



INTERNATIONAL MONETARY FUND

WASHINGTON, D.C. 20431

Orig: AFR  
cc: MD  
Mr. Lipton  
Mr. Shinohara  
Ms. Shafik  
Mr. Zhu  
Mr. Majoro  
EXR, FAD, FIN, LEG  
MCM, RES, SEC  
SPR, STA

Facsimile Number  
1-202-623-4661

April 9, 2012

Mr. Arvind Ganesan  
Director  
Business and Human Rights Program  
Human Rights Watch  
New York, NY 10118

Ms. Karin Lissakers  
President  
Revenue Watch Institute

Dear Mr. Ganesan and Ms. Lissakers:

I am writing in response to your letter to IMF Managing Director Christine Lagarde, dated March 26, in which you raise concerns related to the integrity of budgetary accounts in Angola. As you know, we have engaged in discussions on this and related issues on several occasions, most recently in a meeting with Human Rights Watch and Revenue Watch on January 26.

First, let me emphasize that the IMF attaches great importance to transparency and good governance in the management of public finances. As you note in your letter, Fund staff have devoted significant effort to investigating the inconsistencies and weaknesses in Angola's fiscal accounts and the factors causing the large discrepancies observed in these accounts for 2007–2010. Discussion of this issue featured prominently in the dialog with the Angolan authorities during the fifth review of the stand-by arrangement, prompting the Angolan government to launch an investigation into the source of these discrepancies. The initial findings of this investigation were shared with IMF staff in a reconciliation report during the sixth review and were outlined to the media by the Minister of Finance during a joint press conference with IMF staff held in Luanda in January 2012.

Staff continue to work closely with the Angolan authorities to confirm these findings and to lay the groundwork for improved controls and transparency in regard to the flows of oil revenues to the budget. Further work by Angolan officials has enabled the authorities to account for most of the inconsistencies in the budget data (\$27 billion out of a total of some \$32 billion over the 2007–2010 period). It has become clear that the main factor contributing to the discrepancies was large quasi-fiscal operations being conducted by Sonangol on behalf of the government that were not being recorded as budgetary spending. The authorities have decided to gradually phase out the practice of having Sonangol conduct such operations on

behalf of the budget and to ensure that such activities are fully accounted for in the budget. They have also established an inter-institutional mechanism to ensure the regular reconciliation of data on oil production and oil revenues. We understand that the final reconciliation report for 2007–2010 is to be examined by the Court of Auditors and will be published soon after.

The Angolan authorities indicate that they intend to further strengthen budgetary accounting and publication practices. We will continue to assist the authorities in pursuing that objective and look forward to continued collaboration with civil society organizations who support that effort.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Antoinette M. Sayeh". The signature is fluid and cursive, with a period at the end.

Antoinette M. Sayeh  
Director  
African Department

cc: Mr. Majoro, Executive Director for Angola, IMF