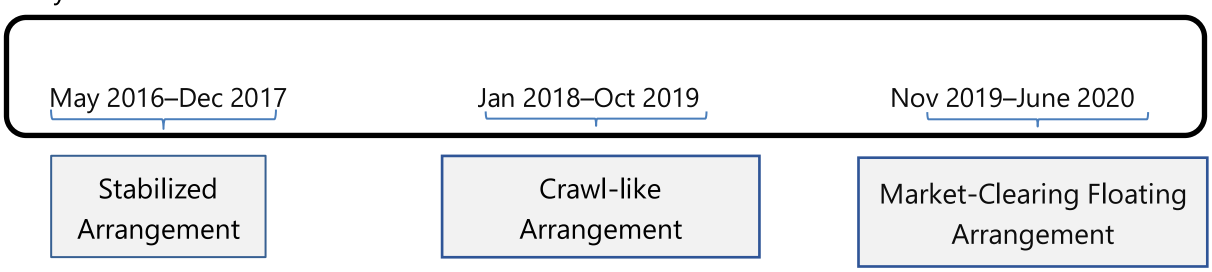
This annex focuses on the transition of Angola's exchange rate regime from a pegged toward a market-clearing exchange rate. The transition, reviewed during May 2016–June 2020, involved three phases featuring increasing exchange rate flexibility. The annex offers recommendations for completing the reform.[1]

A. From Fixed toward Market-Clearing Exchange Rate

1. Fixed exchange rate. From May 2016 to December 2017, the Kwanza was pegged to the U.S. at Kz 165.9 per US$1 (Text Figure 1). Defending the peg in a context of persistent external imbalances, following the decline in oil prices in 2014, came at the expense of shrinking foreign exchange (FX) reserves and substantial real appreciation. The resulting currency overvaluation led to loss of external competitiveness and a sizable spread between the official and the parallel exchange rates, peaking at 255 percent in mid-May 2016. The peg led to financial repression in FX markets.

Text Figure 1. Angola: Exchange Rate Regime Chronology, 2008–20

April 2008–September 2009:	Stabilized arrangement
October 2009–October 2010:	Other managed
November 2010–September 2014:	Stabilized arrangement
September 2014–May 2015:	Crawl-like arrangement
June 2015–April 2016:	Other managed
May 2016–December 2017:	See illustration below

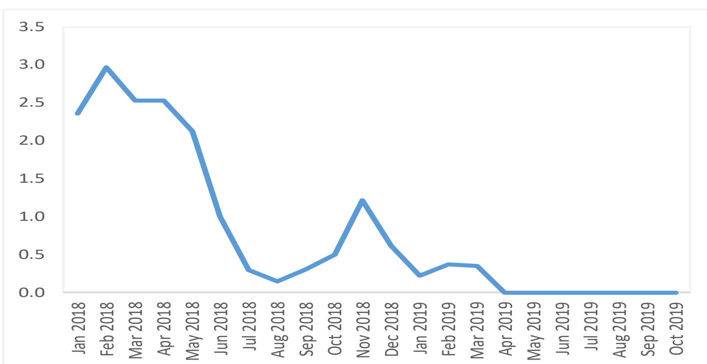


Sources: AREAER; and Authors' illustration.

[1] Prepared by Artemísia Gove and Carlos de Resende.

2. **Crawling peg** (January 2018–October 2019).[2] Faced with rapid depletion of international reserves, the central bank (*Banco Nacional de Angola*, BNA) abandoned the peg in January 2018. In practice, however, excluding two days of rapid depreciation—10.7 percent on January 10 and 11.6 percent a week later—the exchange rate depreciated within a *de facto* crawling peg, by an average of 0.2 percent a day.[3] The BNA controlled the official exchange rate by imposing limitations to FX auctions. Those included the use of maximum bid limits at auctions and restrictions on banks' participation.[4] The BNA issued a notice announcing the cessation of direct forex sales, at the end of September 2018, which was accompanied by a de jure removal of the 'priority list' (i.e., privileged access to FX). Between January 2, 2018 and October 10, 2019, the Kwanza depreciated by 136 percent against the U.S. dollar in nominal terms, while the REER depreciated by 40 percent. As a result (i) the weekly pace of loss in international reserves declined from US$134 million during the peg to US$39 million; and (ii) the official–parallel exchange rate spread narrowed from 151 percent in December 2017 to 26 percent in mid-October 2019. The liberalization also led to a reduction in the backlog of unmet FX demand (Text Figures 2–3). However, progress during the period was uneven, with occasional relapses.

Text Figure 2. Angola: Backlog of Unmet Foreign Exchange Demand, January 2018–October 2019
(Claims in US dollar billions)



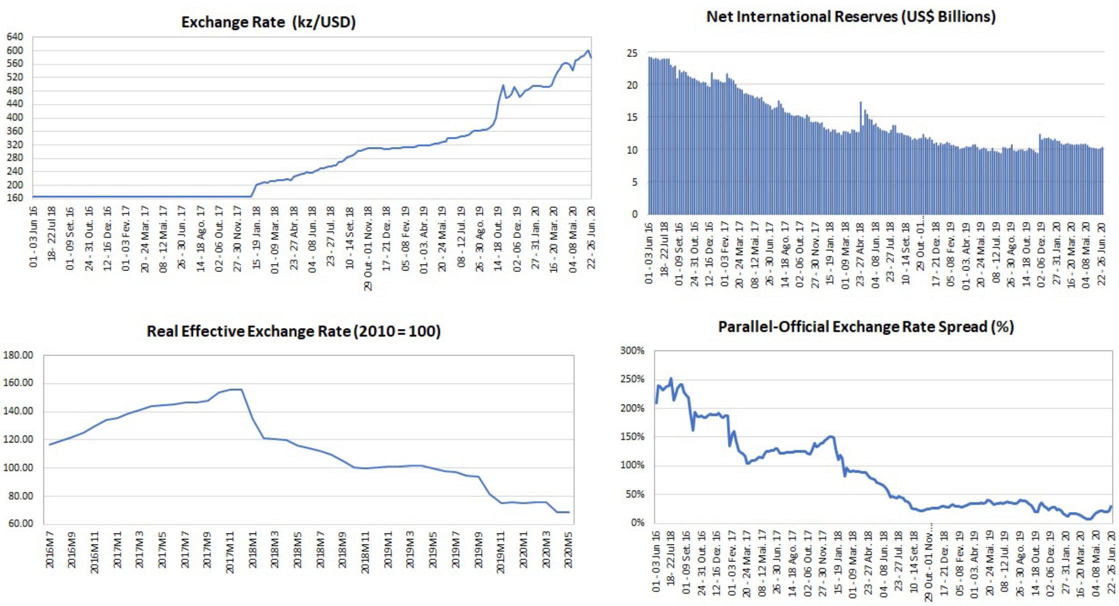
Sources: Angolan authorities; and IMF staff estimates.

[2] In this Annex, we estimate exchange rate evolutions using *direct quotation*, that is the number of Kwanzas per U.S. dollar. This is what most economic agents use in Angola. Under this approach, an increase in the number of Kwanzas per U.S. dollar denotes a *depreciation*. The only exception to this approach is when the Annex discusses Real Effective Exchange Rate (REER) evolution—in that instance, we use the IMF's method of *indirect quotation*.

[3] Of 429 workdays, between January 18, 2018 and October 10, 2019, the daily depreciation of the Kwanza exceeded 2 percent only once; on seven occasions, it exceeded 1.5 percent; and on 22 occasions, 1 percent.

[4] Through *Instruction No. 19/2018 of December 3* and *Directive No.06/DCC/DMA/2019*, the BNA announced the procedures to be followed by banks wishing to participate in FX auctions.

Text Figure 3. Angola: Selected Foreign Exchange Market Indicators, 2016–20



Sources: Angolan authorities; and IMF staff estimates.

3. **Floating exchange rate.** Beginning in mid-October 2019, the BNA removed important restrictions to FX auctions in two steps. First, it eliminated the +/- 2 percent cap on banks' resale margin on accepted bids. Second, it removed the 2 percent resale cap on top of the weighted-average price of successful bids.[5] Initially, this resulted in a fast depreciation of the Kwanza, including a brief period of overshooting in late 2019, followed by a temporary correction. In October 2019, the Kwanza depreciated by 31.4 percent. From November on, the monthly depreciation rate slowed to a single digit. The official-parallel market spread narrowed to an all-time low of 6 percent in mid-April 2020. In January 2020, the BNA partially opened the capital and financial account. It eliminated the licensing for capital inflows by foreign investors, and capital outflows linked to investments. Licensing was also eliminated for the sale of investments in securities traded on a regulated market and for the sale of investment in which the buyer is a non-resident foreign exchange trader. At the same time, the BNA authorized oil companies to sell FX directly to commercial banks with which they had a business partnership, ending a long period of monopoly by the BNA as the sole supplier of FX (often on behalf of the Treasury). The BNA introduced an electronic trading platform on April 1, 2020, where all banks are required to participate. Starting in June 2020, the BNA FX auctions began to be conducted on this platform. All FX operations above US$500,000 must take place on the platform, and all transactions above US$50,000 must be

[5] The first step had little effect, because the second restriction exposed banks to a risk of loss if their successful bid turned out to be 2 percent higher than the weighted average bid.

registered, even if not carried out on the platform. In late June, diamond companies were also allowed to trade on the platform. The platform has increased transparency, making an important step in the transition to a market-determined exchange.

Lessons from Transitioning to Flexible Exchange Rate Regimes

International experience shows that countries that have successfully transitioned to a flexible exchange rate regime often followed a gradual path and implemented risk-mitigating policies.

4. Operational requirements. In addition to sound macroeconomic and structural policies,[6] Duttagupta, Fernandez, and Karacadag (2004) propose a framework, endorsed by the IMF's Executive Board, which points to some operational requirements for successful transition to a floating regime, including (i) developing a deep and liquid FX market for price discovery; (ii) formulating intervention policies consistent with the new exchange rate regime; (iii) establishing an appropriate nominal anchor in the context of an appropriate monetary policy framework; and (iv) establishing adequate systems to review and manage exchange rate risks; and (v) building the capacity of market participants to manage those risks (IMF, 2004a and 2004b).

5. Nominal anchor. IMF (2004a) notes that many countries moving to a flexible exchange rate regime have favored an inflation targeting framework over monetary targeting. The IMF's Executive Board recognized that inflation targeting could be appropriate for developing countries with a flexible exchange rate and sufficient institutional capacity. The paper notes that a weak relationship between monetary aggregates and inflation often undermines the effectiveness of monetary targeting as an effective anchor, but there are examples of countries, which have used monetary targeting effectively in moving from pegged to floating regimes—Mozambique (currently having a de jure flexible exchange rate regime) has been an example.[7]

6. Speed of transition. Robe and Vravra (2007) reviewed the experience of six countries in transition toward a flexible exchange rate regime.[8] Fast exits involved a one-step move from different types of pegs—a de facto crawling peg in Brazil (1999); a horizontal band in the Czech Republic (1997); and a crawling band in Uruguay (2002). Gradual exits involved a step-by-step move to a full float through increasingly more flexible pegs. The authors showed that countries that moved gradually to a flexible regime generally took time to establish the elements that would mitigate concerns about floating (e.g., credibility, loss of competitiveness from appreciation, pass-through to inflation, balance sheet effects). The authors exposed Chile and Israel as examples of

[6] Including fiscal discipline, monetary policy credibility, and robust financial supervision.

[7] In April 2018, Mozambique moved to an interest-rate-based regime, in preparation for an inflation-targeting regime.

[8] The authors analyzed the transition in six countries—three of them implemented gradual and orderly transitions; three moved fast, under market pressure, involving the collapse of the previous peg.

those countries, with slow transition to a more flexible regime, and argued that the gradual move helped these countries deepen their FX markets.

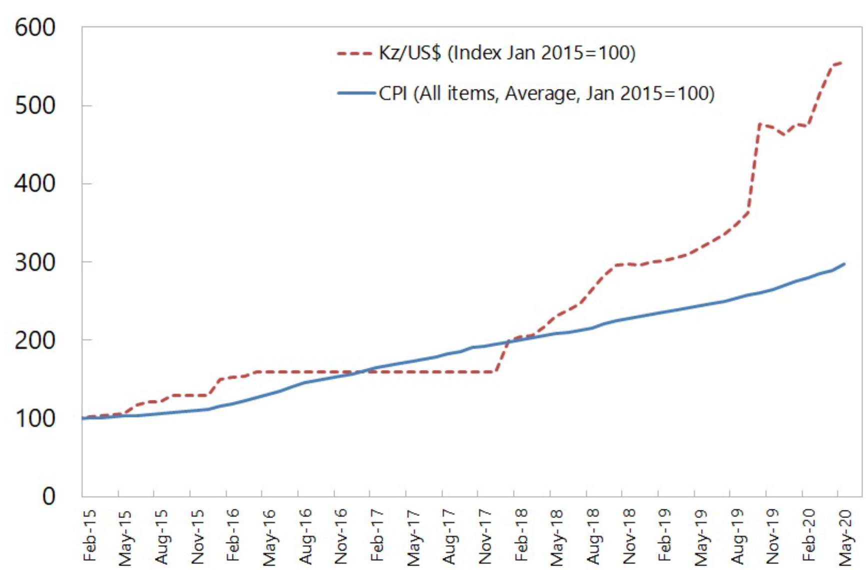
7. Challenges during transition. Challenges in the transition to a flexible exchange rate, whether the transition is gradual or rapid, include (i) difficulties in assessing readiness and the appropriate time to move; (ii) credibility issues; (iii) finding the right role for the central bank during and after the transition; and (4) determining a proper strategy for communication and transparency.

C. Challenges for Angola in Moving to a Market-Clearing Exchange Rate

8. Exchange rate passthrough to domestic prices. Since abandoning the fixed peg, there has been relatively low exchange rate passthrough to domestic prices in Angola (Text Figure 4). In the periods when the official–parallel exchange rate spread was high and the official rate was managed, agents were also operating on the parallel market. When the official rate was allowed to move, the passthrough had already taken place, and thus the remaining passthrough was low. In the presence of volatile oil prices, the challenge is to maintain an appropriately tight monetary policy to keep the passthrough low.

Text Figure 4. Angola: Exchange Rate and Consumer Price Index, 2015–20

(Units as indicated)



Sources: Angolan authorities; IMF staff estimates

9. Given Angola's dependence on oil exports, a market-clearing exchange rate has important implications for inflation dynamics, since the nominal exchange rate ceases to work as the anchor for the economy. For instance, when oil prices decline, Angola's external accounts are significantly affected through the decline in the dollar value of oil exports, which triggers downward pressures on the real exchange rate. This in turn will induce a depreciation of the nominal exchange rate, which has become more flexible and thus can respond to the shock. The nominal depreciation then may feed into higher inflation (e.g., through import prices). If higher inflation is accompanied by monetary accommodation, unanchored inflationary expectations will increase the precautionary demand for foreign exchange, put pressure on the exchange rate, and a vicious circle may be launched. This underscores the need for policies to keep inflation in check, especially in the wake of an oil-price slump.

D. Recommendations for a Market-Determined Exchange Rate

10. There is a need to develop an FX intervention plan. The BNA's stated goal is to fully retire from FX market operations—except for reserve management purposes—and let all operators, including the Treasury, carry out FX transactions on the FX electronic platform. When this happens, the reform will be completed, as the current market-clearing floating exchange rate regime will morph into a market-determined regime. A prerequisite for this is to achieve unmitigated FX price discovery. The BNA has to develop a plan to reach that stage and announce its intervention modalities, which should be strictly limited to occasional 'smoothing' of excessive volatility and reserve management.[9] Transparency in intervention policies can help build confidence in the process. Disclosing information on actual interventions, with a time lag, can also help market transparency and strengthen central bank accountability.

11. There is a need for forward-looking market analysis. To better understand the domestic market, it is important to develop analytical tools and market intelligence (information about market behavior and possibly some assessments of likely future exchange rate developments, at least over a short-term horizon) to assess the fundamental drivers of the exchange rate. Market intelligence should be used to supplement any model-based analysis. The BNA also needs to plan for disorderly market conditions.

12. The choice of an appropriate monetary policy framework is crucial. A supportive monetary framework and the development of the capacity to implement it are essential in preserving monetary credibility under a floating exchange rate regime. The adoption of consistent monetary and fiscal policies is critical and supports the gradual strengthening of monetary credibility and inflation control within a more flexible exchange rate regime.

[9] According to Duttagupta et al. (2006), "Central banks should be selective in their interventions and parsimonious in their use of foreign reserves. The difficulty of detecting exchange rate misalignments and disorderly markets means that decisions on the timing and amount of intervention are subjective and may be off the mark."

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Annex VI. Banking Sector Assessment and Reform

The central bank completed asset quality reviews (AQRs) in December 2019 for 13 domestic banks, comprising 93 percent of total banking system assets. This independent asset valuation exercise identified 7 banks with capital shortfalls. The AQRs provide a foundation for the authorities to lay out the future strategy for public banks. This strategy will include addressing negative equity positions; restructuring balance sheets; resolving nonperforming loans (NPLs); and returning concerned banks to compliance with capital requirements and achieving long-term viability. The AQRs also identified shortfalls in banks' risk-management practices.[1]

A. Approach and Methodology

1. The terms of reference for the exercise were developed by the *Banco Nacional de Angola* (BNA) in consultation with IMF staff. The agreed methodology set out how data were to be collected and assessed for quality, assets were to be valued, and risk-management practices assessed. Standardized 'challenger' models were developed and used to assess appropriateness of provisions for granular portfolios and following minimum sampling criteria for review of individual large assets in each bank portfolio (Box 1).

Box 1. Angola: Portfolios for Testing

Portfolio	Minimum Assessment
Securities and investments	• Assets whose gross book value per issuer exceeds 2.5 percent of Bank's Regulatory Own Funds (BROFs).
Loans	• Minimum coverage of 60 percent of the overall exposure (equity and off-balance sheet exposure), net of impairments and/or provisions. • Customers whose total carrying amount of loans and/or off-balance sheet exposures, net of impairments and/or provisions, is greater than 2.5 percent of BROFs. • Minimum selection of the 20 largest global exposures (equity and off-balance-sheet exposures), net of impairments and/or provisions, per individual borrower.
Assets held for sale and assets not for own use	• Assets whose gross book value exceeds 2.5 percent of BROFs. • Minimum selection of the 5 largest assets of this nature.
Other tangible assets	• Assets whose gross book value of the exposure to a specific counterparty exceeds 2.5 percent of the BROFs. • Minimum selection of the 5 largest assets of this nature.
Deferred tax assets	• Assets whose gross book value exceeds 2.5 percent of BROFs at the reference date.
Other assets with credit risk	• Assets whose gross book value of the exposure to a specific counterparty exceeds 2.5 percent of the BROFs.

[1] Prepared by Dermot Monaghan and Miguel Otero Fernandez.

2. Credibility and reliability were two key objectives. These were achieved through the employment of independent auditors and review of banks' data quality. The assessment was overseen by the BNA, with the help of reputable international auditors. Data quality issues were assessed by the auditors using standardized templates produced by the lead auditor and the BNA for loan portfolios, securities and investments, and investments in banks and other tangible assets.

3. The methodology applied prudent point-in-time estimates of banks' assets, assuming that public debt remains on a sustainable path. The assessment incorporated the following standard adjustments to loans and securities.

- Discounts of 40–100 percent were applied to the estimated value of real estate collateral. This market is currently illiquid and there is anecdotal evidence of up to a 66 percent drop from peak on average (using a rental-yield approach); the use of a sale-price approach suggests less of a drop, but very low transaction volumes were recorded in recent years.

- Assets subject to individual assessment were re-valued using three broad macroeconomic scenarios (base/favorable/adverse) as per IFRS 9 standards, and the BNA subsequently applied a 70/10/20 percent weighting to them respectively to arrive at a definitive assessment of capital needs.

- IFRS 9 expected-credit-loss rules were applied, meaning banks must hold capital against a one-year probability of default for securities. This includes a local sovereign default, which is equivalent to 1.65 percent of nominal value. This charge is non-negligible in capital terms, given the large concentrations of this illiquid debt on most banks' balance sheets. Provisions on local sovereign exposure would be substantially larger and would have a systemic impact if a lifetime expected-credit-loss approach were to be applied. This risk was not considered on the basis that a key objective of the IMF program is to maintain public debt levels on a sustainable path and hence the sovereign is currently considered a 'Stage 1' asset by banks from an accounting perspective.

B. Findings and Results

4. Text Table 1 summarizes the adjustments made to BROFs, following completion of the assessments.

5. The AQRs identified that seven banks required a total of US$2.4 billion (3.7 percent of 2020 GDP) to meet minimum regulatory capital requirements (Text Table 2). Two public banks represent 96 percent of this total. The capital shortfalls identified in five other banks were relatively small and four had already recapitalized by end-2019. Further adjustments were needed after completing the AQRs to account for asset quality changes to end-2019 and the need for a capital buffer above the minimum regulatory requirement.

Text Table 1. Angola: Adjustments to Bank Accounts Below
(Units as indicated)

Bank	Total Adjustments Reported by Auditors (US$ millions, on December 31, 2019)						Asset Quality Changes from December 2018 to September 2019	Total adjustments after AQR	Change in Bank's Regulatory Own Funds after AQR
	Cash and Deposits (ECL)	Securities and investments		Loans		Other adjustments			
		Fair Value	Amortized Cost	Individual Assessment	Collective Analysis				
13 banks	-83	-72	-838	-990	-474	-1,078	-40	-3,575	-93,13%

Source: BNA.

Text Table 2. Angola: Highlights of Asset Quality Reviews
(Units as indicated)

Bank	Capital Adequacy Ratio		Capital Shortfall (USD $m)	Recap as percent of Sep-2019 Own Funds
	Pre-AQR	Post-AQR		
Bank A	11.2%	-132.8%	1,831	2,899%
Bank B	20.8%	-22.5%	435	91%
Five other banks	15.3%	6.1%	103	22%
		Total	2,369	

Source: BNA.

6. The AQRs also identified some issues with credit-risk management. Six private banks were found to have material exposure to related parties (exposure greater than 30 percent of total credit granted and/or greater than 20 percent of BROFs). Banks' credit-risk policies and procedures were also found to have material shortfalls that require significant improvements to credit-risk management. Details are provided in Text Table 3.

Text Table 3. Angola: Credit Risk Themes
(Percent)

Credit Risk Theme	Red	Amber	Green
A. Credit granting process	31%	50%	19%
B. Credit risk monitoring process	31%	30%	39%
C. Credit recovery and restructuring process	30%	45%	25%
D. Process of registration and valuation of credit collateral	32%	38%	30%
E. Process of registration and valuation of real estate received in	12%	24%	64%
F. Process relating to monitoring and impairment tests on:			
Financial assets under IFRS 9	5%	33%	62%
Non-current assets held for sale ("NCADV")	11%	46%	43%
Other tangible assets	15%	40%	45%
Investments in credit institutions ("IC's")	15%	38%	46%
G. Process for classifying and measuring financial assets according to agreement with IFRS 9, including the methodologies for calculating impairment (excluding the credit granted)	9%	53%	38%

Source: BNA.

C. AQR Implications and Next Steps

7. The authorities are preparing a strategy for the future of public banks.[2] This is a time-bound action plan that is expected to address the two troubled public banks, including by recognizing losses upfront; restructuring them within limited fiscal space while preserving deposits and financial stability; and preparing operational plans to dispose of real estate owned and to tackle the high NPL levels.

8. Credit-risk management issues can be addressed as part of on-going bank supervision alongside some supportive structural reforms. The AQRs provide detailed bank-level qualitative findings that will enable targeted supervisory engagement. The BNA has committed to use the AQR findings to update the asset classification and provisioning rules by end-September 2020, and banks will be expected to comply with new guidance on effective credit-risk management practices by end-December 2020. The authorities have committed to prepare an action plan, in consultation with the World Bank, to strengthen credit infrastructure, including adoption of international valuation standards for securities and collateral held by banks; deployment and strengthening of national registries for ownership of immovable and moveable assets; strengthening of the central credit register; and enhancing insolvency and enforcement frameworks.

[2] The 2019 strategic plan for one bank has been superseded by the large losses identified in its AQR.

Appendix I. Letter of Intent

Luanda, July 17, 2020

Madame Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC 20431
USA

Dear Madame Georgieva:

The attached Memorandum of Economic and Financial Policies (MEFP) and Technical Memorandum of Understanding (TMU) update the MEFP and TMU of November 2, 2019. The MEFP reports on recent economic developments, reviews progress in implementing Angola's economic program, and sets out macroeconomic and structural policies that we plan to implement going forward.

Despite the external shock that hit Angola—increased health and human costs associated with the COVID-19 pandemic, and a sudden stop of global economic activity that depressed oil demand and lowered oil prices—the overarching objectives of our program remain the same: reducing fiscal vulnerabilities; strengthening debt sustainability; reducing inflation; completing the transition to a flexible exchange rate regime; ensuring financial sector stability; strengthening the anti-money laundering/combating the financing of terrorism framework and governance in general; and improving the business climate. All these actions are necessary to promote economic diversification and foster strong, inclusive, and private-sector-led economic growth. Despite daunting challenges, our program performance remains adequate. We met all end-December 2019 quantitative and continuous performance criteria (PCs), except that on non-accumulation of external debt arrears; end-March 2020 indicative targets (ITs) and end-June 2020 PCs on net international reserves (NIRs), reserve money (RM), and central bank claims on the Central Government were met; and, based on preliminary data, we believe remaining end-March 2020 ITs were also met. We continue to make progress in implementing structural benchmarks (SBs). To support our efforts considering the more challenging external environment, jointly with the completion of the Third Review of the Extended Arrangement under the Extended Fund Facility (hereafter the "arrangement"), we request an augmentation in the amount of SDR 540.1 million (72 percent of quota), with partial rephasing in 2020. We have secured appropriate financing assurances for the arrangement through end-July 2021.

We also request (i) a waiver of non-observance of the PC on non-accumulation of external debt arrears; (ii) modifications of the PCs and ITs on NIRs, RM, and non-oil primary fiscal deficit (NOPFD);

(iii) modifications of ITs on the stock of debt contracted or guaranteed by the Central Government and Sonangol on disbursements of oil-collateralized external debt by the Central Government and on the non-accumulation of domestic payments arrears; and (iv) a waiver of applicability of the end-June 2020 PC on NOPFD. These modifications to program PCs and ITs are required by the deteriorated external economic environment and the external shock affecting our country and aim at adjusting our fiscal and monetary policies, supporting NIR management, aligning external disbursements with the pace of project execution, and protecting public debt sustainability.

We trust that the policies and measures set forth in the attached MEFP are appropriate to deliver on the broad objectives of our National Development Plan for 2018–22, namely stabilizing the economy and laying the ground for the major structural reforms needed to diversify it and ensure strong and inclusive growth to the benefit of the Angolan people. In the face of increased uncertainty caused by the external shock, we stand ready to take additional measures, as appropriate, to achieve these objectives. We will abide by IMF policies by consulting with IMF staff before adopting such measures, or in advance of revisions to the policies contained in this MEFP, or before adopting new measures that would deviate from the goals of the program. Moreover, we will continue to provide IMF staff all information and relevant data requested to timely monitor progress in implementing the MEFP and achieving the program's objectives, as outlined in the TMU.

As before, IMF resources will be used for budget support and will be maintained in government accounts at the *Banco Nacional de Angola* (BNA). The Ministry of Finance and the BNA signed a memorandum of understanding that clarifies the responsibilities of each party to this agreement.

We authorize the IMF to publish this letter, the MEFP and its attachments, the TMU, and the accompanying staff report. We will simultaneously publish these documents in Angola.

Please accept the assurances of our highest consideration and esteem.

/s/

Manuel José Nunes Júnior
State Minister for Economic Coordination

/s/	/s/
Vera Daves de Sousa Minister Ministry of Finance	José de Lima Massano Governor Banco Nacional de Angola

Attachments: I. Memorandum of Economic and Financial Policies

II. Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

I. BACKGROUND, RECENT ECONOMIC DEVELOPMENTS, AND OUTLOOK

1. The external environment has significantly deteriorated since the conclusion of the Second Review of the Extended Arrangement under the Extended Fund Facility (hereafter the "arrangement"). A triple shock has hit Angola: (i) a health crisis in the wake of the COVID-19 pandemic; (ii) a collapse in international oil prices since February 2020; and (iii) a slump in demand for oil, resulting from a depressed global economy. The anticipated effect of the shock on Angola has been quickly reflected in the sharp increase in the yields of Angolan Eurobonds, indicating a temporary loss of access to international capital markets. Despite this challenging environment, we remain committed to the program and are working to adjust our policies to provide an appropriate and timely response.

2. Angola has been hit hard by a strong terms-of-trade shock, which will delay growth recovery.

- *Economic activity will contract in 2020, as a result of the triple external shock*. Real GDP is projected to decline in 2020, driven by lower oil production and oil prices, and the decline in business activities resulting from the COVID-19 outbreak.

- *Disinflation continued in 2019, but it will be interrupted this year*. After declining to 16.9 percent at end-2019, inflation is projected to peak at 22.2 percent at end-2020, mainly because of the expected exchange rate depreciation resulting from the external shock.

- *Fiscal consolidation continued in 2019*. The non-oil primary fiscal deficit (NOPFD) at end-December outperformed the performance criterion (PC), reflecting expenditure restraint, specifically in transfers and subsidies, and buoyant non-oil revenues, bolstered, in part, by revenue measures, including the introduction of a value-added tax (VAT) in October 2019. Notwithstanding these efforts, the public debt ratio reached 109 percent of GDP at end-December 2019, mostly because of the rapid exchange rate depreciation in 2019Q4.

- *The external position underwent substantial adjustment in 2019 following the floating of the Kwanza, but it is projected to weaken substantially in 2020 owing to the collapse of oil prices*. The major real exchange adjustment following the floating of the Kwanza in 2019Q4 eliminated the currency's overvaluation that had emerged in the course of last year. Improved competitiveness helped mitigate the impact of the substantial fall in oil and gas prices relative to 2018, with the current account remaining in substantial surplus. These developments in the current account, together with the bringing forward of part of our planned Eurobond issuance into 2019, allowed a buildup of gross international reserves to US$17.3 billion (equivalent to about 10 months of prospective imports of goods and services) by end-year. The collapse of global oil prices, in the wake of the COVID-19 pandemic, will weigh heavily on the external position in 2020. The current account balance is projected to swing to a deficit, only partly mitigated by lower imports. The balance of payments (BOP) will be supported by projected net foreign direct investment inflows to domestic oil companies from overseas parents and the G20 Debt Service Suspension Initiative (G20DSSI). The brunt of the adjustment will be borne by the exchange rate, although part of the BOP deterioration will be accommodated by net international reserve (NIR) decumulation. However, gross reserves are projected to remain at a relatively comfortable level at end-2020, equivalent to some 10½ months of prospective imports of goods and services.

- *Monetary policy will be geared toward achieving inflation objectives, while balancing the need to respond to the external shock*. The central bank (*Banco Nacional de Angola*, BNA) increased the reserve requirement ratio in 2019Q4 to reduce excessive liquidity, support the transition to a market-clearing exchange rate regime, and limit the depreciation pressures on the Kwanza. Further tightening will be temporarily delayed in order to mitigate potential liquidity shortages that may result from the external shock. To restart the disinflation process, monetary policy tightening will resume after the risks stemming from the external shock subside, including through increases in the BNA policy rates to positive levels in real terms.

- *The banking sector has demonstrated resilience but is vulnerable to shocks.* Asset quality reviews (AQRs) identified that, despite sizable exchange rate depreciation and challenging reserve requirements, most private banks have adequate capital and liquidity positions. However, the AQRs identified issues with two public banks that could weigh on financial stability, including high nonperforming loans (NPLs), weak liquidity positions, and possible exposure to further currency depreciation.

3. **Despite the deteriorated external environment, we keep our focus on our overarching economic objectives.** We have not lost sight of our program's goals of reducing debt vulnerability, resuming the disinflation process, consolidating the flexible exchange rate regime, and supporting economic diversification. We are implementing a robust set of macro-critical policies. We have adopted additional non-oil revenue measures and are boosting health expenditures; we let the market-clearing exchange rate work as a shock absorber, supported by an appropriate monetary policy, to mitigate depreciation pressures on the Kwanza; and we are continuing to implement the structural reforms that will lead to sustainable and inclusive growth.

II. MACROECONOMIC POLICIES AND STRUCTURAL REFORMS FOR 2020–21

A. Overview

4. **The Government's economic policies continue to aim at creating the conditions for strong and inclusive growth after the crisis.** Despite the current crisis, the strategy, to which we committed at the onset of the program, remains valid and rests on two pillars (i) adopting sound policies to promote macroeconomic and financial stability; and (ii) implementing structural reforms to lessen the dependence on oil, promote economic diversification, and reduce vulnerabilities. Macroeconomic and financial policies continue to be guided by our National Development Plan for 2018–22 (NDP18–22).

5. We reaffirm our main macroeconomic goals, while pursuing a realistic timeframe to reach them.

- *Growth*. We project growth to recover in 2021, both in the oil and non-oil sectors, and reach about 3.2 percent. The recovery will be driven by normalization of both oil production, following the expiration of the temporary production cuts resulting from OPEC+ commitments, and aggregate demand, following the end of the COVID-19 crisis. It will be supported by structural reforms.

- *Inflation*. Our goal is to reduce annual inflation to a single digit by 2023 through (i) continued prudent fiscal policy; and (ii) a strengthened credibility based on our reserve money (RM) targeting policy framework and a market-clearing exchange rate. Through its nexus with the exchange rate, lower inflation will help to keep the debt-to-GDP ratio on a downward path.

- *Fiscal sector*. Notwithstanding the economic headwinds, we remain committed to implementing new fiscal measures to restore fiscal and debt sustainability. Specifically, we introduced revenue and expenditure measures in order to mitigate the impact of the sharp fall in oil prices and economic growth, and to provide some fiscal space for COVID-19-related healthcare spending. In addition, we commit to publishing on the Ministry of Finance's website the results of an audit of crisis-related spending (including ex post validation of delivery) by the Court of Audit soon after year-end. Our fiscal consolidation efforts will continue to reduce the NOPFD in percent of GDP after 2020.

- *Exchange rate regime*. Since 2019Q4, we have been transitioning toward a market-clearing exchange rate regime. We have taken steps to further develop the domestic foreign exchange (FX) interbank market by introducing on April 1, 2020 a transparent FX trading platform for transactions between oil companies and commercial banks. The access to this platform was extended to the operations of the diamond sector at end-June and will be extended, at a later stage, to the Treasury. This reform will lay the ground for the BNA to reduce gradually its role as the main FX supplier. The more flexible exchange rate has been cushioning the Angolan economy against external real shocks, contributing to a more efficient allocation of FX resources, improving competitiveness, and fostering economic diversification.

- *Monetary policy and financial sector*. To reduce inflation toward our objective, we will continue to enhance the credibility of our nominal anchor by adhering to the RM targets set in the context of the program (PC) and support the increased autonomy of the central bank provided in the forthcoming amended, new BNA Law (missed end-March SB; proposed reset date of September 2020). Strengthening our financial system will require addressing banking sector vulnerabilities, including NPLs, constraints on correspondent banking relationships, and gaps in legal instruments.

B. Fiscal Policy

6. Our fiscal policy aims at restoring fiscal and debt sustainability in the wake of the COVID-19 crisis. Recent adverse developments have overtaken some key assumptions and oil revenue projections in the 2020 budget. Accordingly, we adopted emergency revenue and expenditure measures in April, and we submitted a supplementary budget in July to the National Assembly, with an oil reference price reduced from US$55/bbl (current budget) to US$33/bbl. Notwithstanding the economic slowdown, the NOPFD (in local currency) in 2020 would be smaller relative to the Second Review. Nonetheless, the program remains financed with additional measures being taken. Moreover, elevated downside risks call for identification of contingency measures that will be taken if the ongoing headwinds become more protracted or deeper than expected. Specifically, we will implement such measures, in consultation with IMF staff, if Brent prices were to fall under US$25/bbl in a prolonged manner.

7. The proposed consolidation is broad based, encompassing both revenue and expenditure measures. We adopted a package of revenue measures, including raising the withholding rates for non-resident service providers; increasing the personal income tax (PIT) rates for higher income brackets, while raising the threshold for lower brackets to improve the progressivity of PIT; lowering the threshold for property tax exemption; and expanding the tax on automobiles to include all types of vehicles. Revenue and expenditure measures in the supplementary budget are as follows:

- *Non-oil revenue*. We are implementing non-oil revenue measures to bolster yield from the VAT (net of reimbursements), excise taxes, and PIT. Specifically, we reduced the amount of VAT remitted to the refund account. We introduced additional excise taxes on imported luxury cars and other revenue enhancing measures, such as increasing rates for cigarettes.

- *Wage bill*. We issued a Presidential decree to freeze hiring (except for essential social services) and practice attrition-based employment reduction, in order to achieve the wage ceiling of Kz 2.218 trillion in 2020.

- *Goods and services*. We are containing payments on goods and services, mostly through a freeze on non-priority expenses, such as travel, hotel, and real estate related spending, while creating space for higher COVID-19-related spending.

- *Transfers and subsidies*. Transfers and subsidies will be kept under tight control, while targeted social spending floors will be preserved. We are committed to increasing the efficiency and effectiveness of delivery of transfers, including subsidies, and intend to recoup substantial savings over and above the initial 2020 budget.

- *Capital expenditure*. We are reducing non-essential capital expenditure, including transport equipment purchases and real estate purchases (such as a freeze on the ongoing efforts to shift from rental to purchase of real estate for government offices in Angola and overseas).

- *Arrears clearance*. Despite the tight cash position in 2020, we remain committed to the clearance of domestic payments arrears. We will continue with the repayment schedule of such arrears as per the revised indicative targets (ITs).

8. **We will buttress fiscal and debt sustainability by structural reforms.** To achieve our medium-term central government public debt target of 60 percent of GDP, we will continue non-oil revenue mobilization and limit growth in current expenditure, while preserving priority public investment and scaling up the cash-transfer program for the most vulnerable. These reforms aim at broadening the revenue base; improving spending efficiency; strengthening debt management; eliminating arrears; enhancing fiscal discipline; and improving transparency and governance.

- *Non-oil revenue*. Building on tax reforms introduced in 2019 and 2020, we will continue to mobilize non-oil revenue through expanding the base of VAT; increasing the rates and progressivity of the PIT; reforming investment incentives for the corporate income tax (CIT); strengthening transfer pricing rules; improving property registration; and starting to integrate the informal sector. These reforms will be part of the 2021 budget. Ongoing revenue administration technical assistance (TA) from the IMF will help strengthen core tax administration functions, improve revenue administration management and governance, and improve tax policy design.

- *Subsidy reform*. After finishing the first phase of the subsidy reform in 2019, we started the pilot cash-transfer program in May 2020, with a view to reaching several hundreds of thousands of low-income households by end-2020. In all, the program targets 1.6 million households nationwide. After the COVID-19 crisis abates, we intend to launch the second phase of subsidy reform in 2021, by starting to raise public transportation tariffs and the prices of gasoline and diesel, with an ultimate objective of introducing an automatic fuel-pricing mechanism. We will evaluate the program of special subsidies for the purchase of fuel products by enterprises in the agriculture and fishing sectors in late 2020.

- *External debt payments arrears*. We continue to work on legacy arrears to the former Federal Socialist Republic of Yugoslavia. Following our outreach, we received feedback from one successor State and are verifying its claim. We are working to resolve ongoing challenges in servicing debt payments to private creditors. We adopted a new AML/CFT Law in January 2020 to enhance transparency of ownership of legal persons in line with FATF standards. We set up an independent third-party escrow account in a sound bank in Angola where we will deposit any debt service payments that are rejected by intermediary financial institutions for the purposes of meeting our external debt payments obligations. We are continuing to hold discussions to address underlying problems with counterparties in executing our external debt payments. In addition, we are also working with one creditor to change the financial arrangements to address payment challenges in servicing this debt.

- *Payments arrears*. We eliminated the majority of arrears recorded in the Integrated Financial Management System (SIGFE) accumulated up to 2017 by end-March (structural benchmark, SB), with a small amount unsettled mainly due to technical and legal issues. We cleared more than 60 percent of non-SIGFE arrears accumulated up to end-2017 by end-March (SB).

We will complete the verification and clearance of all non-SIGFE arrears by end-September 2021, owing to capacity constraints under the crisis. By end-March, we verified and cleared 60 percent of all payments arrears accumulated by the Central Government in 2018 and recorded in SIGFE, but missed the end-June SB on completing the verification. The net accumulation of payments arrears reached Kz 225 billion at end-2019; Kz 120 billion at end-March 2020; and Kz 81 billion at end-June 2020, all below the program ceiling of Kz 250 billion (ITs). This was achieved by better monitoring of the physical and financial execution of expenditure with corrective measures, better budget control and compliance with rules for recording in SIGFE, and stronger sanctions for budget unit officers of the Ministry of Finance and other line ministries who breach these rules. After adjusting SIGFE to allow the electronic recording, consultation, and certification of all claims, and the recording and monitoring of the residency of all new supplier contracts in September 2019, we started publishing detailed quarterly reports in Q4 2019 on the stock of all outstanding arrears, amounts paid, payment modalities (e.g., cash, Government securities), and average payment periods from the accrual date or invoice, within six weeks of the end of each quarter.

- *Medium-term fiscal framework (MTFF) and public financial management (PFM) legislation*. To promote a more efficient allocation of public resources, the Government will adopt an MTFF, which will be consistent with the deficit ceilings of the fiscal rule defined by a forthcoming Fiscal Responsibility Law (FRL). We submitted the draft FRL to the National Assembly in July (end-March SB), mainly because of COVID-19 caused operational delays. We completed a pilot MTFF in June, to be revised after the supplementary budget is approved by the National Assembly, to anchor the 2021 budget proposal. Consistent with the draft FRL, we will not start capitalization of a fiscal stabilization fund before the budget generates surpluses and Central Government debt is below the target defined in the FRL.

- *Public investment management*. To improve the quality of our public investment management, and in line with the guidelines of the NDP18–22 and recommendations from the Public Investment Management Assessment (PIMA) completed in December 2019, large investment projects (*projectos estruturantes*) will be subject to ex ante evaluations, rigorous implementation, and close monitoring by an appropriate project management office and the line ministry, and ex post evaluations. For all projects above Kz 10 billion undertaken from January 2021, we will publish an initial project appraisal report by the line ministry, after review by the Ministry of Finance, including risk assessment (new SB). We will publish summaries of the appraisal and supporting documents for major projects, and regularly review and update cost estimates and selection criteria to rank projects based on their importance and readiness. We will secure proper budget or external financing before starting any new public investment projects. These same principles will be applied to all projects under the Integrated Municipal Intervention Plan (PIIM), which are included in our annual budgets. We will continue to improve the legislative framework and the governance of public-private partnerships to reduce contingent liabilities and other fiscal risks and ensure transparency and accountability. We will not reallocate capital expenditure to current expenditure. However, on an exceptional basis, up to 7 percent of capital expenditure could be reallocated to current expenditure.

- *Fiscal transparency and accountability*. We remain committed to improving the quality and timeliness of government statistics and increasing transparency in government operations. We published the end-year fiscal report for 2019 (full year and fourth quarter) in June 2020 to support the pilot-MTFF and the 2021 budget proposal. We will continue to publish detailed in-year quarterly fiscal reports, in line with IMF staff recommendations. We will enforce sanctions to senior officials for spending decisions above the approved budget ceilings.

C. Monetary and Exchange Rate Policies

9. We will continue to strengthen our RM target policy framework to achieve price stability. We will set our monetary policy consistently with the quantitative RM targets under the program (PCs). Meeting these targets provides a strong signal that the BNA is committed to establishing a credible nominal anchor, which will help mitigate pressures on the exchange rate and reduce inflation. To that end, we will use a range of instruments, including open-market operations at market interest rates, to sterilize shocks to money aggregates that may compromise the RM targets; and policy rates, as needed. Intra-year direct lending by the BNA to the Government will be restricted to 10 percent of the previous year's fiscal revenues, as defined in Article 29 of the BNA Law, while respecting related PCs. Any such advances will be settled solely in cash before the end of each calendar year.

10. We continue to work on amending the BNA Law to strengthen the BNA's mandate, autonomy, and governance. Working closely with IMF staff, by end-September 2020 we will submit amendments to the BNA Law (missed SB; proposed reset date) to the Council of Ministers. The amended Law will clearly define the BNA's mandate; set a clear primary policy objective; strengthen governance arrangements; legally protect BNA staff from undue influence from third parties; ensure the BNA's financial, functional, and personal autonomy; clearly distinguish between emergency liquidity assistance and monetary policy operations; adopt international good practices; and strengthen the solvency support frameworks—among other goals outlined in the 2019 Safeguards Assessment Report for Angola. We have taken steps to strengthen our internal audit function. We are committed to (i) promptly implementing the IMF's Safeguards Assessments Policy recommendations, including by completing the rebalancing of our foreign reserves asset portfolio, to align it with our new investment policy; and (ii) the process of eliminating illiquid holdings with external managers. We commit to the timely publication of our annual audited financial statements and to providing IMF staff with our external auditor's management letters, as required under the IMF's Safeguards Assessments Policy.

11. We continue the transition of our exchange rate regime toward full flexibility. Following the decisive measures taken in October 2019, which removed several restrictions to price-formation and banks' participation in FX auctions, we have achieved a market-clearing exchange rate regime. We continue to hold FX auctions at least once a week, typically on the same day of the week. To help the predictability of FX auctions, the BNA will announce monthly indicative amounts to be auctioned for the following three months. In December 2019, we issued a legally binding instruction that requires banks to eliminate any informal restrictions on foreign exchange deposit withdrawals or, in case they decline to grant access to clients' FX deposits, to provide a written explanation for the denial (SB). Banks are fined for non-compliance. Since January 2020, oil companies are allowed to sell FX to the banks they have business relations with. Since April 2020, such transactions have started to be transferred gradually to the FX trading platform.

12. The impact of the COVID-19 shock has forced us to delay the rebuilding of the BNA's NIRs. We met both the end-December 2019 and end-June PCs and the end-March 2020 IT on NIRs. However, temporary loss of market access and much lower oil prices than envisaged during the Second Review render the IT for end-September and the PC for end-December 2020 unattainable. We therefore request recalibrating these targets, in line with the adjustors embedded in the program. We will continue to implement a monthly FX intervention budget, agreed with IMF staff, which is consistent with the proposed revised future NIRs targets.

13. We will eliminate exchange restrictions (ERs) and multiple currency practices (MCPs) progressively. To that end, by end-September, we will prepare a plan, with a clear timeline. In October 2019, we eliminated the application of the 0.1 percent stamp tax on foreign exchange operations that was giving rise to an exchange rate restriction and an MCP (ER, Article VIII, 2a and MCP, Article VIII, 3) by amending Presidential Decree No. 3/14, of October 21, 2014 (SB). We will eliminate the special tax of 10 percent on transfers to non-residents under contracts for foreign TA or management services (ER, Article VIII, 2a) by end-March 2021.

D. Financial Sector Policies

14. We remain committed to strengthening financial sector stability. We continue to monitor closely banks where AQRs have identified high exposures to FX, credit, liquidity, and market risks. We are revising the Financial Institutions Law in line with good practices and advice from IMF and World Bank staff (missed end-March SB; proposed reset date of end-September 2020) to ensure that we have effective corrective action (i.e., escalated supervisory intervention as a bank deteriorates), and recovery planning and resolution frameworks for weak banks. We created a deposit guarantee fund and strengthened coordination arrangements between the BNA and the Ministry of Finance, including on contingency planning.

15. We completed AQRs for thirteen banks comprising 93 percent of the banking system's total assets. The BNA formally communicated the capital impact to individual banks in December 2019 and requested them to incorporate the findings into their 2019 financial statements. Capital shortfalls were identified in seven banks, which were instructed to prepare capital management plans by February 2020, setting out how they will return to full compliance with regulatory capital requirements by end-June 2020 (SB). Four private banks were recapitalized by the deadline and recapitalization of the fifth is imminent, while two public banks were granted an extension.

16. We are reducing the role of the State in the banking sector and taking steps to safeguard financial stability. There are currently four banks owned or controlled by the State and three banks in which the State is a significant shareholder, directly or indirectly (e.g., through Sonangol). We have analyzed the State's future role in the financial sector and, in discussion with

IMF staff, we have updated our strategy (end-February 2020 SB) to incorporate the results of the AQRs. The strategy, of which key elements will be announced, includes upfront loss recognition with existing capital bearing losses before any fresh capital is provided; a time-bound action plan to recapitalize and restructure the two largest public banks using a least-cost approach and within fiscal space; viability analysis of each bank; operational plans to dispose of real estate assets and to tackle NPLs; and strengthening of governance and risk management. The BNA and the Government will agree on the action plan for the public banks and commence their restructuring process by end-July 2020.

17. We continue to strengthen *Recredit*'s mandate, autonomy, and effectiveness. Legislation was enacted to restrict *Recredit*'s mandate to purchasing NPLs from one large public bank (BPC) only; introduce a ten-year sunset clause; and establish that assets can be transferred to *Recredit* only at fair value and based on comprehensive due diligence. We have strengthened *Recredit*'s mandate, autonomy, governance, and operating arrangements by requiring it to pursue actions that maximize value recovery for taxpayers through assessing recovery value under various options, while using international valuation standards. The *Recredit* Presidential Decree will be amended by end-August 2020 (SB, reset) to require independent business reviews of the main debtor groups upon *Recredit*'s request. Accountability will be improved by requiring *Recredit* to publish a business plan and annual performance reports. Independence has been strengthened by updating the articles of association that remove the approval requirement from the Ministry of Finance for operational decisions; limiting the oversight committee's role to monitoring performance against the business plan; and replacing the representative of the bankers' association with an independent expert. *Recredit* has prepared strategic and business plans in June 2020, which include scaling up its NPL recovery operations to facilitate BPC's restructuring, including through outsourcing to independent experts.

18. Improving oversight of banks' viability, corporate governance, and risk management are priorities. The BNA will continue to enforce prudential norms in banks, including reserve, capital, liquidity, and provisioning requirements and will also ascertain the credibility of their restructuring plans that aim at achieving viability. We will submit amendments to the Financial Institutions Law to the National Assembly by end-September 2020, which will be adopted as a priority (missed end-March SB, proposed reset date). These amendments will introduce more rigorous fit and proper requirements for bank owners, Board members, and managers. By end-September 2020, the BNA will complement this by (i) issuing guidelines on effective bank Boards; (ii) issuing guidelines on effective credit-risk management practices; and (iii) updating asset classification and provisioning rules. Banks will be expected to be compliant with the new guidance by end-December 2020.

19. We will further develop infrastructure to promote sound credit-risk management standards. In consultation with the World Bank, we will prepare an action plan by end-September 2020, with appropriate timelines. This will include, inter alia, adoption of international valuation standards for securities and collateral held by banks; deployment and strengthening of national registries for ownership of immovable and moveable assets; strengthening of the central credit register; development of the system of postcodes; and enhancement of the insolvency and enforcement frameworks. Due consideration will be given to strengthening professional capacity for asset valuation, credit-risk management, and insolvency.

20. We have strengthened our AML/CFT framework. The National Assembly unanimously approved a new AML/CFT law, which came into force in January (Law No.5/20 of January 27, 2020). Other complementary legal and regulatory amendments were implemented by end-June 2020 (missed end-March SB; completed with delay), following the enactment of the Law—e.g., revised BNA Notices to financial and other institutions. Going forward, we will focus on the effective implementation of the revised AML/CFT framework.

E. Public Debt Management

21. Improving debt profile and management remains a priority. We will update our Medium-Term Debt Management Strategy for 2020–22 to reflect the significant changes in domestic and international financial markets in the wake of the COVID-19 shock. We successfully extinguished a large collateralized credit arrangement with an official bilateral creditor in December 2019, thereby reducing the stock of our collateralized debt. We have engaged closely with our large creditors and have taken significant steps to reprofile selected near-to-medium term debt service obligations, consistent with program parameters, including securing agreements with two of them, whereas an agreement with a third creditor is being worked out. We have also requested debt relief under the G20 Debt Service Suspension Initiative (G20DSSI) for 2020, and we commit to spend the freed resources on COVID-19-related health or economic relief and to closely monitor such spending. We will also disclose debt by public sector borrowing entities (per GFSM 2014) to the IMF and the World Bank no later than September 1, 2020. We continue to implement measures to deepen the domestic debt market, including by bringing rates on government securities closer to market rates. We are seeking additional financing from the IMF, the World Bank and other international financial institutions. Since the approval of the arrangement, we have not contracted any new oil-collateralized debt (PC) and have kept disbursements under existing oil-collateralized credit facilities below the agreed ceilings (ITs). We continue to follow a prudent borrowing strategy for our public investment projects, restricting implementation to priority projects under a tight and secured financing envelope, while prioritizing concessional financing, and refraining from contracting new debt to finance non-priority investments and/or projects that do not meet project selection criteria. We will implement the recommendations of IMF and World Bank staff to improve the profile of our public debt and strengthen the domestic creditor base. We will continue to abide by the ceilings for issuance of debt guarantees by the State (IT). To the extent that unforeseen risks to achieving the medium-term debt target materialize, we will act to mitigate those risks, including by seeking additional debt relief from a wider group of creditors.

F. Structural Reforms

22. We are striving to build essential infrastructure in Angola. In addition to ongoing projects in energy and potable water distribution, supported by the World Bank, we are also working with the African Development Bank on a project to strengthen the electricity transmission infrastructure, including the implementation of over 300 km of power transmission lines. At the end of February 2020, we submitted the Insolvency Law and the Secured Transactions and Registry Law to the National Assembly, which will introduce a robust regime to reinforce security and certainty in the constitution of guarantees on movable property.

23. State-owned enterprise (SOE) reforms continue to advance. Following the Government's privatization program (PROPRIV) for 2019–22, which sets guidelines for the privatization process, including eligible SOEs, privatization timetable and modalities, and a communication strategy, we launched public tenders for 40 SOEs by end-June 2020 and were able to privatize 14 companies for a total sale price of US$53 million. We plan to launch public tenders for up to 40 assets in the remainder of this year, with total expected net sale of up to US$125 million. Privatization receipts will be fully disclosed to the Ministry of Finance and incorporated in the budget when assets are owned directly by the State. Under Sonangol's "Regeneration Program," 9 non-core assets were put up for sale between September 2019 and June 2020, and 5 were sold with a total price of US$17 million. Sonangol will launch public offerings for another 4 non-core assets by end-2020. In December 2019, arrears accumulated in 2016–18 between Sonangol and the State electricity producer PRODEL were identified and an agreement was reached on a progressive clearance plan, involving debt securities, tax compensation, and cash payment. The arrears for 2019 were agreed in January 2020. All such arrears between Sonangol and PRODEL will be settled by end-August 2020 by tax compensation. To help enforce our laws on SOE transparency, the 12 largest SOEs (by assets) published their audited 2019 annual reports on the SOE oversight institute's (IGAPE) webpage by end-June and the remaining 3 will publish them by end-August, and the external audits by end-September—both deadlines were extended because of the ongoing state of calamity.

G. Governance

24. Governance reforms and corruption fight are progressing apace. We are in discussions with the United Nations (UN) to open an agency in Angola to fight drugs, crimes, corruption, and terrorism (UNODC) in 2020, further expanding our cooperation with UN to enhance governance and transparency on commercial transactions within the Southern African Development Community. By end-2020, in order to enhance internal control and governance in SOEs, we will submit a revised SOE Law to the National Assembly, incorporating good international practices, to curb corruption (proposed new SB). The revised SOE Law, secondary regulations, and SOE policies will include: (i) enhanced functions for the Government to act as an informed owner, by improving aggregate annual reporting and performance monitoring systems; (ii) strengthened professionalism of SOEs, by providing for corporate governance requirements for SOEs in line with OECD international standards; (iii) tighter controls, by strengthening fiscal risk oversight, internal and external audit functions, and disclosure practices of SOEs. By June 2020, we awarded 41 of 60 eligible proposals of public investment contracts (i.e., 68 percent), through open and competitive public tenders. We will ensure that by end-December at least 45 percent of the eligible contracts will be awarded through similar procedures, that is, public tenders limited to pre-qualified participants (SB). To further improve the efficiency and transparency of the public procurement process, we are enhancing the efficiency of our electronic tender platform and training more staff, and plan to provide incentives to encourage more voluntary participation in public tenders. To enhance the use of public tenders for procurement, by end-June, 308 Budget Units (of 593 existing units) published their Annual Purchase Plans on the Public Purchases' Portal.

H. Program Monitoring

25. The program will be monitored through semi-annual reviews. The complete schedule of reviews is presented in the companion staff report's Table 10, with agreed PCs, ITs, and SBs shown below in Tables 1 and 2, respectively. The Fourth, Fifth and Sixth Reviews will be based on PCs at end-June 2020, end-December 2020, and end-June 2021, respectively.

Table 1a. Angola: Performance Criteria and Indicative Targets Under the Extended Arrangement, September 2019–June 2021

	2019					2020											2021	
	September	December				March			June				September		December		March	June
		Performance Criteria							Performance Criteria						Performance Criteria			Performance Criteria
	Actual	2nd Rev.	Adjusted	Actual	Status	2nd Rev.	Adjusted	Preliminary Actual	2nd Rev.	Adjusted	Preliminary Actual	Status	2nd Rev.	Proposed	2nd Rev.	Proposed	Proposed	Proposed
Performance Criteria:																		
Net international reserves of the Banco Nacional de Angola (BNA), floor (millions of U.S. dollars)[1]	10,016	9,441	9,432	12,034	**Met**	9,581	9,383	10,569	9,790	8,258	10,641	**Met**	9,948	8,247	10,000	8,085	8,001	7,916
BNA claims on the Central Government, cumulative ceiling (billions of kwanzas)	148	0	0	0	**Met**	150	150	150	250	250	101.6	**Met**	300	300	0	0	150	250
Reserve money, ceiling (billions of kwanzas)[2]	...	1,748	2,030	1,870	**Met**	1,739	2,037	1,922	1,774	2,311	2,035	**Met**	1,792	2,062	1,908	2,086	2,130	2,187
Non-oil primary fiscal deficit of the Central Government, cumulative ceiling (billions of kwanzas)[3,4]	1,280	1,992	1,992	1,922	**Met**	461	461	426	1,033	1,033	...	...	1,568	1,568	2,384	2,384	576	1,083
Non-accumulation of external debt payments arrears by the Central Government and the BNA, continuous ceiling (millions of U.S. dollars)[5]	30	0	0	46	**Not Met**	0	0	26	0	0	52	**Not Met**	0	0	0	0	0	0
New oil-collateralized external debt contracted by or on behalf of the Central Government, the BNA, and Sonangol, continuous ceiling (U.S. dollars)[6]	0	0	0	0	**Met**	0	0	0	0	0	0	**Met**	0	0	0	0	0	0
Indicative Targets:																		
Stock of Central Government debt and debt of Sonangol, ceiling (billions of kwanzas)	28,109	36,047	36,047	35,533	**Met**	41,879	41,879	35,020	41,879	42,994	...	...	41,879	42,994	41,879	42,994	51,212	51,212
Social spending, cumulative floor (billions of kwanzas)[3,7]	1,172	1,100	1,100	1,727	**Met**	311	311	407	622	622	...	...	1,031	1,031	1,440	1,440	446	892
Net accumulation in the stock of payments arrears by the Central Government, ceiling (billions of kwanzas)	-76	250	250	-33	**Met**	250	250	120	250	250	81	**Met**	250	250	250	250	250	250
Disbursements of oil-collateralized external debt by the Central Government, cumulative ceiling (millions of U.S. dollars)[3]	17	1,000	1,000	24	**Met**	200	200	0	400	400	0	**Met**	600	600	1,160	1,160	219	438
Authorizations by the Ministry of Finance for the issuance of debt guarantees by the Central Government, annual ceiling (U.S. million dollars)	0	30	30	0	**Met**	300	300	0	300	300	0	**Met**	300	300	300	300	300	300

Sources: Angolan authorities; and IMF staff estimates and projections.

[1] Evaluated at program exchange rates as defined in the Technical Memorandum of Understanding (TMU), differently from the figures in Table 1 of the Staff Report.

[2] Quarterly average of daily balances; bank reserves in foreign currency are converted using program exchange rates as defined in the TMU; not directly comparable to figures in Table 3 of the Staff Report.

[3] Cumulative from January 1.

[4] Includes clearance of payments arrears in cash.

[5] Accumulation of new arrears since previous test date.

[6] Excluding debt contracted to finance oil-extraction equipment.

[7] Spending on education, health, social protection, and housing and community services.

Table 1b. Angola: Standard Continuous Performance Criteria

- Not to impose new or intensify existing restrictions on the making of payments and transfers for current international transactions.
- Not to introduce new or intensify existing multiple currency practices.
- Not to conclude bilateral payments agreement that are inconsistent with the IMF's Articles of Agreement (Article VIII).
- Not to impose new or intensify existing import restrictions for balance of payments reasons.

Table 2. Angola: Structural Benchmarks Under the Extended Arrangement, December 2019–March 2021

Structural Benchmarks	*Objective*	Date	Status	Observations
I. Fiscal policy and public institution reforms				
• **Non-oil revenues.** Submit a package of measures to the National Assembly to mobilize non-oil revenue, mainly through personal income tax and property tax reforms, in line with IMF staff recommendations.	*Strengthen non-oil revenues*	End-December 2019	**Met**	
• **PFM law.** Submit PFM legislation to the National Assembly, in line with IMF staff advice.	*Strengthen fiscal policy design and implementation*	End-March 2020	**Not Met**	Implemented in July.
• **Payments arrears.** Complete verification and settlement of at least 50 percent of verified payment arrears acumulated by the Central Government up to end-2017 and not recorded in SIGFE, as well as all arrears recorded in SIGFE**.**	*Normalize supplier relations and reduce debt burden*	End-March 2020	**Met**	
• **Payments arrears.** Complete the verification and settlement of all payments arrears accumulated by the Central Government in 2018 and recorded in SIGFE.	*Normalize supplier relations and reduce debt burden*	End-June 2020	**Not met**	Reset: End-December 2020. More time needed due to capacity constraints under the crisis.
• **Public procurement.** Award, through open tenders, at least 45 percent of the public contracts related to expenditure on public investment projects, which are not financed by external project loans and whose value exceeds Kz 182 million, the minimum threshold legally required for open tenders (Law of Public Contracts, No. 9/16).	*Enhance public procurement transparency and competition*	End-December 2020	**In progress**	
II. Financial sector reforms				
• **Banking sector restructuring/recapitalization.** Complete Asset Quality Reviews for the 12 largest banks conducted by external experts in collaboration with the BNA.	*Promote financial stability*	End-December 2019	**Met**	
• **Role of the State in the banking sector.** Finalize a strategy for the State's future involvement in the banking sector.	*Promote financial stability*	End-February 2020	**Not met**	Delayed. To be re-assessed and adjusted as part of Fourth Review.
• **Financial Institutions Law.** Adopt amendments to the Financial Institutions Law, in line with IMF staff advice, to ensure that the authorities have an effective recovery planning and enhanced corrective actions, and resolution framework for weak banks.	*Promote financial stability and BNA governance and autonomy*	End-March 2020	**Not met**	Reset: End-September 2020. More time needed due to capacity constraints under the crisis.
• **BNA Law.** Submit an amendment to the BNA Law to the Council of Ministers to define, *inter alia,* a precise mandate to focus on price stability; limit monetary financing of the Government; increase operational autonomy; strengthen oversight over executive management; and improve governance, in line with IMF recommendations.	*Strengthen the monetary policy framework*	End-March 2020	**Not met**	Reset: End-September 2020. More time needed due to capacity constraints under the crisis.
• **AML/CFT.** Enact a revised AML/CFT law and other related legal and regulatory amendments, in line with FATF standards.	*Strengthen AML/CFT framework*	End-March 2020	**Not met**	The new Law was promulgated in January 2020, but complementary measures were still needed by end-March 2020, which were adopted in June 2020.
• **Banking sector restructuring/recapitalization.** Complete the banking sector recapitalization process, by requiring banks to return to compliance with regulatory capital rules.	*Promote financial stability*	End-June 2020	**Not met**	Delayed. To be re-assessed and adjusted as part of the Fourth Review.
• **Strengthening of Recredit.** Ensure proper governance arrangements and operational procedures (including asset valuation and workout) are implemented at Recredit to maximize recoveries and minimize fiscal cost: make additional changes in a Presidential Decree**.**	*Maximize value recovery and minimize potential fiscal liabilities*	End-July 2020	**Reset**	Reset: End-August 2020
III. Exchange rate policies				
• **Foreign exchange deposits.** Eliminate the informal restrictions on foreign exchange deposit withdrawals.	*Minimize financial stability risks*	End-December 2019	**Met**	
• **Multiple Currency Practice (MCP).** Amend the Presidential Decree No. 3/14, of October 21, 2014, to remove the stamp tax on foreign exchange operations that gives rise to an exchange rate restriction and a MCP.	*Promote a well-functioning FX market*	End-March 2020	**Met**	
Proposed New Structural Benchmarks				
I. Fiscal policy and public institution reforms				
• Publish initial project appraisal report for all new public investment projects above Kz 10 billion undertaken from January 2021.	*Strengthen accountability*	End-March 2021		
II. Structural reforms				
• **Governance reforms.** Submit a revised State Owned Enterprises (SOE) Law to the National Assembly, which enhances internal and external audit functions.	*Strengthen enterprises internal control and improve business environment*	End-December 2020		

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) sets out the understandings between the Angolan authorities and International Monetary Fund (IMF) staff regarding the definition of performance criteria (PCs); indicative targets (ITs); memorandum items; associated adjustors; and data reporting requirements for the duration of the Extended Arrangement under the Extended Fund Facility (hereafter the "arrangement"). Where these targets and items are numeric, their unadjusted number values are stated in the Memorandum of Economic and Financial Policies (MEFP, Table 1a). The values against which compliance with the arrangement will be assessed will be adjusted up or down according to the adjustors specified in this TMU. Structural benchmarks (SBs) are described in MEFP Table 2. Reviews under the arrangement will assess PCs and ITs on specified test dates. Specifically, the third, fourth, fifth, and sixth reviews will assess PCs and ITs at end-December 2019, end-June 2020, end-December 2020, and end-June 2021 test dates, respectively (MEFP, Table 1a).

2. Arrangement exchange rates. For the purposes of the arrangement, the exchange rate of the Angolan Kwanza (AOA) to the U.S. dollar is set at AOA 295 per US$1 for the duration of the arrangement. The exchange rates of the other currencies per U.S. dollar are tabulated in Text Table 1. Setting arrangement's accounting exchanges rate does not imply that there is a target exchange rate for policy purposes—it simply allows comparability across different test dates.

Text Table 1. Exchange Rates per U.S. Dollar

AOA	EUR	GBP	CNY	ZAR	SDR
295.00000	1.15760	1.30410	0.14531	0.07050	1.39525

I. QUANTITATIVE PERFORMANCE CRITERIA

A. Net International Reserves of the Banco Nacional de Angola (*Floor*)

Definition

3. Net international reserves (NIRs) of the *Banco Nacional de Angola* (BNA) are defined as the U.S. dollar value of official reserve assets of the BNA minus reserve liabilities of the BNA. Non-dollar denominated foreign assets and liabilities will be converted into U.S. dollars at the International Financial Statistics exchange rates on September 28, 2018, with the exception of monetary gold, which will be valued at the market price at each test date (Text Table 1).

- Official reserve assets are defined as readily available claims on nonresidents denominated in foreign convertible currencies. They include the BNA's holdings of monetary gold, Special Drawing Rights (SDRs), foreign currency cash, foreign currency securities, deposits abroad, and the country's reserve position at the IMF. Excluded from foreign assets are any assets that are pledged, collateralized, or otherwise encumbered, including guarantees for third-party external liabilities, claims on residents including commercial banks, claims in foreign exchange arising from derivatives in foreign currencies vis-à-vis the domestic currency (such as futures, forwards, swaps, and options), precious metals other than gold, assets in nonconvertible currencies, assets held with unrated correspondent banks, and illiquid assets.

- Reserve liabilities are defined as all short-term foreign exchange liabilities of the BNA to nonresidents, with an original maturity of up to and including one year, commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps, and options), and all credit outstanding from the IMF.
- Disbursements from the IMF received by the Central Government under the arrangement are excluded from the computation of NIRs.

Adjustors

4. The floor on NIRs will be adjusted relative to the arrangement's assumptions given in Text Table 2.

Text Table 2. Angola: NIR Adjustors (Baseline Scenario), 2019–21

(Millions of U.S. dollars, unless otherwise indicated)

Cumulative flows from the beginning of the year	2019		2020						2021	
	December		March		June		September	December	March	June
	2nd Rev.	Actual	2nd Rev.	Actual	2nd Rev.	Prelim.	Proposed	Proposed	Proposed	Proposed
Adjustors from the EFF Third Review:										
Brent oil price, U.S. dollars per barrel	64.0	62.7	62.3	50.5	60.8	29.4	42.5	42.9	43.1	43.4
Disbursements from multilaterals (except the IMF) and Eurobonds	3,777	3,615	40	40	1580	445	485	1,160	40	80
Disbursements from multilaterals (except the IMF)	777	615	40	40	80	445	485	1,160	40	80
Disbursements from Eurobonds	3,000	3,000	0	0	1500	0	0	0	0	0
Debt service to multilaterals, except the IMF, and Eurobonds	576	586	9	7	437	439	455	888	22	458
Debt service to multilaterals, except the IMF	0	135	9	7	88	87	102	183	22	105
Debt service to Eurobonds	576	451	0	0	349	353	353	705	0	353

Sources: Angolan authorities; WEO; and IMF staff estimates and projections.

a. Upward by:

- US$200 million, on a quarterly basis, for each US$1 per barrel that the average Brent crude oil price in the corresponding quarter exceeded the arrangement's assumption in Text Table 2.
- The shortfall in external debt service of the Central Government with multilateral institutions, excluding the IMF, as well as with Eurobonds, relative to the baseline projection reported in Text Table 2.
- The excess in disbursements for budget support received by the Central Government from multilateral institutions, excluding the IMF, as well as proceeds from Eurobonds, relative to the baseline projection reported in Text Table 2.

b. Downward by:

- US$200 million, on a quarterly basis, for each US$1 per barrel that the average Brent crude oil price in the corresponding quarter fell below the arrangement's assumption in Text Table 2. This adjustor's lower limit is US$400 million for 2020Q2, US$600 million for 2020Q3, and US$800 million for 2020Q4, cumulatively. Similarly, in 2021, the adjustor's lower limit is US$200 million for 2021Q1 and US$400 million for 2021Q2.

- The excess in external debt service of the Central Government with multilateral institutions, excluding the IMF, as well as with Eurobonds, relative to the baseline projection reported in Text Table 2.

- The shortfall in disbursements for budget support received by the Central Government from multilateral institutions, excluding the IMF, as well as proceeds from Eurobonds, relative to the baseline projection reported in Text Table 2.

B. *Banco Nacional de Angola* Claims on the Central Government (*Cumulative Ceiling*)

Definition

5. BNA claims on the Central Government are defined as the cumulative change, from the beginning of the calendar year, in the stock of all outstanding claims on the Central Government held by the BNA, less revaluation gains/losses. Revaluation gains/losses are defined as changes in domestic currency terms of the value of BNA's claims because of a change in the exchange rate. These claims include loans, securities, shares, financial derivatives, settlement accounts, advances, and arrears.

C. Average Adjusted Reserve Money (*Ceiling*)

Definition

6. Reserve money (RM) is defined as the sum of currency in circulation outside the BNA (includes cash in vaults), balances of commercial banks' overnight deposits, and banks' correspondent accounts (includes required reserves in local and foreign currency) at the BNA. RM excludes balances in deposit auctions and commercial banks' term deposits at the BNA. For each quarter, average adjusted reserve money is calculated as the quarterly average of daily data recorded in the balance sheets of the BNA (BNA Survey). For the purposes of measuring the banks' reserves in foreign currency, the exchange rates will be as in Text Table 1. For 2019Q4, the average adjusted reserve money thus defined amounted to Kz 1,922 billion.

Adjustors

7. In the event of a change in the reserve requirement ratio in local currency (rr_LC) and in foreign currency (rr_FC), the reserve money ceiling will be adjusted according to the formula:

Revised RM ceiling = Arrangements' RM ceiling + banks' correspondent accounts (bank reserves) in local
currency x (new rr_LC/old rr_LC - 1) + banks' correspondent accounts (bank reserves) in foreign currency x (new rr_FC/old rr_FC - 1)

8. For the calculation of the adjustors, the banks' correspondent accounts are evaluated as the quarterly average of daily balances, in Kwanzas, using the exchange rate in Text Table 1. The RM ceiling will be adjusted relative to the following assumptions (Text Table 3):

Text Table 3. Angola: Reserve Money Targets and Components (Baseline Scenario), 2019–21
(Units as indicated)

Quarterly average of daily balances (Stocks in U.S. dollars converted at 295 Kz/USD)	2019			2020								2021			
	December			March			June			September	December	March	June	September	December
	2nd Review	Adjusted	Actual	2nd Review	Adjusted	Actual	2nd Review	Adjusted	Actual	Proposed	Proposed	Proposed	Proposed	Proposed	Proposed
Reserve Money Ceiling (Billions of Kwanzas)	1,748	2,030	1,870	1,739	2,037	1,922	1,774	2,311	2,035	2,062	2,086	2,130	2,187	2,226	2,298
Currency in Circulation	451	524	479	431	505	479	440	573	489	511	517	529	543	553	571
Bank's Accounts (Reserves) in Kwanzas	877	1,018	958	863	1,010	1,012	880	1,146	1,133	1,023	1,035	1,058	1,087	1,106	1,142
Bank's Accounts (Reserves) in Foreign Currency	421	488	433	445	521	431	454	591	413	527	534	543	557	567	585
Reserve Requirement Ratios (Percent)															
Domestic Currency	17	22	22	22	22	22	22	22	22	22	22	22	22	22	22
Foreign Currency	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15

Sources: Angolan Authorities; and IMF staff estimates and projections.

D. Non-Oil Primary Fiscal Deficit of the Central Government (*Cumulative Ceiling*)

Definition

9. The non-oil primary fiscal deficit (NOPFD) of the Central Government is defined as the non-oil primary expenditure of the Central Government plus clearance of external and domestic payments arrears in cash, as defined below, less Central Government non-oil revenue.

- The Central Government covers the entities of the Central and Local Administrations, Public Institutes, Autonomous Services and Funds, and Social Security.
- Non-oil primary expenditure of the Central Government is defined as total expenditure of the Central Government, less payment of interest on domestic and external debt, and Agência Nacional de Petróleo, Gás e Biocombustíveis's (ANPG) oil-related expenditure on behalf of the Government, all measured on a cash basis.
- For the purpose of this PC, payments arrears are defined as all external and domestic

non-debt[1] contractual obligations of the Central Government that remain unpaid within 90 days after the due date specified in the contract or after the delivery date,[2] which include, but are not limited to, payment obligations from procurement contracts for goods and services, and statutory obligations for payment (e.g., civil service wages, and other entitlements); and that are related to transactions that were authorized inside or outside the Integrated Financial Management System (SIGFE) up to December 31, 2017.

- Clearance of payments arrears in cash is the cash component of the repayments of arrears that were accumulated up to December 31, 2017, as defined above, and for which a repayment timetable is set out in paragraph 8 of the MEFP.
- Central Government non-oil revenue is defined as Central Government total revenue, less oil revenue, both measured on a cash basis. Central Government oil revenue is the sum of proceeds from the tax on petroleum production (IPP), tax on petroleum income (IRP), tax on petroleum transactions (ITP), total revenue from the concessionaire (i.e., without netting out ANPG's oil-related expenditure on behalf of the Central Government), and any applicable charges on oil and gas, all measured on a cash basis.
- The PC for the NOPFD of the Central Government is calculated as the cumulative deficit since the start of the calendar year, based on the projected exchange rates for the arrangement period, and measured in Kwanzas.

10. To improve monitoring of spending on public investment projects that are financed by external project loans, in every calendar quarter the Ministry of Finance will provide the total value in U.S. dollars of invoices that have been approved by the Ministry, breaking down into invoices for which (i) external disbursements have been confirmed by external lenders; and (ii) those that have not (Table 1).

11. The NOPFD PCs and corresponding ITs will be adjusted (asymmetrically) for the Kz/USD exchange rate depreciation in excess of the program's baseline. Specifically, the PCs and ITs will be adjusted upward by a cumulative Kz 4 billion per quarter for every 1 percentage point depreciation of the cumulative average Kz/USD exchange rate (since the start of the year) by the end of the quarter in excess of the program's baseline (Text Table 4). The adjustor will be capped at a cumulative Kz 100 billion per quarter (Text Table 4).

Text Table 4. Cumulative Average Kwanza per U. S. Dollar Exchange Rates, 2020–21
(Units as indicated)

	September 2020	December 2020	March 2021	June 2021
AOA/USD	553.43	566.26	625.27	638.90
Cap units	300	400	100	200

[1] That is, excluding debt obligations, as defined in paragraph 15 of this TMU.

[2] This definition follows the Law No. 12/13, issued on December 11, 2013.

E. Non-Accumulation of External Debt Payments Arrears by the Central Government and the *Banco Nacional de Angola* (*Continuous Ceiling*)

Definition

12. External debt payments arrears are defined as total external debt service obligations (principal and interest) of the Central Government and the BNA falling due after the date of arrangement approval that have not been paid by the time they are due, taking into account the grace periods specified in contractual agreements. Debt is defined in Paragraph 17 of this TMU and excludes contracts providing for payment on delivery. External debt payments arrears are defined on a residency basis. Arrears resulting from the nonpayment of external debt service for which a clearance framework has been agreed or a restructuring agreement is sought are excluded from this PC. External debt obligations, which the Central Government and the BNA cannot pay or settle based on their contractual terms solely because of the transfer of funds being rejected owing to intermediary financial institutions' compliance policies and which have been paid into an independent third-party escrow account (which specifies that the escrowed funds may be used only to satisfy external debt obligations) by the contractual due date, taking into account any contractual grace period, will not give rise to arrears for purposes of this PC.

13. The PC on the non-accumulation of external debt payments arrears will apply on a continuous basis throughout the arrangement.

F. New External Oil-Collateralized Debt Contracted by or on behalf of the Central Government, the *Banco Nacional de Angola*, and Sonangol (*Continuous Ceiling*)

Definition

14. Oil-collateralized debt is external debt, which involves creating a security interest, charge or lien over oil, oil receivables, or the proceeds of the sale of oil. The use of a collection account (e.g., for oil receivables or the proceeds of the sale of oil) where no charge or lien is created over such account is excluded from this definition. Prefinancing refers to debt contracted against future oil sales. A debt is contracted on behalf of the Central Government, the BNA, or Sonangol when the borrowing entity is wholly owned and/or controlled by the Central Government, the BNA, and/or Sonangol.

15. Disbursements under oil-collateralized debt contracted before the approval of the arrangement is excluded from this PC and are monitored under the ITs relating to such disbursements (Paragraphs 21–22 of this TMU). New oil-collateralized debt contracted by or on behalf of the Central Government, the BNA, or Sonangol is excluded from this PC where such debt is used for financing of oil-extraction equipment, as evidenced by the financing documents.

16. The contracting of new oil-collateralized debt (including prefinancing) by or on behalf of the Central Government, the BNA, or Sonangol, on a gross basis, is subject to a continuous zero ceiling under the arrangement.

II. INDICATIVE TARGETS

A. Stock of Debt Contracted or Guaranteed by the Central Government or Sonangol (*Ceiling*)

Definition

17. Public debt is defined as domestic and external debt contracted or guaranteed by the Central Government, including debt related to the National Urbanization and Housing Plan (PNUH) owed by the Central Government to Sonangol, and external debt contracted by Sonangol. Cross-holding of claims by entities within this debt perimeter, including PNUH-related debt, are netted out for computing this IT. External debt is determined according to the residency criterion. The term "debt"[3] will be understood to mean a current, i.e., not contingent liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take several forms; the primary ones being as follows:

i. Loans, i.e., advances of money, to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

ii. Suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

iii. Leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property. For the purpose of the arrangement, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

B. Central Government Social Expenditure (*Cumulative Floor*)

[3] As defined in the Guidelines on Public Debt Conditionality in IMF Arrangements, Decision No. 15688-(14/107).

Definition

18. Social expenditure is defined as the Central Government's spending on the following functions for a given calendar year and as specified in the General State Budget (OGE) as the "social sector": education (budget line 04); health (budget line 05); social protection (budget line 06); and housing and community services (budget line 07). This IT is set in Kwanzas.

C. Net-Accumulation of Payments Arrears by the Central Government *(Cumulative Ceiling)*

Definition

19. For the purpose of this IT, payments arrears are defined as all external and domestic non-debt contractual obligations of the Central Government that remain unpaid within 90 days after the due date specified in the contract or after the delivery date,[4] and which meet the following criteria: (i) include, but are not limited to, payment obligations from procurement contracts for goods and services, and statutory obligations for payment (e.g., civil service wages, and other entitlements); and (ii) are recorded in SIGFE. The due date is the deadline by which payment must be made under the applicable contract, taking into account the grace periods specified in the contract. After rescheduling by agreement with the creditor, the obligation rescheduled is not considered in arrears anymore.

20. The IT on the non-accumulation of payments arrears is calculated as the net change in the stock of payments arrears, as defined above and reported between the date of arrangement approval and each test date under the arrangement. This measurement will exclude all claims related to transactions that have been authorized outside SIGFE, such as those defined in paragraph 9 of this TMU and which will be reported separately.

D. Disbursements of Oil-Collateralized External Debt to the Central Government *(Cumulative Ceiling)*

Definition

21. This ceiling refers to disbursements of oil-collateralized external debt to the Central Government from credit lines that have been contracted before the start of the arrangement, as defined in paragraph 15 of this TMU.

22. This IT will be monitored on a quarterly basis (Table 1).

E. Issuance by the State of Debt Guarantees *(Annual Ceiling)*

Definition

[4] This definition follows the Law No. 12/13, issued on December 11, 2013.

23. This IT ceiling covers all debt guarantees issued by the Central Government, irrespective of their purpose, currency, and beneficiary.

24. This IT is defined for each calendar year and will be identical to the annual ceiling for issuance of debt guarantees approved in the annual Budget Law.

25. For the purpose of this IT, debt is defined as in paragraph 17 of this TMU.

26. This IT will be monitored quarterly, based on the amounts approved by the Ministry of Finance for guarantee issuances.

III. REPORTING REQUIREMENTS

27. To ensure adequate monitoring of economic variables and reforms, the authorities will provide the data and information specified in Table 1.

Table 1. Angola: Data Reporting Requirements

Reporting Agency	Data	Frequency	Timing	Observation
BNA	Stock of the NIRs	Daily	No later than one week after the end of each day	
BNA	Exchange rates (official and parallel)	Daily	No later than one day after the end of each day	
BNA	Decomposition of daily variation of NIRs stock into foreign exchange sales/purchase	Weekly	No later than one week after the end of each week	
BNA	Any off-balance sheet position denominated or payable in foreign currency	Weekly	No later than one week after the end of each week	
BNA	Exports and imports (nominal values,)	Quarterly	No later than 6 weeks after the end of each quarter	
BNA	Balance of payments	Quarterly	No later than 3 months after the end of the relevant quarter	
BNA	BNA Survey	Daily	No later than one week after the end of each week	Should include stock of bank reserves in foreign currency, evaluated at (fixed) exchange rates under the arrangement.
BNA	Bank reserves in foreign currency	Daily	No later than one week after the end of each week	Denominated in foreign currency, for each relevant currency.
BNA	BNA claims on the Central Government	Monthly	No later than 6 weeks after the end of month	
BNA	Stock and flows of bank claims on the Central Government	Monthly	No later than 6 weeks after the end of each month	
BNA	Accumulation of external debt service arrears by the BNA	Monthly	No later than 6 weeks after the end of each month	
BNA,	Stock and the change in Central Government deposits at the BNA and banks and change in balances of escrow accounts	Monthly	No later than 6 weeks after the end of each month	Change in deposits broken down by currency (U.S. dollar and Kwanza), and stock and change in balances of escrow accounts, broken down by beneficiary country.

Table 1. Angola: Data Reporting Requirements (continued)

Reporting Agency	Data	Frequency	Timing	Observation
BNA	Bank-by-bank financial data, including balance sheets, income statements, NPLs, broken down by currency (U.S. dollars and Kwanzas) and financial soundness indicators	Annually	No later than 4 weeks after the end of the year	However, for the 13 banks participating in the AQRs, the data submission will be quarterly, and no later than 4 weeks after the end of each quarter.
MINFIN	Accumulation of external debt service arrears by the Central Government	Quarterly	No later than 8 weeks after the end of each quarter	
MINFIN	Oil revenue by category	Quarterly	No later than 8 weeks after the end of each quarter	Oil revenue, including from the concessionaire (100 percent), from other oil tax (IRP, IPP, ITP), and identifying the average oil price (US$/barrel) and crude oil exports (barrels).
MINFIN	Non-oil revenue by category	Monthly	No later than 2 weeks after the end of each month	Non-oil revenue (revenue from income taxes, property taxes, taxes on goods and services, taxes on international trade, and other taxes); social contributions; grants; other current revenues; and revenue from capital income.
MINFIN	Expenditure by category	Quarterly	No later than 8 weeks after the end of each quarter	Wages; goods and services (non-oil related and Sonangol's expenditure on behalf of the Central Government); domestic and external interest payment; current transfers (subsidies—including price subsidies, donations, social benefits, and other transfers) and; capital expenditure, broken down between public investment program (PIP) and others, and between domestically and externally financed.
MINFIN	Domestic borrowing and debt service (principal and interest)	Monthly	No later than 2 weeks after the end of each month	Including Treasury bonds (broken down by instrument: OT-NR, OT-TXC, OT-ME, OT-INBT), Treasury bills (Fundada, and ARO whose disbursements should be recorded at price paid), and loans (*contratos de financiamento de mútuo*).
MINFIN	External borrowing and debt service (principal and interest) as recorded in the DMFAS system	Quarterly	No later than 8 weeks after the end of each quarter	Broken down by creditor type (multilateral, bilateral, commercial, suppliers, and Eurobonds) and divided by public investment projects and budget support under the arrangement. Borrowing and debt service of collateralized debt broken down by creditor.
MINFIN	Total value of invoices in U.S. dollars related to spending on public investment projections that are financed by external project loans and that have been validated by MINFIN	Quarterly	No later than 8 weeks after the end of each quarter	Broken down by invoices for which external disbursements have been confirmed by external lenders and invoices that have not.

Table 1. Angola: Data Reporting Requirements (continued)

Reporting Agency	Data	Frequency	Timing	Observation
MINFIN	Stock of domestic debt of the Central Government	Monthly	No later than 2 weeks after the end of each month	Domestic debt broken down by instrument type (treasury bonds: OT-NR, OT-TXC, OT-ME, OT-INBT; treasury bills: Fundada and ARO; and loans: contratos de financiamento de mútuo).
MINFIN Sonangol TAAG	Stock of external debt of the Central Government, Sonangol and TAAG	Quarterly	No later than 8 weeks after the end of each quarter	External debt broken down by creditor type: multilateral, bilateral, commercial, suppliers, and Eurobonds. Stock of collateralized external debt broken down by creditor.
MINFIN Sonangol TAAG	Debt service projection, quarterly for 2018–21 and annually from 2022 onwards	Quarterly	No later than 8 weeks after the end of each quarter	Principal amortizations and interest payments of domestic debt, both broken down by instrument type (Treasury bonds: OT-NR, OT-TXC, OT-ME, OT-INBT; Treasury bills: Fundada and ARO; and loans: *contratos de financiamento de mútuo*); and of external debt both broken down by creditor type (multilateral, bilateral, commercial, suppliers, and Eurobonds), and by collateralized credit lines.
MINFIN Sonangol	Stock of public guarantees	Quarterly	No later than 8 weeks after the end of each quarter	Public guarantees broken down by currency, and identifying the amounts, beneficiary, guarantor, and maturity date of the underlying loan.
MINFIN	Issuance of new guarantees	Quarterly	No later than 8 weeks after the end of each quarter	Guarantees issuances approved by the Ministry of Finance as defined in paragraphs 21–24 of this TMU.
MINFIN Sonangol	Contracting and/or disbursements of new collateralized debt by or on behalf of the Central Government, the BNA, and Sonangol	Quarterly	No later than 8 weeks after the end of each quarter	
MINFIN	Stock, new accumulation, and clearance of payments arrears	Quarterly	No later than 8 weeks after the end of each quarter	Clearly identifying the stock and clearance of payments arrears originating outside and inside SIGFE.
MINFIN	Bonds issued in settlement of payment arrears, and for recapitalizations	Quarterly	No later than 8 weeks after the end of each quarter	
MINFIN	Bonds issued in settlement of loans by the BNA to the Central Government	Quarterly	No later than 8 weeks after the end of each quarter	The authorities should meet the corresponding PC and hence report zero issuances.
MINFIN	Recapitalizations	Quarterly	No later than 8 weeks after the end of each quarter	Broken down by beneficiary and instrument (cash, bonds, and other means).
MINFIN	Stock and the change in balances of escrow and reserve accounts	Quarterly	No later than 8 weeks after the end of each quarter	Broken down by beneficiary creditor.
MINFIN	Stock and the change in balances of the escrow set up in a sound bank operating in Angola to receive rejected debt service payments	Quarterly	No later than 4 weeks after the end of each quarter	Broken down by flows—disaggregated by new deposits and withdrawals—and stock (the balance in the account)

Table 1. Angola: Data Reporting Requirements (concluded)

Reporting Agency	Data	Frequency	Timing	Observation
MINFIN	Stock of domestic debt of the Central Government	Monthly	No later than 2 weeks after the end of each month	Domestic debt broken down by instrument type (treasury bonds: OT-NR, OT-TXC, OT-ME, OT-INBT; treasury bills: Fundada and ARO; and loans: contratos de financiamento de mútuo).
MINFIN	Social spending	Quarterly	No later than 8 weeks after the end of each quarter	Broken down by category.
MINFIN	Quarterly reviews of the BPC's restructuring plan	Quarterly	No later than 6 weeks after the end of each quarter	
MINIFIN	Production and exports of oil and natural gas	Monthly	No later than 2 weeks after the end of each month	Oil and gas production should be measured in monthly (average) barrels per day and exports measured in U.S. dollars.
MINIFIN	Actual selling prices of oil and natural gas	Monthly	No later than 2 weeks after the end of each month	For oil prices, it should be reported for all Angola brand fields. For natural gas, the average selling price.