Governance and The Fight Against Corruption in Angola

Quid Vales? Quo Vadis?

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Governance and The Fight Against Corruption in Angola: Quid Vales? Quo Vadis?
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ABSTRACT: This paper reviews Angola's recent reform efforts to strengthen good governance and fight corruption. Angola has achieved some progress on the governance and anti-corruption fronts since 2018, but the strong momentum observed through 2022 has abated**.** Gaps in most governance indicators remain sizeable and have started to widen in some cases. Closing these gaps is expected to deliver sizeable economic growth. While the legal framework is broadly appropriate, institutional autonomy, independence, and technical capacity to enforce this legal framework supported by the adoption of more transparent, publicly accessible, participatory, and digitally automated procedures have generally lagged.

Governance and The Fight Against Corruption in Angola

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GOVERNANCE AND THE FIGHT AGAINST CORRUPTION IN ANGOLA: QUID VALES? QUO VADIS?

A. Introduction

1.   Governance and anti-corruption reform efforts experienced a strong momentum during President's Lourenço's first administration (2017–22). Angola achieved progress in several governance fronts with the approval of new legislation; reforms to public financial and investment management (PFM and PIM) systems; increased oversight of state-owned-enterprises (SOEs) and financial institutions; and improvements in fiscal and resource management transparency, and central bank governance.[1] This period was also marked by an unprecedent fight against corruption leading to the imprisonment and prosecution of high-profile figures, the creation of an anti-corruption unit, and a movement of the legal framework towards best international practices. This progress was reflected in improvements in several governance indicators.

2.   However, the reform momentum appears to have lost steam. Some reports by independent observers flag that reforms have progressed more slowly than anticipated; further progress on fiscal transparency has stalled and by some measures even backtracked; high-profile investigations are lingering; and some recent opinion surveys are reporting growing corruption perceptions (Figure 1).[2] Moreover, notwithstanding some recent improvements in the legal framework, Angola was once again added to the Financial Action Task Force's (FATF) grey list of countries with anti-money laundering/countering terrorism financing (AML/CFT) weaknesses (FATF, 2024).[3]

3.   This paper reviews Angola's reform effort to strengthen good governance and fight corruption since 2022. It builds on an initial assessment done in 2018 (IMF, 2018a) and subsequent updates (IMF, 2022b; IMF, 2024a; IMF, 2022a). In doing so, it takes stock of governance reforms and assesses their impact on key governance outcomes over time and relative to peers. The paper also estimates the macroeconomic impact of closing governance gaps and proposes reform priorities. Section 2 provides a framework to define and assess progress and impact in strengthening governance and fighting corruption. Section 3 quantifies and benchmarks Angola's initial progress relative to peers and past reform efforts and updates its macroeconomic impact. Section 4 takes stock of recent governance reform efforts. Finally, Section 5 concludes with a list of proposed priorities.

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[1] President's Lourenço's first administration lasted from 2017–22. See IMF (2018a, 2022a, 2022b) for stock-tacking exercises during this period.

[2] See International Budget Partnership (2024) and Afrobarometer (2024).

[3] FATF is the global standard-setter on AML/CFT practices.

Figure 1. Angola: Corruption Perceptions, 2019–24 1/
(Percent change relative to previous year)
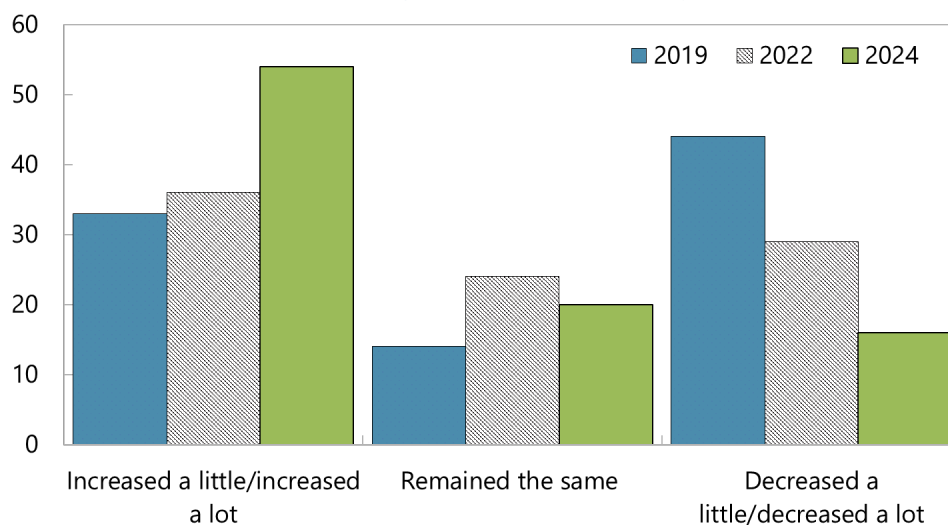
Sources: AfroBarometer and IMF staff calculations.

1/ Use of these indicators should be considered carefully, as they are derived from perceptions-based data.

B. Framework

4.   The paper follows IMF policies to define and link governance and corruption.[4]
Governance can be broadly defined as the "framework for exercising authority" while "good" or "weak" governance refers to the "quality" of governance and its impact on outcomes. The Fund defines governance as the process of managing a country, including its economic, legal, and policy aspects. Corruption is defined as "the abuse of public office for private gain." The core set of acts that are almost universally recognized as being "corrupt" are those that involve criminality (e.g. bribery, embezzlement, money laundering, obstruction of justice). This definition is widely accepted in the literature and used by the Fund and other international organizations.[5] Corruption is said to be "systemic" when it is no longer a deviation from the norm but is rather manifested in a pattern of behavior so pervasive and ingrained that it becomes the norm. Corruption is a symptom of weak governance and thus combating corruption cannot be delinked from strengthening governance overall. Weak governance may ultimately stem from lack of capacity, accountability, transparency, and coordination (IMF,1997; IMF, 2022b).

5.   IMF governance assessments focus on state functions that are macro-critical. Those are functions that, if ineffectively performed, may hinder macroeconomic performance, and exacerbate

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[4] See IMF (1997and 2018b).

[5] It is also consistent with the provisions of the United Nations Convention Against Corruption..

external and internal imbalances.[6] IMF policy defines them to include (i) fiscal governance; (ii) financial sector oversight; (iii) central bank governance and operations; (iv) market regulation; (v) rule of law; and (vi) Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT). This paper will exclude for the assessment a discussion of financial sector oversight and central bank governance and operations, two topics that will be covered in more depth in the next Article IV report building on the forthcoming 2025 Financial Sector Assessment Program.

6.   Weak governance and corruption have been shown to impact state functions through multiple channels.[7] They do so by fostering inefficient and uncertain policies, rent seeking, and corruption, eroding trust in government, and, in many cases, hampering the social acceptability of reforms needed to strengthen governance and fight corruption in the first place, thus creating a vicious circle (IMF, 2024b; IMF, 2024c).

- **Fiscal Governance.** Weaknesses in fiscal governance and corruption undermine domestic revenue mobilization, including by reducing tax compliance and increasing tax evasion; distort budgetary choices in detriment of social and economic priorities; result in public spending waste, low quality public investment, and outright misappropriation; and foster loss-making and inefficient state-owned enterprises and public banks.

- **Market Regulation.** Complex, inaccessible, or opaque regulatory frameworks can create opportunities for public officials to exploit discretionary authority in return for bribes or other forms of corruption resulting in uncertainty and discriminatory treatment.

- **Rule of Law.** Weak enforcement of property rights and legislation, including anti-corruption laws can erode trust in government and undermine the availability of credit and investment more generally.

- **AML/CFT.** A weak AML/CFT framework can undermine the integrity of the financial system, allow proceeds of corruption to be concealed, restrict cross-border transactions, reduce capital flows, and raise the cost and reduce the volume of public and private external financing (Kida, et al., 2021; Koker, et al., 2023).[8]

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[6] "Macroeconomic performance" includes GDP growth, inflation, unemployment, fiscal sustainability, and external competitiveness. "Imbalances" are misalignments in an economy that can lead to instability and exacerbate its vulnerability to shocks undermining macroeconomic performance. Internal imbalances include excessive fiscal deficits or persistent deviations from target inflation; external imbalances include excessive current account deficits or overvalued exchange rates.

[7] See Newiak, et al., 2022 for a comprehensive overview of the channels with empirical evidence for sub-Saharan Africa.

[8] Such economic and financial impact can become particularly significant when AML/CFT weaknesses lead countries to enter enhancing monitoring lists (grey or black-lists) by global standard setting institutions such as the FATF.

Table 1. Angola: Pairwise Correlations for SSA, 2005–22				
	Governance		Corruption	
Governance	WGI	ICRG	CCI	CPI
WGI	1.00			
ICRG	0.84	1.00		
Corruption Perceptions				
CCI	-0.94	-0.75	1.00	
CPI	-0.93	-0.78	0.95	1.00

Sources: WGI, Transparency International, ICRG, and IMF staff calculations.

Note: WGI = Worldwide Governance Indicators; ICRG = International Country Risk Guide; CCI = Control of Corruption Indicators; CPI = Corruption Perceptions Index.

7.   This paper relies on Fund staff work on governance-related issues for Angola complemented by analysis of several third-party indicators (TPIs) of governance and corruption perceptions.[9] It relies on the following TPIs: two main aggregate measures of governance—Kaufmann and Kraay's Worldwide Governance Indicators (WGI) and International Country Risk Guide's (ICRG) Political Risk Rating, and two measures of corruption perceptions— WGI's Control of Corruption Indicator (CCI), and Transparency International's Corruption Perceptions Index (CPI).[10] These indicators cover different countries and time periods but are highly correlated with each other (Table 1), and some of these correlations are high by construction (e.g., CCI is a component of aggregate WGI). To facilitate cross-country comparison, governance (corruption perceptions) indicators are normalized to 0-100, where 0 is the weakest (highest) and 100 the strongest (lowest) performance.

C.   Measuring Initial Progress

8.   Governance and anti-corruption reforms lost momentum, with progress remaining slow. Following the 2017 presidential elections, Angola made notable advancements across various governance categories, advancements that are reflected both in the WGI and in the ICRG (Figure 2). A closer look reveals that most of this progress occurred during the first two years of the new government, and since then, advancements for the most part have been timid, especially in the dimensions of voice and accountability and regulatory quality, which stagnated (Figure 3).

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[9] In line with Fund policy, this chapter uses multiple indicators of governance and corruption. TPIs help provide a general view of a country's governance and corruption relative to peers, but have limitations and should be interpreted with caution, including because some are based on perceptions (e.g., WGI and CPI), and their scores are subject to uncertainty and to methodological changes (e.g., in 2012 the CPI's compilation method for aggregating different data sources was simplified to include just one year's data from each data source).

[10] The aggregate WGI used in this chapter was constructed by Fund staff by combining its six individual components: voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption. See (Kaufmann, et al., 2010) and http://info.worldbank.org/governance/wgi/index.aspx#home.

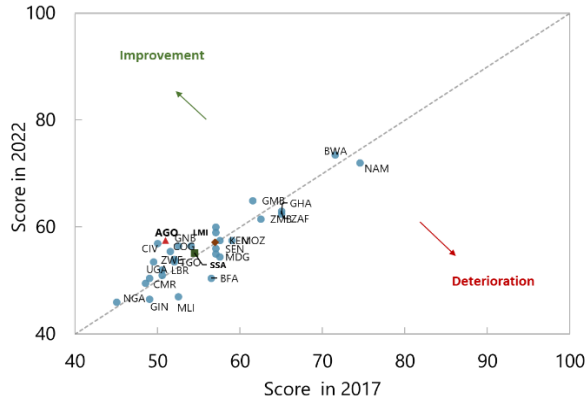**Figure 2. Sub-Saharan Africa: Governance Indicators, 2017–22**
(Units)
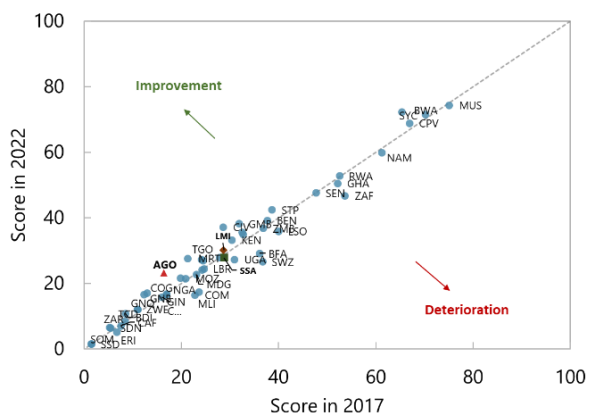
Sources: WGI, ICRG, and IMF staff calculations.

Note: SSA denotes the average for Sub-Saharan Africa. LMI denotes the average for lower middle-income countries. The dotted grey line is a 45-degree line.

9.   Initial progress in political stability and rule of law has been reversed. Scores for the political stability and absence of violence indicators in 2022 were below those recorded in 2017. This deterioration is also captured by alternative indexes such as the latest Bertelsmann Stiftung's Transformation Index (BTI) 2024, which indicates that fundamental rights, including freedom of expression, association and assembly indicators have significantly deteriorated in recent years. WGI scores for the rule of law, in turn, have been declining since 2020, reflecting a diminished confidence in the judicial system. Alternative TPIs such as the 2023 World Justice Project Rule of Law index (WJP Index) also point to a deterioration in fundamental rights, order and security and civil justice indicators compared to the previous period.

10.   Government effectiveness remains Angola's Achilles' heel.[11] This indicator includes categories such as quality of bureaucracy, excessive bureaucracy/red-tape, quality of infrastructures, among other indicators that measures the government capacity to carry-out its main functions. The corresponding WGI score declined from 2017 to 2020, only reversing its downward trend in 2021; however, the latest score remains below the 2017 figure.

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[11] Government effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.
(https://www.worldbank.org/content/dam/sites/govindicators/doc/ge.pdf)

Figure 3. Angola and Peers: Governance Indicators, 2017–22 [1]

(Normalized Estimates - 0 (weak) and 100 (strong) governance performance)
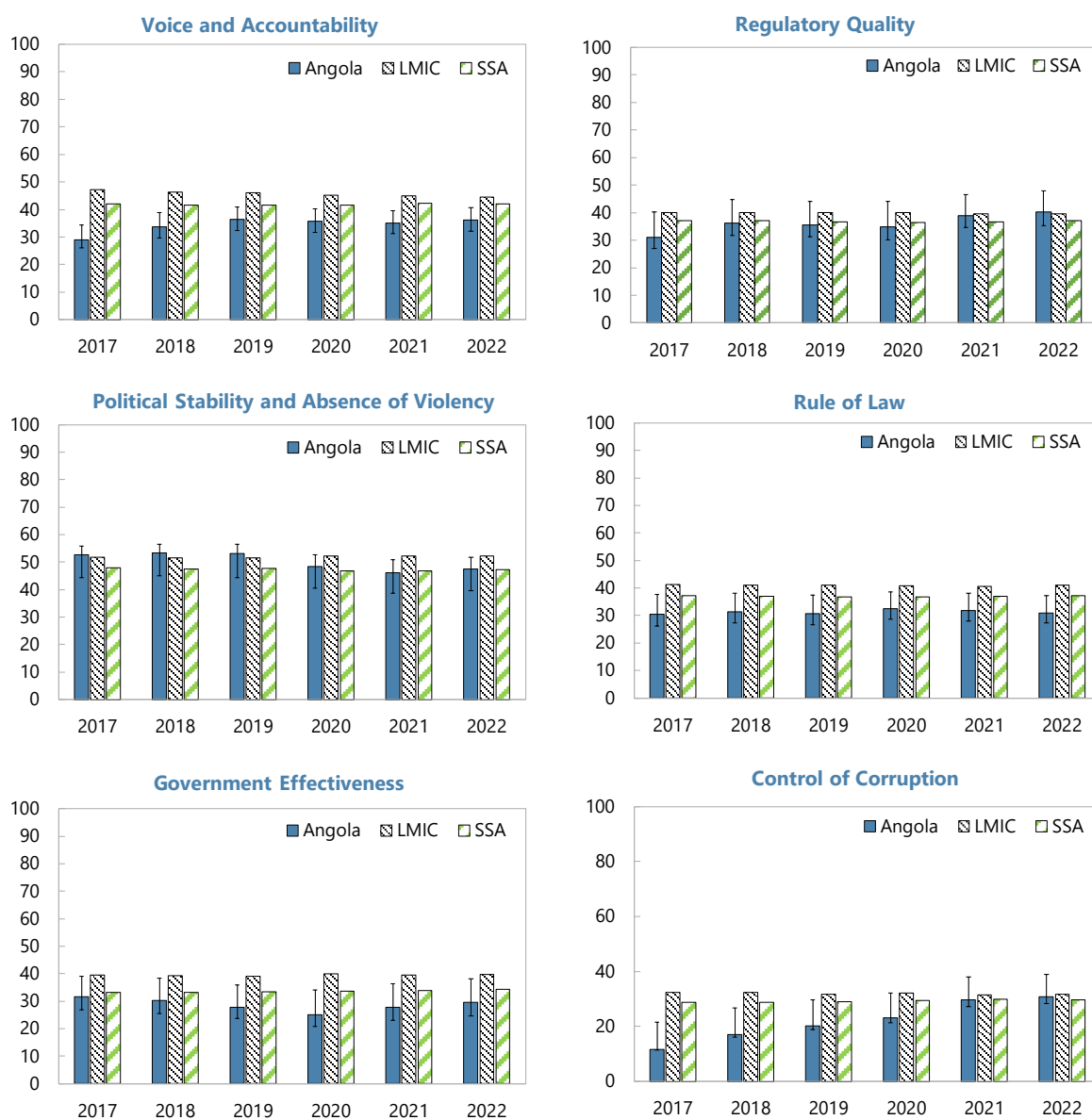
Sources: Worldwide Governance Indicators, D. Kaufmann (Natural Resource Governance Institute and Brookings Institution) and A. Kraay (World Bank), 2023 and IMF staff calculations.

1/ Use of these indicators should be considered carefully, as they are derived from perceptions-based data. Ranges are for a 90 percent confidence interval. Confidence intervals for peer group averages are negligible. Estimates normalized using Rescaling (Min – Max Normalization).

11.   Angola has made strides in combating corruption. According to the Transparency International's Corruption Perceptions Index for 2023 (Transparency International, 2024)[12], Angola has made progress in combating corruption. From 2017 to 2023, the country has experienced significant improvement, increasing its CPI score from 19 in 2017 to 33 in 2023. This progress is largely due to the government's commitment in implementing anti-corruption measures, including the ongoing asset recovery process and the investigation and prosecution of high-ranking officials involved in embezzlement of public funds and assets. As a result, Angola's anti-corruption initiatives have aligned its CPI score with the average for Sub-Saharan Africa (SSA) and low middle-income countries. It is important to notice that, as in the case of other indicators, progress has leveled off after 2022 (Figure 4).

Figure 4. Angola and Peers: Corruption Perceptions Index, 2014–23 1/
(Scale from 0 – highly corrupt to 100 – very clean)
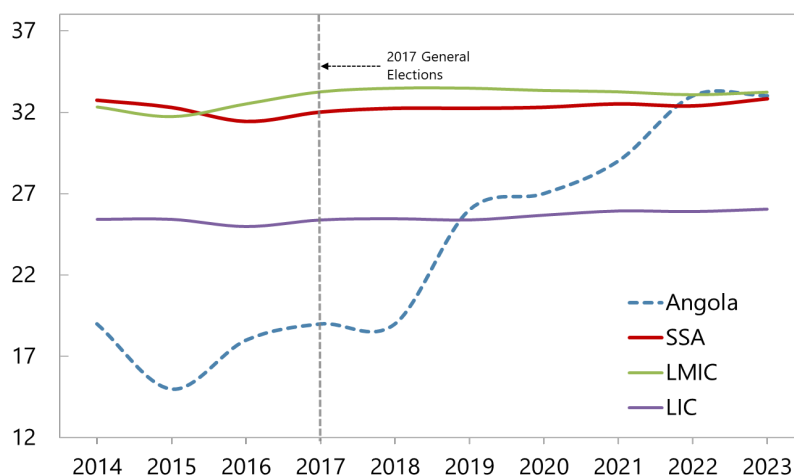
Sources: Transparency International and IMF staff calculations.

Note: SSA = Sub-Saharan Africa; LMIC = Lower middle income countries; LIC = Low-income countries.

1/ Use of these indicators should be considered carefully, as they are derived from perceptions-based data.

D.   Macroeconomic Impact

12.   Addressing corruption and enhancing governance positively influences economic performance, particularly in Sub-Saharan Africa. Mills and others (2022) found that improving SSA governance to match the global average could increase GDP per capita by 1 to 2 percentage points per year. The literature shows that weak governance and corruption negatively impacts the economy's capacity to collect revenues and guarantee an efficient allocation of resources. Using a sample of 147 countries, Baum and others (2017) estimated that corruption has a negative impact on aggregate revenue performance of about 0.6 percent of GDP annually.

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[12] The CPI ranks 180 countries and territories around the globe by their perceived levels of public sector corruption, scoring on a scale of 0 (highly corrupt) to 100 (very clean).

Figure 5. Angola: Estimated Gains from Governance Reforms
(Increase in real GDP per capita growth from improving Angola´s governance and corruption perceptions to the SSA average)
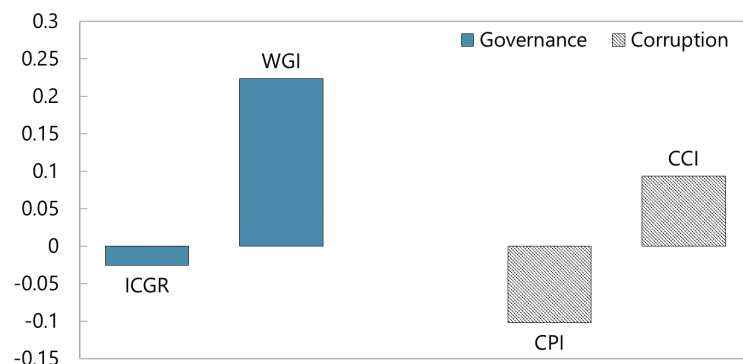
Indicators	Elasticities
Governance:	
WGI (Aggregated)	$g_{it} = 0.036GOV_{it} + 0.087GOV_{it}SSA$
ICRG	$g_{it} = 0.107GOV_{it} + 0.089GOV_{it}SSA$
Corruption:	
WGI CCI	$g_{it} = -0.02GOV_{it} - 0.093GOV_{it}SSA$
Transparency International CPI	$g_{it} = -0.012GOV_{it} - 0.09GOV_{it}SSA$

Note: ICGR = International Country Risk Guide; WGI = World Governance Indicator; CPI= Corruption Perceptions Index; CCI = Control of Corruption Indicator.
Sources: Worldwide Governance Indicators, World Bank, and IMF staff

13.   There remains potential for realizing gains through enhanced governance in Angola.
Previous analysis estimated that reforms aimed at aligning Angola´s quality of governance and corruption perceptions level with the SSA average could result in an annual increase in real GDP per capita between 0.75 – 1.25 percentage points (IMF, 2018a). This section evaluates whether these findings remain relevant today, considering the progress made in governance and corruption perception since the previous analysis. We compared the potential gains using elasticities from Mills and others (2022) alongside data from SSA countries.[13] Our conclusions are as follows:

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[13] The paper estimates a time impact of corruption and Governance on GDP per capita growth in a sample comprising 190 countries over the period 1984–2015. The baseline specification is:

$$g_{it} = \beta_0 + \beta_1 GOV_{it} + \beta_2 GOV_{it}SSA + \beta_3 SSA + B'X_{it} + \tau_t + u_i + v_{it}$$

where g is real GDP per capita growth, GOV is governance (or corruption perceptions), SSA is a dummy variable for the SSA region, X is a column vector of country-specific explanatory variables, τ denotes time-fixed effects, and μ and ν denote unobserved country fixed effect and error term, respectively. Subscripts i = 1, 2, …, N, and t = 1, 2, …, T index country and time, respectively. Vector X includes controls that have been typically considered by similar studies in the literature: initial GDP per capita, investment, schooling, inflation, and terms of trade.

- **Compared to the previous analysis the overall gains from improving governance and corruption perception are significantly smaller, between 0.09–0.22 percentage points, as there has been a notable reduction in the gap between Angola's scores and the region average (Figure 5)**. Only improvements in the aggregate WGI and the CCI would lead to a positive increase in GDP per capita growth, as the gap is not entirely closed. In contrast, for the ICRG and CPI indicators, no gains are anticipated since Angola's scores already exceed the regional averages.

- **However, a closer examination of the subcategories within the WGI reveals substantial opportunities for significant gains (Figure 6).[14]** The gains could increase real GDP per capita growth by about 0.4 to 1.5 percentage points annually, with the largest impact from improving government effectiveness. Improving its subcategories could lead to more efficient public services, enhanced judicial effectiveness, and a reduction in corruption, all of which are critical for fostering a conducive environment for investment and economic growth.

Figure 6. Angola: Estimated Gains from Governance Reforms

Increase in real GDP per capita growth from improving Angola´s WGI subcategories to the SSA average.

(Percentage points)
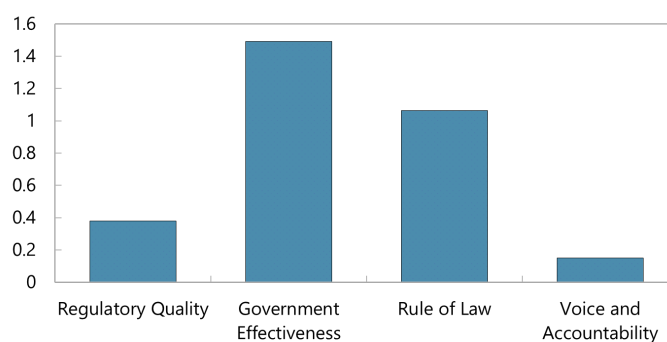
Indicators	Elasticities
Voice and Accountability	$g_{it} = 0.004 GOV_{it} + 0.099 GOV_{it} SSA$
Government Effectiveness	$g_{it} = 0.046 GOV_{it} + 0.074 GOV_{it} SSA$
Regulatory Quality	$g_{it} = 0.036 GOV_{it} + 0.085 GOV_{it} SSA$
Rule of Law	$g_{it} = 0.017 GOV_{it} + 0.072 GOV_{it} SSA$

Sources: Worldwide Governance Indicators, World Bank, and IMF staff
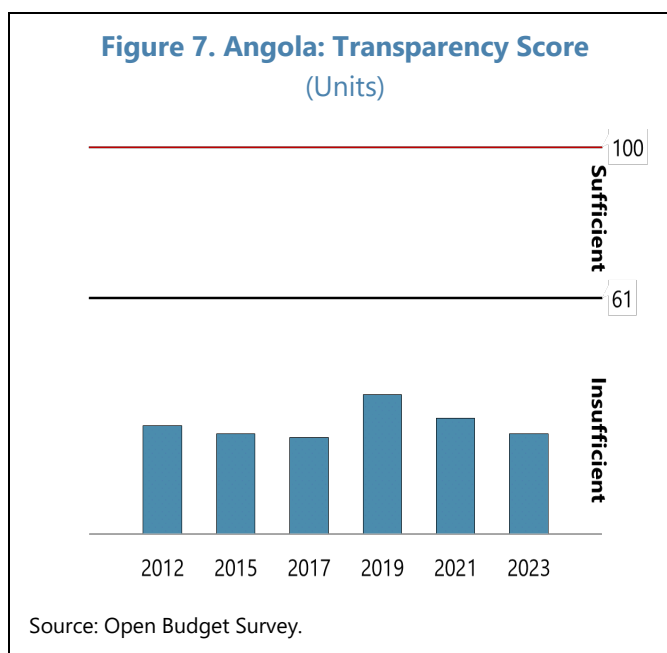
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[14] Control of Corruption and Political Stability are excluded from the analysis because the former is treated as a standalone measure of governance and the effects of the latter are already captured by the inflation measure in the original model (Amine, et al., 2019).

E. Stocktaking of Reforms

14.   This section takes stock of the latest reform efforts with a view to identify gaps and reinvigorate the reform momentum. It will take a closer look at the recent reform efforts in the previously described macro-critical state functions to identify gaps and reform priorities.

Fiscal Governance

15.   Progress in fiscal transparency has stalled and even reversed in some areas. Several shortcomings in the quality and timeliness of government finance statistics and fiscal reporting have been addressed since 2017. Inconsistencies between below and above the line reported fiscal data are being addressed. Consolidated and detailed fiscal data, including on non-oil revenues, have started to be published during the fiscal year. And so were quarterly and annual budget execution reports up to 2020. However, measured by the Open Budget Survey (OBS), this initial progress has stalled and even reversed (Figure 7).[15] Angola's transparency score (still significantly lower than regional peers') has deteriorated since 2019. The drop in the country's rank is mostly explained by delays in publishing budget execution reports as well as fiscal revenues (Table 2). These shortcomings continue to undermine the timely monitoring of budget execution and have been pointed by investors in several countries as creating uncertainty and unfavorable perceptions of sovereign risk resulting in lower credit ratings and higher borrowing costs.[16]

Figure 7. Angola: Transparency Score
(Units)

Sufficient — 100
— 61
Insufficient

2012 2015 2017 2019 2021 2023

Source: Open Budget Survey.

16.   The publication of the fiscal strategy and medium-term fiscal framework in the 2025 budget will help improve future transparency scores. It will do so by increasing the comprehensiveness and medium-term orientation of the budget proposal. Further improvements in fiscal transparency would require resuming the timely publication of budget reports and improving the quality of fiscal data, while extending their comprehensiveness (e.g. by including extra-budgetary funds, quasi-fiscal activities, contingent and future liabilities, and tax expenditures).

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[15] See International Budget Partnership (2024).

[16] See Arbatli and others (2015).

Table 2. Angola: Public Availability of Budget Documents

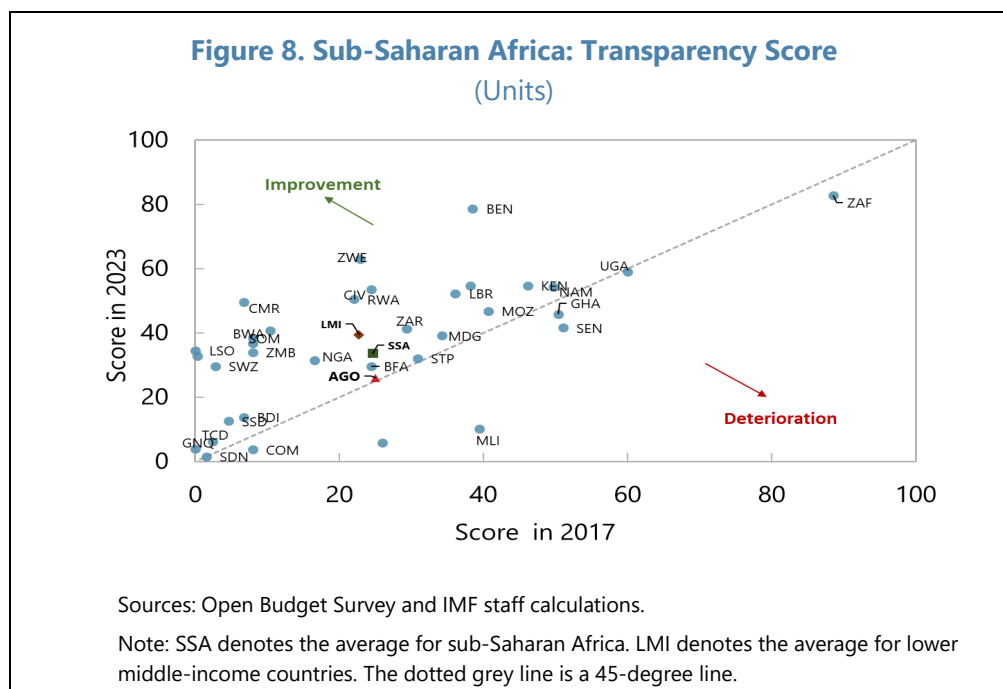| Document	2012	2015	2017	2019	2021	2023
Pre- Budget Statement	🚫	🚫	🚫	🚫	🚫	🚫
Executive´s Budget Proposal	✅	✅	✅	✅	✅	✅
Enacted Budget	✅	✅	✅	✅	✅	✅
Citizen Budget	🚫	✅	✅	✅	✅	🟡
In-Year Reports	✅	🟡	🟡	✅	🟡	🟡
Mid-Year Review	🟡	🟡	🚫	🚫	🚫	🚫
Year-End Report	✅	🟡	🟡	✅	✅	✅
Audit Report	🚫	🟡	🚫	🟡	🟡	🟡

✅ Available to the Public   🟡 Published Late, or Not Published Online, or Produced for internal Use only   🚫 Not Produced

Source: Open Budget Survey.

17. **Progress on budget oversight and participation has stalled.** OBS reports also show no improvements on budget oversight in Angola's scores since 2021. Angola's National Assembly continues to provide little oversight of the planning and implementation stage of the budget cycle. Angola's Supreme Audit Court (*Tribunal de Contas*) continues to issue ex-post audit reports on the yearly General State Accounts, which do not cover all government entities, and no follow-up on its audit recommendations. Space for civil society and the public to contribute to budget formulation and to monitor budget implementation remains constrained.[17] Progress in budget oversight would require, among other things, that (i) the National Assembly debates budget policy before the budget proposal is tabled, (ii) legislative committees examine in-year budget implementation, (iii) the National Assembly is consulted following budget revisions, and (iii) the *Tribunal de Contas* has sufficient funds and autonomy to perform its obligations. Greater participation in the budgetary process will require, among other things, that (i) the Ministry of Finance develop mechanisms to enhance public consultation at the budget formulation stage, (ii) the National Assembly makes budget public hearings more inclusive, and (iii) the *Tribunal de Contas* contributes to audit investigations.

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[17] According to the OBS report, the budget process - comprising formulation, approval, implementation, and audit - allows public participation solely during the approval phase. This participation occurs through a public hearing related to the approval of annual budget, conducted by the National Assembly.

Figure 8. Sub-Saharan Africa: Transparency Score
(Units)

Sources: Open Budget Survey and IMF staff calculations.

Note: SSA denotes the average for sub-Saharan Africa. LMI denotes the average for lower middle-income countries. The dotted grey line is a 45-degree line.

18.   Greater fiscal transparency in the resource sector is being pursued under the Extractive Industry Transparency Initiative (EITI). Angola became an EITI *implementing* country in June 2022. The first EITI report (December 2023) was unable to reconcile data from the authorities and extractive companies and to disclose contracts and beneficial ownership. A second EITI report (October 2024) started a data reconciliation pilot for an oil and a diamond company. It also flagged the continued lack of disclosure of contracts, licensing, allocation, beneficial ownership, and off-budget expenditures. An on-going validation process to determine Angola's EITI membership is looking at disclosure and transparency, stakeholder engagement, and EITI's expected impact. A decision is expected to be announced by June 2025, accompanied by a time-bound action plan with corrective actions.
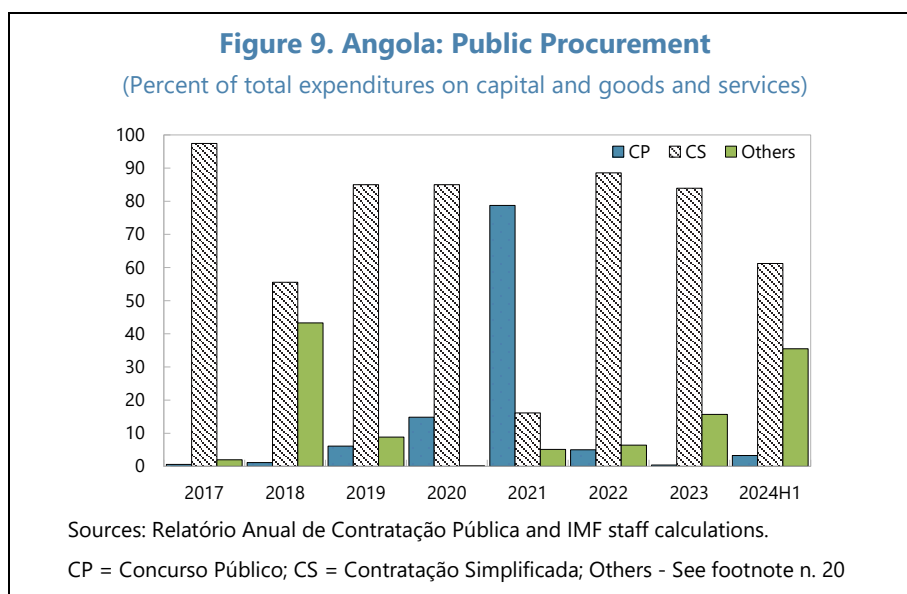
19.   Domestic arrears remain a challenge reflecting persistent weaknesses in expenditure controls and cash management. With IMF TA and the introduction of a new legal framework in 2021 that regularize existing arrears[18], large balances accumulated since 2014 have been reduced and the stock of arrears has stabilized. Notwithstanding these efforts, new arrears have continued to emerge, reflecting (i) weak budget commitment control procedures, (ii) delays in recognizing and budgeting for arrears due to inadequate invoice recording, and (iii) weak cash flow forecasting. Addressing these challenges will require greater enforcement of budget execution rules, recording invoices at the verification stage to allow for a more realistic budgeting of arrears, strengthening cash flow forecasting and management practices.

20.   There has been limited progress in addressing weaknesses in the appraisal, selection, and execution of public investment. An IMF-World Bank public investment management

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[18] Presidential Decree 235/21 from September 2021.

assessment (PIMA) conducted in 2019 identified Angola's institutional design of public investment management (PIM) is comparable to many developing countries, but its effectiveness is very low. Key weaknesses included (i) weak capacity to implement and enforce project appraisal, development, and selection rules; (ii) the absence of a budgeting function developed along a multiyear framework and aligned with the Fiscal Sustainability Law; and (iii) weak controls during execution.

21. **Most of the needed PIMA improvements do not require changes to the legal framework but stronger capacity to implement and enforce the current rules.** With IMF TA, a PIMA workshop was conducted in 2023 to train relevant staff, take stock on reform progress, and update the PIMA action plan. The workshop revealed limited progress in addressing identified key PIM weaknesses. It pointed to the need to reinforce the action plan by (i) continuing training at the National Department of Public Investment (DNIP) at the Ministry of Finance, as well as in other line ministries and subnational government; (ii) strengthening the enforcement of existing rules through the removal of regulatory inconsistencies across government; (iii) enhancing the Ministry of Finance/DNIP gatekeeping role; (iv) implementing digitalization and public dissemination of rules, selection criteria, costs, execution, and ex-post evaluation of public investment projects; and (v) accelerating the preparation of a medium-term expenditure framework (MTEF). A Ministerial reform in 2024 moving DNIP from the Ministry of Finance to a newly created Ministry of Planning poses additional challenges, as it will require building capacity of the DNIP staff at the Ministry of Planning ensuring the Ministry of Finance effectively exercise its gatekeeping role and strengthening coordination between the Ministry of Planning and Finance in the PIM oversight.[19]

Figure 9. Angola: Public Procurement

(Percent of total expenditures on capital and goods and services)

Sources: Relatório Anual de Contratação Pública and IMF staff calculations.

CP = Concurso Público; CS = Contratação Simplificada; Others - See footnote n. 20

22. **The public procurement has improved, but it remains subject to corruption vulnerabilities, which should be promptly addressed.** Progress has been particularly noticeable up to 2020 with the adoption of a modern legal and regulatory framework (Public Contract Law 41/20), a regulatory agency (National Public Procurement Services- SNCP in the Portuguese

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[19] Presidential Decrees 92 and 93 from April 2024.

acronym), and an electronic platform (SNCPE), and growing transparency in the publication of bid winners. The recent approval of the 2024-28 Public Procurement Plan to guide the execution of annual plans (APPs) was another welcome step.[20] Notwithstanding this progress, a Methodology for Assessing Procurement Systems (MAPS) diagnostic conducted by the African Development Bank (AfDB) and published in 2024 reveals that Angola's procurement system presents significant gaps in the institutional framework, operations and market practices, and control and audit systems.[21,22] Moreover, as indicated in the PIMA, the legal framework is not robust enough to guarantee that most investment projects follow open and transparent procedures. Contracts awarded through non-competitive bidding (*Contratação Simplificada* - CP) have accounted for over 80 percent of all contracts and remain the dominant form (Figure 9).[23] In 2023 and the first half of 2024, open competitive bidding (*Concurso Público*) accounted for only 0.4 and 3.3 percent of contracts, respectively.[24] This practice raises significant concerns regarding transparency, accountability and fairness and can lead to corruption and inflated contract prices. The following gaps are also worth noting:

- ***Legal and Institutional Framework.*** Provisions that discipline or limit SOEs' participation as bidders in public procurement processes are absent. APPs are only required to be published 30 days after the publication of the budget and, as a result, do not inform the budget. SNCP does not have sufficient administrative independence and financial autonomy to fulfill its regulatory authority.

- ***E-Procurement***. Reliance on SNCPE has been very limited, with less than 4 percent of contracts awarded since its launch in 2018. SNCPE does not administer CP contracts and does not cover the whole procurement cycle, being limited to the pre-award and award phases with the post-award phase missing.

- **Control of Corruption.** Civil society participation in improving the integrity of public procurement is limited, with no engagement in social audit and control of public procurement.

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[20] The Angolan Public Procurement Plan 2024–28 includes measures to enhance transparency, promote accountability, and combat corruption within public administration. It also aims to integrate modern technologies and improve the efficiency of the National Public Procurement System.

[21] See African Development Bank, 2023

[22] Out 55 indicators assessed, Angola presented significant gaps in 34 of which 7 out 18 in legal and regulatory framework; 10 out 14 in institutional framework and management; 6 out 6 in operations and market practices; and 11 out of 17 in control and audit systems.

[23] The data only includes goods and services and capital expenditures reported to the SNCP. The others includes: Limited Tender Without Submission of Applications (Concurso Limitado *Sem* Apresentação *De Candidaturas*); Limited Tender by Prior Qualification (Concurso *Limitado por Prévia Qualificação*); Negotiation Procedure (*Procedimento por Negociação*) Limited Tender by Invitation (Concurso Limitado por Convite); Dynamic Electronic Procedure (Procedimento Electrónico Dinâmico); Emergency Contracting (Contratação Emergencial).

[24] In 2020 and 2021, the proportion of contracts awarded through competitive bidding accounted for roughly 15 and 80 percent of the contracts reported to the SNCP. However, this period coincided with the peak of the COVID-19 epidemic, during which less than 4 percent of the executed expenditures were reported to the SNCP, despite the high execution rates of expenditures in 2020 and 2021 reaching 98 and 147 percent, respectively. Therefore, the underreporting of the contracts during this period may help explain the unusually high share of contracts awarded through competitive bidding.

There is a notable absence of data regarding the adoption of Corruption Prevention Plans by public procuring entities. Information on beneficial ownership is not provided by contractors.

23. **SOEs oversight has improved, while privatization of large SOEs has been limited.** SOEs oversight has been hampered by the absence of robust legal, monitoring, supervision, and auditing instruments. Gaps in the law exempted SOEs from submitting investment plans to IGAPE, the government agency overseeing them, as well from regular external audits. Moreover, contrary to the law, several SOEs were not providing annual reports to IGAPE. Some of these gaps have been addressed since 2019, when the largest SOEs started publishing their annual reports. [25] In 2023, about ¾ of SOEs (70 out 94) provided annual reports to IGAPE of which just under 90 percent (62 out of 70) have been independently audited. Furthermore, information on subsidies, capitalization, and dividends for each SOE has been regularly published by IGAPE. New legislation approved in 2024 increased the frequency of audits from annual to semiannual. Other aspects such as the quantification and management of fiscal risks have not yet been enhanced. The privatization program has proceeded slowly and has been extended until 2026. A roadmap for SOEs reform approved in 2022 with measures to limit state's participation, improve control and fiscal risks mechanisms, increase transparency and the quality of the financial reports, and prioritize and accelerate reforms in energy, transport, and telecommunication sectors is expected to further improve SOE oversight and accelerate privatization.[26]

24. **Measures have been taken to improve the integrity of tax administration**. A 2018 Tax Administration Diagnostic Tool (TADAT) jointly conducted by multiple development partners, identified several gaps in Angola's revenue authority (AGT) core tax functions with respect to the integrity of its taxpayer database, risk management practices, tax dispute, and accountability and transparency that makes it vulnerable to corruption. With IMF TA, the AGT has set clear goals and started implementing corrective measures, including the digitalization of tax services and procedures, the adoption of risk management practices and a result-based framework, auditing, and an organizational restructuring with a more precise definition of roles and responsibilities.

AML/CFT

25. **Angola AML/CFT legal framework has strengthened since 2020**. The enactment of an AML Law in 2020 prepared with IMF TA, addressed previous recommendations by the FATF. It did so by improving the criminalization of money laundering (ML) and terrorism financing (TF) offences, providing for identification and verification of beneficial ownership, and widening the scope of sanctions, among other requirements. Efforts to enhance the capacity of law enforcement agents in investigating AML/CFT cases has also been stepped up (see below). A mutual evaluation conducted by a FATF-affiliated body (the Eastern and Southern Africa Anti-Money Laundering Group - ESAAMLG) conducted in 2022 recognized such improvements but identified weaknesses in other areas such as the risk-based supervision outside the banking sector and designated non-financial businesses and professions (DNFBP), access to beneficial ownership (BO) information, and

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[25] Law nº 11/13 - Public Enterprise Sector Base Law.

[26] Presidential Decree nº 13/22.

enforcement of the legal framework.[27] Based on these results, Angola entered a one-year observation period to address these deficiencies.

26.   Unaddressed lingering AML/CFT weaknesses have led to the inclusion of Angola in FATF's grey list in 2024.[28] A FATF report issued after the one-year observation period expired acknowledged some improvements in the AML-CFT legal framework to facilitate access to BO information, enhanced national cooperation and coordination, increased understanding of ML by law enforcement agencies, and enhanced use of financial intelligence by competent authorities.[29] The FATF report, however, concluded that previously identified strategic weaknesses, among other areas, in (i) risk-based supervision, (ii) enforcement of timely access to BO information, (iii) a demonstrated increase in ML and TF investigation and prosecutions, and (iv) an effective process to implement targeted financial sanctions without delay had yet to be addressed. The report formulated an action plan to be operationalized and implemented by January 2027. [30]

Market Regulation

27.   The authorities took positive steps to improve regulatory quality. Following a significant revamping of the legal framework to bring market regulation closer to best practices with the approval of the Competition Law, the Corporate Insolvency Law, and the Privatization Law through 2022, the latest reform period has been marked by efforts to strengthen the capacity to enforce these new laws. This has been achieved by the Competition Regulatory Authority (ARC in the Portuguese acronym), which, since it was initially set up in 2018, has launched investigations into companies operating in the oil and food and beverage sectors (Bertelsmann Stiftung, 2024).[31] To reduce discretionary price controls and promote a more market based framework for key sectors (e.g., utilities, health, education) a new legal regime that transfers the mandate of price regulation from the Ministry of Finance to sectoral regulators was submitted to Parliament in August 2024.

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[27] See ESAAMLG, 2023.

[28] The grey list identifies countries with strategic deficiencies in their AML/CFT system. Those deemed not sufficiently committed to act are blacklisted. Angola had been previously greylisted in 2010 and de-listed in 2016.

[29] Amendments to the law approved by Parliament in May 2024, which includes: (i) obligation for legal entities to keep in a country register of its members, shareholders, and other related persons; (ii) requirement for legal entities to ensure BO information availability to the authorities upon request; and (iii) obligation for financial institutions to verify their customers' BO information.

[30] FATF Action Plan has six strategic recommendations : 1) enhancing its understanding of ML/TF risks; 2) improving risk-based supervision of non-financial banking entities and DNFBPs; 3) ensuring competent authorities have adequate, accurate and timely access to beneficial ownership information and that breaches to obligations are adequately addressed; 4) demonstrating an increase in ML investigations and prosecutions; 5) demonstrating the ability to identify, investigate and prosecute TF; and 6) demonstrating an effective process to implement targeted financial sanctions without delay.

[31] See Bertelsmann Stiftung, 2024.

Rule of Law and Fight Against Corruption

28.   Implementation of judiciary reforms have stalled since 2022 with some progress on building capacity.[32] Increasing the independence, accessibility, agility, and capacity of the judiciary system is critical to strengthen Angola's ability to enforce contracts, secure property rights, and tackle corruption. Some progress was observed on the legal front through 2022 under the Justice and Law Reform Commission (JLRC) set up in 2020 with the approval of several laws aimed at modernizing legal processes such as a new procedural penal code, strengthening the independence of the Supreme Court, and creating mid-level regional appeals, lower levels, and specialized courts to foster access and increase procedural speed. Some of these new courts have already been created. On the other hand, progress on the digitalization of records and court proceedings has been held back by the procurement process to select service providers. Progress has stalled since 2022 following the expiration of the 2020 JLRC mandate and delays in creating a new one. The creation of a new JLRC in June 2024 to finalize several unfinished legal instruments and the reorganization of the judiciary system over the next 1 ½ year is expected to reinvigorate the reform momentum. With support from the European Union and United Nation Drugs and Crime Office, more than 1,000 law enforcement agents, among judges, magistrates, and police officers, have benefited from training on critical areas such as financial investigations, fiscal fraud, recovery of illicit assets, and money laundering.

29.   There has been significant progress in the voluntary recovery of illicit assets. Efforts have been stepped up since the publication in 2018 of the Law of Repatriation of Financial Resources in Angola. The law allowed for the voluntary repatriation of Angolan assets held abroad in exchange for a tax exemption and amnesty from criminal charges related to assets not declared and outside Angola, so long as they were returned within 180 days of the promulgation of the law. The same law established the National Asset Recovery Service, (*Serviço Nacional de Recuperação de Activos*, SRNA) under the Attorney General's Office with a mandate to identify, locate, as well as seize physical and financial assets, whether transferred abroad or within Angola. SNRA published in 2023 a list of assets recovered since 2019, amounting to $19 billion, of which $7 billion were recovered domestically, including shares in banks and companies, real estate, and cash. The list was updated in 2024 with an additional US$308 million of assets seized, of which US$83 million in cash fully recovered and deposited at the BNA. However, clear rules and greater transparency are needed regarding the management, sale, and allocation of the proceeds of recovered assets. Moreover, recourse to the recovery of assets based on conviction has been limited and the restitution of assets seized in other jurisdictions has been limited as well.[33]

30.   However, progress in law enforcement has been undermined by the commutation of sentences and a relative morosity in pursuing high-profile corruption cases. Progress in demonstrating the capacity of the judicial system to sanction corruption cases through 2022 has been recently questioned with the commutation of the sentence by the Supreme Court and early release of a former Minister of Transport charged with embezzlement, violation of budget execution

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[32] See União Europeia, 2024.

[33] See União Europeia, 2024.

norms, and abuse of power.[34] Another high-ranking official under former President dos Santos accused of embezzlement, fraud, document forgery, influence peddling, criminal association, and abuse of power is still awaiting trial after more than five years.[35]

31.   A national anti-corruption strategy was adopted in 2024. A National Strategy for the Prevention and Repression of Corruption – ENRP – (2024–27) was enacted in July 2024. This strategy was the first national strategy adopted in Angola and a priority action envisaged under the 2023–27 National Development Plan (NDP).[36] The strategy establishes general objectives and actions in three areas: (i) prevention including through education, training, private sector involvement, reform of the asset declaration legal framework, and simplifying and digitizing government procedures and services; (ii) detection including via the adoption of smarter systems to identify beneficiary owners and corruption acts and effective whistleblower protection; and (iii) repression through measures that include the digitalization of judicial procedures, capacity building of law-enforcement agencies and magistrates, greater inter-agency coordination, collaboration with the private sector and civil society, and accelerated recovery and improvement in the management of illicit assets. The ENRP is managed by a multisectoral commission appointed by the President and supported by two technical groups: one for prevention and detection led by the General Inspectorate of the State (IGAE), the internal government auditor, and the other on repression led by the Attorney General Office (PGR).

32.   The anti-corruption strategy is particularly thin on concrete actionable measures, notably on how to strengthen existing institutions. The ENRP is a welcome step towards a more holistic and integrated framework to fight corruption in Angola. However, to be effectively implemented, the strategy needs to spell out concrete and actionable measures in several key areas.[37] This is particularly the case in the areas of prevention regarding envisaged reforms in the asset declaration of high-ranking officials and politically exposed persons; detection with respect to the implementation and enforcement of a beneficial ownership registry and an effective whistleblower protection system, and repression by spelling out measures to strengthen the financial and technical independence of the judiciary. This, in turn, will require (i) a gap analysis of the existing legislation and administrative procedures, capacity and autonomy of institutions to better specify existent actions; (ii) prioritization and sequencing of actions within and across different pillars; (iii) the development of measurable and monitorable indicators for each of these actions; (iv) the costing of each of the actions; and (v) the elaboration of a coordination and governance mechanism, notably on the selection of members and corresponding responsibilities for each of the technical

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[34] Former Minister Augusto Tomás, initially sentenced in 2019 to 14 years for these charges following an investigation by the General Inspectorate of Public Administration in several state-owned enterprises under his supervision. He was the first high-ranking official accused of corruption charges under President Lourenço's administration.

[35] General Kopelipa, former Minister of State and Chief of the Presidential Military House under President Dos Santos.

[36] Other governance and anti-corruption actions in the (Ministério da Economia e Planeamento de Angola, 2023) include (i) build capacity in law enforcement agencies and courts, (ii) digitalization of judicial proceedings, and (iii) implement processes for preventing, detecting, and correcting irregularities in budget execution and public procurement.

[37] This also includes the action plans prepared by IGAE on the prevention and detection pillar and the action plan prepared by the PGR on the repression pillar.

groups. This operationalization will also need to take into consideration the ENRP's interface with other NDP programs of state modernization and capacity.

F.   Conclusions and Priorities Ahead

33.   Angola has achieved some progress in the governance and anti-corruption fronts since the last assessment, but the strong momentum observed through 2022 has abated. Gaps in most governance indicators relative to peers remain sizeable after some initial reduction and have started to widen in some cases. Recent surveys indicate that corruption perceptions are rising after having significantly fallen in 2022–23. Closing these gaps is expected to deliver higher economic growth. To some extent, this assessment reflects an uneven reform progress and, in the case of fiscal transparency reversal. While there is still scope for improvement, the legal framework in most of these functions is broadly appropriate and aligned with international best-practices, consistent with legal reform efforts since the last assessment. However, progress in building the needed institutional autonomy, independency, and technical capacity to enforce this legal framework supported by the adoption of more transparent, publicly accessible, participatory, and digitally automated procedures have generally lagged.

34.   The following priority actions are required to reinvigorate the reform momentum:

Fiscal Governance

i.   Fiscal Transparency and Oversight
   a.   Increase the coverage, clarity, and consistency of budget execution reports.
   b.   Strengthen Parliament's and civil society's budget oversight.
   c.   Ensure the operational autonomy of the Supreme Audit Court.
   d.   Adhere to EITI by disclosing companies' license, contracts, payments, beneficial ownership.
   e.   Enforce the timeliness and frequency of independent audits of SOEs according to the law.

ii.   Public Investment and Procurement
   a.   Strengthen the capacity, autonomy at (and collaboration between) the Ministries of Planning and Finance to appraise, select, and prioritize project.
   b.   Adopt an MTEF to support prioritization of projects.
   c.   Enforce the Ministry of Finance gatekeeping role in the Public Investment Program.
   d.   Strengthen IGAE's capacity and autonomy to conduct in-year and ex-post evaluations.
   e.   Strengthen SNCP's capacity and autonomy to oversee and enforce procurement rules.
   f.   Ensure APPs informs the budget.
   g.   Make competitive bidding and disclosure of the beneficial owner the norm for all public contracts.

    h.   Include all public contracts in all stages of the public procurement cycle in the electronic platform.

iii. Tax Administration Integrity

    a.   AGT to complete the digitalization of tax services and procedures, the adoption of risk-based audits, and complete its organizational restructuring to safeguard institutional accountably and integrity.

AML/CFT

    a.   Strengthen technical capacity, coordination, and communication across all institutions responsible for the implementation of the FATF strategic recommendations and action plan.

    b.   Ensure the timely implementation of the FATF strategic recommendations and action plan and removal of Angola's from FATF's grey list.

Market Regulation

    a.   Strengthen the capacity and autonomy of ARC to curb anti-competitive practices.

    b.   Operationalize the legal framework to introduce a more market-based framework for regulating key sectors (health, education, utilities).

Rule of Law and Fight Against Corruption

i. Judiciary Reform

    a.   Finalize legal instruments to make the judicial system more expedient and independent.

    b.   Sustain capacity building efforts with the support of development partners.

    c.   Create and operationalize lower-level and specialized courts.

    d.   Accelerate the digitalization of records and courts proceedings.

ii. Recovery of Illicit Assets

    a.   Foster transparency in the management and sale of recovered assets and their proceeds.

    b.   Increase recourse to the recovery of assets based on conviction.

    c.   Step up efforts to seek restitution of assets seized in other jurisdictions.

iii. Anti-Corruption Strategy

    a.   Conduct a gap analysis of the legal framework and institutional capacities.

    b.   Specify actions, including through the adoption of measurable indicators.

    c.   Prioritize, sequence, and cost actions across the three pillars.

    d.   Setting up the governance structure of the Multi-Sectoral Committee.

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