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Eighth Quarterly Progress Report of the Angola Fiscal Reform Project

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ABBREVIATIONS

AFRP	Angola Fiscal Reform Project
BNA	National Bank of Angola (<i>Banco Nacional de Angola</i>) (Central bank)
CTO	Cognizant Technical Officer
DNT	National Treasury Department
DfID	Department for International Development (U.K.)
CUT	Single Treasury Account (<i>Conta Única do Tesouro</i>)
DNC	National Accounting Directorate (<i>Direcção Nacional de Contabilidade</i>)
DMFAS	Debt Management and Financial Administration System
DNI	National Tax Directorate (<i>Direcção Nacional de Impostos</i>)
DNT	National Treasury Directorate (<i>Direcção Nacional do Tesouro</i>)
DTO	Budget Directorate
FISCAL REFORM I	Fiscal Reform in Support of Trade Liberalization Project
GAT	Gabinete de Análise Técnico
GEREI	Office of Studies and International Economic Relations (<i>Gabinete de Estudos e Relações Económicas Internacionais</i>)
MTFF/MMM	Medium-term Fiscal Framework
OGE	General Budget of the State (Orçamento Geral do Estado)
SIGFE	Integrated Financial Management System (<i>Sistema Integrado de Gestão Financeira do Estado</i>)
SONANGOL	National Oil Company of Angola
SOW	Scope of Work
UPF	Financial Programming Unit (<i>Unidade de Programação Financeira</i>)
USAID	United States Agency for International Development

1. INTRODUCTION

The Angola Fiscal Reform Project (AFRP) provides intermittent technical assistance and training in the strengthening of the Financial Programming Unit (UPF) of the Ministry of Finance of Angola. The project duration is from August 15, 2007 to December 13, 2008. This is the eighth quarterly report, covering the period July to September 2008. Both USAID and the Angolan Ministry of Finance approved the Second Annual Workplan in January 2008. This quarterly report provides project implementation data in accordance with the format and substance of the Second Annual Workplan.

2. HIGHLIGHTS

Due to funding shortfalls, USAID/Angola has informed DAI that there will be no incremental funding for AFRP. Therefore, the project will terminate in December 2008, as originally planned, but has consolidated activities by prioritizing to meet with a near \$200,000 shortfall.

Although we had been planning to report on the PMP in the seventh quarterly report, the cutback in AFRP funding made it impossible to travel to Angola in June to conduct this assessment. Paul Beckerman traveled to Angola in July-August and drafted the PMP. Gallagher finalized the report and sent it to USAID and Ministry of Finance in August 2008.

Paul Beckerman traveled to Angola from July 27 to August 9. This was the only STTA mobilized this period. During the visit, Beckerman assisted the UPF build its capacity building. Specific work included (i) assisting UPF counterparts in improving “below-the-line” reporting in the fiscal accounts; (ii) continuing progress on macro-fiscal analysis and modeling, and (iii) preparing the June 2008 report on Capacity and Project Performance Monitoring.

3. BUILDING UPF CAPACITY IN FISCAL REPORTING

Beckerman presented a training seminar on **external debt** concepts at the Finance Ministry. There were nine participants (as well as several auditors for part of the session). Of these nine, four were from the UPF and the remainder were from the GAT, the DNT and the GEREI’s statistical office. The DNT participants were enthusiastic, and the session appears to have had the additional benefit of enabling the UPF and DNT staff to know each other better. There were some logistical problems: power failed throughout the Finance Ministry for the entire day, and so the session had to be carried on without lights, air conditioning, or the computer projector. (An additional hour was added on Friday morning, when the power returned, so that the projector could be used.)

The training comprised four topics:

- a presentation of key terminology;

- a narrative history of external debt in the world economy over the past four or five decades (with discussion of the Paris Club, petrodollars, the debt crisis of the 1980s, the “Baker” Plan, the “Brady” Plan, the HIPC Initiative, and other key developments);
- a discussion of how the external-debt numbers figure in an economy’s fiscal and balance-of-payments accounts (with some review of recent changes in IMF accounting recommendations): and,
- methods for external debt projections.

Table 1 reports on AFRP deliverables in the area of helping to improve statistical capabilities. Items 4 and 6 have been canceled due to the funding shortfall.

Table 1: UPF statistical capacity deliverables

Deliverable	Planned date of delivery	Status
1. GFS course design	11-Feb	Completed.
2. Debt reporting assessment	14-Mar	Now planned for December 08
3. Training in debt reporting	16-May	Now planned for December 08
4. Assessment on reporting of direct administration	20-Jun	Cancelled
5. Assessment of reporting of indirect administration	18-Jul	Completed
6. Assessment of reporting of public enterprises	11-Mar	Cancelled
7. Final handoff of UPF manual	21-Nov	Completed

Debt reporting, below the line accounts, and Sonangol

The UPF, and the MOF generally, have several interrelated problems having to do with debt reporting and complete elaboration of the “below-the-line” fiscal accounts. First, while the UPF has succeeded in piecing together more or less adequate “above-the-line” monthly fiscal accounts showing revenues and expenditures, it has thus far been unable to formulate corresponding “below-the-line” accounts. The basic reason is that, while it has been able to draw revenue and expenditure data from the *Sistema Integrado de Gestão Financeira do Estado* (Integrated State Financial Management System, or SIGFE), data on fiscal financing flows are not available from this source.

The UPF has attempted to overcome this problem, at least for quarterly accounts, by using data on external debt compiled by the BNA’s external-debt unit and data on internal-financing flows from the DNT. The UPF has been receiving quarterly 2006 and 2007 external-debt figures from the BNA, and has attempted to process them using an Excel spreadsheet it constructed with AFRP advice.

Unfortunately, this has not worked well thus far. First, the data the BNA has been providing the UPF are incomplete. In addition, quite apart from the quality of the data, the UPF's spreadsheet is complicated and inefficient. The spreadsheet could give meaningful results if the data were complete. In any case, the spreadsheet's efficiency could be significantly improved.

The BNA's external-debt unit compiles external debt data using the UNCTAD Debt Management and Financial Analysis System (DMFAS). It has been using this system for about seven years, and while some problems persist, it is now generally believed to have successfully registered the bulk of the public sector's outstanding external debt, although with a lag of up to six months. It has been providing reports to BNA management, but has been providing data to the UPF only on the basis of special requests. Even these reports have been incomplete and have been in a highly problematic format.

Meanwhile, the Finance Ministry has become increasingly aware of the inadequacy of the external-debt figures available to it. The Ministry's authorities feel, quite appropriately, that for their policy-making purposes they should be receiving far better reports on external debt. They have been expressing increasing dissatisfaction with the debt reporting, and have been trying to find ways to improve. A key focus of Beckerman's work during the past visit was to seek ways to deal with this problem.

During Beckerman's visit, he helped UPF develop a basic debt-report format in Excel, intended to meet the first kind of reporting objective – i.e., the debt stocks and flows. The format shows the historical performance and a projection, under listed assumptions, of the relevant stocks and flows.

Fiscal bulletins and reporting

No work in this area during this quarter.

Liaison with other organizations

Aside from working directly with UPF in MOF/GEREI, AFRP's Paul Beckerman and some UPF staff had a number of meetings with counterparts from BNA, GAT, and DNT. The purpose of these meetings was to work on issues of external debt reporting. Beckerman also revised the scope of work for the AFRP debt advisor (Fernando Archondo), based, in part, on these meetings.

Manual

AFRP's work in this area is complete.

Coordination

No activity during the quarter.

4. DEVELOP MACRO-FISCAL PROGRAMMING CAPACITY

Assistance in this quarter has focused on the debt reporting and debt service and stocks projections that comprise an important part of the MMM.

Table 2 reports on the status of the deliverables in the area of macro-fiscal programming capacity building. Items 1 and 2 have been cancelled due to the funding shortfall. Item 3 remains problematic. AFRP has provided considerable technical assistance in this area, but the hesitancy to produce the final MMM model on the part of the MOF/GEREI and the UPF, means that a manual for a specific model cannot be finalized. We are investigating compiling a manual of technical instructions for the MMM activity that has been developed to date. This would be a distillation and reorganization of the multitude of technical guidance and programming spreadsheets that AFRP has already provided UPF counterparts, organized into a useful package.

Table 2: UPF macro-fiscal programming deliverables

Deliverable	Date of delivery	Status
1. Macroeconomics course developed and delivered	11-Jul	Cancelled
2. Macroeconomics course delivered in Angola	26-Sep	Cancelled
3. MMM Manual	21-Nov	Pending

The AFRP consultant, Paul Beckerman, continued working with UPF staff, remotely (by Email and telephone), toward developing a programming exercise.

5. FINANCIAL REPORT

As of September 30, 2008, AFRP has utilized 94% of the funds that have been obligated. The project will terminate in December, 2008.

Table 3: AFRP Financial report