African Development Bank
African Development Fund

ANGOLA

2011-2015

Country Strategy Paper

&

2010 Country Portfolio Performance Review

Country and Regional Department – South B (ORSB)
January 2011

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ABBREVIATIONS AND ACRONYMS

ADB	African Development Bank
ADF	African Development Fund
BNA	Banco Nacional Angola (Bank of Angola)
BOT	Build-Operate-Transfer
CFB/L/M	Caminho Ferro (Raiways of) Luanda / Benguêla / Moçamêdes
CPIA	Country Policy and Institutional Assessment
CPSC	Community of Portuguese Speaking Countries
CPPR	Country Portfolio Performance Review
CSP	Country Strategy Paper
CPIP	Country Portfolio Improvement Plan
DB10	World Bank Doing Business Report 2010
DRC	Democratic Republic of Congo
DP	Development Partner
ECCAS	Economic Community of Central African States
ESW	Economic and Sector Work
EU	European Union
EFI	Heritage Foundation’s Economic Freedom Index
FDI	Foreign Direct Investment
FFMA	ADB Financial Management Department
FY	Fiscal Year
GDP	Gross Domestic Product
GoA	Government of Angola
HIV/AIDS	Human Immuno-Deficiency Virus/Acquired Immunity Deficiency Syndrome
HCA	Host Country Agreement
HDR	Human Development Report
IBRD	International Bank for Reconstruction And Development
ICBPR	Institutional Capacity Building for Poverty Reduction
ICT	Information and Communication Technology
IFAD	International Fund for International Development
IMF	International Monetary Fund
INE	Instituto Nacional de Estatistica (National Institute of Statistics)
KPI	Key Performance Indicators
LIC	Low Income Country
LogFrame	Logical Framework
M&E	Monitoring & Evaluation
MDGs	Millennium Development Goals
MIC	Middle Income Country
MINEC	Ministry of Economic Coordination
MINFAMU	Ministry of Family and Woman Support
MINFIN	Ministry of Finance
MINPLAN	Ministry of Panning
M-SME	Micro-Small and Medium Enterprises
MPLA	Movimento Popular de Libertação de Angola
MTR	Mid-Term Review
MTEF	Medium-Term Expenditure Framework
NEPAD	New Partnership for Africa’s Development
NGO	Non-Governmental Organization
NPL	Non Performing Loans
ODA	Official Development Assistance
OPSM	ADB Operations Private Sector Department
PBL	Policy Based Lending
PCR	Project Completion Report
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PISU	Project Implementation Support Unit
PIU	Project Implementation Unit
PMS	Performance Management System
PIP	Public Investment Plan
PPP	Public-Private Partnership
PSD	Private Sector Development
PSCP	Private Sector Country Profile
RBCSP	Result Based Country Strategy Paper
RECs	Regional Economic Communities
RISP	Regional Integration Strategy Paper
SADC	Southern African Development Community
SBA	IMF Stand-By Arrangement
SME	Small and Medium Enterprises
SOE	State Owned Enterprises
SLL	Sustainable Lending Limit
SSA	Sub Saharan Africa
UA	Unit of Account
UNITA	União Nacional Pela Libertação Total de Angola
UNDP	United Nations Development Program
USAID	United States Agency for International Development
WHO	World Health Organization
WTO	World Trade Organization
WSS	Water Supply & Sanitation

KEY LAND MARKS

Joint CAS & CSP Preparation Mission	January 2009
CSP Preliminary Preparation Mission	November/December 2009
CSP Negotiations Mission	April 2010
CSP Pipeline Identification Mission	August 2010
Country Team meeting	October 10th, 2010
OpsCom Meeting	October 27th, 2010
CSP Dialogue Mission	November, 15th – 17th , 2010
Board Consideration (indicative)	February, 2011

CURRENCY EQUIVALENTS
(January 2011)

Currency Unit	=	Angolan Kwanza (AON)
UA 1.0	=	AON 140.79
UA 1.0	=	US$ 1.54
UA 1.0	=	EUR€ 1.16
US$ 1.0	=	AON 91.42

Fiscal Year

1 January – 31 December

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EXECUTIVE SUMMARY

1. **The Country Strategy Paper (CSP) for Angola for period 2011-2015**, **is the culmination of 2 years of dialogue and heralds two landmarks in the relation between the Bank and the country, namely**: (i) Management has determined that Angola is a Category - C country in line with the criteria laid out in the Bank Group Credit Policy. Applying the new transition framework for graduating and reversing countries will allow the country, as an MIC, to access non-concessional ADB resources as well as concessional ADF resources during a transition period of two years; and (ii) the forthcoming functional Angola Field Office. This CSP was prepared through an extensive dialogue with the Government to ensure greater country ownership. The report is also informed by lessons learnt from the Country Portfolio Performance Review (CPPR) which is an annex to this report.

2. **The Angola context stands-out in the continent**. On the one hand, it is a post-conflict country with a fragile state apparatus, struggling with high poverty levels, a deficient infrastructure network still being rebuilt, inefficient public administration and dealing with challenging governance issues. On the other hand, it has a vibrant economy which in less than a decade of peace has transformed the country from a low income centrally-planned system to a middle income market economy. Despite its numerous challenges, Angola is a thriving country with a booming economy and legitimate aspirations to play a prominent role in Africa.

3. **After 27 years of conflict that ended in 2002, political stability and peace set the ground for an economic boom fueled by increased oil production.** Following the 2010 constitutional review a presidential system has been formally instituted. José Eduardo dos Santos, in power since 1979, will hold the presidency at least until 2012. Angola's growth rates from 2003 to 2008 averaged nearly 17 percent, placing it repeatedly among the 3 fastest-growing economies in the World. By 2008 the "home-grown" macroeconomic stability plan brought inflation down from more than 70 percent to 13 percent; built-up reserves to US$18billion, contained external debt at around 13 percent of GDP, and allowed the effective peg of the kwanza to the dollar.

4. **The excessive dependency on oil tax revenues leaves the country prone to terms of trade and fiscal shocks.** Oil represents 95 percent of all exports and accounts for 79.5 percent of fiscal revenues. Despite the financial strain of the expensive reconstruction plan and the strong investment to bolster the provision of basic public services, particularly in the social areas, oil revenues assured consecutive fiscal surpluses from 2003 to 2008. The world economic crisis in 2009 curbed oil demand and generated a terms of trade shock. The country had negligible growth and suffered a fiscal crisis. The GoA signed with the IMF a Stand-By Arrangement of US$ 1.4 billion aimed at alleviating immediate liquidity pressures, boosting market confidence, and restoring a sustainable macroeconomic position. The reform agenda aims to bolster medium-term structural fiscal soundness through non-oil sector growth. In 2010 Angola is expected to resume growth at 5.9 percent.

5. The country has profound social and infrastructure handicaps that hinder social development and economic growth. Despite steady progress in improving social conditions since 2002, Angola still faces massive challenges to reduce poverty and inequality. Generations were affected by decades of deprivation of access to basic services such as education and health, as well as infrastructure vital for social development and economic growth.

6. The broad economic and development strategy pursued by the Government aims to **promote and accelerate growth and competitiveness** through **economic diversification and poverty reduction**. The recent financial crisis demonstrated that despite the extensive financial resources to support this program, **the main challenges** lie in the creation of a robust non-oil private sector that can yield the necessary fiscal revenue for a sustainable fiscal balance, generate employment and increase population wellbeing. In turn, the efficient use of these non-renewable resources demands enhanced government capacity for effective public sector management and accountability.

7. The Bank's previous strategy had limited success. The strategy targeted the reduction of **rural poverty**, and the creation of an **enabling environment for private sector developmen**t. Even if these strategic pillars were pertinent, the absence of national ownership, the lack of a coherent program to support the strategy, and the overall weak portfolio performance resulted in an unsatisfactory outcome. Lack of ownership was pinpointed as the major constraint. The design of this CSP placed a strong **emphasis on ownership,** making full use of available country strategic programs and project pipelines for its intervention. In the absence of aid coordination mechanisms, the Bank seeks effective coordination with major development partners, in particular the UNDP and the WB, which face similar difficulties in engaging the country.

8. The CSP aligns the Bank Group's corporate strategy with the Government's strategy that aims to achieve economic diversification through non-oil private sector led growth which creates employment and promotes poverty reduction. To this end, the CSP articulates the Bank's engagement across two pillars: ***(i) Stimulus to the competitiveness of the economy; and (ii) Support to Economic Infrastructure Development****.*

9. Specifically, the CSP program will seek in <u>Pillar 1</u> to *(i) Foster entrepreneurship and develop SMEs, (ii) Support the GoA in planning and managing the Public Investment Program (PIP),* and *(iii) Assist the government in strengthening its capacity to develop, launch and manage public-private-partnership (PPP); In* **<u>Pillar 2,</u>** the CSP will *(iv) Finance Infrastructure Development*; and *(v) Support Infrastructure Maintenance*.

10. The strategy focuses on the use of ADB resources in Angola considered now as an MIC country. The design of operations will accommodate a flexible use of available financing instruments: (i) the ADB resources with a greater use of the private sector window including public-private financing mix; (ii) the ADF-12 envelop for the transition period; and (iii) the access to MIC grants and Trust Funds. Due to the recent credit upgrade, the program will be revisited in 2013.

11. The Board is requested to give due consideration and approve the Angola Country Strategy Paper for the period 2011 - 2015.

I. INTRODUCTION

1.1 **This Country Strategy Paper (CSP) presents the Bank's strategy for engagement in Angola for the period 2011-2015.** It includes the conclusions of the Country Portfolio Performance Review[1]. This CSP builds on the 2005-2007 strategy, subsequently updated until 2009. Its presentation was largely delayed by uncertainty concerning Angola's credit categorization.

1.2 This CSP takes into account the transition framework for graduating and reversing countries which will be presented to the Board very shortly, in fulfillment of Management's commitment during the ADF-12 replenishment discussions to propose a graduation policy. As agreed in the ADF-12 Report (ADF/BG/WP/2010/06), one of the features of the Transition Framework will be to gradually phase out ADF resources and phase in ADB resources during a transition period, the length of which will be determined on a case-by-case basis according to country circumstances. This serves to ensure a smooth transition process.

1.3 **Classification of Angola as a Middle Income Country (MIC)**. Due to Angola's economic performance over the last 10 years, the country has met the IDA and ADF per capita income criterion to be classified as a MIC. The country has been found creditworthy by the Bank's Financial Management department (FFMA) in accordance with the Bank Group Credit Policy criteria It is deemed to sustain initially a non-concessional sustainable lending limit in the range of UA 75-175 million per year. This indicative figure is expected to increase in the years ahead depending on the performance of the country.

Box 1: Criteria for Category Graduation

Bank Group Credit Policy criteria for Category C graduation:

1. GNI per capita above IDA operational cut-off[2] for more than two consecutive years: Angola's per capita GNI has been above the cut-off since 2005. The Bank preliminary estimate of Angola's gross national income per-capita in 2009 is about US$3,490, over 200 percent above the threshold.

2. Deemed creditworthy for non-concessional financing from the IBRD/ADB

- FFMA has evaluated Angola against the Bank's 8 criteria for individual country creditworthiness: political risk; external debt and liquidity; fiscal policy and public debt burden; balance of payments risks; economic structure and growth prospects; monetary and exchange rate policy; financial sector risks; and corporate sector debt and vulnerabilities. The country has been found creditworthy.
- The WB has deemed the country Credit Worthy for IBRD non-concessional financing.
- Major international rating agencies have given the country favorable credit ratings
- The IMF's Debt Sustainability Analysis indicates the external debt-to-GDP ratio will remain broadly stable at around 20 percent.

1.4 Management therefore has determined that, with effect from January 1, 2011, Angola is a category C country, i.e. it is a fully creditworthy middle-income country, in line with the criteria laid out in the Bank Group Credit Policy (ADB/BD/WP/95/79 and ADB/BD/WP/98/33). (See box 1) As a Category-C country, Angola is eligible to sovereign and non sovereign credit from the ADB window. Moreover, under the new Transition Framework, Angola

[1] The full CPPR is included in Annex II of this document.

[2] The operational cut-off for IDA eligibility for FY 2010 (July 2009 to June 2010) was a 2008 per capita GNI of US$1,135, calculated using the Atlas methodology, and for FY 2011 (July 2010 to June 2011) a 2009 per capita GNI of US$1,165.

should continue to have access to non concessional resources from the ADF window for a further period of two years, on a sliding scale: 100% of the country's nominal performance-based allocation in 2011 and 50% of the nominal allocation in year 2012. Likewise, access to ADB resources will be phased in during this 2-year transition period: up to 50% of the country's SLL in 2011 and up to 100% as of 2012, subject to the external debt ceiling determined in Angola's IMF program.

1.5 **Due to shortage of strategic documents and data**, the Bank's strategy was prepared through extensive dialogue with the Government. It is linked to the national development priorities as set forth in the available national strategic and policy documents[3]. With the recent financial crisis as a backdrop, the Government is facing ever-growing pressure to diversify and re-structure its economy away from the oil industry, through private sector expansion. Employment creation is a national priority leading to a better quality of life and social cohesion. To this end, the CSP articulates the Bank's engagement across two pillars:

- ***Stimulus to the Competitiveness of the economy***
- ***Support to Economic Infrastructure Development.***

1.6 The strategy contains a flexible framework, which combines the use of concessional and non-concessional resources together with other available trust funds and MIC grants to identify new opportunities for the Bank's involvement. The approach is guided by strong synergies between the three corners in the Bank's strategy for private sector development namely: (i) diagnostic and strategic analysis, (ii) enabling environment improvement programs, and (iii) catalytic non-sovereign investments. The effectiveness of the Field Office will help strengthen the country dialogue and enhance the Bank's local knowledge;

[3] These include Long-Term strategic vision "Visão 2025", MPLA Election Program 2009-2012 and Government' National Plan for 2011-2012

II. COUNTRY CONTEXT AND PROSPECTS

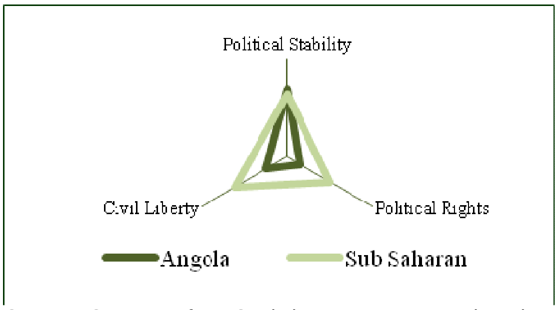
2.1 <u>Political and Economic Context</u>

<u>Political Context</u>

2.1.1 **The political scene is benefiting from peace.** After 27 years of civil war that ended in 2002, the country's first post-war legislative elections took place in September 2008. The Movimento Popular de Libertação de Angola (MPLA), the party supporting president José Eduardo dos Santos, won with 81 percent of the votes against União Nacional para a Independência Total de Angola (UNITA)'s 10 percent. The elections were deemed fair and transparent by international observers and its peaceful outcome marked an historical step towards democracy. (see Figure 1)

2.1.2 **A new Constitution approved in 2010**. Presidential elections were scheduled to follow the legislative poll. However, MPLA's dominance of the political system and overwhelming majority in the National Assembly allowed a constitutional revision in January 2010. Under the new constitutional framework, presidential nomination is now decided by the majority party in Parliament. The President is now the Head of State, Commander in Chief of the Armed Forces and replaces the Prime Minister as head of the Executive branch. With this change, Angolan President José Eduardo dos Santos, who has been in power since 1979, is expected to remain in Office at least until 2012.

Figure 1- Political Context



Source: Source: AfDB Statistics Department using data from the World Economic Forum, 2009

2.1.3 **Political Institutions and Public Administration are consolidating.** The 2010 Mo Ibrahim Index of African Governance (IIAG) gave 39.3 out of 100 points, ranking Angola 43rd in the Continent. Political accountability is limited as most civil society organizations in Angola are incipient, and their capacity to exert influence on public policy issues remains limited. Angola's administrative capacity requires continued enhancement in order to ensure the delivery of essential public services. Risk of social unrest increased[4] during the economic crisis. The on-going economic recovery has mitigated this risk and the country presents itself as politically stable in the medium-term.

Economic Management

Growth and Growth Drivers

2.1.4 **The end of the civil war triggered an economic boom fueled by increased oil production and prices**. Angola's growth rates from 2003 to 2008 averaged 17 percent, placing it repeatedly among the 3 fastest-growing economies in the World. By 2008 the "home-grown" macroeconomic stability plan brought inflation down from more than 70 percent to 13 percent; built-up reserves to US$ 18 billion, and contained external debt at around 13 percent of GDP. The abundance of revenues supported a massive infrastructure reconstruction plan that has enabled the non-oil private sector growth to outperform the oil sector for the past 5 years (Table 1).

Table 1 - Key Macroeconomic Trends

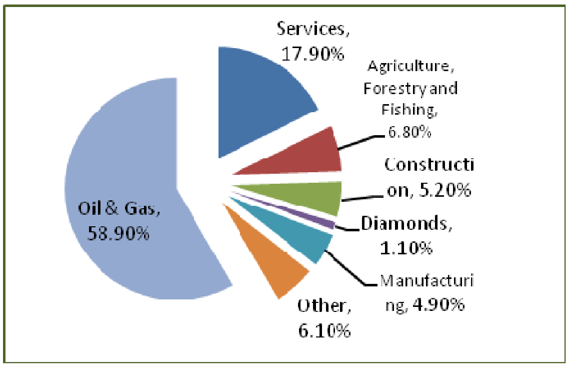
	2005	2006	2007	2008	2009	2010*
GDP Growth (%)	20.6	18.6	20.3	13.4	0.7	5.9
Oil S. Growth (%)	23.1	13.1	20.3	13.3	0.9	5.0
Non-Oil Gr.(%)	14.1	27.5	20.1	14.8	8.2	6.6
Inflation (%)	18.5	12.2	11.8	13.2	14.0	13.0
Ext. C.A.**	16.8	25.2	15.9	7.6	-5.2	2.7
Gross FCR***	4.1	8.6	11.3	17.8	13.3	17.2
Ext. Debt-GDP	39.9	16.8	12.5	11.4	21.1	22.2
Fiscal Balance**	6.5	6.6	14.2	14.3	-4.4	0.7

Source: GoA & IMF 2010; *projected; ** % of GDP; *** in US$bn

2.1.5 **An economy overly dependent on the oil sector and public sector demand.** Angola was Africa's largest oil producer in 2010 with an estimated 1.9 million barrels per day. Foreign multinationals and Angola's state-owned oil company, Sonangol, jointly control extraction. Natural gas production, estimated to be 4.0 billion cubic meters in 2009, is according to industry analysis, capable of reaching 16.3 bcm by 2014. Proven reserves currently are estimated at 270 bcm. Overall, the capital-intensive oil and gas sector is responsible for 58.9 percent of GDP, absorbing a large portion of FDI.

[4] IThe EIU Political Instability Index increased from 5.6 to 7.6 (scale 1-10).

Figure 2 - GDP Composition



Source: National Bank of Angola (BNA)
AfDB Statistics Department. AEO (2008 data)

2.1.6 **A country endowed with other extensive resources and full of potential.** Angola is the fifth largest diamond producer in the world by value, although diamonds represent only 1.1 percent of GDP. Gold, barite, iron, copper, cobalt, granite and marble are abundant, but their extraction remains limited. Prior to independence Angola was self-sufficient in food and an exporter of cash crops, in particular coffee and sugar. According to FAO, Angola has the sixteenth largest agricultural potential area in the world. Yet it is presently not self-sufficient and all crops have declined to near insignificance as a mere 10 percent of the arable land is cultivated. Agri-business investments sponsored by foreign companies and international initiatives from IFAD and G8 are blooming. The sector is expected to grow above 11 percent in 2010/11. The extensive coastline provides an estimated sustainable catch of 450,000 tonnes/year[5]. Yet, less than 50 percent is fished, of which only a third is by domestic fishermen, exclusively artisanal. With a thriving internal demand, stimulated by large public spending, nearly 80 percent of all consumed goods are imported. The budding manufacturing sector grew by 9 percent in 2009 and is predicted to expand by a further 20 percent in 2010[6]. Large investments in industrial production are underway to satisfy the booming domestic market. The construction sector, growing constantly above 10 percent, will consume in 2010 an estimated 5 million tons of cement, of which 80 percent is imported.

Macroeconomic Management

2.1.7 **Excessive dependency on oil tax revenues leaves the country prone to fiscal shocks.** Despite strong non-oil sector growth, oil represents 95 percent of all exports. The non-oil sector represents 42 percent of GDP, but only contributes to 20.5 percent of fiscal revenues. Oil revenues account for the other 79.5 percent. After 5 years of expansionary fiscal and monetary policies, and an overvalued exchange rate, Angola was vulnerable to a crash in global oil demand. The 60 percent abrupt decline in oil price from 2008 to 2009, compounded by OPEC cuts in oil production, prompted a severe terms of trade shock. The Angolan economic model revealed its fragilities: growth stalled; the fiscal balance became negative; official reserves eroded nearly by half in 6 months; the Kwanza devalued by 20 percent. Investors' confidence plummeted. Without significant external financing channels, the authorities faced a potentially disruptive devaluation of its currency with destabilizing social consequences. The GoA resorted to the IMF settling an agreement for a 27 month Stand-By Arrangement (SBA) of US$ 1.4 billion aimed at alleviating immediate liquidity pressures, boost market confidence and restoring a sustainable macroeconomic

[5] FAO 2007

[6] Source: GoA Budget 2010

position. The SBA reform agenda aimed at addressing structural issues (See annex 5) in order to promote medium-term fiscal soundness and sustainable long-term non-oil sector growth.

2.1.8 **Macroeconomic perspectives are positive, although reforms should keep pace.** Resurgence in global oil demand has bolstered oil production and exports have steadily gained pace. The IMF program, the tightening of monetary and fiscal policies and the recent revenue increase have begun to show results. Angola in 2010 is resuming its earlier growth path and is expected to achieve 5.9 percent of GDP . Other indicators are also improving:

- *Gross Foreign Reserves are expected to reach US$ 15.8 billion in 2010 (roughly 3.5 mo[7]) and US$ 26.8 billion in 2015*
- *The Kwanza recovered slightly in 2010 stabilizing broadly around Aon 91:1 US$. Spread to the parallel market has reduced to nearly 5 percent.*
- *Inflation, until early 2010 resiliently around 14 percent, started a downward trend and should reach 13 and 9.5 percent in 2010 and 2011 respectively and 6 percent in 2015.*
- *External debt-to-GDP is relatively low at 21 percent and overall public debt-to-GDP at 41.4 percent.*

2.1.9 **The continuation of the reforms should consolidate the fiscal position during the next 5 years.** A return to a fiscal surplus of 3.1 percent is expected in 2010. The country intends to progressively increase the fiscal model sustainability to cope with the strong public investment and the continued budgetary allocation of 30 percent to social areas, fostering public administration growth and increasing public services provision. Non-oil fiscal deficit is expected to resume a downward trend from the current -25.8 percent to -19 percent in 2015.

2.1.10 **The ambitious post-war reconstruction program requires extensive financing, mobilized mostly through foreign bilateral credit lines.** Despite budgetary tightening, capital spending in 2010 had a real increase of 14 percent, targeted mainly to critical infrastructure development. With a devastated post-war infrastructure, (see §2.3.1) the GoA estimates that it will need US$ 9billion per annum to finance its national reconstruction program. Long-term domestic financing has been constrained by insufficiently attractive interest rates and an inappropriate regulatory environment that limits the domestic banking sector to take governmental debt. The majority of the reconstruction program has therefore been financed through foreign credit (see Table 2), including multi-billion dollar oil-backed credit lines settled with Brazil and China until 2004.

Table 2 - Recent Foreign Credit Lines

Foreign Credit Lines Signed in 2009/10	
Goldman Sachs LLC	300
China Development Bank	1,500
Ind. & Com. Bank China	2,500
China Eximbank	6,000
Brazil	500
Portugal Cosec (extension)	500

Source: BNA (millions of US dollars)
Note: Signed credit lines do not imply disbursement.

2.1.11 **Despite the 2009 terms of trade shock and the record external borrowing in 2010, debt levels remain sustainable and credit risk moderate.** 2010 will register new external borrowings at record values mostly due

[7] MO – Months of imports of goods and services are calculated using Usable Reserves = GFR – illiquid assets, 3.5mo refers to "usable foreign currency reserves" expected to reach US$ 11.bn in 2010, source IMF.

to the freeze on contracting new loans during 2009's crisis. During June's 2010 IMF's SBA program review, the IMF agreed to an increase of new external non-concessional borrowings from US$ 2 to US$ 6 billion in order to accommodate ongoing projects financing before existing framework agreements expire. In the medium-term, the contracting of new external debt should decrease. The government's financing needs will decline as basic infrastructure needs are addressed and with an expected improvement in the fiscal position. Furthermore, future infrastructure is likely to be co-financed by the private sector through PPP's.

Box 2: Angola Credit Rating		
Agency	Rating	Outlook
S&P	*B+*	*Stable*
Fitch	*B+*	*Positive*
Moody's	*B1*	*Neutral*

Further diversification of its financing channels should come through the newly attained credit ratings from the global rating agencies granting structured regular access to the financial markets. (see box 2) IMF's Debt Sustainability Analysis (2010) indicates that, with the revised debt ceiling, the external debt-to-GDP ratio will remain broadly stable at around 20 percent (see table 3).

Table 3 - External Sector Position

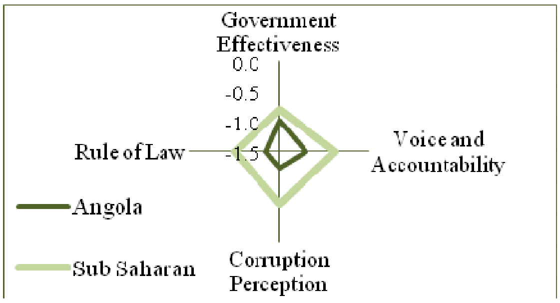
	2007	2008	2009	2010	2011	2012
Current Accnt.	15.9	7.6	-5.2	2.7	2.2	3.1
External Debt*	7.4	9.6	14.9	18.5	21.5	22.7
Ext. Debt-to-GDP	12.5	11.4	21.1	22.2	22.6	21.4
Debt Service-to-net-export ratio	9.5	4.3	14.4	9.4	10.0	9.9

Values in % of GDP, *External Debt in USD billions.
Source: IMF September 2010 (2009-12 Projected)

While the Angolan economy remains vulnerable to a shock in oil prices, debt levels will only become critical in an unlikely scenario of oil prices continuously below US$ 50 per barrel for the next 5 years.

Governance and Transparency

Figure 3 - Governance Indicators



Source: AfDB Statistics Department 2009

2.1.12 **Angola has been facing serious challenges with regard to good governance, although there are some positive signals (see figure 3).** There are improvements in civil society access to information on public affairs and on accountability of the executive: Information on government policies, budget, other fiscal data and regular macro-economic information are now regularly published in the Ministry of Finance and the BNA websites. Because of the IMF's SBA, state-owned-companies and most noticeably the national oil company SONANGOL now undertake and disclose audits compliant with international accounting norms. However, Angola is still reluctant to adhere to the Extractive Industries Transparency Initiative. The 2010 constitution reinforced Parliament's legislative control and oversight functions. It also reaffirms the independence of Courts. In spite of capacity constraints, the Court of Auditors undertook in 2009 21 audits and 21 surveys on different administrative municipalities, hospitals, higher education institutes, public enterprises and consulates, all of which are accessible on the Court's website.

2.1.13 **The Government is also increasing its efforts to revamp the PFM system.** Parliament approved legislation in January 2010 to improve procurement practices and regulate granting of concessions. A judicial framework for the management of state assets was also approved. However, there is still no Medium Term Expenditure Framework in place and no follow-up to the 2005 PEFA exercise.

2.1.14 **Public perception is of general corruption.** According to the Transparency International's 2009 Corruption Perception Index, Angola ranks 160th out 180 countries surveyed. The Heritage Foundation also ranks Angola in the 153rd place out of 179 countries in its 2010 index of Economic Freedom. The "freedom from corruption" sub-component scores only 19 points out of 100 possible. This environment hinders Angola's competitiveness. In response, the government passed anti-corruption legislation and announced a national campaign against corruption. A number of high-profile corruption trials have since begun, some resulting in the indictment of high-level officials. Despite notable progress, further improvements will require additional efforts to strengthen institutions and increase transparency.

2.2 <u>Social Context</u>

Social Protection

2.2.1 **Despite steady progress in improving social conditions since 2002, the country still faces massive challenges to reduce poverty levels and inequalities.** Despite the positive trend in the Human Development Index, in 2010 with 0.403[8] Angola ranks among the worst African performers at 146th out of 182 countries. The GINI coefficient was 58.6 in 2009. A recent socio-economic survey[9] reports that 36.6 percent of the population lives on or below the poverty line of US$2/day. When disaggregated geographically, the proportion rises to 58.3 percent of the rural population, compared with 18.7 percent in urban areas. Other disparities between urban and rural populations include: (i) access to electricity (66.3 to just 8.6 percent), (ii) regular access to water supply (59.7 to 22.8 percent), and (iii) sanitation (84.6 versus 31.1 percent in rural areas).

2.2.2 **The large weight of offshore oil extraction in GDP growth has created limited employment opportunities**. Despite the recent emergence of non-oil sub-sectors, namely agriculture, fishing, construction and banking, unemployment figures have been persistently high, averaging 25 percent since 2007. It has also brought to the fore a severe lack of qualified workers. A mandatory social security scheme for formal sector workers was introduced, a minimum wage law adopted and a social protection bill passed.

Health

2.2.3 **Angola has a huge challenge in the provision of medical services to the general population although it is currently rebuilding its health infrastructure**. At present, only some 30 percent of the population has access to government health facilities. Malaria, accounts for an estimated 35 percent of mortality in children under the age of five, 25 percent of maternal mortality, and represents the major cause of

[8] Refer to UNDP Human Development Report for index explanation

[9] See *Inquérito sobre o Bem-Estar da População,* 2009 survey on poverty, health and employment by INE, with assistance of UNICEF and WB.

mortality, illness, and absence from work and school. The government recognizes the important contribution of the health sector to growth and poverty reduction. It has significantly increased the sector's budget in recent years. In 2007, the health budget was US$75 per capita, representing about 3.4 percent of GDP. Recent data from Statistics Institute's 2010 survey shows some good progress over the last 10 years in several areas (see box 3).

Box 3: Relevant Health Improvements
Since the civil war ended in 2002, relevant progress has been attained: • Maternal mortality decreased by 57.1 percent to 600 deaths in 100,000 live births • Overall child mortality rate is down 20 percent to one in five • Malnutrition dropped from 35% to 23% of the population • Prevalence of underweight children decreased from 37% to 16%

In spite of such efforts, the impact on health outcomes has been moderate - life expectancy at birth estimated at 47 years in 2010 is still among the lowest in the world. This is mainly due to the low coverage, poor targeting and lack of quality of services. There is also a discrepancy between the strong investment in health infrastructures, i.e. hospitals, health centers, and health posts, and the insufficient and geographically unevenly provision of health professionals.

2.2.4 **With an estimated 2.5 percent of the adult population HIV positive, Angola has the lowest rate of HIV prevalence in continental southern Africa.** There is a National Strategy Plan on HIV/AIDS (2007–2010), and a comprehensive HIV/AIDS law to protect the rights of people living with HIV/AIDS (PLWHA). Although Centers in Angola's 18 provincial capitals provide antiretroviral therapy (ATR) only 25 percent of HIV infected people are currently receiving ART. The budget allocated to the national response to HIV/AIDS has tripled in recent years.

Education

2.2.5 **Neglected for 30 years, the biggest challenge is lack of qualified human resources. The GoA has taken this as a priority.** In 2009 7.86 percent of the national budget was allocated to the sector, of which roughly 80 percent was earmarked for primary and secondary education. The GoA has expanded compulsory and free primary education to 6 years, reformed curricula and invested heavily in the reconstruction of the school network and in the recruitment of teachers. Official numbers report an increase, between 2002 and 2006, in the number of schools by 143 percent. In that same period, more than 70,000 new teachers were recruited. However, more than 75 percent of teachers never received any relevant training and only 54 percent of enrolled children complete the primary level. Secondary education is under a significant transformation with both physical expansion (32 institutes were constructed between 2008 and 2009) and the realignment of the courses to the needs of the private sector. Enrollment in higher education has grown by more than 50 percent a year since 2002[10], but quality has declined due to the weak regulatory frameworks to oversee increased number of private institutions appearing on the scene.

Gender

[10] World Bank unpublished study: Angola Higher Education Status Report – final draft June 2006.

2.2.6 **Angola faces challenging gender issues as reflected by the 2009 gender index gap score of 106 (out of 134 countries)**. Women in Angola enjoy a high degree of civil liberties and a dedicated ministry to family and women affairs exists. However, women are weakly protected when it comes to issues such as violence, divorce and inheritance. There is a huge asymmetry in literacy rates.

Table 4- Gender Balance Indicators

Indicator	Male	Female
Labor force participation	76%	90%
literacy rates	83%	54%
Parliament Seats Balance	63%	37%
Cabinet Balance	70%	30%

Source: Ministerio da Familia e Mulher -. MINFAMU 2009

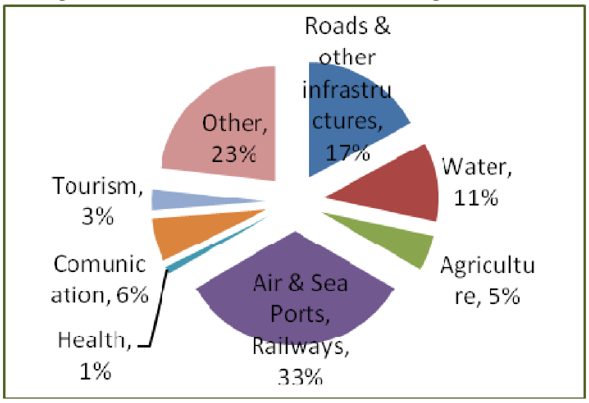
Females fare relatively better in terms of labor force participation and political representation both at the Government cabinet level and in terms of parliament seats (see Table 4). The Bank concluded a Gender profile in 2008.

2.3 Business Environment Context

Infrastructure

2.3.1 **Decades of internal strife have resulted in the destruction or deterioration of the physical infrastructure, compromising the country's social and economic cohesion, and its regional integration agenda.** The rehabilitation /reconstruction of the existing infrastructure has been, since 2002, the upmost national priority to support economic recovery, the delivery of essential public services and to assist the implementation of policy reforms. Despite the remarkable ongoing effort to reconstruct and rehabilitate infrastructure, there is a need to plan beyond and develop an expansion program that can accommodate the country's new development goals.

Figure 4 - Public Investment Program 2010



Source: IMF 2010, Projected External Borrowing by contracts

2.3.2 **Electricity shortages are a crosscutting constraint to the country's development**. Despite the estimated hydroelectric potential of 18,000 mw, only 20 percent of the population has access to electric power, and lack of electricity is considered the first constraint to business (68 percent of businesses resort to private diesel generators). At present hydroelectric power provides two third of energy supply and diesel generators provide the remainder. Strong government investment has boosted generation and on-going projects will double the hydroelectric output. The transmission and distribution grid have unfortunately not kept pace resulting in common power shortages.

2.3.3 **The pre-war transport network served national routes as well as transport corridors for minerals from Democratic Republic of Congo (DRC) and Zambia.** The road grid comprises a total of 73,000km, of which 23,000km designated as principal network (PI). Some 5,000km (21 percent of the PI) was reconstructed to bitumen standards in the past 6 years, with an additional 6.000km under upgrading. None of

SADC's regional corridors have been completed. The rail sub-sector is made up of 3 main lines that cross the country in three horizontal corridors, from the ports of Luanda, Benguela, Nabime to neighboring DRC, Zambia, Namibia. All are under rehabilitation but still do not connect to the bordering countries.

2.3.4 **The sea and airport facilities are strained and undergoing rehabilitation or expansion.** Angola has 4 deep water sea ports, namely: Luanda, Lobito, Benguela and Cabinda. The first three ports fall within the context of the SADC region and have the potential to serve the landlocked countries to the east through logistic corridors. The port of Cabinda services the region's oil and gas industry. Air transport is critical in a country with the size of Angola. There are eight airports, but only Luanda's is international.

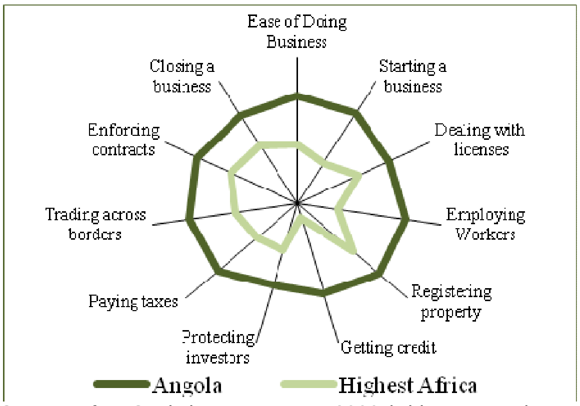
Information and Communication Technology (ICT)

2.3.5 **Angola's ICT sector is developing fast, although general public access to services is still limited.** There are several telecom operators (with state-owned Angola Telecom, remaining the dominant presence), and a national sector regulator - Inacom. Internet provision is open and relatively competitive, despite international traffic bottlenecks derived from limited connecting capacity to the international backbone. A major submarine cable following Angola's coastline is set to boost the coastal cities' access to internet and communications. A network of subsidized public phones is made available by the private fixed line operators to increase access of ICT to poorer communities.

Business Environment and Competitiveness

2.3.6 **Angola has combined high economic growth with an extremely challenging and difficult business environment (see figure 5).** Several liberalizing reforms were made but the country still registers minor progress in business environment and liberties rankings[11]. Inefficient regulatory system and bureaucracy pose considerable challenges for businesses operating in the country. EFI gives the country 43.4 points in 100 possible on *Business Freedom* due to the constrained regulatory environment. A general lack of capacity and largely ineffective commercial dispute settlement mechanism hampers Angola's legal and judicial system.

Figure 5 - Doing Business Indicators



Source: AfDB Statistics Department 2009 (widest = worst)

2.3.7 **The Bank conducted a Private Sector Country Profile (PSCP)[12] in 2009 which provided extensive information and recommendations.** The main obstacles to PSD at the level of Business Environment were considered to be (i) insufficient

[11] Angola ranks as 154th freest in 183 countries and 33rd out of 46 SSA countries on Heritage Foundation's Economic Freedom Index (EFI); it is placed at 169th out of 183 countries in WB's Doing Business Report 2010.
[12] See ADB (2009) PSCP. Due to the unavailability of extensive quantitative data, the study comprised meetings with all key stakeholders, and undertook 42 interviews with major PS players to collect information.

infrastructure, (ii) lack of a coherent PSD policy, (iii) shortage of skilled workforce, (iv) red tape and bureaucracy, and (v) land tenure issues regarding ownership.

2.3.8 **The 2009 PSCP identified rebalancing the country's long-term growth, addressing PSD bottlenecks and alleviating poverty as strategic objectives for ADB's involvement.** The recommendations for policy reforms pointed to the following areas:

- *Improving access to finance in all forms (large and small loans, equity, micro-finance), coupled with coaching and training or extension services to be successful*
- *Alleviating infrastructure constraints, in particular provision of electricity*
- *Stimulating vocational training and skill enhancements*
- *Assisting the Government to improve the regulatory environment.*

2.3.9 **The Angolan banking sector is dynamic but highly concentrated with five major banks collectively accounting for 85.4 percent of deposits and 83.9 percent of loans** Angola has a low banking market penetration of only 8 percent of the total population, and ranks 97th in 183 countries in the Getting Credit indicator of the DB10. Loan-to-deposit ratios are low at around 53 percent, reflecting a small financial intermediation with a private credit /GDP ratio of just at 22 percent[13]. Estimates vary, but it is currently mentioned that not more than 2 to 3 percent of SMEs have access to credit[14]. The origins of the problems are multiple, although the difficulty of providing collateral stands as the major one. The NPL percentage of 5.34 is low compared to the continent's average, and the banking system is well capitalized.

Regional Integration and Trade

2.3.10 **The priority given to the Angolan domestic economy has delayed the regional integration agenda.** The country is a member of the WTO, WCO, ECCAS and SADC. However, the government postponed the enforcing of SADC's Free Trade Zone mostly to protect temporarily the domestic economy. Given its privileged geographical location, Angola could serve as an important transit country for its landlocked neighbors and for other producers in the SADC and the ECCAS. However, the transport corridors envisaged by the two regional economic communities (RECs) have not yet been completed. Bilaterally, Angola has trading agreements with all the major economies. Commercial ties are particularly strong with members of the Community of Portuguese Speaking Countries (CPLP), neighboring countries and countries with historical political ties, in particular China. Angola is the first African exporter to China, and its 4th African importer. In the Doing Business 2010, Angola ranks at 171st out 183 countries in the Trading Across Borders indicator.

Environment and Climate Change

2.3.11 **Civil war has contributed to the country's unsustainable utilization of natural resources, weak regulatory framework and weak law enforcement**. The war also left 1/3 of the national territory plagued by anti-personal mines. Only half of the 4000 minefields identified have been cleared. Wild life and in particular game was completely wiped out by the warring

[13] KPMG Banking Survey 2009
[14] From ADB's Private Sector Country Profile 2009

armies. Increased oil exploration is also contributing to environmental deterioration, especially in marine ecosystems. The protection of the environment and natural resources is nevertheless constitutionally recognized as a duty of the State. The Government has demonstrated political will to implement the three Earth Summit Conventions; the GoA created in 2010 a designated Carbon National Authority Unit.

2.4 Country Strategic Options

A. Strategic Framework

2.4.1 **The government considers alleviating poverty as a means to supporting growth and developing a domestic market.** Angola has neither a Poverty Reduction Strategy Paper, nor a Medium-Term Strategy Framework. The Government has nonetheless issued a few strategic documents where poverty reduction measures are mainstreamed: (a) the long-term vision document entitled *Angola Visão 2025*; (b) the MPLA's election program 2009-2012; (c) the government's National Biannual Plan for 2010-2011 (See Annex 6).

2.4.2 **We have identified four overarching objectives that the broad economic and development strategy pursued by the Government articulates for the period of 2011 - 2015:**

i. promotion and acceleration of growth and competitiveness through economic diversification;
ii. poverty reduction through human capital development and targeted interventions, specifically through private sector job creation;
iii. balanced growth and harmonized development alongside natural resource protection;
iv. achievement of all of the above by an efficient and accountable government, with emphasis on institutional strengthening and human capacity development.

2.4.3 **To achieve these objectives, the Government seeks to efficiently utilize the revenues derived from natural resources exploitation to:**

i. continue the rehabilitation and construction of the country's social and physical infrastructure;
ii. provide formal education at all levels, and the provision of basic services to whole population;
iii. increase productivity and employment in all economic sectors;
iv. promote production of industrial goods in response to the growing large domestic demand;
v. attain agricultural self-sufficiency through smallholder and agribusiness program initiatives.

2.4.4 **Government selection of priority areas for Bank engagement.** Following extensive dialogue and consultation with national authorities, the GoA seeks the Bank's support in:

- Social areas, in particular the education sector, where ADF resources could support the increase in enrollment rates;
- Infrastructure, specifically in the power and water sectors. Additionally seeking support for coordination of other DP's projects and the entire PIP management.
- Private Sector Development, particularly business regulatory environment, institutional capacity, entrepreneurship and SMEs.

B. Weaknesses and Challenges

2.4.5 **Challenges.** Oil revenues provide the long-term financing necessary for the country's extensive reconstruction program and for the expanded provision of basic services needed to overcome the country's human development deficits. However, Angola needs to reduce its dependency on the volatile oil revenues and industry. The major outstanding challenges are (i) *the creation of a robust non-oil private sector that can generate employment, increase population wellbeing, and produce the necessary fiscal revenue to a sustainable fiscal balance*; and (ii) *efficient use of the non-renewable resources that calls on enhanced government accountability*

2.4.6 **Weaknesses.** The post-conflict fragile state that emerged from 27 years of civil war has profound social handicaps. An entire generation was adversely affected, deprived of access to basic services (e.g. education, health, among others) and infrastructure vital for social development and economic growth. The resulting widespread poverty and the low institutional capacity of the state apparatus are a major constraint for a sustainable and rapid development of the country. The two major weaknesses hindering the country's development are *(i) a weak institutional framework, and (ii) low human development conditions*.

Box 4: SWOT Analysis
Strengths *the mid-term political stability* *extensive endowment of natural resources*
Weaknesses *weak institutional framework* *low human development*
Opportunities *privileged geographical positioning* *abundant dynamic young population*
Challenges *creation of a robust non-oil private sector* *efficient use of the non-renewable resources*

C. Strengths and Opportunities

2.4.7 **Strengths.** After 27 years of conflict, political stability was achieved throughout the country[15]. Besides the considerable diamonds and oil & gas reserves, the country has other extensive mineral and natural resources and a vast agriculture land mass (see §2.1.6). The two major strengths in favor of the country's development are (i) *the mid-term political stability,* and (ii) *extensive endowment of multiple natural resources*.

2.4.8 **Opportunities.** Angola seeks to assert itself as a logistical and economic hub and acquire a regional status commensurate with its military and financial might. Despite its poor infrastructure network, the completion of the national transport corridors rehabilitation, will potentially allow the full integration of Angola in the regional transport grid. The same applies to hydro-power whose potential could be unleashed once connected to the DRC and Namibian grids. With 45 percent of its 18 million inhabitants aged bellow 15 years, Angola has a potentially huge labor force capable of generating a strong domestic market. The two major opportunities to be seized by the country are (i) *a privileged geographical positioning with favorable competitive growth factors,* and (ii) *an abundant, dynamic and young population to supply the job market, and drive domestic demand.*

2.5 Recent Developments in Aid Coordination/Harmonization

2.5.1 **Average ODA disbursements during the last 3 years represented a little less than 1 percent of annual budget expenditure.** The Bank's

[15] The notable exception remains acts perpetrated by secessionist movements in the Cabinda Province.

current financial envelope, in turn, represents only 1 percent of total ODA which has minored donors' influence in aid coordination in Angola for years.

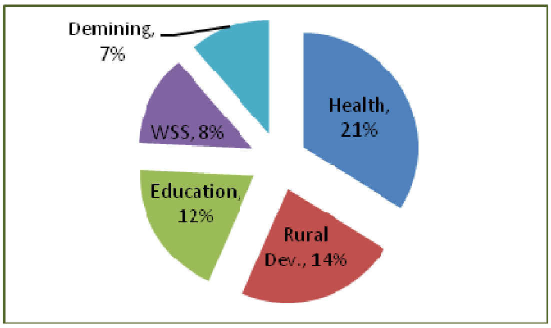
Table 5 - Top Development Donors in 2008

Top Donors Disbursements in 2008		
Donor	Rank	Disbursements
European Union	*1*	*US$ 64.6m*
USAID	*2*	*US$ 44.5m*
World Bank	*3*	*US$ 35.8m*
Italy	*4*	*US$ 26.2m*
Norway	*5*	*US$ 21.9m*
Total Disbursements		*US$ 144.6m*

Source: WB Donor Survey 2008 report

Angola accessing Bank's non concessional resource and increasing additional financial resources can potentially transform the Bank as one of the largest donors, with an annual financial envelope bigger than all other annual ODA combined. Donor activity has shifted in the last two years[16] to an increased presence in cross-cutting areas like environment, decentralization, private sector development, and regional integration. (see annex 7 for complete Donor Field of Activities Matrix).

Figure 6 - Top Sectors Financed by Donors



Source: WB Donor Survey 2008 report

2.5.2 **In part due to the limited ODA flows, the GoA has until now generally neglected aid coordination**. Efforts from the donor community have created an informal coordination forum. However, regular meetings no longer take place and implementation on the ground is challenging and with limited outcomes. All DPs face similar difficulties engaging with the country. The use of country systems is also minimal due to capacity constraints, and the development partners do not ascertain the fiduciary environment to be conducive to PBL operations. Through the new Institutional Capacity Building for Poverty Reduction (ICBPR) Project, to operate within the Ministry of Planning, the Bank expects to help the country better coordinate public investment program and coordinate ODA.

Box 5: Top Future Donor Sectors	
Donor Sector Activity	Nº Donors
Institutional Capacity Building	*13*
Health	*12*
Agricultural & Rural Develop.	*11*
Civil Society and Civic Edu.	*10*
Decentralization	*10*
Water Supply and Sanitation	*10*

Source: WB Donor Survey 2008 report

2.5.3 **The Bank seeks effective coordination and complementarities with major DP, avoiding overlapping within the top sectors intervened (see box 5).** The WB's previous strategy expired in 2009. It currently awaits governmental guidance to launch the preparation of a new strategy. However, the Bank is in close dialogue with the WB's Angola team to ensure strong articulation of both strategies, and prospective collaboration on common projects. The Bank has also sought cooperation with the EU[17] and has built strong synergies with UNDP's CPAP, with programmed joint studies and projects on PSD.

[16] See Box 5 & Figure 6 for ODA top focus sectors changes.

[17] See EU Angola CSP and National Indicative Program for 2008-2013 UNDP (2009), Country Program Action Plan for Angola 2009 – 2013.

2.6 The Bank Group Positioning in Angola

2.6.1 **The Bank's previous strategies focused on Private Sector development and poverty.** The 2005-2007 CSP pillars were: *(i) reduction of rural poverty*, and *(ii) creation of a conducive environment for Private Sector development*. The 2008-2009 CSP update reaffirmed the strategy but widened the scope of its first pillar to *i) reduction of poverty through improved social services delivery and increased access to production factors*. The strategic fit to the country's framework proved to be appropriate. Selected areas of intervention were agriculture, social reintegration, water & sanitation, and environment (see annex 3). The Bank also helped address the country's governance concerns with the on-going PAGEF project aimed at improving transparency in the management of the public assets and the capacity of the internal and external audit units. However, Angolan growth drivers have evolved and become distinct from those of LICs. The improvement of social services delivery is now backed by a constant budgetary allocation of 30 percent and a slowly but steadily improving public administration system. Lagging greatly is still the leveraging of the strong economic dynamics spillover effects into poverty alleviation. This provides the base for the continuation of the focus on pillar II.

2.6.2. **The Bank's presence in Angola has been limited in number and size of projects.** The cumulative assistance of the AfDB since 1983 reached UA 316 million, comprised of UA 138 million under the ADF window (44 percent) and UA 177 million under ADB (56 percent) financing 33 operations. Collaboration was suspended in 1989 due to the intensification of the war and resumed in 2001. Eight operations amounting to approximately UA 74 million were since approved and are on-going. For a full portfolio review, please see the CPPR exercise on Annex 2.

2.7 Experience and Lessons from the Previous CSP

2.7.1 **The RBCSP 2005 - 2007 & CSP Update 2008 – 2009 Completion Report singled-out limited Government interest, capacity and ownership as the main shortcomings.** Despite the strategic fit, the lack of a coherent program to support the strategy, and the overall weak portfolio performance[18] resulted in an unsatisfactory outcome.[19] From the four projects approved during the 5 years covered by the CSP, only two became effective, with an average disbursement rate of 8.45 percent. Direct outcomes or outputs resulting from the strategy are difficult to assess.

2.7.2 **The preparation of the present CSP places a strong emphasis on ownership.** The Bank makes full use of available country strategic programs and project pipelines for its intervention, sourcing most of its projects from the PIP. Other lessons learned and recommendations from the RBCSP Completion Report are:

- **The monitoring and evaluation framework of the previous strategic document revealed weaknesses**. The selected performance indicators should have been less ambitious, narrower in span, focused on more concise and measurable outcomes and outputs.

[18] See CPPR on annex 2 for extended portfolio performance review
[19] See RBCSP 2005–07 & CSP Update 2008–09 Completion Report

The adoption of the Bank's new evaluation framework in this CSP provides a crucial tool to improve on this area.

- **Relatively complex small to medium sized project design has proven problematic to manage.** Obstacles included high operational costs, scarcity of qualified staff, and low-volume bidding processes were often crowded-out by abundant larger scale contracts in Angola's booming economy. The Bank should favor either larger scale projects, which allow operational and financial economies of scale and gather governmental interest (vis-à-vis ownership), or small and logistically simple projects with few components and narrow objectives.
- **The geographic and sector diversity of past portfolio decreases strategic efficiency.** In a country with debilitated infrastructures and considerable regional asymmetries, the Bank should reduce portfolio dispersion to achieve economies of scale and less cumbersome implementation.

2.7.3 **There have been efforts by both the Bank and the GoA to overcome the challenges identified in the Portfolio Improvement Plan[20].** However, some of the issues addressed remain problematic and additional actions are needed in order to meet the targets set by the Bank and the Government. (see box 6).The expected effectiveness of the Field Office in 2011 will facilitate the dialogue with the Government of Angola, other local partners and donors, and will facilitate closer assistance to existing PIUs. Please refer to the Country Portfolio Performance Review (annex 2) for further Portfolio discussion.

Box 6: Main Recommendations For Portfolio Management
• *Increase coordination between the Bank's Sectors, the Government focal points and MinPlan to ensure project's higher entry quality* • *Reinforce measures to speed up project effectiveness processes, provide project staff training in project management, procurement and disbursement procedures.* • *MDA's officials and project staff require training on the Bank's procedures to speed up implementation.* • *Recruitment of sector specialists also masters Portuguese* • *The Government should register the counterpart funds under the public investment program to enable a timely disbursement* • *The Government needs to ensure its ownership by putting in place a mechanism of an effective coordination and portfolio management*

III. BANK GROUP STRATEGY FOR ANGOLA

3.1 <u>Rationale for proposed Bank Group Strategy</u>

3.1.1 **The Country Strategy Paper for Angola 2011-2015 is prepared considering Angola as MIC and its access to non-concessional resources. It is structured around two interconnected pillars aiming at poverty reduction (job creation and revenue generation) through private sector development and competitiveness:**

- PILLAR I: <u>*Stimulus to the Competitiveness of the economy*</u>
- PILLAR II: <u>*Support to Economic Infrastructure Development*</u>

3.1.2 **The Bank's comparative advantage relies on its ability to combine funding with knowledge transfer and technical assistance.** In face of Angola's considerable financial revenues, the Bank can differentiate itself through a catalytic role in co-

[20] See CPPR on annex 2

funding and structuring projects, implementing institutional reforms and training, building human capacity and helping modernize public administration. Sovereign and non-sovereign investment should favor flagship projects with demonstration effects, while mainstreaming good governance practices, capacity building and transfer of knowledge, environmental and social safeguards, gender equality and harmonized geographical development.

3.1.3 **The CSP aligns the Bank Group's strategy with the Government's strategy for economic diversification through non-oil private sector led growth.** The single strategic thrust is to enhance country ownership by promoting the overriding Government policy objective of developing a new sustainable diversified economic model, based on the enhancement of domestic competitiveness, which creates employment and promotes poverty reduction.

3.1.4 **The strategy builds on experience and leverages the lessons learned from the previous strategy (§2.6.1, §2.7.3) as well as from the Private Sector Country Profile[21] recommendations.** The strategy builds on the SWOT's *Opportunities* and addresses the identified *Challenges* (§2.4.5, §2.4.8). It aligns with the GoA's selected priority areas of collaboration (§2.4.4), in line with the main official strategic documents (§2.4.1-2), and the IMF's SBA main objective of reducing the non-oil fiscal balance deficit[22]. The strategy was designed in coordination with the main development partners, in particular the WB and the UNDP, with clearly identified synergies on PSD (§ 2.5.3)

3.1.5 **The two pillars combine the priority areas identified in the official documents and discussed with the Government, with the Bank's corporate strategic framework.** The strategic focus on (i) the competitiveness of the economy including development of the private sector and (ii) the investment in economic infrastructure matches the Bank's Medium Term Strategy. In addition, through the support to the GoA's portfolio planning and management (§ 3.1.6 #2) the strategy is also in alignment with the Bank's Governance Strategic Directions and Action Plan's pillars of improving the effective use of public resources and the improvement of the private sector environment. Moreover, the pillars and the envisaged program have strong linkages with the Bank's Regional Integration Strategy's and the Southern Africa Regional Integration Strategy Paper's pillars of Regional Infrastructure and Institutional Capacity Building. The CSP and the RISP pillars are, thus, mutually supportive.

3.1.6 **In accordance with the strategic pillars, the CSP program will be implemented to:**

o ***Foster Entrepreneurship and SMEs,*** Firstly in conjunction with the GoA, support the reconfiguration of the public policy and governmental institutions in charge of PSD. Secondly, assist the GoA to develop appropriate facilities and training programs to provide the labor market with a steady flow of skilled workers and entrepreneurs. Thirdly, build on the successful on-going Artisanal Fisheries project, developing it as a flagship

[21] See ADB (2009), Angola PSCP; (§ 2.3.8; §2.3.9)

[22] The broadening of the fiscal basis ultimately requires the development of a robust private sector.(see annex 5 for the SBA's main objectives)

initiative on market oriented activities. And lastly, develop and finance indirect financial mechanisms (sovereign and non-sovereign) involving local financial institutions to financially and technically strengthen their lending capacity to the M-SME. (Pillar I)

o ***Support the GoA in planning and managing the Public Investment Program (PIP),*** to optimize development outcomes resulting from the considerable amount of resources the GoA is investing in the economy through its PIP. The Bank will provide technical assistance and training for capacity strengthening in project cycle and resource management, including project scheduling, cost estimation, feasibility analysis and financial planning. (Pillar I & II)

o ***Assist the government in strengthening its capacity to develop, launch and manage public-private-partnership (PPP)*** projects, which will alleviate budgetary and fiscal constraints, and potentially bring know-how to domestic operators. (Pillar I & II)

o ***Finance Infrastructure Development*** that directly affects the competitiveness of the country's domestic value chains, its linkages to regional integration and the provision of public services. Priority is given to the Transport and Power sectors where the country has critical needs that strongly constrain PSD. Particular attention will be devoted to articulation with other Bank projects within the same geographic areas to increase synergies. The Bank will also be a leading partner actively seeking commercial financing solutions to alleviate budgetary and fiscal constraints. (Pillar II)

o ***Support Infrastructure Maintenance*** that risks unproductive utilization and rapid physical deterioration due to the lack of indigenous capacity and skills for proper maintenance. This entails technical assistance for developing projects, structure new systems, and promote whenever possible, private sector participation in infrastructure management and maintenance. (Pillar II)

3.1.7 **While the proposed strategy is selective, it is also flexible to allow for adjustments in line with the evolving market changes and Government priorities**. The strategy marks the beginning of non-concessional financing to operations in Angola. Its design accommodates the overall objective of fostering PSD, through a flexible use of singular or combined instruments. The CSP program will be financed through:

- o ADB resources with a greater use of the private sector window including public private financing mix;
- o The ADF-12 envelope during the transition period; and
- o MIC grants and other Trust Funds for non lending activities.

3.2 Deliverables and Targets

Strategy Targets

3.2.1 **The strategy should achieve a comprehensive and interconnected set of results, intended as catalyst to PSD in Angola that can promote the creation of employment and the broadening of the fiscal basis. Ultimately this will support a sustainable development and poverty reduction**. The Bank's assistance to the reformulation of the GoA's PSD policy and the adjacent institutional reform will set the ground for a renewed framework of incentives to entrepreneurs and support the creation of SMEs which will generate job creation. The Bank will promote flagship projects with demonstration or beneficial spill-over effects. In parallel, the creation of specific credit lines to M-SMEs and training programs for entrepreneurs should address fundamental structural prerequisites for the creation of those enterprises. Linked to the institutional reform, the creation of the governmental PPP unit, supported by the Bank, will spearhead innovative financing approaches that ease the budget burden, promote knowledge transfer and foster the creation of domestic enterprises. The PPP unit will also promote non-sovereign funding to commercially viable PIP projects. The Bank's support to PIP management will leverage the efficiency of the public-private synergies, alongside the enhancement of the development outcomes of the program. The PIP furnishes the Bank with infrastructure projects that will address PSD constraints and enhance regional integration.

Lending Activities

3.2.2 **The emphasis will be on flagship infrastructure projects that are part of the PIP, to be financed with non-concessional resources when commercial financing or PPPs are not available.** Concessional resources will target specific areas key to PSD and projects that could not be financed otherwise, typically technical assistance and capacity building operations. Pillar II focuses on key sectors namely Power and Transportation. Feasibility studies for large-scale projects will be financed through loans and, where possible, MIC grants. Annex 4 presents the Bank Group's 2011-2015 Indicative lending program for Angola.

Non-Lending Activities:

3.2.3 **Analytical Work and Policy Advisory Services will inform the design of new projects to be implemented during the midterm review of the CSP program.** The Government has requested *Technical Assistance* to reform its PSD institutional and policy framework, and technical support in setting up the PPP unit resulting from the new legal framework. Other interventions will target the strengthening of public administration in particular the public expenditure management. Annex 4 presents the Bank Group's 2011-2015 Indicative –non-lending programs.

3.3 Monitoring and Evaluation

3.3.1 **Monitoring Results:** A Logical Framework (see LogFrame at Annex 1) provides a set of indicators to measure the output and outcomes of Bank's program under this CSP. In the absence of robust logframe indicators for the on-going projects, these are not included in the current logframe. The PISU unit to be housed in the MinPlan as part of the ICBPR project in support of the implementation of the CSP will be assigned for the collection of data and the monitoring of the program performance.

3.3.2 **A mid-term review of this CSP will be prepared by end-2013**. The on-going reformulation of the Country's PIP for 2011, from where the Banks identified its projects[23], will help define the Bank's assistance program. Hence, the lending portfolio is indicative pending definitive consultation from the GoA.

3.4 Country Dialogue Issues

[23] See §2.7.3

3.4.1 **Following the signing and approval of the HCA, the Bank will seek the GoA's engagement and support to complete the process and achieve the effectiveness of the Angolan Field Office (AOFO)**.

3.4.2 **Consistent dialogue and stronger engagement with the GoA is sought in the following issues:**

- Access to ADB resources while complying with the negative pledge clause;
- Taking forward the CPIP recommendations to improve the performance of the Bank's operations.
- Increase the Bank's private sector operations in Angola
- Identify opportunities of Bank's support to the Government's regional integration agenda.
- The establishment of a fiduciary framework suitable for the implementation of Policy Based Lending operations in the future.

3.5 Potential Risks and Mitigation Actions

3.5.1 **Macroeconomic risks originated from an oil crisis.** Despite current reforms, Angola's dependency on oil revenues will remain unchanged for the short to medium-term. The country is particularly vulnerable to shocks deriving from a global economic slowdown that can affect negatively oil prices, reducing the country's ability to finance its budget and development program. The IMF support programs and other structural reforms to promote a balanced economy and the development of the non oil sector economy will mitigate the risks..

3.5.2 **Program implementation risks are derived from poor institutional capacity.** The availability of increased resources and the Bank's prospective financing of large-scale projects could pose increased implementation challenges due to the previously identified[24] issues of lack of capacity and ownership. New project design must accommodate lessons learned to avoid known difficulties to operate in Angola[25]. The implementation of the ICBPR project coupled with the effectiveness of the Field Office will provide the proximity and monitoring tools to mitigate risks.

3.5.3 **Credit Risk.** To finance its ambitious development program Angola has incurred sizable external-debt. Debt ratios are very sensitive to oil price changes vis-à-vis GDP growth. However, even when faced with a complex liquidity crisis, Angola received positive creditworthiness reviews from the international credit agencies, the WB and others. Its creditworthiness is ranked as medium. The outlook is generically positive. As the country resumes its growth path, debt dynamics are favorable. To mitigate this risk the Development Partners, led by the IMF, are closely monitoring the economic and financial situation.

IV. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

4.1 **Angola has evolved to a MIC that still faces critical development challenges.** After 8 years of peace and strong growth, Angola's growth drivers are now very distinct from the ones of

[24] See Annex 2 CPPR; and RBCSP 2005-07 & CSP Update 2008-09 CR
[25] e.g. Reducing number of components by project, special care in procurement, translation of key documents to Portuguese. See (§2.7.3).

LICs. With a booming and vibrant economy, the country should build on its economic dynamics to support poverty reduction efforts and achieve a sustainable development model. Together with other development partners, the Bank has a natural role to support the continuation of political, social and macroeconomic reforms while providing support to the financial systems to help reform the country.

B. <u>Recommendations</u>

4.2 **The result of 2 years of a dialogue process, this CSP emerges as a crucial window of opportunity for both the Bank and the GoA to reassert their partnership.** The effectiveness of the field office and Angola's access to ADB resources will provide renewed possibilities for enhanced collaboration. The Bank should seize this opportunity using flexible responsiveness to a reciprocate dialogue and to support poverty reduction.

4.3 **The Board is requested to give due consideration and approve this Country Strategy Paper for Angola for the period 2011 - 2015**.

Country Strategy Paper

2011-2015

ANGOLA

ANNEXES

ANNEX 1: RESULTS MONITORING MATRIX

1 Government Strategic Objectives	2 Constraints to achieving the desired outcomes	3 Final Outcome Indicators (2015)	4 Final Output Indicators (2015)	5 Midterm Output and Outcome Indicators (2013)	6 Key Actions (2013)	7 Proposed ADB Interventions in the CSP and Ongoing Interventions	8 Key Risks To implementation / Mitigation measures
PILLAR I - Stimulus to the Competitiveness of the Economy							
Private Sector Development, Entrepreneurship and SME							
Increase the Diversification of the Economy	• Lack of domestic investors and entrepreneurs to kick-start non-oil economic development	• Increase in 100% new companies established annually • National geographic coverage of support programs for SME creation • National institutional framework in place to support PSD	• SME development strategy finalized • Open of an INAPEM's *guichet* at all provinces • Creation of Instituto Fomento Empresarial • Creation of Fundo de Fomento Empresarial	• SME development strategy finalized • Rollout of SME development policies throughout relevant Government entities, namely MinEC; MAPESS; ANIP; INAPEM • 100% new INAPEM trainers trained	• Approval of joint study with UNDP on SME's and micro finance (2010) • Establish of MinEco leadership in SME policy setting • Approval of legal framework for IFE and FFE	• ***TA project to support MINEC's Institutional Reform*** • ***ESW on Economic Diversification of Angola*** • ***TA elaboration of PSD policy*** • *ESW on Angolan Green Economy Growth Drivers* **Ongoing**: • ***Microsoft ICT training to INAPEM***	• ***Risk:*** Lack of MINEC empowerment to lead the process • ***Mitigation:*** Assemble Cross-Ministerial team to support IFE creation

1 Government Strategic Objectives	2 Constraints to achieving the desired outcomes	3 Final Outcome Indicators (2015)	4 Final Output Indicators (2015)	5 Midterm Output and Outcome Indicators (2013)	6 Key Actions (2013)	7 Proposed ADB Interventions in the CSP and Ongoing Interventions	8 Key Risks To implementation / Mitigation measures
Diversification of the economy, with an increase of the fisheries sector's contribution to the GDP	• Insufficient fisheries support infrastructure • Ineffective control of fishing activity • Lack of entrepreneurs hip in the sector	• Sustainable increase of 30% of fisheries sector production value • Increase in incomes for artisanal fisherfolks • Expansion of 15% the number of small fisheries companies • Increase in economic activity in the Namibe region by 15%	• 8 major landing sites have been constructed / up-graded to international standards • 5 fish markets have been constructed • 40 km of access roads have been constructed / restored • An operational fisheries Monitoring, Control and Surveillance system is in place • 2 fisherman market oriented associations created	• 3 major landing sites have been constructed / up-graded to international standards • Fisheries Management System • 2 fish markets have been constructed • 15 km of access roads have been constructed / restored • Legal framework for MCS in place	• Construction of the fisheries support infrastructures • Management modalities of the infrastructures have been designed	• **PCR of ongoing artisanal fisheries project**	Risk: Poor operation and maintenance of the infrastructures Mitigation measure: Ensure that management modalities are designed from Y2

1 Government Strategic Objectives	2 Constraints to achieving the desired outcomes	3 Final Outcome Indicators (2015)	4 Final Output Indicators (2015)	5 Midterm Output and Outcome Indicators (2013)	6 Key Actions (2013)	7 Proposed ADB Interventions in the CSP and Ongoing Interventions	8 Key Risks To implementation / Mitigation measures
Support to the Public Investment Program							
Improve the performance of the national development program's stimulus to the diversification an competitiveness of the Economy	• Weak Institutional capacity and lack of qualified human resources for program planning, implementatio n and monitoring and evaluation (M&E)	• CPIA 13 improvement of Quality of budgetary and financial management from 2.5 in 2009 to 4.0 in 2015 • Percentage of Bank project portfolio at risk reduced from 45% in 2009 to 25% in 2015%	• All the unit staff trained (30% women) in project cycle management • Government-wide ICT network for project management & M&E established • Project implementation structure established at Ministry of Planning with dedicated staff	• Institutional Capacity-Building Master Plan • KPIs developed for each sector/ministry • focal point network established across various ministries, depts and agencies	• Collaborative framework between AfDB and development partner (UNDP) (2011) • Policy, procedures and inter-ministerial MoU establishing coordination mechanisms	**Creation of a Project Implementation Support Unit (PISU) with MinPlan, in the framework of the Institutional Capacity Building for Poverty Reduction Project** **Economic and Sector Studies to inform multi-year investment plans** **Sea Ports Strategic Study to quantify current strategic investments outcomes and to inform multi-year investment plans**	**Risk**: (i) Poor ownership of PISU (ii) Weak mandate for NDPI/MINPLAN to coordinate inter-agency institutional dev't (iii) Trained staff may leave for more competitive employment **Mitigation**: (i) Project is strongly linked to the IMF Stand-by-Agreement requiring improved oversight of publicly-financed activities (ii) PD No 31/10 stipulates all MDAs to improve plan. and coord. (iii) Civil service reforms / Succession planning mechanisms

1 Government Strategic Objectives	2 Constraints to achieving the desired outcomes	3 Final Outcome Indicators (2015)	4 Final Output Indicators (2015)	5 Midterm Output and Outcome Indicators (2013)	6 Key Actions (2013)	7 Proposed ADB Interventions in the CSP and Ongoing Interventions	8 Key Risks To implementation / Mitigation measures
Public Private Partnerships							
Improve the performance of the national development program's stimulus to the diversification an competitiveness of the Economy	• National Rehabilitation and Reconstruction program limited by strained Budgetary Fiscal position • Lack of native know-how to develop to sophisticated and efficient financial structures	• Percentage of PPP in the PIP increased to 15% • Evaluation and monitorization of all PPP projects performed by MinEC teams	• PPP management unit settled at the MinEC • PPP focal unit at each of the Line Ministries • All the unit staff trained (30% women) in PPP appraisal and monitoring	• PPP management unit settled at MinEC • Policy and Operational guidelines documents approved by GoA • 50% Unit staff trained in PPP appraisal and monitoring	• PPP legal framework approved by Parliament (2011) • PPP Unit organizational structure approval by GoA • Policy, procedures and inter-ministerial MoU establishing coordination mechanisms approval by GoA	**Joint WB TA project to support the PPP unit creation and operational management**	**Risk**: (i) Weak mandate for MinEC to coordinate inter-Ministerial institutional dev't (ii) Trained staff may leave for more competitive employment **Mitigation**: (i) Project is strongly linked to the IMF Stand-by-Agreement requiring improved oversight of publicly-financed activities (ii) MinEC has an enhanced incentive program in place to increase staff payment

1 Government Strategic Objectives	2 Constraints to achieving the desired outcomes	3 Final Outcome Indicators (2015)	4 Final Output Indicators (2015)	5 Midterm Output and Outcome Indicators (2013)	6 Key Actions (2013)	7 Proposed ADB Interventions in the CSP and Ongoing Interventions	8 Key Risks To implementation / Mitigation measures
PILLAR II - Support to Economic Infrastructure Development							
Transport							
Expand domestic economy through increased internal and regional trading *Develop Moçamedes (Namibe province) and Lobito (Bengela province) logistic corridors*	• Insufficient Fundamental Road Network coverage • Lack of regional interconnections to the Lobito and the Namibe port & logistic corridors	• Increase of 20% of bordering commerce • Progress towards fully functioning Moçamedes and Lobito transport corridors • Increase in economic activity in the Namibe region by 15%	Construction progress, measured by the Construction Progress Reports on: • Rail line link of Namibe-Lubango-Oshikango rail line to Namibiam rail line • Lucusse-Zambia Border Road section on the Lobito Corridor Feasibility, Environmental and Socio-Economic Impact and Detailed Engineering Design Studies for: • Internal rail interconnections between the CFL, CFB and CFM • The rail interconnection between the CFM line and Zambia through a direct route	Feasibility, Environmental and Socio-Economic Impact and Detailed Engineering Design Studies for: • Lucusse-Zambia Border Road section on the Lobito Corridor • Namibe-Lubango-Oshikango rail line to link into the rail line on the Namibian side at Santa Clara/Oshikango	• Preparation/Evaluation Mission realized in coordination with MinPlan for all the studies. • Submission of an official request on the appropriate IPPF forms, for regional corridor studies to be financed through the NEPAD-IPPF	• ***Lucusse-Zambia Border Road Feasibility Study & Project*** • ***Namibe-Lubango-Oshikango Rail line Feasibiilty Study & Project*** • ***3 Rail Lines Interconnection (CFL/CFB/CFM) Study*** • **CFM Rail line interconnection to Zambia Feasibility Study**	**Risk**: (i) Delay in the preparation and Approval of Feasibility studies (ii) *Lack of technical expertise* **Mitigation**: (ii) *Work closely with Ministry of Planning & Ministry of Transport through out project planning and implementation* (ii) *Capacity building project & external sourcing will reduce this constraint*

1 Government Strategic Objectives	2 Constraints to achieving the desired outcomes	3 Final Outcome Indicators (2015)	4 Final Output Indicators (2015)	5 Midterm Output and Outcome Indicators (2013)	6 Key Actions (2013)	7 Proposed ADB Interventions in the CSP and Ongoing Interventions	8 Key Risks To implementation / Mitigation measures
			Power				
Sustainable and reliable energy supply to support private sector development growth	• Lack of adequate power generation, transmission and distribution capacity • Lack of technical capacity in project implementation & system operation	Increase generation capacity from by 1125MW 2011 to 1711MW in 2015 Increasing access to electricity by 20% 2011 Power no longer is identified in ICA as number 1 constrain to private sector activity	586 MW of generation commissioned 200 KM of transmission lines completed	• Comprehensive Power Sector master Plan developed and priority projects identified • Feasibilities carried out	• Approval and endorsement of the Power Sector Master Plan • Completed feasibility studies for • Complete project procurement	• **Support for the Power Sector Master Plan,** • **Support for the feasibility studies** • **Support for the implementation of the projects** • **GOVE-Matala220kV, 200km transmission line,** • **GTG 3 40MW Thermal Power Station Cazenga,** • **Expansion of Cambambe HPS (4x130MW),** • **22MW Wind & 4MW solar**	**Risk**: (i) Delay in the preparation and Approval of Master Plan& Feasibility studies (ii) *Lack of technical expertise* **Mitigation**: (ii) *Work closely with Ministry of Planning & Ministry of Energy & Water through out project planning and implementation* (ii) *Capacity building project & external sourcing will reduce this constraint*

ANNEX II

ANGOLA

2011-2015

Country Portfolio Performance Review

Country and Regional Department – South B (ORSB)
October 2010

Introduction

This Country Portfolio Performance Review (CPPR) is the second prepared for the Bank's portfolio in Angola. The first one was prepared in February 2008 (ADB/BD/WP/2008/20). The objective of this document is twofold: (i) to inform management and Board members about the performance of the Bank's portfolio in Angola and (i) to guide Bank and national authorities in the identification of relevant recommendations for portfolio improvement

I. Bank Group Assistance

1.1 The Bank presence in Angola has been until now limited in number and size of projects.

1.1.1 The cumulative assistance of the AfDB since 1983 totals UA 316 million, comprising of UA 138 million under the ADF window (43.78 percent) and UA 177 million under ADB (56.22 percent). The historical portfolio contains 33 operations under various financing modalities namely Loans, Grants and Technical Assistance operations. These operations were cancelled during the civil war. The Bank resumed cooperation with Angola in 2001 and has since approved 8 operations amounting to UA 74 million, all of which are still ongoing.

1.2 Previous CSP's (2005/2007-2009)

1.2.1 Two CSPs were prepared for 2002-2004 and 2005-2007 and have covered rural and social sectors. The first one emphasized rehabilitation of health infrastructures and demobilization and social reintegration activities. The second CSP was designed to tackle poverty reduction in rural areas and create a conducive environment for private sector development. They were aligned with the ten priority sectors identified in the I-PRSP, namely: (i) Social Reintegration; (ii) Security and Human Care; (iii) Food Security and Rural Development; (iv) HIV-AIDS; (v) Education,(vi) Health; (vii) Basic Infrastructure; (viii) Employment and Vocational training; (ix) Governance and (x) Macro-Economic Management.

1.2.2 During the 2005-2007, three projects were approved directly under the first pillar: The **Bom Jesus Agricultural Project** (UA 17.2 million) focused on (i) rural infrastructure development consisting of irrigation, roads, water and health infrastructure, (ii) agricultural development, (iii) capacity building, and (iv) project management. The **Sumbe Water Supply, Sanitation and Institutional Support Project** (UA 12 million) addressed: (i) water supply infrastructure, (ii) sanitation, including the rehabilitation of sewerage infrastructure, on site sanitation in schools, health centres, markets and public places and solid waste management; (iii) community mobilization, hygiene education and environmental awareness; iv) institutional support for water and sanitation utility; (iv) development of comprehensive national rural water supply and sanitation program and (v) project management.

A third project, the **Environmental Sector Support Project** (UA 12 million) was approved in February 2009 with cross-cutting components that partially support the pillar's objectives.

CSP 2005-2007 and CSP Update 2007-2009			
	Approved before 2005 and On-going during 2005-2009	Approved (2005-2009)	Closed (2005-2009)
Pillar I - Reduction of poverty through improved social services delivery and increased access to production factors	Artisanal Fisheries Project (Fisheries)	Bom Jesus Calenga Project (Agriculture)	Study on the preparation of Environment Investment Program
	Basic Education Project	Sumber Water Sanitation Project	
	Reintegration of Vulnerable Groups in Huambo Project	Environmental Sector Support Project	
	Rehabilitation of Health services in Uige Province		
Pillar II - Creation of a conducive environment for private sector development		Financial Management Support Project (PAGEF).	

1.2.3 In support of the second pillar, only one project was approved, the Financial Management Support Project-PAGEF. The PAGEF project, costing UA 5.9 million, supports: (i) capacity-building in state property management and internal audit, (ii) institutional and human capacity-building for the external audit function; and (iii) project management and monitoring.

1.2.4 Sectors Distribution of the Active Portfolio The portfolio's distribution by sector is as follows: Agriculture & Rural Development including Environment(49%), Social, including Health and Education (27%), Water and Sanitation (16%), and Multisector (8%). The agriculture, rural development and environment receive the first largest share of assistance, the social sector the second place and the water and sanitation sector comes in third place. The Governance, economic management and public sector is the smallest portion of the assistance.

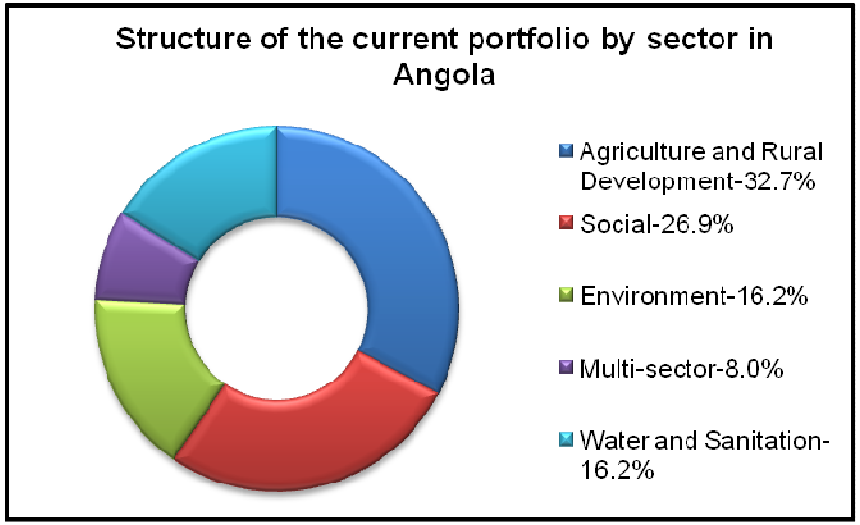


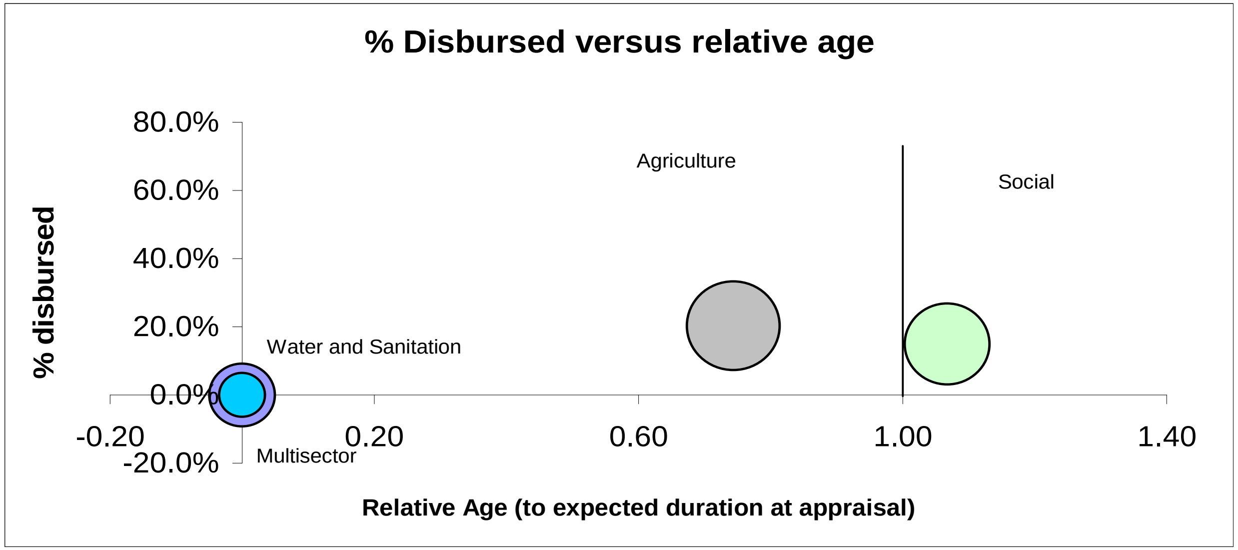
Figure 7

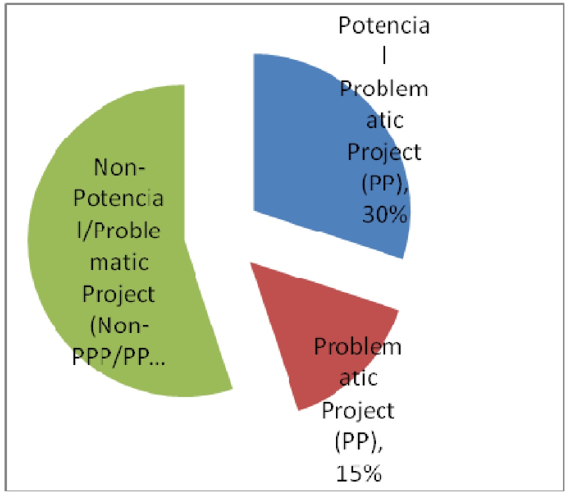
II. General Portfolio Performance and Management Capacity Assessment

2.1.1 The ongoing portfolio comprises 8 operations with a total value of UA 74.01 million. The projects in the current portfolio are: (i) Artisanal Fisheries Support Project (UA 7.0 million), (ii) Health Services Rehabilitation Support Projects (UA 6.5 million), (iii) Project Support of the Demobilisation and Reintegration of Vulnerable groups (UA 3.78 million),(iv) Bom Jesus-Calenga Rural Development Project (UA 17.20 million) (v) Education II Project(UA 8.73 million), (vi) Sumbe Water and Sanitation Supply (UA 12. million); (vii) PAGEF
(UA 5.90 million) and (viii) Environment Support Project (UA 12 million). From the 8 projects listed above, PAGEF is pending effectiveness and the Sumbe Water and Sanitation Project awaits first disbursement.

Project Number	Project name	Status	Approval Date	Signature Date	Closing Date(Initial)	Effective Date	Net Loan Amount (mUA)	Total Disbursed	% Disb.	Age	Risk Exposure
	Sector : Agriculture										
P-AO-A00-002	ARTISANAL FISHERIES DEVELOPMENT PROJECT	OnGo Extended 31 Dec.2010	30.10.2002	20.01.2003	31.12.2009	11-May-04	7.00	4.05	57.22%	6.03	NPPP
P-AO-A00-001	BOM JESUS - CALENGA RURAL DEV PROJECT	OnGo	24.11.2005	29.12.2005	31.12.2012	14-Sep-06	17.20	2.49	14.51%	4.10	NPPP
	Sub-Total : Agriculture						**24.20**	**6.54**	**36.00%**		
	Sector : Social										
P-AO-IA0-004	Basic Edu.& Job Skills Project (EDU II)	OnGo Extended 31 Dec.2010	05.12.2001	28.03.2002	30.12.2008	27-Nov-02	9.63	2.57	***ADF-*** 27.47% **Grant-** 19.62%	7.11	PPP
P-AO-IB0-002	PROGRAMME REHABILITATION SERVICES SANTE	OnGo	13.11.2002	23.01.2003	31.12.2010	12-Sep-03	6.50	0.86	13.27%	7.02	PP
P-AO-IAE-001	PROJET DE REINSERTION DES GROUPES DEFAVO	OnGo	12.11.2003	26.05.2004	31.12.2010	13-Jan-06	3.78	0.51	13.58%	5.10	PP
	Sub-Total : Social						**19.91**	**3.94**	**19.95%**		
	Sector : Environment										
P-AO-CZ0-001	ENVIRONMENTAL SECTOR SUPPORT PROJECT	OnGo	11.03.2009	16.07.09	31.12.2015	17.12.09	12.00	0.3	2.44%	1.03	

2.1.2 Common characteristics. Projects in the portfolio have ***(i)*** an average age of 5 years; ***(ii)*** low disbursement rates ***(iii)*** experienced delays between the projects approval, loan signature and project effectiveness (15 months in average)*;* ***(iv)*** experienced delays in launching operational activities such as the recruitment of contractors, start-up project activities*;* ***(v)*** poor technical support to the PIUs and; ***(vi)*** generally poor management by institutionally and technically weak Project Implementation Units (PIUs).





Notes
(a) Bubble size = volume of commitments
(b) Relative age = time elapsed between date of effectiveness and estimated duration at appraisal. The disbursement rates do not necessarily reflect implementation rates.
(c) Both the "Multisector" and "Water and Sanitation" are comprised exclusively of one operation; one awaiting effectiveness and the other the first disbursement .

2.2 The last CPPR for Angola was prepared in February 2008. It concluded with overall unsatisfactory portfolio performance. The average rating was 1.75 (scale 0-3) given that one project was Problematic Project and two projects were deemed potentially problematic

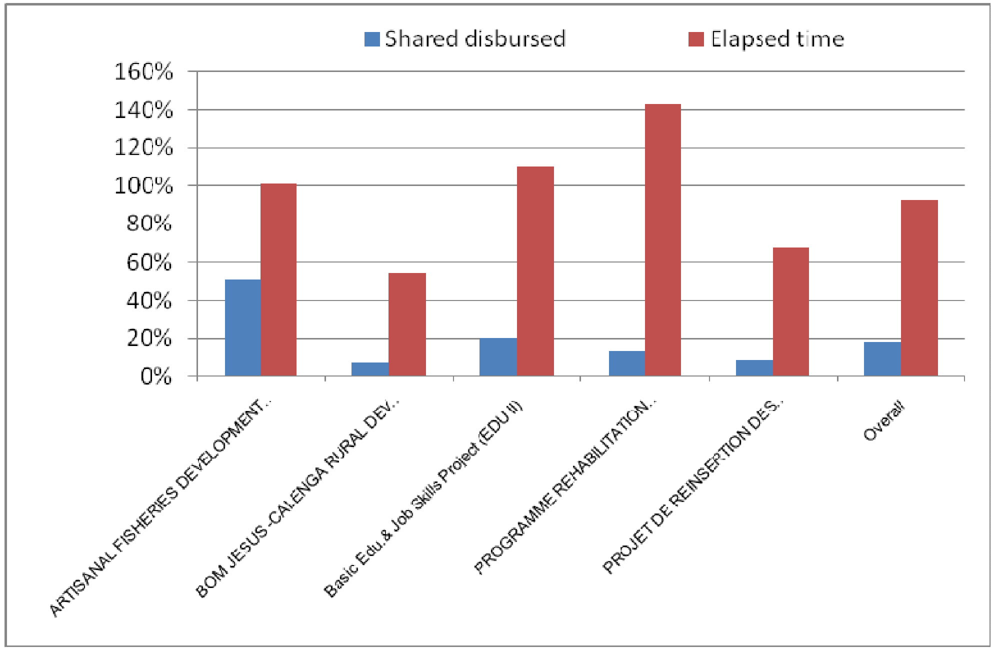
2.2.1. The situation remains sensibly the same; two projects were rated Problematic (Project Support of the Demobilisation and Reintegration of Vulnerable groups and Health Services Rehabilitation Project) and one is Potential Problematic (PAGEF), the proportion of Project at Risk (PAR) in the rated portfolio is 50%, which is higher than the 10-30% range that is indicative of satisfactory portfolio performance. The supervision reports suggest that there has been a better progress in Agriculture than in Social, Multisector and in the Water and Sanitation sectors.

Evolution of the Key Performance Indicators (KPI)

		CPPR 2008	Dec-2009	Dec-2010
Implementation & Impact	Number of Ongoing Projects	5	6	7
	Oldest Project in the Portfolio (years)	5.8	6.9	7.9
	Age (years)	4.55	5.96	6.3
	Disbursement Rate (%)	10.57	11.20	15.22
	Average Project Size (UA m)	7.30	7.70	7.80
	Project's Overall Evaluation (Scale 0-3)	1.75	1.75	1.75
	Projects-At-Risk (%)	50	50	50
	Problem Projects	1	2	2
	From Approval to Effectiveness (months)	15	15	9
	Supervision Rate (avg # of missions per project per year)	1.5	1.5	1.5

2.2.2 Overall project implementation presents considerable delays. The comparison between the elapsed time relative to the initial time table and the respective level of disbursement achieved so far reveals that for the ongoing and active portfolio, the Bank used approximately 90% of the planned portfolio implementation period to disburse just 20.16% of effective commitments

Project Disbursements Lag



Note: Effective Operations 2005-2010

III. RESULTS FROM THE QUESTIONNAIRE ON FACTORS CONSTRAINING ACHIEVEMENTS OF PROJECT'S OUTPUTS AND OUTCOMES

3.1. As part of the Country Portfolio Performance Review exercise, the Angola Field Office team distributed a questionnaire to Project Coordinators. The questionnaire was based on the following issues: (1). Ownership and Cooperation; (2) Financial Management and Procurement; (3) Project Implementation/Management; (4) Training needs. Results revealed significant insufficiencies (see box 7) from both the Government and the Bank sides.

3.1.1. However, some progress was registered at the project implementation level. The disbursement of counterpart funds (Education, Fisheries and the Agriculture Projects) is being done in a more timely manner, the delay between project approval, loan signature and project effectiveness has reduced slightly (Environment Support Project - 9 months).

Box 7: Main Factors Preventing Project's Implementation Progress

From the Bank Side

- delays by the Bank in responding to disbursement requests
- disruptions of activities that occurred following the change of the Bank's project team and the poor handover and transfer of project information
- language barrier created by the lack of Portuguese speaking staff in the Bank, that hinders project's preparation and coordination
- inexistence of Portuguese version of relevant documentation in particular regarding procurement and disbursement
- heavy procurement procedures, specially for small contracts that discourage local entrepreneurs for bidding
- severe problems of exchange of documentation between the field and the headquarter
- lack of training of PIU staff in Bank rules (namely fiduciary and procurement)
- low salaries paid by the Bank projects

From the Government Side

- lack of support and political guidance regarding project implementation issues
- delays on the payment of counterpart funds
- lack of clear definition on line ministries leadership.

IV. Experience and Lessons 5.1.

4.1. From the Previous CSP

4.1.1. Limited Government interest and ownership was singled-out as the main shortcoming during previous CSP. The preparation of the present CSP places a strong emphasis on ownership. The Bank makes full use of available country strategic programs and project pipelines for its intervention. Other lessons learned and recommendations are:
4.1.2. The monitoring and evaluation framework of the previous strategic document revealed weaknesses. The selected performance indicators should have been less ambitious, narrower in span, focused on more concise and measurable outcomes and outputs. The adoption of the Bank's new evaluation framework in this CSP provides a crucial tool to improve on this area.
4.1.3. Relatively small to medium sized projects design, has proven problematic to manage. Obstacles included high operational costs, scarcity of qualified staff, and low-volume bidding processes often crowded-out by abundant larger scale contracts in Angola's booming economy. The Bank should favor either larger scale projects, which allow operational and financial economies of scale and gather governmental interest (vis-à-vis ownership), or small logistically simple projects with narrow and focused objectives.
4.1.4 The geographic and sector diversity of past portfolio decreases strategy efficiency. In a country with debilitated infrastructures and considerable regional asymmetries, the Bank should try to focus its activities in agglutinating areas to increase economies of scale and contribute to less cumbersome implementation logistics.

4.2 From the Portfolio Management

4.2.1 Since the 2008 CPPR, there have been efforts both by the Bank and the Government of Angola to overcome the challenges identified in the Country Portfolio Improvement Plan. However, some of the issues addressed remain problematic and further actions are needed to meet the targets set by the Bank and the Government.

4.2.2. The expected opening of the Angola Country Office, staffed by lusophone professionals, will facilitate the dialogue with the Government of Angola and other local partners and donors, and will enable close assistance to PIU's.

4.2.3. In recognition of its weak institutional capacity, the Government of Angola has requested technical and financial assistance from the Bank toward the establishment of a Project Implementation Unit (PISU) within the National Department of Public Investment of the Ministry of Planning. The PISU will help to strengthen the institutional capacity of the National Department of Public Investments as well as to develop the competence of national staff in the management of public investment projects. This project will be lead by OSHD which has already prepared the Project Concept Note and an appraisal mission is planned to take place in October 2010.

V. The main recommendations for Portfolio Management are:

5.1. *Need* to increase the level of coordination between the Bank's Sectors, the Government focal points and the Ministry of Planning to ensure higher quality-at-entry. To that end, thorough knowledge of the local reality is essential to ensure a better preparation of projects; as well as a strong engagement of the beneficiaries and all the key actors (ownership).

5.1.1 The recruitment of Sector Specialists fluent in Portuguese is another important lesson. The Bank's Sector Departments are strongly advised to plan the recruitment of Portuguese speakers to be assigned to projects and programs in Angola.

5.1.2 Need to improve adherence to implementation schedules*,* by reinforcing measures to speed up the project effectiveness process and improve the quality at entry, to provide project staff more training in project management, procurement and disbursement and to ensure more attention to cross cutting issues.

5.1.3 The Bank's procedures need to be explained and disseminated to Ministries officials and project staff through seminars and workshops, to enable a better use of the resources allocated and to speed up the implementation.

5.1.4 The Government needs to ensure ownership by putting in place a mechanism of effective project coordination through the creation of a better environment for project preparation, implementation and follow up and also by providing better quality staff and appropriate working environment for the established PIU's.

5.1.5 The Government should also address the counterpart funds issue in order to register those financial requirements under the public investment program and to enable a timely implementation of the Projects.

VI. Country Portfolio Improvement Plan- CPIP

6.1 At the end of the CPPR mission, the AOFO and the Ministry of Planning developed a Portfolio Implementation Plan that will be jointly monitored and assessed by both parties.

6.1.1 Portfolio Implementation Plan

Status of CPIP, as of August 2010

Operations	Major issues	Actions required	Responsible	Deadline	Current Status	Flag
Compliance with loan conditions precedent to entry into force	Long delay in compliance with conditions	Keep the requirement of loan conditions as simple as possible. Bank task managers should support GoA more closely to ensure the timely compliance of all the legal requirements.	Bank Sectors FO	Continuous	Ongoing. Has been applied to new projects eg. Environment Support Project (signed beg Feb.09)	
		Continuous dialogue with GoA to ensure ownership of the project and at least 2 supervision missions/project/year.	Bank	Continuous	Ongoing. The Bank has undertaken several dialogue missions since Nov2009 so far and supervision missions were done to all projects with increased focus on ownership project.	

	weakness and inefficiency of public administration	The ICBPR project which is currently under preparation will help to address this issue by strengthening institutional capacity to improve program planning, implementation, monitoring and evaluation	Bank Government	Continuous	Ongoing	
Management of the PIUs	Low capacity of PIUs and inefficient management	To improve recruitment of Project Coordinators . Training provided to project staff. in procurement and financial management. One of the PISU's main activities is to reinforce capacities by training staff from PIUs,and MDA staff	Government /Bank	Continuous	Outstanding. The PIUs for Sumbe, PAGEF and the Health project have not up to date been completely established	
	Communication problem in Bank's official languages	To insist on ability of Project Coordinators to communicate in Bank's languages and/or provide language courses Task Managers should also be encouraged to learn Portuguese	Bank/Government	Continuous	Outstanding	
	Delay in submission of quarterly reports	2.3.1 implement performance-based evaluation system	Bank/Government	Continuous	Outstanding	

	No respect of the project implementation schedule	To increase training in Bank's rules, procedures and project cycle management	Bank	Continuous	The Bank has guaranteed funds from the Portuguese Trust Fund to finance the translation into Portuguese of the Bank's rules of procurement as well as to provide training in Portuguese to PIUs and EAs in all lusophone countries.	
	The Project Steering Committees (PSC) are inefficient	In alternative, a stakeholders' forum, with the first to be convened at project's launching, followed by annual gathering shall be formed to enhance participation in decision making and for obtaining inputs through participatory review of the project.	Government	Continuous	Ongoing. will be applied to ICBPR	
	Delays on transfer of counterpart funds to projects	To ensure institutional link between the PIUs, the Directorate of planning and studies of the Sector Ministries and the PSCs	Government	Continuous	Ongoing Slow improvements	

	2.7 shortage in transfer of counterpart funding to projects	Ensure the register of these funds under the public investment program.l	Government	Continuous	Improvements in Education II Project and Artisanal Fisheries have been registered	
3. Working in Bank's official languages	Difficulties in communicating in French/English increase delay of processing of dossiers	Recruitment of French/English project staff	Government /Bank	New projects	The new projects (Environment) envisages recruitment of staff fluent in Bank's languages	
		To provide project staff with training courses to improve language skills.	Bank	Continuous	outstanding	
	Additional costs due to translation of documents submitted to the Bank	Provide documents translation funding to the PIUs	Bank	New projects	Ongoing. Has been applied to new projects eg. Environment Support Project (signed beg Feb.09)	
4.Procurement of services, goods and works	Long delays observed due to lack of knowledge of Bank's procedures	Trainings in Bank's procedures for PIUs staff and civil servants particularly in the Directorates of planning and studies of the sector ministries	Bank		ICBPR project will provide training and support for PIU and MDA's staff	

	and rules	Settlement of a l Project Implementation Support Unit(PISU) in the Ministry of Planning with qualified staff aiming to give support to Min Plan, provinces, MDA's and sector PIUs, disseminated over all the country	Government Bank	Beginning of 2011	Ongoing	
	Additional cost for firms in bidding in Bank's official languages	To increase PIUs' translation funds for bidding documents		New projects	Ongoing. Has been applied to new projects eg. Environment Support Project (signed beg Feb.09)	
	Poor response from Bidders requesting often changes of procurement mode	To ensure quality at entry and select the best procurement mode based on the country specificities	Bank	Continuous	Ongoing. Has been applied to new projects eg. Environment Support Project (signed beg Feb.09)	

NOTE:

Green – Good progress
Orange –Average progress
Red - Outstanding

ANNEX 3. ACTIVE PROJECTS

ON-GOING PORTFOLIO IN ANGOLA (UA millions)							
Project	SECTOR	APPROVAL DATE	EFFECTIVE DATE	CLOSING DATE	TOTAL COST (UA M)	TOTAL DISBURSED (UA M)	DISBURSEMENT
ARTISANAL FISHERIES DEVELOPMENT PROJECT **P-AO.A00-002**	Agriculture and Rural Development	30/10/2002	11/05/2004	31/12/2010*	7.00	4.30	61.33%
BOM JESUS CALENGA RURAL DEVELOPMENT PROJECT **P-AO-A00-001**	Agriculture and Rural Development	24/11/2005	14/09/2006	31/12/2012	17.20	3.50	20.24%
BASIC EDUCATION AND JOB SKILLS PROJECT– EDU II **P-AO-IAO-004**	Social	5/12/2001	27/11/2002	31/12/2010*	9.63	2.48	28.42%
UIGE HEALTH PROJECT **P-AO-IBO-002**	Social	13/11/2002	12/09/2003	31/12/2010*	6.50	0.86	13.27%
HUAMBO VULNERABLE GROUPS PROJECT **P-AO-IAE-001**	Social	12/11/2003	13/01/2005	31/12/2010**	3.78	0.51	13.58%
ENVIRONMENTAL SECTOR SUPPORT PROJECT **P-AO-CZO-001**	Environment	11/03/2009	17/12/2009	31/12/2015	12.00	0.3	2.44%
FINANCIAL SUPPORT MANAGEMENT PROJECT **P-AO-KFO-002**	Finance	14/11/2007	NA	31/12/2012	5.90	_	_
SUMBE WATER SUPPLY,SANITATION AND INSTITUTIONAL SUPPORT PROJECT **P-AO-E00-003**	Water and Sanitation	28/11/2007	NA	30/06/2013	12.00	_	_
GRAND TOTAL COMMITMENT					**74.01**	**10.77**	**15.22%**

Source: CPPR Angola (ORSB); *A 1 year extension request has been submitted; **A request for Project Cancelation has been submitted

ANNEX 4 – The Bank Group's 2011-2015 Indicative Operations for Angola

The Indicative Lending Program

Project Title	Amount	Finance	Sector
Pillar I: Stimulus to the Competitiveness of the economy			
2011			
LOC to a Commercial bank to finance SME credit	100	ADB Private	Financial
Support to Mrkt Oriented Fisheries	20	ADB Sovereign	Fisheries
2012			
PSD Policy & Inst. Reform	4	ADF-12 loan	Multi-Sector
Micro-Finance Whole Sale Fund and Capacity Building	20	ADB Private	Financial
TOTAL Financing with ADB and ADF-12 funds	**UA 144 million**		
Pillar II: Support to Economic Infrastructure Development			
2011			
Combined Solar & Windfarm Power Generation	50	ADB Sovereign	Power
Feasibility and Preparation Studies for Infrastructure Projects (Road Lucusse – Zambia; Railway Namibe – Lubamgo – Oshikango)	10	ADB Sovereign	Transport
2012			
2nd Power Station Cambambe (4x130) with Public-Private Partnership	200	ADB Private	Power
3-Lines Railways National Interconnection	4		
2013			
GTG 3 Cazenga Rehab Thermal Generation .	50	ADB Sovereign	Power
Economic Infrastructure Maintenance	15	ADF-12 Loan	Inst. Support
TOTAL Financing with ADB and ADF-12 funds	**UA 329 million**		

Note: Amounts are in UA and refer to the total amount of the projects; Projects that could derive from studies and so are yet to be confirmed, have not been included on the lending program;

The Indicative Non-Lending Program

Project Title	Amount	Finance	Sector
Pillar I: Stimulus to the Competitiveness of the economy			
2011			
ICBPR Project (Including Economic Diversification Study)	6	ADF-11 grant	Inst. Support
PPP unit at MINEC	2	MIC Grant	Inst. Support
2012			
Domestic Resource Mobilization Study	0.3	Trust Fund	ESW
TOTAL	**8.3**		
Pillar II: Support to Economic Infrastructure Development			
2011			
National Electric Master Plan Study	5	MIC Grant	Power
2012			
CFM – Zambia Interconnection Study	4	ADB Sovereign	Rail Line
Sea Port Strategy Study	4	MIC Grant	Maritime
2013			
Clean Energy Master Plan	0.5	Trust Fund	ESW
TOTAL	**13.5**		

Note: Amounts are in UA and refer to the total amount of the projects; Projects that could derive from studies and so are yet to be confirmed, have not been included on the lending program;
Finance window Acronyms: ADB Sovereign – ADB sovereign loan; ADB private – ADB non-sovereign loan; MIC Grant – Middle Income Country Grant;

ANNEX 5 – IMF Stand-by Arrangement Policies and Objectives for 2010

Box 1: SBA Macroeconomic Policies and Objectives for 2010

The macroeconomic program aims to rebuild reserves, increase confidence in the kwanza and restore a sustainable macroeconomic position

Fiscal policy and addressing underlying weaknesses in public finances:

- The government will aim to reduce the non-oil primary fiscal balance deficit to about 41 percent of non-oil GDP in 2011
- On the expenditure side, the 2010 budget will aim for a reduction of 6 percentage points of GDP. It will maintain social spending at about 30 percent of total public spending, and reduce domestic arrears
- The GoA committes to strengthening debt management capacity, and to reduce the external non-concessional credit to a limit of US$2 billion
- To de-link the fiscal stance from unpredictable oil revenues establish a stabilization and a savings fund, through the creation of Angola Sovereign Wealth Fund
- Approve a Fiscal Responsibility Law to guard against pro-cyclical fiscal policy
- Reform the tax system towards simplifying the tax system and reducing the already large informal sector and tax evasion
- Reform the public finance management (PFM) system consistent with the recommendations of the 2006 IMF fiscal ROSC
- Gradually phase out the quasi-fiscal activities of Sonangol and other state-owned enterprises (SOEs). Also, the GoA will publish Sonangol's audited financial statements for 2007 and 2008 and adopt this as part of normal standard practice.ure

Normalizing the foreign exchange market backed by prudent monetary management

- Normalize functioning of the foreign exchange market, with a market-based auction system. Streamline its foreign exchange intervention strategy.
- BNA will continue to maintain a tight monetary policy stance under the principle of sterilizing the dollar revenues. To support exchange rate policy, the BNA will increase its policy rate so market interest rates rise.
- The government will also use prudent domestic debt management to limit the drawdown of its deposit at the BNA thereby support international reserves. Reserves targets are about 3.2 months of import cover in 2010, and about 3.8 months in 2011.
- The Treasury will issue securities for its domestic financing of the government deficit. In case of a shortfall in market financing, will drawdown its deposits at the BNA.
- During the program period the GoA will not intensify or introduce any exchange restrictions or multiple currency practices that are not consistent with the obligations under Article VIII section 2(a) and 3

Strengthening the financial sector

- The BNA will reinforce its guidance to banks on maintaining adequate levels of capital and provisioning to cover credit risk.
- BNA will review its regulatory and supervisory framework. to strengthening its oversight of the financial sector, including its risk-based bank supervision, with the enactment of prudential rules that appropriately reflect the balance sheet risks of foreign currency lending.

Source: IMF memorandum of economic and financial policies for 2010 under the first year program of the SBA.

ANNEX 6 – Government and MPLA's strategic development policies

Long-Term "Visão 2025"
The long term the strategy Angola 2025, has a generalized conceptual view of the country development. The 15 structural concepts are: i. Build a future based on Man's History, but above all on their adherence to a vision ii. Eradicate famine, poverty and illiteracy iii. Value people, knowledge and innovation iv. Value work, entrepreneurship and savings v. End military conflict, and promote social and political peace vi. Stop environmental and natural resources misuse vii. Promote active citizenship and democratic participation and equal opportunities viii. Respect ethnic and linguistic differences ix. Safeguard inter-generation solidarity x. Promote ethics an transparency on business, economical, social and institutional relations xi. Eliminate every form of discrimination in particular gender xii. Eliminate any form of economical slavery xiii. Control macro economical and public finance imbalances to prevent inflation and crisis xiv. Promote decentralization and deconcentration of the State and public administration xv. Geographical rebalance of growth
MPLA's Election Program for 2009 – 2012
MPLA's election program was based in 12 policy guidelines to be pursued while in government: a. Fight poverty and misery with reduction of poverty b. Foster economy development sustainability c. Continue national reconstruction program d. Modernize Public Administration e. Diversify and modernize the economy f. Modernize and strengthen the financial system g. Accelerate industrial development h. Assist integrated rural development i. Build and capacitate human resources j. Foster entrepreneurship k. Increase income and employment l. Increase Angolans living standards
Government's National Plan for 2010 – 2011
MPLA's election program was based in 12 policy guidelines to be pursued while in government: - Promote national cohesion and unity and consolidate institutions and democracy - Assure high sustainable economic growth with macroeconomic stability and diversification of economic activity - Improve Angolan's living standards and human development - Stimulate the domestic private sector and national entrepreneurs - Enhance Angola's competitiveness in the international scene - Mitigate imbalances between urban and peri-urban and rural areas - Foster industrial production to accelerate import substitution - Rehabilitate and develop infrastructures necessary to the country's reconstruction - Modernize the financial sector and transform Angola in a regional financial stronghold - Define and implement an effective policy for Social Protection and Social Solidarity - Secure the rapid urbanization of shantytowns and the modernization of urban communities

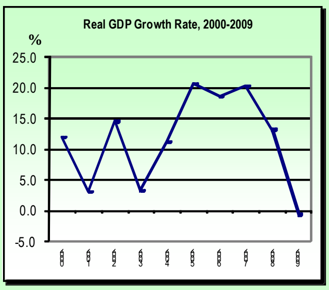
ANNEX 7: DEVELOPMENT PARTNERS' SUPPORT TO ANGOLA

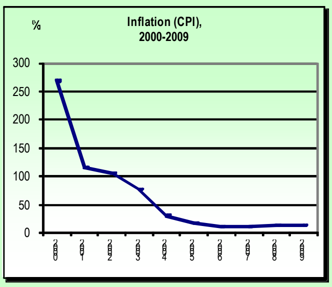
Current areas of involvement	Bilateral Donors											Multilateral Donors						
	CZ	**DE**	**ES**	**FR**	**IT**	**JP**	**NL**	**NO**	**PT**	**UK**	**US**	**ADB**	**EC**	**UnDP**	**Unicef**	**WHO**	**WB**	**Total**
Agriculture and rural development	X	X	X	X	X	X			X		X	X	X				X	11
Capacity Building		X	X	X	X	X		X	X		X	X	X	X	X		X	13
Civil Society and Civi Education			X		X		X	X	X		X		X	X	X		X	10
Decentralization		X	X					X	X	X	X		X	X	X		X	10
Economic Growth and Trade Policy						X							X	X			X	4
Economic Management and Policy								X		X	X		X	X			X	6
Education	X	X	X	X		X			X			X	X	X	X		X	11
Energy				X		X		X									X	4
Environment	X		X		X	X		X				X	X	X			X	9
Fisheries	X		X					X										3
Food Aid and Food security	X		X										X	X	X			5
Health and HIV/AIDS			X	X	X	X	X		X		X		X	X	X	X	X	12
Human Rights and Democracy							X	X	X		X		X	X	X			7
Justice					X				X				X	X	X			5
Petroleum Sector Governane, Transparency, Accountability								X		X							X	3
Private Sector Development			X	X							X	X	X	X			X	7
Public Administration					X						X		X	X	X		X	6
Public Financial Management										X	X	X	X	X			X	6
Refugees and IDP Integration													X		X			2
Regional Integration									X			X	X	X			X	5
Roads and Transportation					X	X							X				X	4
Telecommunications and Information Technoloy																	X	1
Water Supply and Sanitation			X	X		X		X			X	X	X	X	X		X	10
Other Fields																		
Culture				X														1
Demining		X			X			X					X					4
Gender								X										1
Urban Planning						X												1
Youth	X																	1

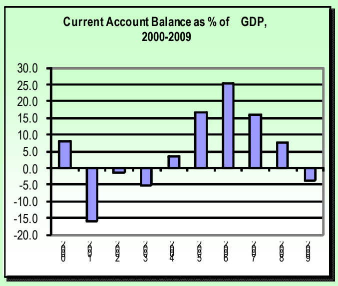
Note: Future Areas Correspond to the 2009 period; Change Corresponds to the difference between 2009 and 2008
Source: WB Angola Donor Report 2009

ANNEX 8: SELECTED MACRO ECONOMIC INDICATORS

Indicators	Unit	2000	2004	2005	2006	2007	2008	2009
National Accounts								
GNI at Current Prices	Million US $	5,904	14,637	21,941	32,657	45,509	62,113	...
GNI per Capita	US$	410	910	1,320	1,910	2,590	3,450	...
GDP at Current Prices	Million US $	9,917.0	19,799.5	30,632.1	45,167.6	59,263.3	84,944.8	65 462.8
GDP at 2000 Constant prices	Million US $	9,917.0	13,456.0	16,229.7	19,242.5	23,144.8	26,194.2	26 039.0
Real GDP Growth Rate	%	12.0	11.2	20.6	18.6	20.3	13.2	-0.6
Real per Capita GDP Growth Rate	%	9.0	7.9	17.2	15.3	17.1	10.3	-3.1
Gross Domestic Investment	% GDP	11.7	9.1	8.1	11.3	14.0	15.8	17.4
Public Investment	% GDP	5.7	4.9	5.0	8.9	11.7	14.0	14.6
Private Investment	% GDP	6.1	4.2	3.0	2.4	2.3	1.8	2.8
Gross National Savings	% GDP	23.7	12.6	24.8	36.5	29.9	23.4	14.0
Prices and Money								
Inflation (CPI)	%	268.4	31.0	18.5	12.2	11.8	13.2	14.0
Exchange Rate (Annual Average)	local currency/US$	10.0	83.4	87.2	80.4	76.7	75.0	79.5
Monetary Growth (M2)	%	309.0	37.0	60.5	57.3	38.6	66.2	29.1
Money and Quasi Money as % of GDP	%	16.2	14.8	14.7	17.0	18.8	22.2	35.2
Government Finance								
Total Revenue and Grants	% GDP	47.2	36.9	40.7	46.4	46.7	50.5	42.7
Total Expenditure and Net Lending	% GDP	54.3	35.8	32.2	35.5	35.2	41.6	50.4
Overall Deficit (-) / Surplus (+)	% GDP	-7.0	1.1	8.5	10.9	11.6	8.8	-7.7
External Sector								
Exports Volume Growth (Goods)	%	1.6	14.2	31.7	9.0	23.1	11.3	-5.1
Imports Volume Growth (Goods)	%	1.0	3.6	36.6	4.4	44.1	50.2	-22.0
Terms of Trade Growth	%	55.6	20.7	29.6	20.4	4.8	26.5	-47.7
Current Account Balance	Million US $	794.3	686.3	5,137.8	11,382.4	9,403.2	6,408.1	-2,467.4
Current Account Balance	% GDP	8.0	3.5	16.8	25.2	15.9	7.5	-3.8
External Reserves	months of imports	1.9	1.0	1.8	4.2	3.2	3.2	3.6
Debt and Financial Flows								
Debt Service	% exports	36.5	16.6	10.9	8.7	9.7	4.3	13.3
External Debt	% GDP	92.0	51.3	39.5	20.7	19.9	19.5	28.3
Net Total Financial Flows	Million US $	117.5	1,084.8	1,667.9	471.3	524.3	2,651.2	...
Net Official Development Assistance	Million US $	302.2	1,144.4	414.6	163.5	246.2	368.8	...
Net Foreign Direct Investment	Million US $	878.6	5,606.4	6,794.2	9,063.7	9,795.8	15,547.7	...







Source : ADB Statistics Department; IMF: World Economic Outlook, September 2009 and International Financial Statistics, February 2010; ADB Statistics Department: Development Data Platform Database, March 2010. United Nations: OECD, Reporting System Division.

ANNEX 9: DEVELOPMENT INDICATORS

Social Indicators	Angola 1990	Angola 2009 *	Africa	Developing countries
Area ('000 Km²)	1,247		30,323	80,976
Total Population (millions)	10.7	18.5	1,008.4	5,628.5
Population growth (annual %)	2.9	2.6	2.3	1.3
Life expectancy at birth, total (years)	42.0	47.6	55.7	66.9
Mortality rate, infant (per 1,000 live births)	147.6	113.5	80.0	49.9
Physicians per 100,000 People	4.2	16.5	42.9	78.0
Births attended by skilled health staff (% of total)	…	47.3	50.5	63.4
Immunization, measles (% of children ages 12-23 months)	38.0	88.0	74.0	81.7
School enrollment, primary (% gross)	91.7	…	100.2	106.8
Ratio of girls to boys in primary education (%)	92.1	…	90.9	100.0
Illiteracy rate, adult total (% of people ages 15 and above)	…	…	…	…
Access to Safe Water (% of Population)	39.0	51.0	64.0	84.0
Access to Sanitation (% of Population)	26.0	50.0	38.5	54.6
Human Develop. (HDI) Rank (Over 182 Countries)	…	143.0	n.a	n.a
Human Poverty Index (% of Population)	…	40.5	3.4	…

Economy	Angola 2000	2007	2008	2009
GNI per capita, Atlas method (current US$)	410	2,590	3,450	…
GDP (current Million US$)	9,917	59,263	84,945	65,463
GDP growth (annual %)	12.0	20.3	13.2	-0.6
Per capita GDP growth (annual %)	9.0	17.1	10.3	-3.1
Gross Domestic Investment (% of GDP)	11.7	14.0	15.8	17.4
Inflation (annual %)	268.4	11.8	13.2	14.0
Budget surplus/deficit (% of GDP)	-7.0	11.6	8.8	-7.7
Trade, External Debt & Financial Flows	**2000**	**2007**	**2008**	**2009**
Export Growth, volume (%)	1.6	23.1	11.3	-5.1
Import Growth, volume (%)	1.0	44.1	50.2	-22.0
Terms of Trade (% change from previous year)	55.6	4.8	26.5	-47.7
Trade Balance (mn US$)	4,880	30,735	42,932	18,336
Trade balance (% of GDP)	49.2	51.9	50.5	28.0
Current Account (mn US$)	794	9,403	6,408	-2,467
Current Account (% of GDP)	8.0	15.9	7.5	-3.8
Debt Service (% of Exports)	36.5	9.7	4.3	13.3
External Debt (% of GDP)	92.0	19.9	19.5	28.3
Net Total Inflows (mn US$)	117.5	524.3	2,651.2	…
Net Total Official Development Assistance (mn US$)	302.2	246.2	368.8	…
Foreign Direct Investment Inflows (mn US$)	878.6	9,795.8	15,547.7	…
External reserves (in month of imports)	1.9	3.2	3.2	3.6
Private Sector Development & Infrastructure	**2000**	**2007**	**2008**	**2009**
Time required to start a business (days)	…	119	68	68
Investor Protection Index (0-10)	…	5.7	5.7	5.7
Main Telephone Lines (per 1000 people)	4.5	5.4	6.3	…
Mobile Cellular Subscribers (per 1000 people)	1.8	282.6	375.9	…
Internet users (000)	1.1	28.4	30.5	…
Roads, paved (% of total roads)	10.4	…	…	…
Railways, goods transported (million ton-km)	…	…	…	…

Source: ADB Statistics Department, based on various national and international sources

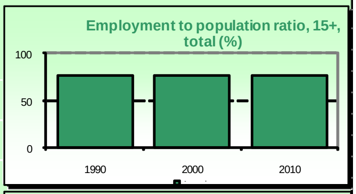
* Most recent year

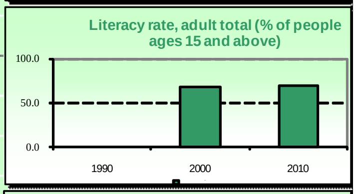
Last Update: May 2010

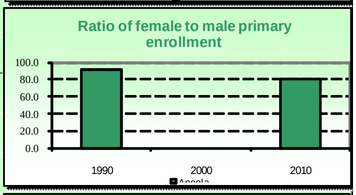
ANNEX 10: MILLENIUM DEVELOPMENT GOALS

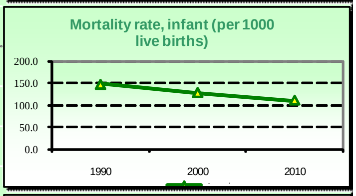
PROGRESS TOWARDS THE ACHIEVEMENT THE MILLENIUM DEVELOPMENT GOALS

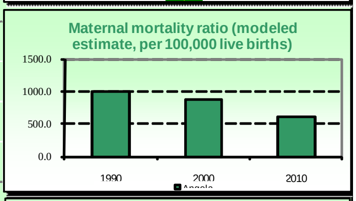
Goal 1: Eradicate extreme poverty and hunger	1990[1]	2000[2]	2010[3]
Employment to population ratio, 15+, total (%)	76.5	76.2	76.4
Malnutrition prevalence, weight for age (% of children under 5)	...	40.0	...
Poverty headcount ratio at $1,25 a day (PPP) (% of population)	...	54.3	...
Prevalence of undernourishment (% of population)	66.0	35.0	...
Goal 2: Achieve universal primary education			
Literacy rate, youth female (% of females ages 15-24)	...	63.2	65.2
Literacy rate, adult total (% of people ages 15 and above)	...	67.4	69.6
Primary completion rate, total (% of relevant age group)	34.1	...	...
Total enrollment, primary (% net)	33.8	...	...
Goal 3: Promote gender equality and empower women			
Proportion of seats held by women in national parliaments (%)	15.0	16.0	37.3
Ratio of female to male primary enrollment	91.6	...	81.1
Ratio of female to male secondary enrollment	...	83.2	...
Goal 4: Reduce child mortality			
Immunization, measles (% of children ages 12-23 months)	38.0	64.0	77.0
Mortality rate, infant (per 1,000 live births)	147.6	128.5	110.9
Mortality rate, under-5 (per 1,000)	257.2	224.0	192.5
Goal 5: Improve maternal health			
Births attended by skilled health staff (% of total)	...	44.7	47.3
Contraceptive prevalence (% of women ages 15-49)	...	6.2	...
Maternal mortality ratio (modeled estimate, per 100,000 live births)	1000.0	880.0	610.0
Goal 6: Combat HIV/AIDS, malaria, and other diseases			
Incidence of tuberculosis (per 100,000 people)	205.0	270.0	287.0
Prevalence of HIV, female (% ages 15-24)	...	...	0.3
Prevalence of HIV, male (% ages 15-24)	...	...	0.2
Prevalence of HIV, total (% of population ages 15-49)	...	3.7	2.1
Goal 7: Ensure environmental sustainability			
CO2 emissions (kg per PPP $ of GDP)	1.0	1.5	0.9
Improved sanitation facilities (% of population with access)	26.0	31.0	57.0
Improved water source (% of population with access)	39.0	53.0	50.0
Goal 8: Develop a global partnership for development			
Net total ODA/OA per capita (current US$)	24.9	70.9	20.5
Internet users (per 1000 people)	...	4.6	32.8
Mobile cellular subscriptions (per 1000 people)	0.1	45.9	438.4
Telephone lines (per 1000 people)	6.6	5.8	16.4

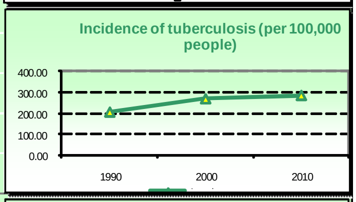


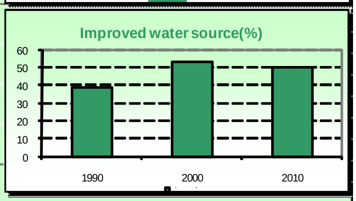


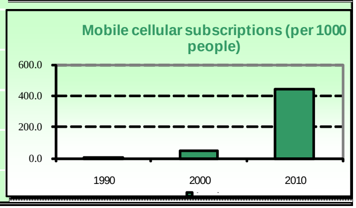












Sources : ADB Statistics Department Databases; World Bank: World Development Indicators; UNAIDS; UNSD; WHO, UNICEF, WRI, UNDP; Country Reports,

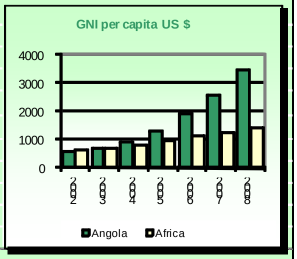
last update : January , 2011

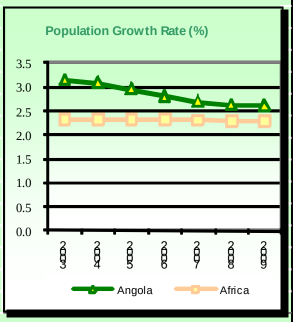
Note : n,a, : Not Applicable ; … : Data Not Available,

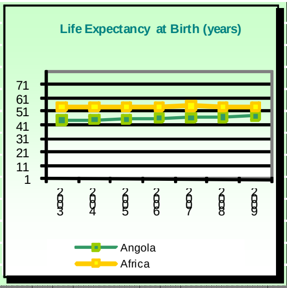
[1] Latest year available in the period 1990-1995; [2] Latest year available in the period 2000-2004; [3] Latest year available in the period 2005-2010

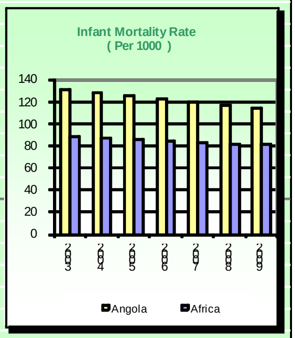
ANNEX 11: COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Angola	Africa	Develo-ping Countrie	Develo-ped Countrie
Basic Indicators					
Area ('000 Km²)		1 247	30 323	80 976	54 658
Total Population (millions)	2009	18.5	1,008	5,629	1,069
Urban Population (% of Total)	2009	57.6	39.6	44.8	77.7
Population Density (per Km²)	2009	14.8	3.3	66.6	23.1
GNI per Capita (US $)	2008	3 450	1 428	2 780	39 688
Labor Force Participation - Total (%)	2009	44.3	41.2	45.6	54.6
Labor Force Participation - Female (%)	2009	47.1	41.2	39.8	43.3
Gender -Related Development Index Value	2005	0.439	0.525	0.694	0.911
Human Develop. Index (Rank among 182 countrie	2007	143	0.514	n.a	n.a.
Popul. Living Below $ 1 a Day (% of Population)	2006	...	50.8	25.0	...
Demographic Indicators					
Population Growth Rate - Total (%)	2009	2.6	2.3	1.3	0.7
Population Growth Rate - Urban (%)	2009	4.2	3.4	2.4	1.0
Population < 15 years (%)	2009	45.0	56.0	29.2	17.7
Population >= 65 years (%)	2009	2.5	4.5	6.0	15.3
Dependency Ratio (%)	2009	90.2	78.0	52.8	49,O
Sex Ratio (per 100 female)	2009	97.2	100.7	93.5	94.8
Female Population 15-49 years (% of total populatic	2009	23.5	48.5	53.3	47.2
Life Expectancy at Birth - Total (years)	2009	47.6	55.7	66.9	79.8
Life Expectancy at Birth - Female (years)	2009	49.6	56.8	68.9	82.7
Crude Birth Rate (per 1,000)	2009	42.3	35.4	21.5	12.0
Crude Death Rate (per 1,000)	2009	16.5	12.2	8.2	8.3
Infant Mortality Rate (per 1,000)	2009	113.5	80.0	49.9	5.8
Child Mortality Rate (per 1,000)	2009	197.5	83.9	51.4	6.3
Total Fertility Rate (per woman)	2009	5.6	4.5	2.7	1.8
Maternal Mortality Rate (per 100,000)	2005	1400.0	683.0	440.0	10.0
Women Using Contraception (%)	2006	...		61.0	75.0
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2005	16.5	42.9	78.0	287.0
Nurses (per 100,000 people)*	2005	245.4	120.4	98.0	782.0
Births attended by Trained Health Personnel (%)	2007	47.3	50.5	63.4	99.3
Access to Safe Water (% of Population)	2008	50.0	64.0	84.0	99.6
Access to Health Services (% of Population)	2006	...	61.7	80.0	100.0
Access to Sanitation (% of Population)	2008	57.0	38.5	54.6	99.8
Percent. of Adults (aged 15-49) Living with HIV/AID	2007	2.1	4.5	1.3	0.3
Incidence of Tuberculosis (per 100,000)	2007	287.0	313.7	161.9	14.1
Child Immunization Against Tuberculosis (%)	2007	88.0	83.0	89.0	99.0
Child Immunization Against Measles (%)	2007	88.0	74.0	81.7	92.6
Underweight Children (% of children under 5 years	2005	...	25.6	27.0	0.1
Daily Calorie Supply per Capita	2005	1 902	2 324	2 675	3 285
Public Expenditure on Health (as % of GDP)	2006	2.3	5.5	4.0	6.9
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2006	...	100.2	106.8	101.5
Primary School - Female	2006	...	91.7	104.6	101.2
Secondary School - Total	2005	...	35.1	62.3	100.3
Secondary School - Female	2005	...	30.5	60.7	100.0
Primary School Female Teaching Staff (% of Total)	2006	...	47.5	...	...
Adult Illiteracy Rate - Total (%)	2006	...	59.4	19.0	...
Adult Illiteracy Rate - Male (%)	2006	...	69.8	13.4	...
Adult Illiteracy Rate - Female (%)	2006	...	57.4	24.4	...
Percentage of GDP Spent on Education	2006	2.6	4.5		5.4
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2007	2.6	6.0	9.9	11.6
Annual Rate of Deforestation (%)	2006	...	0.7	0.4	-0.2
Annual Rate of Reforestation (%)	2006	...	10.9	...	...
Per Capita CO2 Emissions (metric tons)	2008	1.3	1.1	1.9	12.3









Sources : ADB Statistics Department Databases; World Bank: World Development Indicators; UNAIDS; UNSD; WHO, UNICEF, WRI, UNDP; Country Reports. *last update : September 2010*

Note : n.a. : Not Applicable ; … : Data Not Available.

ANNEX 12: POLITICAL MAP OF ANGOLA


CABINDA
ZAIRE
UÍGE
CONGO DEM. REP.
Luanda
LUANDA
CUANZA NORTE
LUNDA NORTE
BENGO
MALANJE
LUNDA SUL
CUANZA SUL
HUAMBO
BIÉ
MOXICO
BENGUELA
HUILA
NAMIBE
CUNENE
CUANDO CUBANGO
N A M I B I A

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