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Angola
New Challenges

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As is widely known, Angola – being highly dependent on the price of a barrel of oil, which is structurally decreasing in the international market – is facing a great challenge, which is the need to diversify and revive a shrinking economy, defined by high inflation, an overvalued national currency, and a significant decrease of its Net International Reserves (NIR).

A first step was taken with the approval of an Interim Plan, as per Presidential Decree No. 258/17, of 27 October 2017, which established a set of short-term measures aimed at achieving macro-economic stability, boosting the economy and mitigating the most pressing social problems.

Among the measures to be adopted with a view to further controlling and ensuring the efficiency of government expenditure, one should highlight the intent to concentrate public investments on structuring projects providing public assets and promoting the economy, together with the ambition of exploring public-private partnerships in infrastructure investments and in the supply of public and semi-public assets, as well as the implementation of the Resizing and Restructuring Plan of the Public Business Sector, including Sonangol's restructuring. In this context, the goal of implementing arrangements aimed at on-lending external funding to the private sector should also be highlighted, as well as the establishment of credit facilities for the purchase of agricultural equipment and inputs and for the support of exporting companies, just as the revised strategy for institutional support and tax benefits. With the goal of ensuring debt sustainability, one should emphasize the willingness to negotiate debt rescheduling with the main bilateral partners.

With respect to monetary and foreign exchange policies, among others, the need was acknowledged to adopt combined measures and actions fostering disinflation and eradication of the overvaluation of national currency, as well as to adopt a floating foreign exchange regime administered within a band compatible with both the inflation target and the NIR level, guaranteeing at least eight months of imports. The goal of adopting a provisional model including free auctions of essential goods and private operations (such as travels, family assistance, education and healthcare) was also announced. On the other hand, the obligation to pay for imports only by means of a letter of credit should be imposed. The intent to prohibit all transfers to tax havens has also been expressed. The Central Bank has subsequently issued a Circular to govern (until such time as the auction system is reinstated) the sale of currency for these purposes, and to further increase transparency in the process and predictability to the banks. More recently the President of the Republic made public his intention of adopting measures for the repatriation of funds by Angolan foreign exchange residents with the risk of prosecution after a period of grace.

Especially with regard to the financial sector, several measures were announced with a view to its strengthening, particularly the increase in the minimum requirement of own capital of commercial banks, aimed at guaranteeing an appropriate creditworthiness and liquidity and promoting further consolidation of the banking sector, as well as the intent to evaluate and carry out stress tests to assess vulnerabilities in the sector. Weighing of both mandatory reserve ratios and reference interest rates should also be revised in light of, inter alia, the credit percentage aimed at productive activities, as well as the commercial banks' foreign currency reserves and their currency position compared with the statutory own funds. A capital market will also be fostered through the privatization of benchmark companies in the stock exchange and the development of a corporate bonds market. One should also emphasize the goal of reinforcing the supervisory and legal frameworks of anti-money laundering and combating terrorism financing (AML/CTF) and the goal of updating and strengthening the surveillance mechanisms.

Other highlights include the intention to adopt measures aimed at promoting and streamlining foreign investments, with an emphasis on agriculture, agroindustry, fisheries, manufacturing and mining industries, especially on goods regarding which the country may create comparative advantages to increase its exports.

The above-mentioned measures should be supplemented by medium- and long-term financial and structural measures.

These measures are expected to have a beneficial interest on stabilizing the Angolan economy in the short run, as well as to assist in attracting foreign investment for a greater confidence on the external funders' part, which are essential for the challenges faced by Angola.