EXECUTIVE BOARD MEETING

EBS/20/128
Supplement 1
Correction 1

September 16, 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—Supplementary Information, Proposed Decision, and Supplementary Letter of Intent**

Board Action:	The attached correction to EBS/20/128, Sup. 1 (9/10/20) has been provided by the staff:
Factual Errors Not Affecting the Presentation of Staff's Analysis or Views	**Page 3**
Questions:	Mr. de Zamaroczy, AFR (ext. 36934)

C. Debt Sustainability

3. **The revised framework assumes a somewhat different debt relief package, but it preserves debt sustainability** (Figure 1). Although the authorities reached agreements on substantial debt relief with two of Angola's large ~~official~~ creditors, debt relief negotiations with a third large official creditor have yielded a different result from the assumption made in the staff report. The new baseline scenario, presented in the revised framework (Tables 1–9), now projects that all debt service payments until-end December 2020 for loans from that creditor will be rescheduled under the G20 Debt Service Suspension Initiative (G20DSSI). With the authorities sending a formal letter of request to that creditor since the issuance of the staff report, as part of the G20DSSI, this agreement has been activated.

4. **The higher oil prices lead to narrower overall fiscal deficits and improved debt dynamics relative to the staff report, despite a smaller debt relief.** The NOPFDs in 2020–30 remain broadly unchanged compared to the staff report. However, the revised oil-price projections have a positive impact on revenue, improving the overall fiscal balances and debt dynamics (Text Table 2). Projected debt reduction, measured as a percentage of GDP, is now faster in the coming decade and in 2025 is quite close to the authorities' medium-term debt objective of 65 percent of GDP.

Text Table 2. Angola: Fiscal Balance and Public Debt, 2020–30
(Percent of GDP)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Overall Deficit											
Staff Report[1]	-3.6	-1.6	0.0	1.0	1.3	1.5	1.8	2.0	2.0	1.9	2.1
Supplement[2]	-2.8	-0.1	1.0	1.7	1.8	1.9	2.2	2.4	2.3	2.4	2.6
Public Debt											
Staff Report[1]	122.8	112.5	97.5	86.8	77.0	69.7	64.0	57.6	52.0	46.7	41.1
Supplement[2]	120.3	107.5	93.8	83.7	74.3	67.2	61.6	55.1	49.2	43.7	37.8

Source: IMF Staff estimates and projections.
[1] EBS/20/128, dated July 20, 2020.
[2] Using revised-oil price projections and debt relief assumptions.

5. **Under the new baseline scenario, Angola's fiscal gross financing needs (GFNs) are reduced notably.** The combined effect of the revisions to the framework lead to GFNs, which, on average, are lower by 1½ percent and 1 percent of GDP in 2021–25 and 2026–30, respectively (Text Table 3 and Figure 1).

Text Table 3. Angola: Gross Financing Needs, 2021–30
(Percent of GDP)

	2021–30	2021–25	2026–30
Staff Report[1]	9.2	10.3	8.2
Supplement[2]	8.0	8.7	7.3

Source: IMF Staff estimates and projections.
[1] EBS/20/128, dated July 20, 2020.
[2] Using revised oil-price projections and debt relief assumptions.

6. **As a result, debt servicing capacity is stronger than in the staff report.** Lower GFNs are offset by reduced issuance of both domestic and foreign debt and lesser reliance on drawdowns of Treasury deposits at the central bank and commercial banks. Specifically, there is lower issuance of T-bills and T-bonds across the board, with the exception of 2026, when the Eurobond issuance assumed in the staff report is eliminated; lower issuance of Eurobonds in 2025 and 2028–30; and smaller drawdowns of Treasury deposits at the central bank and commercial banks until 2025, and even some partial replenishment of deposits in 2022 and after 2025 (Text Table 4).