



COST ESTIMATION OF A CONSTRUCTION OBJECT

IN ANGOLA

NVB025 – Construction
Valuation

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Abstract. This term paper is based in different data sources, from academic works of Angolans university students, dialogues with professionals on the field, articles and webpages covering the matter. All information was later reviewed to assure their veracity. The source of materials for this work was taken from the book **The Cost of Infrastructure Development in Angola** Authors: *Tina Soreide, Alves da Rocha, Nelson Pestana, Regina Santos, António Costa*. The report is the result of a joint research project between Centro de Estudos e Investigação Científica (CEIC) at the Universidade Católica de Angola (UCAN) in Angola and Chr. Michelsen Institute (CMI), an independent research institute in Norway. The initial idea to conduct the study came from OSISA (Open Society Angola). The idea was supported by the World Bank, which hired a consultant, Jill Wells, who gave useful inputs to the study. The aim of this documented research is to cover the construction sector in Angola by given few notes about the historical/ economical and partially political facts so that the reader can understand the principal topics of its work which are **the building budget, construction object, construction contractor, contractor and investor in the Republic of Angola**

Key words: Angola, Luanda, Budget, Construction, Contractor, Investment, Building, Building Budget, Construction Object, Investor.

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1 Introduction

Before striking to the subject of this work I will make a brief introduction about the country where the study is based from.

Location: Southwest Africa
Total area: 1 246 700 km²
Population density: ≈ 32 million inhabitants
Provinces: 18
Capital: Luanda
Major national languages: Umbundu, Kimbundu, Kikongo, Tchokwe
Official language: Portuguese
Currency: Kwanza (AOA)

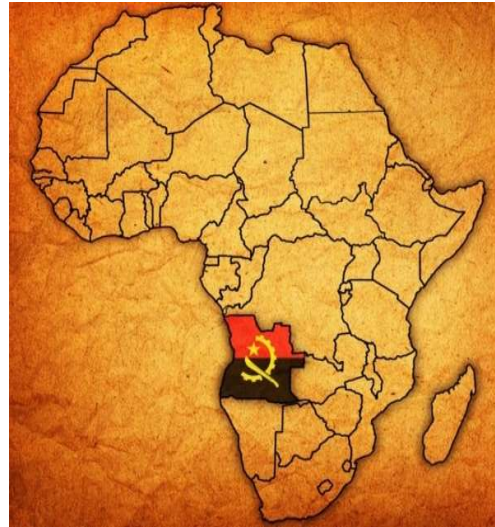


Figure 1 – Angola location

Angola's economy is overwhelmingly driven by its oil sector. Oil production and its supporting activities contribute about 50% of GDP, more than 70% of government revenue, and more than 90% of the country's exports; Angola is an OPEC member and subject to its direction regarding oil production levels. Diamonds contribute an additional 5% to exports. Subsistence agriculture provides the main livelihood for most of the people, but half of the country's food is still imported.

In late 2016, Angola lost the last of its correspondent relationships with foreign banks, further exacerbating hard currency problems. Since 2013 the central bank has consistently spent down reserves to defend the kwanza, gradually allowing a 40% depreciation since late 2014. Consumer inflation declined from 325% in 2000 to less than 9% in 2014, before rising again to above 30% from 2015-2017. [1]

In this work I will always make the relation between the local currency kwanza (AOA) and USD. The kwanza has been suffering a terrific inflation since 2015, just to draw a mind picture before 2015 100USD was 10 000 AOA, nowadays it has reached 70 000 AOA.

With this said we can go forward to the basic terminologies which cover this subject.

1.1 Terminology

Cost estimation: in project management is the process of forecasting the cost and other resources needed to complete a project within a defined scope. Cost estimation accounts for each element required for the project and calculates a total amount that determines a project's budget.[2]

Construction object: refers to the process of building something such as a house, bridge, tunnel, and so on. [3]

1.2 Overview

This term paper is based in different data sources, from academic works of Angolans university students, dialogues with professionals on the field, articles and webpages covering the matter. All information was later reviewed to assure their veracity. The source of materials for this work was taken from the book **The Cost of Infrastructure Development in Angola** Authors: *Tina Soreide, Alves da Rocha, Nelson Pestana, Regina Santos, António Costa*. The report is the result of a joint research project between Centro de Estudos e Investigação Científica (CEIC) at the Universidade Católica de Angola (UCAN) in Angola and Chr. Michelsen Institute (CMI), an independent research institute in Norway. The initial idea to conduct the study came from OSISA (Open Society Angola). The idea was supported by the World Bank, which hired a consultant, Jill Wells, who gave useful inputs to the study.

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Between early 2002 and 2011 the Angolan government invested around USD 54,4 billion in new infrastructure, hospitals, schools, and other public construction projects (5,5 billion a year). These investments have been extraordinarily large, as one would expect, against the backdrop of the substantial destruction done to the country's infrastructure during the 27-year civil war. As an annual average, the reconstruction activities constitute around 10 per cent of GDP. The importance of new infrastructure, utilities, and public buildings for economic development is well documented, and for these reasons, the government has been commended internationally for its prioritizations. We also know, however, that the construction sector globally is at a particular risk of corruption and among the sectors most exposed to corruption which 75 per cent of construction investments are responsible by governments. One factor for this high exposition to corruption is the uniqueness of particular construction projects makes it difficult to compare prices to other projects. Procurement processes are easily manipulated when outsiders cannot tell what the price of a construction project such as a

port or a hospital should have been. It involving or resulting in collusion, fraud, cost overruns, weak quality, and lack of maintenance. It is often a result of weak governance institutions and regulation. In the case of Angola, the need for rapid reconstruction paired with weak institutional capacities (postwar) is a combination that magnifies the particular risk of corruption in publicly funded construction projects. The culture of low transparency around government decisions not only creates suspicion of collusion and corruption, it facilitates these kinds of problems. Given the lack of transparency and difficulty of getting facts about the sector, some of the assumptions might be sheer speculations. The arguments are based on available data, analysis of the legal framework, case studies, interviews, and literature review.

2 Building budget

Document	2010	2012	2015	2017	2019
Pre-Budget Statement	●	⊘	⊘	⊘	⊘
Executive's Budget Proposal	●	●	●	●	●
Enacted Budget	●	●	●	●	●
Citizens Budget	⊘	⊘	●	●	●
In-Year Reports	●	●	●	●	●
Mid-Year Review	⊘	●	●	⊘	⊘
Year-End Report	●	●	●	●	●
Audit Report	●	⊘	●	⊘	●

- Available to the Public
- Published Late, or Not Published Online, or Produced for Internal Use Only
- ⊘ Not Produced

Figure 2 - Public availability of budget documents in Angola. [4]

In Angola we can find varies prices per m² in the market but officially it could be around **8USD/m²** but at the same time a **plot 20x20** could be around **5 250 USD** depending in its location. To buy a **flat T3(3 rooms) of 100m² without furniture** can be **127,5K USD**. For **renting a flat T3 of 280 m² with furniture** it could be **1,2K USD monthly**. A **furnished family house with 4 rooms and 2 suits in a plot area of 300 m² and 38km far from Luanda city** can cost **34,5K USD**. In the **center of the city** we can find a **725m² plot** for **420K USD**. In the other hand, **18km from the center city** we can find a **810m² plot** for **225K USD**. In Luanda city we can **rent an used office of 91m² for 1,3K USD monthly** and a **new office of 138m²** could be **rent for 2,25K USD monthly**. In case of **purchasing an office space of 210m²** could be **492K USD**, and a **90m²** for **135K USD**.

For each cubic meter of **concrete**, we have 300 kg of cement and the **prices goes around 130USD/m³**. A **cement bag (50kg) cost 4,5USD**. A **cement block** (length 40cm, height 20cm, thickness 10-20cm) **0,25USD**. The **ceramic bricks** (length 24cm, height 18cm, thickness 10-16cm) are relatively more expensive than bocks costing **0,37USD**.

Materials and construction sector expertise are in **short supply**. With very little in the way of domestic materials production, construction companies in Angola currently have to **import most of their own materials and equipment**.

In response to the housing and infrastructure problems, a series of social construction projects have been proposed and many also developed. In these projects there are three groups of beneficiaries: “the upper-class” that can buy houses at the cost of around **1 or 2 million USD** in Talatona (a sort of Angolan style of London’s “Chelsea neighbourhood”); “the middle-class” people

who cannot afford such an expensive house but who benefit from other initiatives, such as the project referred to as The New Life Project (Projecto Nova Vida) located in the suburbs of Luanda; and finally “the poor” who have the so-called social houses with very different conditions from the others.

It was organized a “surprise inquiry” carried out by four students from Universidade Católica de Angola (UCAN). This exclusively aimed at checking the level of access to basic and supposedly public information on some public investments in different works. The students visited the most relevant institutions and simply asked for information to check if they received it or not. The following table shows what projects the students sought to get information about, and the results of the inquiries.

There were institutions where openness and access to information was good, as was the treatment of the enquirers. However, a lot of the information provided by people responsible in these official bodies does not coincide with information disseminated by the media, for instance, in terms of projects costs. Normally, information on the total cost of works was not provided, allegedly for confidentiality purposes.

	Luanda Hospital	11th of November Stadium	Ondjiva - Cuvelai Road	Marginal Luanda	Cabinda Pavilion Sports Centre	M'bridge Bridge	Kwanza Cabala Muxima Bridge	Dondo N'dalatande Road	Kilamba	Polytechnic Institutes
Cost	-	145 M	32 M	-	-	-	-	-	-	-
Information supply	-	Yes	Yes	-	-	Yes	-	-	-	-
Competition	-	Yes	-	-	-	-	-	-	-	-
Consultancy company	-	-	WML	-	-	-	-	-	-	-

Yes = obtained, – = not obtained, WML = consultancy company, M = Million USD

Table 1 - Public projects selected



Figure 3 - Luanda Hospital



Figure 4 - 11th of November Stadium



Figure 5 - Marginal Luanda



Figure 6 – Kilamba

The table below contains some information a rough estimate by making an international comparison of the costs involved in various types of construction. The average cost of rehabilitation of roads in Angola is four times that of Portugal and about twice that of Zambia. In terms of bridge construction, the cost in Angola is 242 per cent higher than that of Mozambique. The discrepancy between Angola and Portugal in terms of the cost of road maintenance is huge—six times higher in Angola. It was possible to managed to obtain a sample of public construction projects (some 50 projects) for which an estimate of about 25 per cent can be drawn of the unexplained difference between the estimated costs and the final payments. This figure varies depending on the nature of the projects. In fact, according to information obtained,118 inspection of irrigation project works is associated to commissions of about 20 per cent, whereas for provincial hospitals commissions may reach as high as 45 per cent

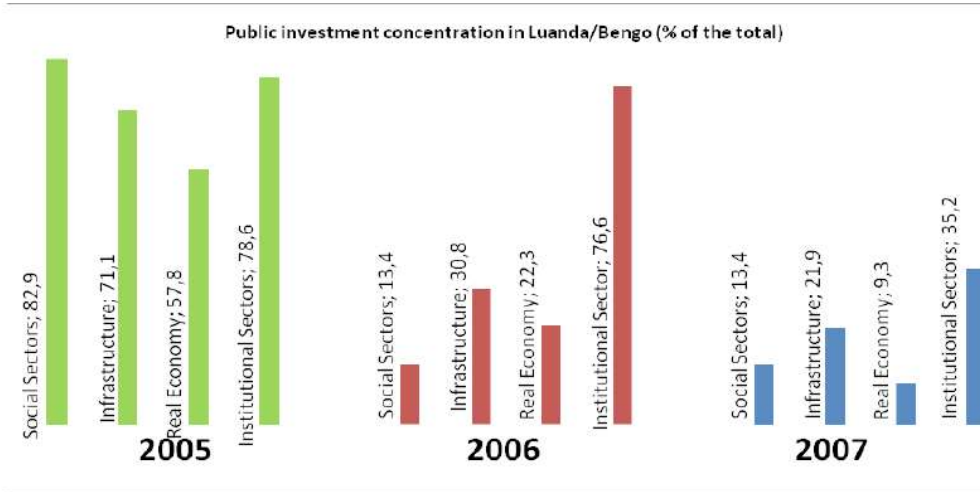
	Road rehabilitation in kilometres	Road maintenance in km/year	Social housing in metres ² In USD	Bridges in metres
Angola	900.0	26.2	950	441
Portugal	232.0	4.1	540	10.9
Zambia	484.6	18.2	740	39.5
Mozambique	-	-	-	12.9

Figure 7 - Comparison of construction costs (in USD millions)

2.1 Investments priorities

The spatial distribution of public investment is very asymmetric. Investment expenses are focus in the regions where economic activity and the population masses are concentrated. With regard to the disposal of the General State Budget for the provinces, the regional asymmetries are striking, with Luanda/Bengo particularly favoured, and similarly Benguela and Kwanza Sul, which are the most prominent provinces after the metropolitan axis of Luanda.

For example: In 2007 Luanda/Bengo absorbed **95.8 per cent of the national budget** expenditures in industry and mining, **98.4 per cent** in transport, **87.4 per cent** in housing and public utilities services, **71.2 per cent** in social services and **52.2 per cent** in energy and water.



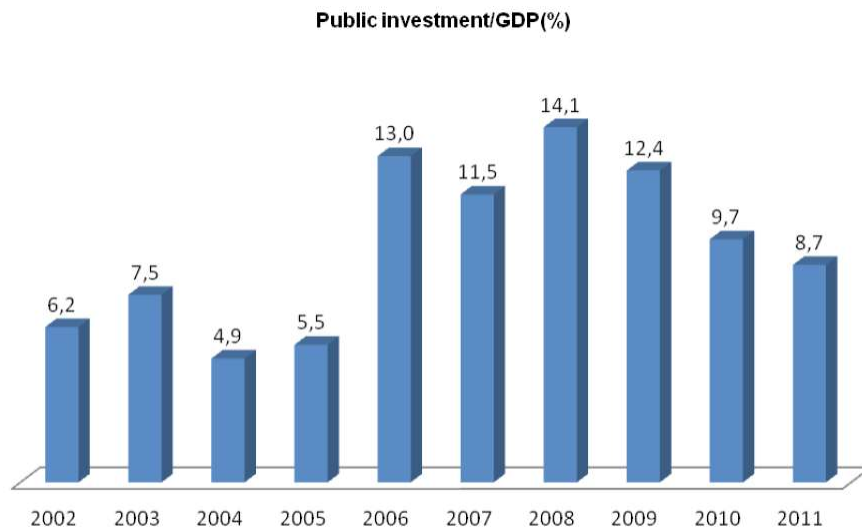
Source: Ministry of Planning - Public Investment Execution Report, 2005, 2006, 2007

Figure 8- Public Investment concentration in Luanda/Bengo

The overall index of concentration of the current budget expenditures in the Luanda/Bengo region was **55.3 per cent** in 2007 (**23.9 per cent** in 2006).

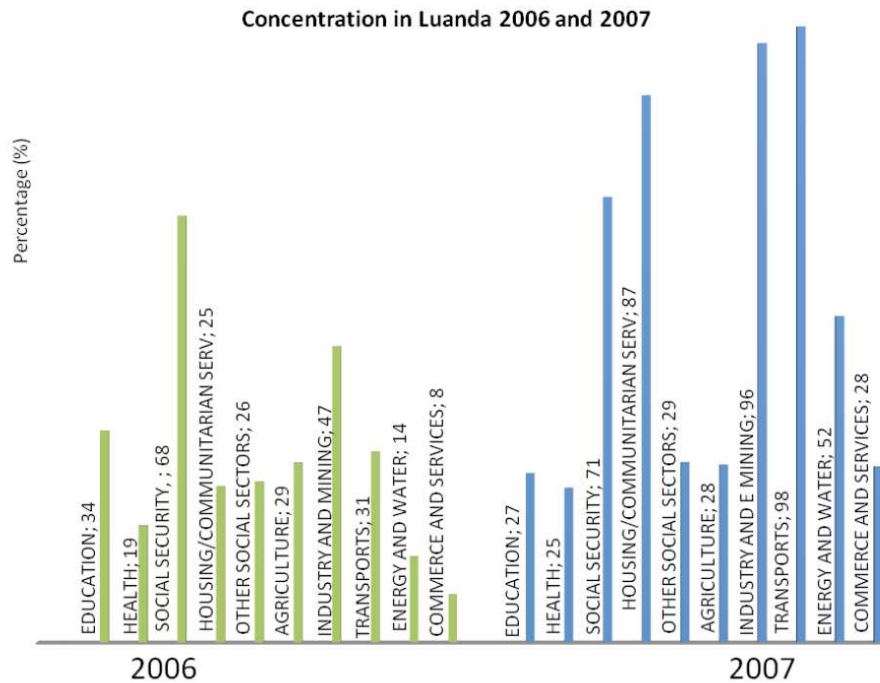
The Central/West region, headed by Benguela and Kwanza Sul, is the area where the State concentrates its second-largest portion of current budget expenditures (18.1 per cent in 2007 and 29.6 per cent in 2006), thereby making it a preferred zone for private sector initiatives.

The Central/East and South regions are those which receive the least of current budget expenditures.



Source: Ministry of Planning - Public Investment Execution Report, 2005, 2006, 2007

Figure 9 - Public Investments in % of the GDP



Source: Ministry of Planning - Public Investment Execution Report, 2005, 2006, 2007.

Figure 10 - Concentration in Luanda 2006 and 2007

SECTORS	Structure of scheduled investments (%)	Implementation rate (%)	Structure of executed investments (%)
Transport and Communication	35.4	132.1	52.8
Housing and communitarian services	15.4	46.3	8.1
Fuel and energy	9.1	66.1	6.8
Other	40.1		32.3
	100		100

Source: Ministry of Planning – Report on Execution of PIP (Public Investment Programme) 2008, May of 2009.

Table 2 - Programme and execution of public investments in 2008

2.2 Project proposal

The Head of Government has the right and responsibility to approve the proposal of the Public Investment Programme, which has a multi-annual cycle (Presidential Decree 31/10, article 24). Yet, the control of the financial execution of the PIP belongs to the ministry department responsible for

public finances (Directorate of Programming and Financial Management) in articulation with the planning organs, and the administration and management of sector and provincial budgets (Presidential Decree 31/10, article 36).

The expenses for projects in the Public Investment Programme should obey the defined priorities in such a way that they harmonise with the government programme for each financial year. Furthermore, the consolidated budget proposal should respect the cost ceiling fixed by the set of activities and project (the proposal for the budgetary cost limits for public investments are produced by the ministerial department responsible for public finances).

One of the tasks of the National Directorate of Investment is to accompany and control the execution of public investment programmes and projects, and to participate in the quarterly and annual financial programming. A project should respect that it is part of the PIP; that its budget comes from allotted funds, that is, inscribed in the State Budget; and that it has an approved contract by the competent organ (Presidential Decree 24/10, article 10). For that, the budget units should provide evidence of a public tender notice, a pre-qualification document, a letter of invitation for the presentation of proposals, documentation of the proposal, an overview of quantities, a descriptive note of the project, a list presenting the proposals, and the report evaluating the proposals.

Every trimester the budget units should send the proposal of a Quarterly Financial Programme of the investment projects inserted in the PIP to the ministries of Finance and of Planning.⁴⁸ The payments incurred during the implementation process are only made against invoices of supplied goods and services.

In the projects implemented by means of credit facilities, the Budget Units should send a copy of all the contracts to the central treasury, duly stamped by the Tribunal das Contas (the Supreme Audit Institution).

2.3 Project Funding

The State's own revenue is the main funding source for the country's ambitious infrastructure programme, and the fiscal revenue derived from oil plays an important role for its coverage.

2.4 National Budget

Presidential Decree 186/10 approves the instructions for the design of the General State Budget (GSB) and the Guidelines for the GSB Manual. In the design of the manual for the budget proposal for 2011 it is stated that the manual does not envisage instructions for Public Investment Programmes that is designed by the Ministry of Planning.

The set-up of important ministries involved in the budget process has undergone constant changes between 2008 and 2010, and the new Constitution has changed the role and the responsibilities of the different ministries. The largest legal changes were made at the Ministry of Finance and at the National Bank of Angola.

The responsibility of designing the GSB lies with the central body of the budget system (Ministry of Finance), the sovereign organs (the President of the Republic and the Parliament), organs of the central and local administration of the State, budget units and the implementation units (dependent units). According to the new statutes of the Ministry of Finance (Decree 93/10 of June 7) the design of the budget proposal should be articulated between the Ministry of Economic Coordination, the Ministry of Planning, and the Central Bank.

The Directorate of Treasury in the Ministry of Finance, which played the central role in the management of expenditures, is divided in two directorates supervised by the State Secretary of Treasury. Of these, **the Directorate of Financial Management and Programming, which is responsible for the budget execution, is the closest to the Treasury.**

The State's capacity for funding is assessed by the Ministry of Finance, which establishes the yearly budget that will be observed by the budget units. The credit lines are made available and the respective amounts are then distributed among the dependent bodies according to the policy of priority sectors.

After the State Budget has been approved, the financial programming is completed by the Ministry of Finance and Ministry of Planning. They establish the financial amounts that have to be observed by the sectors. These amounts can never be exceeded, but can be subject to internal readjustment, that is, internally they can replace a project by another project, without increasing the amount of the overall budget. This possibility allows pipeline projects to be replaced by projects of a political nature that may be subject to appropriate preparation. The financial quotes may be assigned without observing the financial planning. According to the findings, other stakeholders cannot challenge the quotes; the sectors accept the lines and ceilings available, otherwise the project will not be implemented. However, depending on the estimates of project costs that are usually improperly predicted, it is very difficult to correctly detect the excess of costs at the end of the projects.

Considering the State's financial capacity and volume of resources required by the budget units, the Ministry of Finance designs the quarterly financial plan and the monthly cash plan, and submits them to the economic team for evaluation and approval by the President of the Republic (Presidential Decree 24/10, article 2).

The Ministry of Finance supervises all requirements through a computing platform called the Integrated Information System for State Financial Management (SIGFE). SIGFE provides the budget design process with a structure for data processing, according to modern IT-tools

The Council of Ministers' Decree 73/10 of 12 October, 2010, on Public Expenditure and Contracting Services, establishes the guidelines and procedures for the General State Budget execution, which must be complied by all budget managers. The payment of expenditures carried out following the issuing of the Bill of Order (BO), which is duly signed by the top manager of the budget unit (BU) (article 12).

3 Construction

In order to proceed with any construction object there are steps which should be followed and the table below shows what is expected according with the legislations and what in fact happens in practice.

	Accepted good practice	Angolan practice	Risks of corruption
Identification of need	Select projects from national, local, or sector plans, prioritized according to need Consult with the public	Little information on the allocation of funds across projects Many questions on the process of project approval with some projects believed to be identified by firms Only 60–70% of projects funded by Chinese credit line are in the PIP	<i>Political influence that biases selection to suit private (individual or company) interests</i>
Project preparation	Conduct feasibility studies/ evaluations and consider alternative ways to meet the need Develop an operation and maintenance strategy for the project	Many projects (particularly those funded by credit lines) are launched without proper preparation There is no capacity for feasibility studies and no projects in the PIP have good evaluation studies	<i>Inadequate preparation leaving room for changes, which can be manipulated to benefit participants Costly designs which increase consultants' fees and contractors' profits</i>
Finance	Estimate costs and set aside funds to enable prompt payment Consider the whole life cycle of the asset Identify a source of funds for operation and maintenance	Estimates of costs are often not prepared and adequate funds not set aside Costs of alternatives are seldom evaluated No funds identified for maintenance	<i>High estimate to provide a cushion for diversion of funds Low estimate and inflated returns to justify a project</i>
Tender and selection	Advertise calls for bids for design, works and inspection contracts Open bids in public Publish results and establish a channel for complaints	Many contracts awarded without competition Little information on whether there is tendering for contracts funded by credit lines Some published evidence of conflicts of interest in tender awards	<i>Inadequate competition, collusion among bidders, bribery, and interference to favour specific firms or individuals</i>
Construction & quality control	Set up procedures for independent inspection to ensure project built as specified Inspect work at regular intervals Pay promptly and put a cap on variations	Inspection is weak with likely conflicts of interest Quality control function not properly fulfilled Cost overruns are impossible to detect when estimates are not prepared in the first place Serious level of payment arrears	<i>Collusion between supervisor and contractor to approve substandard work Variations to increase the contract sum (can be to offset bribes or low prices to win the tender)</i>
Handover, operation and maintenance	Inspect prior to handover Retain funds to remedy defects with appropriate liability period Ensure funds and capacity to maintain constructed assets	Evidence of completed projects with structural defects Defects liability periods are as short as 12 months Funds not set aside for maintenance Questions over local capacity to maintain	<i>Collusion between supervisor and contractor to accept poor quality work below specification Lack of funds for maintenance as new construction takes precedence</i>

Figure 11 - The steps to realizing a construction project

3.1 Construction planning

As noted by many observers, weak planning prior to construction and inadequate control during project execution have resulted in cases of low-quality construction, such as the cases of several apartment blocks and the Luanda General Hospital that in less than five years after its construction the walls and the floor of the building started to crack and the Hospital was closed for rehabilitation. Many of the buildings that have been built during the last decade show serious signs of structural damage. A government body, the INRQ (Instituto Nacional de Regulação de Qualidade) is responsible for certifying the quality of construction projects. In practice, however, they seem unable (or refused) to control the many construction projects. Whether this is due to lack of capacity, competence, or some form of corruption is not clear. But the result is in any case very serious for the users of the buildings and infrastructure.



Figure 12 - Construction process

Weak planning will usually lead to uncertainty about cost estimates. If a project lacks a solid feasibility study it will usually be difficult to estimate its right price and required quality. Unless good estimates have been developed and made known upfront, it also becomes impossible to detect whether there are cost overruns in the project. Many projects in Angola seem to have been launched

without proper preparation. This implies not only that it has been too easy for many construction firms to get approval for start-up, but also that it may have been possible for some firms to demand payments that exceed actual expenses.



Each step of the value chain is relevant to understand the results of public construction projects, including the harmful consequences of corruption. Decisions at different steps are interlinked. Corruption

might happen at one step while the consequences occur at a later step. To secure value for money in construction, the whole process from planning to end result must meet certain minimum accountability

standards. Access to information is essential for ordinary people as well as experts in control institutions to tell if the citizens of Angola get "value for money" in construction.

Figure 13 - The construction sector value chain

4 Contractor

The most important players operating in the Angolan public works market are foreigner companies. Portuguese companies, for example, are well established in Angola's construction sector. The major companies are Soares da Costa, Teixeira Duarte, and Mota-Engil. In fact, these companies have in sum the largest share of the market for construction contracts. The Brazilian Odebrecht group, already present in Angola in other areas for several years, has been positioning itself in the construction sector and has won several important contracts. Another important company is Dar Consultants (UK) Ltd, part of the Dar al-Handasah Group and a member of the Building, Construction and Civil Engineering (BCCE). Dar is the government's favoured consultant on project construction and design, but in this project, it has proved difficult to identify its owners who may well be Angolans.

4.1 Competition

There is the impression of weak competition in the sector. Competition is fundamental to secure the best price-quality combination, which is obviously consistent with the idea of "value for money." In this sector, we have been made aware that many contracts are awarded without competition. Direct contracting is quite common; before the 2008 election it seems to have been as high as 90 per cent of all projects. There is also very limited competition for design work. According to Corkin (2011), there is basically only one company for the Chinese-financed projects and one for others. Flawed procedures in the procurement process are heavily present. Even if a tender process is being organized for a project, a company may bid without any real competitors, and sometimes, no tender proposal has actually been submitted by the "competitors." There is also a high risk of price-fixing. The total contract price is sometimes increased after the contract has been awarded. As a result, the final cost of a project is often much higher than what has been indicated during the procurement process.

Angolan firms have not benefitted much in terms of arrangements that could have helped them reach a higher level of performance, for example, in terms of being offered better access to credit, electricity, and training. Brazilian, Portuguese, and Chinese companies have now entered into competition also on smaller projects where Angolan companies do have a market. However, although this is a missed opportunity for the Angolan construction sector, it is not necessarily an indicator of low value for money, since a more protectionist policy could have prevented international firms from delivering better quality at a lower cost.

Exerting independent control over "value for money" tends to be difficult in this sector, where contracts and the financing schemes are complex and often kept confidential. In the face of unknown contractual terms, outsiders— for instance journalists or civil society organizations — may be unable to verify if a project serves its intended purpose or meets agreed upon quality standards. At the same

time, cost overruns seem to be the rule rather than the exception in big construction projects. According to recent research, the players involved seem to take advantage of soft budget constraints. These various characteristics, when combined with the ease with which politicians and high-ranking civil servants can justify interference in publicly-funded construction projects, also expose the construction sector to political corruption.

First of all, the contracting procedures should apply to all the conditions of project approval and respect the legal diplomas in effect about the matter, that is, the Public Expenses, Service Provision, and Acquisition of Goods Regime as well as the Public Works Regime (Title V, PCL). In the contracting phase, **the contracting entity should provide a preliminary programme defining its objectives, organic and functional characteristics, and financial requirements of the endeavour, as well as its respective costs and execution deadlines by which it should oblige.**

The project designer should **elaborate a base programme from the preliminary programme**. The base programme should detail points raised in the preliminary programme, such as **verifying the project's viability and studying alternative solutions to eventually produce a programme that is better adjusted to the local conditions than that spelled out in the preliminary programme**. Upon the owner of the work approval, the base programme should serve as a base for the development of the later phases of the project.



Figure 14 - Project phases

After the approval of the base programme, the project manager is **supposed to conduct a pre-study that aims to develop the solution proposed in the base programme**, essentially what concerns the general conception of the project. The base project is the development of the pre-study approved by the owner of the work (Ministries) —this is intended to clarify any aspects of the proposed solution, which could give room for doubts, and to present with a higher degree of detail alternatives to solutions that were difficult to define in the pre-study and, in a general manner, outline the definitive bases on which the study should rest on its way towards an execution project.

As part of each project a document should be prepared to elaborate the pre-study or the base project approved by the project owner. This will constitute, together with the

competition programme and the technical terms of reference (contract provisions), the documentation that will be presented for the adjudication/award of the public works project or service provision. The documentation also will provide all the necessary elements for the good execution of the tasks. Technical assistance can also be part of the adjudication—complementary services to elaborate the project is given by its author to the project owner during the preparation of the competition to award the contract, the assessment of the proposals, and the execution of the public works. This aims to produce the correct interpretation of the project, select competitors, and realise the public works according to the prescriptions in the terms of reference.

The project to be executed, as described in the official project document, should be presented in a form so as to constitute a coordinated packet of written information and designs for easy and unequivocal interpretation by the intervening agents in the project execution. The written part is composed of a descriptive note and justification, the calculations, the list of materials and its quantities, and general and specific technical conditions of the terms of reference—all details made easily available for third party monitoring.

4.2 Differences between legal stipulations and practice

In practice, there is severe deviation from these ideal procedures. In the majority of cases, there is no internal capacity in the responsible organs to elaborate studies and projects, neither for their analysis nor approval. This is why these services are effectuated by external entities such as the consultancy companies. Normally the projects are outsourced to only one entity, thereby making it the responsibility of the project manager to carry out the technical studies considered necessary to develop the project. Such studies include topographic surveys, geological and geotechnical studies, hydraulic studies, and technical inspections of existing structures in the case of rehabilitation (this solution was particularly applied on the construction of new/ rehabilitated bridges).

The argument that there is a lack of domestic or national technical capacity in matters of civil construction and its control and inspection, as well as the high costs involved, has led to establishing or contracting consultancy companies in the areas of projecting planning, execution, and inspection. In certain cases, the law may have been broken too, particularly when one company has been hired for different stages, such as project elaboration, design, and consultancy—as in the cases of Dar Consulting and BDM. What we find when assessing the legal framework for public works contracts is that the players involved can easily take advantage of legal shortcomings in order to reinforce the circuit of value transfers and of value-added from the consultancy and construction companies to some of the members of the government apparatus who initially took the decision to award the public works and to finance them through the State budget.

In these conditions the general cost estimate of a given project – prospecting and project design, project execution, administration, the maintenance and conservation – is not carried out correctly or with the rigor that the management of public money requires. These estimates are normally significantly inferior to the final costs of the enterprise, thus making way for situations in which “project alterations,” “errors or omissions in the project,” and “excessive work due to unforeseen issues” occur. In some cases of road works, the final costs have more than doubled in relation to the values in the contract.

4.3 Procurement – Tender competition

The main provision of authority and administration of contracting is envisaged in Law 20/10 of September 7, the so-called Public Contracting Law (PCL), which establishes the “general grounds and legal regime regarding public contracting” (article 1, PCL), that is, “the contracting of public works, renting and acquisition of services by a public contractor” (article 2, 1)—and with due adaptation, the establishment of concessions and public services (article 2).

Following a specific need of acquiring material for contractors, the contracting public entity⁶⁴ chooses (article 32) one of the procedures of public contracting envisaged in the law (“public bid” or “negotiation”) and requires authorization of expenditures (article 34 and annex II) to the Holder of Public Power, who is the one holding the power of administration over public contracting⁶⁵ and in effect holds the “Public Contracting Office.

4.3.1 The procedures as stipulated by the law

The public bid procedure applies for public contracting and can unfold in three types: a “public bid” as such, a “bid limited by previous shortlisting”, or a “limited bid without applications”. However, public contracting can also be carried out by negotiation. This procedure can be adopted when, whatever the object of the contract:

- a) there are strong, urgent reasons, resulting from unpredicted events, non-assignable to the respective contracting entity;
- b) the nature of works, goods or services to be acquired, or contingencies inherent to them, do not allow for the establishment of the price;
- c) for reasons of technical or artistic skills, or regarding the protection of exclusive rights or copyrights, the contracting, renting, or service provision can only be carried out by a few contractors, out-letters or service providers; or finally
- d) as long as there are neither applicants in a previous bid, nor change of the specifications (article 28).

“Negotiation” can also be adopted in the case of renting or acquisition of goods or equipment when the change of a usual supplier of these demands changing its technical features (article 29).

The contracting procedures are conducted by an “Evaluation Committee” chaired by a representative of the Ministry of Finance or at the provincial level, by the Provincial Governor (article 41, 1)



Figure 15 - Tender Competition

All public contracting is preceded by “technical specifications” which is “the part of the procedure containing, in an articulated form, the legal, administrative, financial and technical general and special clauses to be included in the contract that will be celebrated” (article 47,1).

In the specific case of “public works contracts,” it is also mandatory to define the location of the work, volume and type of works, the estimated amount, the nature of the plot, the general outline, and other construction and technical details needed for appropriate execution of the works (article 48, 1). The proposals should also contain, apart from other elements, the descriptive note, the measurement map containing the estimation of quantities and the quality of necessary work for the execution of works, the working programme indicating the deadlines and eventual intermediary deadlines (article 48, 2). From the pieces designed there should be “the location sketch, the plans, the elevations, the cuts, the elements defining speciality projects, the indispensable details for construction for the accurate definition of the work the finishing maps, and whenever they exist, the surveying plans and geologic profiles” (article 48, 3). Technical specifications can be complemented by a prototype of the material or the element, which should be clearly identified in the bidding documents (article 49, 2). The “public works” contractors are typified (article 184–223) according to the distribution mode stipulated in three categories: (a) by global price, (b) by series of prices, and c) by percentages. The bidding process for the execution of a specific contract may involve a series of acquisition of goods and services through the value chain. The entity responsible for contracting can and should launch four competitions: the project, the contracts for supervision and maintenance, and inspection.

Advertisement for public bid should follow a specific model⁷² and must be advertised in the *Diário da República* (Official Gazette) (III^a series) and in a major circulation newspaper within the country

(article 59, 1). Only the “summary of the most important elements of the model” will be advertised (article 59, 2). In cases where foreign entities can apply, the respective advertisement should also be disseminated through channels that manifestly reach international markets (article 59, 5). In addition the “contracting entity is obliged to communicate its decision of opening a public bid to the Public Contracting Office, so that it can be published on the Public Contracting Office Website” (article 59, 3).

Interested parties provide their proposals in accordance with the terms in the technical specifications and the evaluation committee opens the proposals—or when sent electronically, the de-codification or download—in a public act on the first working day after the deadline for presenting proposals (article 75, 1). The committee starts by assessing the “professional skill and the technical and financial capacity of bidders” (article 85, 1)⁷⁶ and then the merits of the proposals.⁷⁷ Thereafter the committee writes a preliminary report and ranks the proposals in order for the purpose of awarding (article 89). Finally it proceeds to “a preliminary hearing of bidders” (article 90, 1). The proposals of shortlisted/eligible bidders are analysed, only according to the awarding criteria (article 86, 2). This is done in accordance with what is stipulated in the bidding programme, taking into consideration the proposal which is most “economically viable” or has “the lowest price” (article 99, 1). It looks at quality factors, technical merit, aesthetic features, technical assistance, hand-over or execution deadlines, and the price. It also looks at margins of preferences (i) in relation to the fact that the goods will be extracted, cultivated, or produced in Angola, or (ii) in the case of service provision, the fact that these are provided by Angolan bidders or entities with headquarters within the national territory (article 99, 3) or else (iii) in favour of goods produced, extracted, or cultivated in COMESA or SADC countries, or bidders with headquarters in those countries (article 98, 6). Upon the award of a contract, a written contract should be signed (article 108).

The tender competition “limited by pre-qualification” is governed by special rules and, additionally, by the provisions of the public bids with the necessary adaptations (article 117). In the Limited Tender Competition, without presenting applications, the contracting entity invites at least three entities to provide written proposals (article 130) within a timeframe of a minimum of six months (article 131). Apart from these issues this bidding is governed by the provisions of the public bidding with the necessary adaptations (article 129).

The Negotiation Procedure has rules that apply specifically to it, but it is equally governed, with the necessary adaptations, by the provisions, which regulated the limited bid by Pre-Qualification (article 132). This starts with the advertisement inviting proposal applications in the *Diário da República* (III^a series) and a newspaper with country-wide circulation⁷⁹ (article 59, 1), as envisaged in annex VI of the PCL (article 135). After receiving and evaluating the proposals the Evaluation Committee notifies

the bidders, with at least three days' notice, of the date, time, and venue of the first negotiation session, scheduling the remaining sessions in convenient terms (article 138). Having assessed the proposals, the Evaluation Committee designs a report ranking the order of the proposals. For the remaining, the provisions on limited bid by pre-qualification should apply (article 139).

Despite this general regime, there are special procedures that can be followed to contract conception work, and “they follow the approach of public or limited competition by pre-qualification” (article 141). These are competitions that allow the contracting public entity to acquire “a plan or project” selected by a jury, with or without assigning an award (article 140, 1). This bid starts with the decision to select one or more conception works, authorizing the expenses regarding the awards or due payments (article 142). The contracting entity can also adopt a special procedure in relation to the means used, though not in relation to the subject of the contract. This is the case when it is “signing contracts through electronic procedures and resorting to electronic auction “for the acquisition of mobile goods or services” (article 91, 1), or the “dynamic electronic acquisition system” (article 156). In this case, after the advertisement of the system (article 159), an “electronic catalogue” will be settled for all interested who present “initial versions of proposals” (article 161, no 1), in “terms and conditions” of the specifications (article 161, 3). The award goes to the final version bid with the lowest price (article 162).

However, there are important exceptions to these procedures of public contracting. These apply in cases where the contracts:

- ❖ result from international agreements or conventions;
- ❖ result from rules of international organizations that Angola is part of;
- ❖ are declared as secret or whose execution should be followed by special security measures;
- ❖ are governed by special law or celebrated with contractors, service providers or goods suppliers who are a contracting public entity; acquire financial services;
- ❖ acquire services of intellectual nature and, finally;
- ❖ acquire goods subject to large price volatility on the international market (article 5).

As we will see later, we concluded that in two thirds of the case studies the rules established by law were not followed. We do not know if these cases could be considered as exceptions, as no such information was available.

4.3.2 Details of the contracts as stipulated by procurement law

The signing of written contracts follows meeting minutes approved by the competent decision-making body after verifying the provision of the guarantee by the awardee (article 111, 1) to whom it is sent (article 111, 2). The awardee has five days to accept or complain (article 112). The contract is signed within 30 days following the acceptance or resolution of a complaint. Fifteen days before the granting ceremony, the awardee should be informed of the date, time, and venue (article 114).

Sector	Quantity	Average invoicing amount 2010 (in USD millions)	% public works	Number of workers
Consultancy	1	2	95	5
Construction	4	43	87	165
Electricity	1	1	100	12

Table 3 - Group of companies according to activity sector

The contract should identify the parties and their respective representatives, as well as the role in the course of awarding and the approval of the minutes, the description of contract matter, the price, the implementation deadline of the main provisions of the contract and the reference to the guarantee provided by the awardee (article 110, 1). Without these requirements the contract may be invalid. The owner of the public works and the contractor are part of the public works contract (article 181). Whether written into the contract or not, the specifications – with clarifications and rectifications – as well as the awarded proposal and the clarifications provided by the awardee about the awarded proposal (article 110, 2) are always part of the contract.

There is no need for a written contract “in the case of leasing/renting contracts for the acquisition of mobile goods or acquisition of services which price does not exceed 5 million Kwanzas” or “in the case of contracts for public works which price does not exceed 18 million Kwanzas” (article 109, 1). The same applies when the competent body that decides about the contract, based on reasons of “internal or external public security reasons” dispenses of it, or when for “highly urgent reasons, resulting from unforeseen events by the contracting entity, there is need to immediately execute the contract” (article 109, 2).

In the exceptional regime contracts, there are special rules applied, and only thereafter the rules of the public contracting regime apply. However, these special rules do not yet exist. As it used to be in the past, the contracting entities at times lack, when it comes to the selection process for the establishment of the contract, the structures and capacity to respond to the high demand for works. It happened between 2006 and 2008 due to the elections in 2008, and this might happen again this year, 2012, for the same reason.

4.3.3 Empirical investigation of how regulations are respected in practice

Taking into consideration the contracting procedures described above, we prepared questionnaires designed to determine the perception of the various agents who are directly or indirectly linked to the contracting process about the practice of the contracting entities. Two types of questionnaires were designed: One for contractors and consultancy companies (in order to get information on the fulfilment of the contracts), the other for civil society organisations (with the aim of determining the general perceptions on transparency in the public works sector). Fifteen of these questionnaires were sent by e-mail, and six others were answered in face-to-face interviews. Out of the forms sent by e-mail only six answers were obtained. Due to fear of retaliation and harm to their businesses, participants were very reluctant and reserved in their answers. All participants were assured confidentiality, without which the number of answers would have been even fewer. In total were received only six answers, as listed in the table below.

Questions	Always	Frequently	Indifferent/ Not applicable	Not very frequently	Never
Awarding is through public competition				2	4
Only one or two bidders		2		2	2
50% or more of the companies who join the bidding processes do not provide proposals			3	2	1
20% or more of the shortlisted companies do not bid			3	3	
Difference between the 1st and 2nd bidder is less than 2%	1		1	1	3
Amount in contract is higher than 10% of the lowest bidder's price	2		2		2
Period between the opening of proposals and signing of contract is higher than 7 months	1			2	3
Amount in contract is higher than 20% of the basic price of the bid	1		1	1	3
Deviation between the awarded and executed amount is higher than 20%	3			1	2
Time deviation between the contractually stipulated and execution is higher than 20%	2	1		1	2
75% or more of the presented unit prices are higher than the prices for an equivalent work	1			3	2

Table 4 - Evaluation of contract fulfilment

Naturally this sample of inquiries is not representative and we cannot draw conclusions on the results obtained. However, the results indicate that there is a general conviction that most of the works are assigned without public bidding, which denotes lack of compliance of legislation.

4.4 Inspection

Inspection is aimed at providing the physical, technical, and financial control of the contract, without disturbing “the normal course of work or without decreasing the initiative and associated liability of the contractor” (article 268, 3).

These individuals are responsible for monitoring the implementation of the work; overseeing and verifying full compliance of the project, contract, specifications and work plan in force (article 266); as well as “giving orders to the contractor, serving him/her with notices and notifications, conducting checks and measurements and performing all other acts required” (article 268, 1). The owner assigns different people (or businesses) to oversee, on his/her behalf, the execution of the work, the work and the contractor (article 265). Just as employees, agents, or other public office holders who have a direct or indirect interest in the tender may not be part of an evaluation committee, anyone (individually or collectively) who has a direct interest shall not monitor or supervise the work or the contractor, nor should intermediaries be used. On the same token “the supervisor appointed to monitor the work shall, under no circumstances, be the designer” (article 265, 5).

However, although the functions of the inspection agent are physical, financial, technical, security control, and monitoring of the contract, the contractor shall be liable for all errors and deficiencies relating to the execution or quality of the work, and shape and dimensions of the materials used (article 215).⁸⁵ The owner of the works or contractor shall be liable for technical deficiencies and errors in project design as well as other elements specified in the terms of reference of the tender or that may be defined subsequently, depending on whether those parts are submitted or originate from the former or latter (article 216).

Upon reception of the works, the representative of the owner shall carry out an inspection for provisional acceptance (article 303). Should they find deficiencies resulting from breach of contractual and legal obligations on the part of the contractor, the representatives of the owner must specify such deficiencies; they will equally issue a statement of non- acceptance with the respective reasons. Then, they shall notify the contractor and set up a deadline to carry out the necessary modifications or repairs (article 304).

Three years later, after the warranty period, by the initiative of the owner or at the request of the contractor, a new inspection shall be carried out of all the work. Should there be nothing new to report

(deficiencies, deteriorations, signs of disrepair or lack of solidity) on the contractor's liability, then the works shall finally be accepted (article 313).

If the contractor fails to complete the work within the period contractually agreed, plus any legal or agreed extensions, the following daily penalties shall be applied by the end of lead time or termination of the contract, if the contract does not specify other penalties: a) one per thousand of the value of the awarding amount, during the first period equal to one tenth of that period, b) for each subsequent period of equal lengths, the fine shall be increased by 0.5 per thousand, reaching a maximum of five per thousand without, however, and as a whole, exceeding 20 per cent of the contract amount (article 287, 1). In the contract types analysed (from the Ministry of Public Works), in accordance with Law 40/05, penalties are imposed for the late completion of work and an obligation to provide a bank guarantee to execute the contract. Normally, contracts are defined according to price series and modes of payment to the contractor. They also have clause providing a review of the prices (the contract terms are not consistent with what is expressed in the law).

5 Investor

5.1 Public Investment

According to **article 3^o, n^o 3, of Presidential Decree 31/10, April 12, 2010** For Public Investment is understood all State spending in the capacity building of national human resources in science and technology research, acquisition, adaptation and diffusion of technology and the creation of networks of information exchange as well as the rehabilitation or construction of economic, social or institutional infrastructures. It is not considered public investment current expenses of the State applied to normal and cyclical maintenance of undertakings or projects.

Public investments selection, programming, and financial coverage are regulated by Presidential Decree no. 31/10 a document that approves the regulation/ by law document Regulation of the Process of Preparation, Execution and Accompaniment of the Public Investment Programme. This regulation is supposed to set the “rules and procedures relative to the process of preparation, approval, eligibility, execution, accompaniment and the evaluation of the public investment projects” (article 1), and defines responsibility and decision-making powers in each of the phases from planning to final result. Officially, this law aims at rationalising the use of public finances by making government priorities and procedures for State investments as well as the allocation of budget funds more transparent. As described in Article 3, all public funds spent to rehabilitate and build economic and social infrastructure and buildings are covered by these regulations It is prohibited to execute, or include in the Public Investment Programme (PIP), projects that have violated the principle of free competition. It is likewise prohibited to split projects and costs of public investment with the intent of lowering the hierarchic level of the decision-making entity required to make the decision to allocate resources to it. These precepts, when and if complied with, help to substantially improve transparency and to make the economic and social impacts of public investment projects more targeted.

Nevertheless, the technical capacity of staff in the ministries and planning offices of the provincial governments lacks in terms of quality and quantity. The PIPs of the last few years have included approximately 7,000 projects of State investment. This insufficiency opens space for consulting companies, especially foreign ones, to influence terms, and less lawful practices spread. **The cycle of the public investment project is composed of the following phases: preparation, which includes the identification and the project development; negotiation; execution; operation; and evaluation of the project (articles 13 and 14).**

The definition of evaluation emphasises checking the project’s results throughout its cycle and deals with three types of evaluation: **ex-ante (evaluation of consistency), in course (evaluation of the**

performance or progress), and ex- post (impact evaluation). The definition of accompaniment underlines its systematic character and continued responsibility, divided between the promoting agency, tutelary entity, operating entity, and the Ministry of Planning. The results of applying these procedures are expressed in some indicators to be found in the execution reports of the PIP: comparison between financial execution (general, provincial, per sector, and per project), and this is far from sufficient. To the public knowledge there are no reports to evaluate the macro- or microeconomic impacts of the public investment projects, the legal request for investment assessment is very weak.

5.2 Planning for investment

During project identification, the promoting agency must present the basic idea of the project before its tutelary entity. This is done by **filling in a project identification form** which includes: **the project's objective** (the benefits it will provide to the population); **justification** (meaning its relevance and adherence to the objectives of the government programme); **preliminary estimates of costs and longevity** (here its useful life-cycle is presumed); **duration of the construction period**; **activities for its development** (project programming); **financing or origin of the resources to fund it**; and finally, **the prospects for community participation in the development and execution of the project**.

The tutelary entity analyses the eligibility of the proposed investment projects in accordance with the following criteria: the project's adherence to the national and sector-wide objectives and priorities; sufficiency, quality, and adequacy of the studies carried out; adequate formation of the logical framework matrix (a matrix that shows synergetic effects between the different investment projects); adequacy of costs and deadlines of the project execution; aptness of the cost-benefit analysis and other analyses. However, the **medium period of implementation for a public investment project is 40 months**.

The decision-making responsibilities regarding the choice of public investment projects are defined in the following terms (article 32):

- ❖ **Above USD 10 million approximately (that is one billion kwanza), the responsibility is exclusively that of the Head of Government;**
- ❖ **Up to USD 10 million, the responsibility lies with the ministries;**
- ❖ **Up to USD 5 million, the responsibility lies with the provincial governments.**



Figure 16 - Public investments

Questions and Concerns	Decision	Financing	Procurement	Construction	Quality
Processes of Decision making and corruption risks	Report needs, listing priorities and make investment decisions	Sources of funding for public works and conditions for loans	Selection of the company Details of contract and allocation of responsibilities	Project performance: Delivery time, quality, cost overruns	Regulation of service delivery (quality, accessibility, and affordability) maintenance of the works
Actors and responsibilities: Who will be held accountable for the decisions?	the President Ministers Provincial Governments	OGE (the President, Ministers Provincial Governments Funding through Sonangol External financing (Minist. Fin; Plan.) Donations (Minist. Fin; Plan.)	The President Ministers Provincial Governments	Ministries and Public Institutes	Ministries and Public Institutes
Rent-seekers Who can influence decisions for their own benefits?	Ministers Governors large companies elites	the President Ministers Governors Large companies (through credit lines) Diplomats (through credit lines)	Constructors Consultants Public managers	Consultants (Inspection) Public managers	Consultants (Inspection) Public managers
Value for money What can prevent the project delivered is what was supposed to?	Lack of Planning Lack of technical capacity political influences Collision of functions Delegation of powers	Conditionalities of credit lines audit capacity	Law on Public Procurement	Technical training	Technical training
Corruption What problems are possibly the result of corruption?	(Political influences) Interference in decisions Prioritization according to the elites Works in excess (addenda)	Use of public funds to private interests;	Technical capacity Political influences Interference on Public Managers Overlapping institutions	Technical capacity Political influences Interference of Public Managers Inspection	Technical capacity Political influences Interference of Public Managers Inspection

Figure 17 - Weaknesses in the decision-making processes along 1

Legal and Institutional framework What laws and structures already exist to prevent corruption?	LCP * Purchasing Central RPPEA PIP	LCP * Purchasing Central RPPEA PIP	LCP * Purchasing Central	Law on Public Procurement	Law on Public Procurement
Successful Good Governance Initiatives What already works well?	LCP * LPP **	LCP * LPP ** Single Treasury Account SIGFE	LCP * LPP ** SIGFE SIGIP	LCP * LPP **	LCP * LPP **
Reform Failures What initiatives have failed and why?	Failure to fulfill obligations of Probity Law				
Global markets and domestic governance What can be seen as the responsibility of external actors? (companies, governments, development banks)	Donors Conference	Conditionalities of credit lines IMF	Competitiveness of the sector Production of National Raw Material		
Procedures for better results in public works What can easily be done and make a difference?	Law Enforcement efficient governance autonomy Decentralization of power from the President Better control of parliament Technical capacity Collective political will of the structure of the MPLA Strengthening of Civil Society	Law Enforcement Horizontal accountability and transparent	Compliance with the Law	Compliance with the Law	Compliance with the Law
For an Accountable State Public Works Dealing with the underlying obstacles to reform?	Strengthening of Civil Society	Strengthening of SIG ***	Strengthening of the Civil Society	Strengthening of the Civil Society	Strengthening of the Civil Society

* LCP-Law on Public Procurement, ** LPP Law on Public Probity, *** SIG - Integrated Management System

Figure 18 - Weaknesses in the decision-making processes along 2

5.2.1 Law enforcement

While Angola has a comprehensive set of laws and institutions regulating the sector, its compliance with existing laws is often a different story. **Throughout the project cycle regulations are frequently violated without much of a consequence for those involved**, a new procurement act came into force in 2010. This is a step forward in the sense of organizing a scattered legal framework and promoting competition and procurement expertise. However, the new law is notable for its number of exclusions to its provisions for competitive tendering. Besides, few changes are expected since most of the previous laws have been copied into the new law while most decision makers are still the same people. A central procurement agency, organized directly under the executive/ president and established by the new procurement act, will be responsible for the procurement process. However, it is not expected to deal with the whole range of weaknesses in construction sector governance. It is therefore **not clear who has the overall responsibility for securing value for money in the sector, and thus, who can be held responsible ex-post when projects turn out to be less successful than promised**.

Undeniably, however, a clear responsibility rests with the highest level of decision-making. What **we find in Angola**, in contrast to most democratic countries, is **that the power to authorize public expenditures remains with the President of the Republic**. Provincial government agencies can authorize expenditure only **up to USD 1.8 million**. Ministers can control projects in the area of **USD 1.8–10 million. Everything above has to be authorized by the President of the Republic** (i.e., the individual holding this position), and this allocation of authority obviously leaves him with a huge personal responsibility. There are other institutions involved too. Proposals from sectoral ministries and provinces are evaluated by the Ministry of Planning and the Ministry of Finance, but most importantly on how they match political instructions from the highest level of the state.

In most democratic countries, the executive would prefer to have parliamentary support for large construction projects, and in that way share the political reward but also the burden if it fails. Angola's concentration of political authority implies that it has failed to develop a well-functioning set of checks and balances, including in fact a democratically elected Parliament. Moreover, there is no independent Auditor General even if such an institution is so critically important for securing “value for money” in government spending.

5.3 Decision making

For a decision-making process to be unbiased and focused on value for money, the administrative processes must be allowed to take place without influence from political players or high-ranking civil servants. Unbiased decision-making is critically important to allow market forces to secure value for

money in these big investments. What we know, however, is that there have been several incidents that confirm political influence for personal benefit on administrative processes, a problem addressed by the Governor of Luanda in 2011. Administrative and political processes are not sufficiently separated if, as an example, supervision of construction projects is outsourced to private Angolan companies that are owned by MPLA's (political party in power) business company (GEFI). Likewise, contracts have been allocated to the benefit of political allies, for example to companies controlled by the chairman and CEO of Sonangol (state-owned oil company, responsible for the management and exploration of oil and natural gas in Angola). There are also cases where political allies have benefitted from the sale of apartment buildings in central Luanda.

Globally speaking, governments are responsible for around 75 per cent of construction investments



Figure 19 - Housing Project Kilamba

6 Conclusion

When comparing international best practice for construction sector governance (from needs assessment to project design, funding, selection of firms, and construction and quality inspection) to what is known to be the norm in Angola, we easily identify many shortfalls and opportunities conducive to corrupt practices and improper use of resources. In Angola, cost estimates are not being made in a rigorous manner (it seems to be easy to make cost adjustments in the later stages of the project, especially during construction). In many cases it is impossible to determine ex post cost overruns because there is no ex ante estimated cost in the first place. This of course, gives space for corruption and fraud since nobody is able to tell ex post what the expenses should have been.

In terms of tenders and selection, in Angola many contracts are awarded without public bidding (i.e., through direct adjustments). International best practice procurement rules, by contrast, require that criteria (and how they are ranked), main contents of the bids, and results of tenders be made public, with quite detailed information. Skipping these procedures makes it easy to favour one supplier, while it also effectively prevents market mechanisms to deliver the best price-quality combination, i.e., value for money.

Finally, contract inspection in Angola is poor, fraught with conflicts of interest, and the true expenses are impossible to detect (again due to opacity of information). According to international best practice, inspection should be conducted by independent firms with the required expertise at regular intervals and ex ante determined lead dates. Payment for the works should be done in a timely manner and according to a contract and upon delivery of services as agreed. Weak ability in private sector to compete against foreign enterprises—given low domestic competition due to corruption and collusion decrease the market level.

The many deviations between international best practices for construction sector governance and those currently being applied in Angola—despite the existence of good legislation—open up space for corruption and prevent the country from getting “value for money” in construction projects. The consequences to development for the society at large and the potential multiplier effects on economic growth are likely to be severe. The excessive concentration of decision-making power contributes to the lack of transparency in the award of public works contracts and increases the propensity for non-compliance with all legal provisions approved by the National Assembly.

The existing laws and regulations at the sector level are not bad. There are in practice deviations from the economically rational and legal procedures. One should not forget that the country is a State under the rule of law—therefore, if there is a law it should be complied with at all levels of the institutional hierarchy of the government. A sector level approach would not change much in terms of legal reforms. This implies that changes have to come from new ways of practicing the existing set

of laws and regulations. The laws have to be respected. For this to happen, there must be better control. Monitoring of how the laws are practised is a management decision that would have to come from the Government

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