



Republic of Angola

Ministry of Finance

Office of the Minister

01. As was the case in 2002, the international press is echoing the reports by some international organization that reveal the alleged disappearance of approximately 4.2 billion dollars from the Angolan treasury in the period between 1997 and 2002. These organizations cite as their source the reports by the IMF missions under Article IV.

02. The fact that the Angolan budget and public financial management system suffer inadequacies is public knowledge. On recognizing this fact the government approved in 2002, a Program for the Modernization of Public Finances, to systematize the actions that had already been undertaken to improve the budget process and public financial administration. Additionally the National Statistical Plan proposed by the National Statistics Council was also approved. The Government of Angola has recently concluded a credit agreement with the World Bank aiming at the implementation of an EMTA (Macroeconomic Technical Assistance); several World Bank and IMF missions were invited by the Angolan Government to visit the country in 2003 within the framework of the *Public Expenditure Management and Financial Accountability Review* (PEMFAR).

03. Not long ago the government had to abort its attempts to undertake actions to improve public accounting systems which were dependent on technical assistance because the international organizations that were to provide such assistance involved the government in a bureaucratic mesh of incomprehensible conditionalities as they tried to impose their own will.

03. The discrepancies between total revenues and increases estimated to be of US\$ 673.5 million, verified in the period between 1997 and 2002 in government operations, derive from the recognized inadequacies of our budget and public sector financial management systems, as well as our national statistical system. They are distributed as shown below:

– 1997: US\$ + 29.8 millions;

- 1998: US\$ - 142.9 millions;
- 1999: - 243.4 millions;
- 2000: + 631.1 millions;
- 2001: + 411.8 millions; and
- 2002: - 12.9 millions.

04. The above amounts correspond in reality to a combination of expenses effectively made, external debt service of the entrepreneurial sector, paid by the government, availability of resources and foreign exchange differences due to the mismatch between the time when the resources were made available, the time when the expensed were made, the time when the monies were disbursed and the time when they were recorded into the accounting and statistical registries. The latter was not done in a timely manner due the inadequacies in the system. To allege that there is fraud is clearly an attitude imbued by bad faith by those who deliberately want to distort the truth for their own obscure ends.

05. On the other hand the discrepancies verified by the government between 1997 and 2002 amount to US\$ 673.5 millions and not as is allegedly reported by the IMF to US\$ 4.2 billions.

06. The Angolan authorities cannot be held responsible for any estimates made the IMF Staff on the Angolan economy, nor are they obliged to justify the difference between such estimates and the data reported by the Angolan authorities which by far are those who better understand the Angolan reality. In reality it is up to the IMF staff to justify the differences shown in their estimates since the data provided by the authorities are based on facts. To give greater credit to the IMF staff estimates we believe translates an attitude of partiality that demonstrates ill will vis-à-vis government actions. Joseph Stiglitz, Nobel laureate in economy in 2002, former World Bank Vice president, somebody above suspicion by financial institutions, wrote in his book “*Globalization and its Discontents*”, that the “data reported by the IMF are biased by its operational responsibilities for they must lead to believe that its programs work and to make numbers consistent, economic projections must be adjusted.”

Luanda, 14 January 2004.-

Annex: Government operations in 1997-2002.

ANNEX

GOVERNMENT OPERATIONS

1997-2002

(US Dollars)

	1997	1998	1999	2000	2001	2002
	Executed	Executed	Executed	Total	Total	
	IRO	IRO	IRO	IRO	IRO	IRO
Revenues	2,796,416,734	1,731,416,228	2,723,679,679	4,432,467,712	2,275,605,005	4,296,340,155
Tax revenues	2,772,097,225	1,703,251,640	2,707,436,369	4,412,264,365	2,259,652,223	4,251,769,076
oil	2,329,786,471	1,196,949,443	2,376,123,623	3,951,082,172	1,835,594,497	3,304,584,660
Non-oil	442,310,754	506,302,196	331,312,746	461,182,193	424,057,727	947,184,416
Income tax	106,504,710	135,075,582	94,488,348	133,194,155	141,223,379	281,540,242
Service and goods tax	119,237,590	157,457,459	117,523,269	157,881,058	121,503,774	325,574,659
Foreign trade tax	148,224,087	144,269,159	80,418,941	121,751,375	111,812,088	234,747,330
other	68,344,368	69,499,996	38,882,189	48,355,605	49,518,486	105,322,186
Non tax revenues	24,319,509	28,164,588	16,243,310	20,203,347	15,952,782	44,571,079
Such as diamonds						
Current personal	2,581,227,950	3,264,068,179	2,899,167,030	4,127,204,003	1,882,827,993	4,232,670,273
Salaries	784,115,256	599,278,185	258,025,754	519,551,978	411,823,659	1,112,331,869
Goods and	774,542,676	587,509,251	252,646,771	509,160,939	382,907,340	1,090,085,232
Profits due	1,330,920,667	1,153,267,572	1,652,075,788	2,323,597,827	865,330,223	2,151,086,716
internal	207,535,982	447,247,861	311,207,851	610,590,000	269,226,945	439,995,525
external	0	0	0	0	0	0
transfers	207,535,982	447,247,861	311,207,851	610,590,000	269,226,945	439,995,525
Others (quasi fiscal expenses)	258,656,045	69,379,680	645,423,544	588,570,137	289,901,830	529,256,163
	0	994,894,881	32,434,093	84,894,061	46,545,336	
Current Balance	215,188,784	-1,532,651,951	-175,487,351	305,263,709	392,777,012	63,669,882
Capital expenses	359,696,173	385,513,485	784,721,084	553,716,265	317,170,944	729,945,248
Total expenses	2,940,924,123	3,649,581,664	3,683,888,114	4,680,920,268	2,199,998,937	4,962,615,521
Extra budget expenses	357,945,425	740,289,977				
Global balance	-144,507,389	-1,918,165,437	-960,208,435	-248,452,556	75,606,068	-666,275,366
Variation on overdue payments						
internal	-1	1,284,863,563	674,124,588	1,639,196,104	270,262,906	829,769,729
External interest	-1	972,367,292	510,070,461	1,326,910,204	102,644,328	598,300,624
	0	312,496,271	164,054,127	312,285,900	167,618,578	231,469,105
Global balance (cash basis)	-144,507,390	-633,301,874	-286,083,847	1,390,743,548	345,868,974	163,494,363
Financing	144,507,390	633,301,874	286,083,847	-1,390,743,548	-345,868,974	-163,494,363
donations	0	0	0	200,000,000	119,870	0
Net external financing	-298,144,587	-10,215,246	-644,803,935	-346,949,741	-70,924,428	-541,420,289
disbursements	913,180,989	189,476,314	727,698,996	1,438,462,655	986,579,951	911,429,711
Amortization	-1,211,325,576	-631,412,479	-1,772,663,133	-1,662,305,238	-1,039,845,746	-1,382,570,000
Dus amortization	-988,296,704	-1,232,023,258	-1,618,033,215	-2,168,408,298	-972,072,941	-1,418,260,000
Variation onoverdues (reduction)	-223,028,872	600,610,779	-154,629,918	506,103,060	-67,772,805	35,690,000
Short term loans	0	431,720,919	400,160,202	-123,107,158	-17,658,633	-70,280,000
Net domestic financing	442,660,201	500,574,485	687,442,530	-738,267,541	43,337,366	324,788,011
Banks	313,256,821	599,085,278	738,459,628	-1,315,335,590	-279,170,048	1,547,530
Others	129,403,381	-98,510,793	-51,017,098	577,068,049	322,507,414	323,240,481
Debt relief	29,834,165	0	0	125,617,695	93,383,600	40,230,000
Financing gap	-29,842,389	142,942,636	243,445,252	-631,143,962	-411,785,382	12,907,915