

SU/21/1

January 13, 2021

**The Acting Chair's Summing Up
Angola—Fourth Review Under the Extended Arrangement
Under the Extended Fund Facility and Requests for Modifications of Performance
Criteria and Waivers for Performance Criteria Applicability and Nonobservance
Executive Board Meeting 21/2
January 11, 2021**

Executive Directors noted that the COVID-19 pandemic is having a significant impact on Angola's economy, adding to the existing challenges from the recession, the oil-price shock, and rising debt. They commended the authorities for the progress made under the Fund-supported program despite these setbacks. Going forward, Directors emphasized the need to safeguard debt sustainability, rebuild reserves, and advance structural reforms for sustainable and inclusive growth.

Directors welcomed the authorities' continued commitment to fiscal restraint, building on the achievements in 2020. Priority should be given to increasing non-oil revenue and rationalizing spending while preserving social and priority health expenditure. Directors encouraged continued efforts to gradually eliminate fuel subsidies, complemented with the cash transfer program. They also stressed the need to strengthen public financial management, improve tax administration, and reform state-owned enterprises.

Directors emphasized that prudent debt management is critical to safeguard debt sustainability given that Angola's public debt remains highly vulnerable to shocks, particularly those related to oil prices. While welcoming the implementation of debt reprofiling agreements, Directors encouraged the authorities to continue to take advantage of debt reprofiling under the G20 Debt Service Suspension Initiative, develop a contingency plan, and continue to reduce collateralized debt.

Directors supported a gradual shift toward a tighter monetary policy stance to curb inflation. They welcomed the authorities' use of the exchange rate as a shock absorber during the crisis and their progress in liberalizing the foreign exchange market.

Directors called for further steps to strengthen financial sector stability, especially by completing the restructuring of the two troubled public banks. In this context, they underscored the importance of the timely adoption of the amended central bank law and the Financial Institutions Law.

Directors encouraged further progress on structural and governance reforms to support private sector-led growth and diversify the economy. Steps to improve the business environment and fight corruption will be important in this regard.