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Report No: PAD2088

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT PAPER

ON A

PROPOSED ADDITIONAL LOAN

IN THE AMOUNT OF US$70 MILLION

TO THE

REPUBLIC OF ANGOLA

FOR A

LOCAL DEVELOPMENT PROJECT

June 30, 2017

Social Protection and Jobs
Africa Region

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CURRENCY EQUIVALENTS
(Exchange Rate Effective May 30, 2017)

Currency Unit	=	Angolan kwanza (Kz)
Kz 165.76	=	US$1

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ADECOS	*Agentes de Desenvolvimento Comunitário e Sanitário* (Health and Community Development Agents)
AF	Additional Financing
BIP	Business Improvement Project
CAS	Country Assistance Strategy
CDD	Community-Driven Development
CPS	Country Partnership Strategy
ERR	Economic Rate of Return
ESMF	Environmental and Social Management Framework
EU	European Union
FAS	*Fundo de Apoio Social* (Social Support Fund)
FM	Financial Management
GDP	Gross Domestic Product
GoA	Government of Angola
GRS	Grievance Redress Service
IBEP	*Inquerito de Bem Estar da População* (National Household Survey)
IFR	Interim Financial Report
ISN	Interim Strategy Note
ISR	Implementation Status and Results Report
IFAL	*Instituto de Formação das Administrações Locais* (Institute of Local Administration Training)
INEFOP	*Instituto Nacional de Formação Profissional* (National Institute for Professional Training)
INAPEM	*Instituto Nacional de Pequenas e Medianas Empresas* (National Institute for Small and Medium Enterprises)
IPPF	Indigenous Peoples Policy Framework
LDP	Local Development Project
LED	Local Economic Development
MAT	*Ministério da Administração do Território* (Ministry of Administration of the Territory)
MDP	*Ministério da Planificação* (Ministry of Planning)
M&E	Monitoring and Evaluation
MINARS	*Ministério da Assistência e Reinserção Social* (Ministry of Assistance and Social Reinsertion)

MINFAMU	*Ministério da Família e Promoção da Mulher* (Ministry of Family and Gender Promotion)
MIS	Management Information System
NGO	Nongovernmental Organization
NDP	National Development Plan
PDO	Project Development Objective
PIM	*Plano de Investimento Municipal* (Municipal Investment Plan)
PLANEAT	National Strategic Plan for Territorial Administration
PMIDCP	*Programa Municipal Integrado de Desevolvimento Rural e Combate à Pobreza* (Municipal Integrated Program for Rural Development and Poverty Reduction)
PMT	Proxy Means Test
RPF	Resettlement Policy Framework
UNICEF	United Nations Children's Fund

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Practice Manager/Manager:	Stefano Paternostro
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ANGOLA
LOCAL DEVELOPMENT PROJECT - AF

TABLE OF CONTENTS

Project Paper Data Sheet

ADDITIONAL FINANCING DATA SHEET

Angola

AO-Local Development Project - AF (P160105)

AFRICA

Social Protection and Jobs

Basic Information – Parent			
Parent Project ID:	P105101	Original EA Category:	B - Partial Assessment
Current Closing Date:	30-Dec-2017		

Basic Information – Additional Financing (AF)			
Project ID:	P160105	Additional Financing Type (from AUS):	Scale Up
Regional Vice President:	Makhtar Diop	Proposed EA Category:	B-Partial Assessment
Country Director:	Elisabeth Huybens	Expected Effectiveness Date:	10-Oct-2017
Senior Global Practice Director:	Michal J. Rutkowski	Expected Closing Date:	28-Feb-2020
Practice Manager/Manager:	Stefano Paternostro	Report No:	PAD2088
Team Leader(s):	Eric Zapatero Larrio		

Borrower				
Organization Name	Contact	Title	Telephone	Email
Republic of Angola	923633496	DINIECD	923633496	

Project Financing Data - Parent (AO-Local Development Project-P105101) (in US$, millions)

Key Dates

Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P105101	IDA-46890	Effective	18-Mar-2010	16-Mar-2011	12-Aug-2011	31-Jul-2015	31-Dec-2017

Disbursements

Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P105101	IDA-46890	Effective	XDR	52.20	52.20	0.00	52.10	0.10	99.82

Project Financing Data - Additional Financing AO-Local Development Project - AF (P160105) (in US$, millions)
[X] Loan [ ] Grant [ ] IDA Grant [ ] Credit [ ] Guarantee [ ] Other
Total Project Cost: 70.00 Total Bank Financing: 70.00
Financing Gap: 0.00

Financing Source – Additional Financing (AF)	Amount
Borrower	0.00
International Bank for Reconstruction and Development	70.00
Financing Gap	0.00
Total	70.00

Policy Waivers	
Does the project depart from the CAS in content or in other significant respects?	No
Explanation	
Does the project require any policy waiver(s)?	No
Explanation	

Team Composition

Bank Staff

Name	Role	Title	Specialization	Unit
Eric Zapatero Larrio	Team Leader (ADM Responsible)	Senior Social Protection Specialist		GSP07
Amos Martinho Malate	Procurement Specialist (ADM Responsible)	Procurement Specialist		GGO07
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Institutional Data
Parent (AO-Local Development Project-P105101)
Practice Area (Lead)
Social Protection and Jobs
Contributing Practice Areas
Additional Financing AO-Local Development Project - AF (P160105)
Practice Area (Lead)
Social Protection and Jobs
Contributing Practice Areas
Trade and Competitiveness

Consultants (Will be disclosed in the Monthly Operational Summary)
Consultants Required: Consultants will be required

I. Introduction

1. **This Project Paper seeks the approval of the Executive Directors to provide an additional loan in the amount of US$70 million to Angola's Local Development Project (LDP) (P105101 - Credit Number 4689-AO),** approved by the World Bank Board on March 18, 2010, effective on August 30, 2011, and closing on December 31, 2017. The Additional Financing (AF) will include a Level 2 restructuring (revision of the Results Framework and minor revisions to the project component design). An extension of the closing date of the original project will be required to February 28, 2020. The proposed AF would complement resources provided by development partners, including grants from the European Union (EU).

2. **The Project Development Objective (PDO), to improve access of poor households to basic services and economic opportunities, and to enhance local institutional capacities among Angola's municipalities, will remain unchanged.**

3. **The proposed AF will support the scale-up and completion of activities under the three LDP components and will further strengthen the local development agenda** by continuing to (a) provide basic social services at the local level in the poorest provinces and municipalities, (b) build capacity of municipal officials for consultative resource allocation and transparent resource management, and (c) expand the local economic development agenda through the provision of economic opportunities to improve livelihoods and income of poor households.

4. **The AF will provide Angola's *Fundo de Apoio Social* (Social Support Fund, FAS) with the opportunity to transition from a classic community-driven development (CDD) approach to a safety nets approach.** To do that, the AF will focus more on progressive interventions targeting poor households in remote areas. These activities will be complemented by capacity building of municipal administrations for better planning and management of public resources for the provision of basic social services and will set the path for the implementation of social protection programs at the decentralized level.

5. **To support the transition to a safety nets approach, the AF, in addition to scaling up the LDP activities, will support building the basic blocks of a safety nets system in which FAS is poised to become a central player.** The main elements of the transition will relate to (a) gradually reducing the investment in the provision of capital-intensive infrastructure; (b) introducing on a pilot basis interventions, including productive safety nets and productive inclusion activities targeting poor households in remote areas; (c) increasing the Government's capacity to target and prioritize the poorest provinces, municipalities, and households; (d) developing the basic delivery systems for an effective safety nets system, such as a social registry of beneficiaries, a Management Information System (MIS), and a payment system; (e) setting up coordination and implementation arrangements for actors involved in the delivery of social assistance at the central and decentralized levels; and (f) enhancing civil society capacity to oversee expenditure planning and implementation.

6. **Implementation arrangements of the proposed AF would remain the same as for the current project.** FAS will remain as the implementing agency under the *Ministério da Administração do Território* (Ministry of Territorial Administration, MAT) and will promote synergies and complementarity with other institutions involved in poverty reduction in Angola

such as the *Ministério da Família e Promoção da Mulher* (Ministry of Family and Gender Promotion, MINFAMU) and the *Ministério da Assistência e Reinserção Social* (Ministry of Assistance and Social Reinsertion, MINARS) in developing instruments and social safety net programs for Angola's poorest. Municipalities will play a more important role in the implementation of this strategy as well as in project activities, in line with the decentralization efforts of the Government of Angola (GoA).

7. **Angola will go through an electoral process in 2017, which could lead to changes to the mandates of institutions that play a key role in social assistance and in the implementation of the AF.** Hence, the institutional arrangements for the AF might need to be reassessed during implementation. To minimize the risk for potential changes in the institutional settings after the elections, the design and implementation of the new subcomponents of the AF will be limited to pilots in selected municipalities.

II. Background and Rationale for Additional Financing

Background

8. **Angola is an upper-middle-income and post conflict country with a young and growing population of about 25 million people and a gross domestic product (GDP) per capita of US$4,102.** Nearly three decades of hostilities dilapidated the country's infrastructure and left its public administration network and social fabric in tatters. The conflict, which ended in 2002, also triggered massive migration from rural to urban areas and exacerbated geographic disparities in income, opportunities, and human capital.

9. **Poverty remains widespread and a large portion of the population does not have access to basic services, while inequality (though declining) has also proved persistent.** Progress was made in reducing poverty from 62.6 percent in 2001 to 38 percent in 2008, although the consumption share of the bottom 20 percent barely reached 5.4 percent in 2008. Angola's income Gini coefficient stands at 42.7 (2013).[1]

10. **Angola is an oil-dependent economy, which is battling the negative effects of the drop in oil prices.** Between 2004 and 2014, the Angolan economy expanded at an annual average rate of 7.9 percent. The drop in oil prices, however, has halted the economy, with growth rate estimated at zero in 2016. After the oil price shock, Angola was one of the first oil countries in Sub-Saharan Africa to implement structural reforms such as elimination of subsidies, exchange rate devaluation, and fiscal consolidation. This policy stance gradually waned and was replaced by a muddling-through approach—a combination of currency peg, higher and directed forex sales, and liquidity tightening aimed at containing inflation and a halt to fiscal consolidation to boost economic activity. This policy mix achieved a stabilization of inflation at a high level (34.1 percent in May 2017); however, fiscal and external accounts deteriorated further in 2016, with provisional deficits of 6 percent and 10 percent of GDP, respectively.

11. **There is a need to both compensate for and adapt to lower oil revenue and curtail inflation while preserving the progress made in alleviating poverty and delivering services**

[1] *Source:* World Bank. 2013. *World Development Indicators 2013.* Washington, DC: World Bank. http://data.worldbank.org. Accessed October 2013.

to the poor and vulnerable. The sharp expenditure cuts implemented in 2015 are but a first step in rationalizing spending. This is an issue because, notwithstanding the recent efforts in improving outcomes in both the health and education sectors, Angola still trails comparable countries on key health and education indicators, and the crisis is likely to have further negative effects on those outcomes jeopardizing the progress made so far.

Sector Context

12. **The GoA spent a total of US$3.2 billion[2] (4.2 percent of GDP and 15.8 percent of GoA total expenditures) on social protection in 2015.** Government spending on energy price subsidies, considered under social protection expenditures, far exceeds spending on social insurance and social assistance transfers and is highly regressive. Government fuel subsidy spending in 2016 was projected at approximately US$1.9 billion. In addition, the Government is spending large parts of its social protection envelope on pensions including on military and war veterans.

13. **In turn, social assistance spending targeted to the poor and vulnerable remains extremely modest.** These expenditures amount to about US$95 million, which corresponds to less than 3 percent of the total spending in social protection. Due to the lack of data, it is unknown how many households are covered by the limited amount of social safety net programs that exist across several ministries, particularly MINFAMU and MINARS. Overall, the poor and the young do not seem to be well served by Angola’s social protection system and the country’s social protection spending could be much better aligned with its social needs.

14. **Angola’s local development vision is based on a series of strategies and operational plans that intend to move the public administration toward greater administrative deconcentration and decentralization.** The country’s National Long-Term Development Strategy ‘Angola 2025’ defines a series of strategic policy actions to promote local sustainable development and reduce regional disparities. To achieve this, the strategy defines five main axes: (a) promote social cohesion, (b) create employment opportunities, (c) develop and rehabilitate local infrastructure, (d) support local entrepreneurship, and (e) promote territorial development.

15. **The 2013–2017 National Development Plan (NDP), approved in 2012, is one of the main tools to operationalize the ‘Angola 2025’ Strategy.** The NDP has as one of its main objectives to guarantee provision of local services and improve local management as a way to reduce poverty. This should be done through the enhancement of local institutional, technical, and human capacity. The NDP provides FAS with the main responsibility to operationalize the Poverty Reduction Strategy (approved in 2013) and, as a result of the reform, FAS was strategically placed under the stewardship of MAT. In the new institutional setting, FAS is not only responsible for improving service delivery at the local level and enhancing local capacity but also developing poverty reduction strategies at the municipal level.

16. **Simultaneously, and as part of the ‘Angola 2025’ Strategy, the Government launched the *Programa Municipal Integrado de Desenvolvimento Rural e Combate à Pobreza* (Municipal Integrated Program for Rural Development and Poverty Reduction, PMIDCP),** comprising

[2] Including food and fuel subsidies.

several multisectoral interventions, under the overall coordination of MINFAMU. One of the main programs is the Assistance for Work Program (*Proajuda*) focusing on reducing poverty and promoting food and nutrition security through participation of vulnerable households in public works schemes. However, persistent challenges with implementation of this program have limited its effectiveness and the ministry is now looking for new alliances to advance the poverty alleviation agenda, including through collaboration with FAS as a potential implementing agency.

17. **Complementing the efforts under the PMIDCP, consistent with its goal of reducing poverty in the short term motivated by the recent crisis, and encouraged by the positive results achieved in the first phase of the program, the Government is in the process of scaling up the LDP with EU and Government funds.** Over the last few years, FAS, through the LDP, has been a key agency within the GoA to redress regional imbalances and support efforts to scale up social service provision in underserved areas. The AF will continue with this effort by (a) enhancing local government capacity for planning and management for local development, (b) providing effective and accountable public services in remote and poor regions, (c) scaling up the productive inclusion agenda, and (d) building the basic blocks for a new generation of social protection programs in the context of the PMIDCP.

Relationship to Country Partnership Strategy

18. **The LDP has proven to be a key contributor to the three pillars of the previous Interim Strategy Note[3] (ISN) (April 2007) on which it was initially framed:** (a) strengthening public sector management and Government institutional capacity, (b) supporting the rebuilding of critical infrastructure and the improvement of service delivery for poverty reduction, and (c) promoting growth of non-mineral sectors. The LDP and the proposed AF are also in line with the Country Partnership Strategy[4] (CPS) (2014–2016) in terms of support to the strategic objective of "enhancing the quality of service delivery and deepen social protection" and with the Program Learning Report under preparation, which extends the CPS by two years and focuses on more efficient social spending and protection of the most vulnerable from the effects of the recent oil price crisis. The LDP is one of the most effective mechanisms for this support by improving social service delivery and helping address inequities in income and opportunities through its local economic development component.

19. **The AF builds on the main recommendations of the social protection analysis included in the 2017 Health and Education Expenditure Review** by (a) supporting the redirection of savings from the subsidy reforms to targeted social safety net programs, (b) building institutional and administrative capacity for implementing transparent and scalable social safety net programs to enable the poor and vulnerable population to participate in the country's development and growth process, (c) improving the efficiency of public spending, and (d) supporting the decentralization process.

20. **The AF for the LDP also supports the Government in the implementation of its 'Angola 2025' Strategy and its medium-term NDP 2013–2017**. The LDP supports the enhancement of economic opportunity and growth across the territory.

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[3] ISN for the Republic of Angola. April 26, 2007. Report No. 39394-AO.
[4] CPS (FY14–FY16) for the Republic of Angola. August 15, 2013. Report No. 76225-AO.

LDP Performance Status

21. **The FAS Project has, in its four phases I, II, III, and now the LDP, been a core actor in Angola's peaceful transition, poverty reduction, and decentralization since 1994, and FAS has built a reputation for a reliable and accountable local development agent.** FAS I and FAS II Projects focused on reconstruction and post conflict support in accessible areas, while FAS III evolved into a local development project strengthening the capacity and basic services at the local level. The LDP and the AF build upon the FAS III Project (P081558), which closed on December 31, 2009, and which received cofinancing of €28.7 million from the EU (TF053490). The LDP has evolved to provide enhanced support to livelihoods through local economic development promotion and strengthening of public resources planning and management. The implementation of the LDP resulted in progress in service provision across the country, accompanied by the expansion of rural social infrastructure and increased local capacity provided by FAS. The AF will build on the achievements and lessons learned from the LDP and seeks a more concentrated and poverty targeted intervention focused on improving access to basic services and promoting productive inclusion of poor populations.

22. **The LDP was approved by the Board of Directors on March 18, 2010, but it only became effective on August 30, 2011.** The delay in reaching effectiveness was the result of a constitutional amendment in 2010 that led to a modification of ratification procedures. The project was restructured on April 15, 2015, to extend the closing date of the project to December 31, 2016, to enable completion of planned activities that were affected by the delayed effectiveness date and it was recently extended until December 31, 2017, to bridge the gap until effectiveness of the AF. The parent project includes an IDA credit of US$81.7 million, complemented by US$56.7 million from the Government counterpart funds. In addition to that, the EU approved a parallel grant to implement the LDP in other geographical areas, in the amount of €30 million, which started implementation in 2015 and will close in December 2018.

23. **The LDP Development Objectives are to improve access of poor households to basic services and economic opportunities, and to enhance local institutional capacities among Angola's municipalities.** These objectives are maintained for the AF.

24. **As of March 2017, the LDP has already disbursed 99 percent of project funds and is expected to reach its Development Objectives by the closing date (December 31, 2017).** The LDP has three components and has been rated as Moderately Satisfactory for implementation progress and progress toward achievement of the Project Development Objective (DPO) in the last Implementation Status and Results Report (ISR) (January 2017), but it was rated as Satisfactory in both components in the two previous ISRs. The recent downgrade in the rating was related to the delay in disbursing counterpart funds that affected the pace of implementation of the basic infrastructure component.

25. The LDP has three components:

(a) **Component 1: Local Social and Economic Infrastructure** (IDA US$51.9 million, GoA US$46.6 million). The component aims at increasing access for poor households to improved social and economic infrastructure by financing the rehabilitation and construction of basic local infrastructure and the acquisition of essential goods in response to Local Development Plans through municipal grants. For social infrastructure investments, the LDP emphasizes an 'integrated package of services' which consist of a combination of primary social infrastructures (school, health post, water point) and facilities, such as a teacher's house, water, and energy supply (that is, solar panels) to ensure a sustainable operational unit and its optimal access and utilization within the community. Investments are identified through participatory processes and integrated into Local Development Plans.

(b) **Component 2: Local Economic Development (LED)** (IDA US$7.5 million, GoA US$1.5 million, local producers US$1.2 million). This component aims at improving local business development skills and participation in markets by providing a full, five-stage set of services designed to foster economic activity. The component is implemented in eight municipalities in four provinces (Huila, Huambo, Benguela, and Namibe) offering promising economic opportunities and with a strong provincial support and leadership for LED. The five steps of the LED component are (i) preparation and implementation of municipal economic development strategies; (ii) value chain analysis, identifying opportunities and constraints to improve production and productivity, including estimates of job creation potentials and financing needs; (iii) matching grants geared toward providing limited short-term financial assistance to small producers and business development service providers; (iv) technical assistance and training to the selected producer groups; and (v) partnership building and information sharing on microfinance.

(c) **Component 3: Local Institutional Strengthening** (IDA US$22.3 million, GoA US$10.6 million). This component aims at strengthening the capacities of public entities and civil society in participatory planning, management, and monitoring of basic public service delivery and expenditure management. Activities combine on-the-job technical assistance, training programs,[5] peer-to-peer learning, study tours, and other knowledge building events and are structured around the preparation and execution of the LDP participatory investment cycle.[6] Subcomponent 3.1 (Municipal planning and management) provides capacity development support for *Conselho Municipal de Auscultação e Concertação Social* (Municipal Councils) to prepare, manage, and monitor their participatory investment cycle (which includes the Local Development Plans and *Plano de Investimento Municipal* [Municipal Investment Plan, PIM]). Subcomponent 3.2 (Project management, local development polity implementation, and monitoring) includes FAS operating costs and staff salaries and training, as well as project monitoring activities and technical and capacity strengthening support for Central Government institutions engaged in implementing the decentralization process.

[5] Capacity development themes include strategic planning, municipal profile, budget formulation, investment programming and management, procurement, social accountability, monitoring and evaluation (M&E), negotiation, environmental assessment, and resettlement, among others.
[6] The five stages of the participatory investment cycle are (1) Process Structuring, (2) Municipal Profiles, (3) Envisioning and Local Development Plan, (4) Municipal Investment Project Execution, and (5) M&E and start of new cycle.

26. **As of June 2017, substantial progress had been achieved in the three components:**

(a) **Component 1: Local Social and Economic Infrastructure.** As of March 2017, this component had supported the building of 787 education related infrastructure (schools and classrooms) out of the planned 990, 100 health centers (135 planned), and 12 community water points (12 planned) in 18 provinces and 70 municipalities in the country. The LDP provided additional funds for the supply of equipment for the effective start-up of the financed service facilities, such as desks and chairs for schools and specialized equipment for the health centers. As a result of this, an additional 69,000 children have enrolled in primary school, an additional 9,240 families attend health facilities daily, and an additional 264,000 people have access to improved water sources. An assessment by the World Bank of the infrastructure built under the LDP showed that, on average, they were of good quality and respected market reference prices. Component 1 has been affected by the insufficient provision of counterpart funding, which has resulted in several infrastructures not being completed. The amount needed to complete all pending infrastructures is equivalent to US$13 million.

(b) **Component 2: Local Economic Development (LED).** The LED component has been implemented in four provinces and eight municipalities in which the following activities were carried out: (i) baseline studies on socioeconomic conditions of the municipalities, (ii) value chain analysis for main products, (iii) creation of local economic development sub-units as part of the municipal administration, (iv) development of a Local Economic Development Strategy, (v) support to local productive initiatives through matching grants, and (vi) organization of negotiation rounds to connect beneficiaries with microfinance institutions. The evaluation carried out by FAS of Component 2 shows that, through its activities, this component has successfully improved productivity at the local level and has created permanent and temporary employment through the support to local initiatives. However, Component 2 failed to reach the poorest populations, as these ones were not able to provide cofinancing to the proposed activities. Due to the small size of the initiatives supported through the component, the impact on the dynamism of the local economy has been lower than expected.

(c) **Component 3: Local Institutional Strengthening.** Through this component, FAS has supported municipal administrations and councils to jointly prepare, manage, and monitor Local Development Plans and PIMs. As of March 2017, 67 municipalities had completed their PIMs and these have been endorsed by the provinces as part of the national planning cycle. The investment plans were created based on municipal profiles developed under the project by local development technical units that were built and trained by FAS. This component has contributed highly to the decentralization and deconcentration process in Angola. However, the component has not succeeded in supporting municipalities to execute and monitor their own plans. Therefore, this is something that will be supported through the AF.

27. **The project has faced a number of challenges stemming from the national context,** particularly (a) the late approval of the 2013 budget, (b) an institutional reorganization at the Central Government level, and (c) Angola's current macroeconomic and fiscal crisis. The electoral

process of 2012 severely delayed the approval of the 2013 national budget (eventually approved in March 2013), preventing FAS from using the funds until late April 2013, which affected implementation and disbursement for FY13. The project was restructured to introduce more flexibility to the matching of IDA funds and counterpart resources, which immediately resulted in rapid disbursement toward the end of FY13. Institutional restructuring at the central level of the Government, which put FAS under the Ministry of Territorial Administration (it was previously attached to the *Ministério da Planificação* [Ministry of Planning, MDP]), also caused delays.

28. **In the last two years, Angola's fiscal crisis, has severely affected the availability of counterpart funds.** As of March 2017, only 61 percent of the planned counterpart funds had been disbursed, which has mainly affected Component 1 and the provision of basic social infrastructure as several works could not be finished due to the non-availability of funds to pay construction companies. No additional counterpart funds will be contemplated for the AF.

29. **The proposed LDP AF complies with the conditions for AF, as laid out in OP 10.00, paragraph 26.** The conditions for AF are the following:

(a) **ISR ratings:** According to the latest ISR, all of the LDP performance ratings are rated as Moderately Satisfactory or above since the project became effective in August 2011.

(b) **Progress toward PDOs:** The project has made significant progress toward its Development Objectives, which are reported as being on track and rated as Moderately Satisfactory.

(c) **AF consistency with PDOs and ISR:** All new activities scheduled under the AF fall within the existing project components and conform to the Development Objectives, as previously defined.

(d) **Fiduciary and safeguards:** The project has achieved substantial compliance with credit covenants and there are no unresolved fiduciary, environmental, social, or other safeguards problems. The financial management (FM) ratings of the LDP have been recorded consistently as Satisfactory or Moderately Satisfactory. Ratings for project management and FM have been consistently Satisfactory. The procurement rating for LDP has been Moderately Satisfactory for the last two ISRs, and there has been substantial progress toward the procurement of goods and consulting services. There are no overdue audits or quarterly unaudited interim financial reports (IFRs) for the project. Safeguards are currently rated as Moderately Satisfactory. The original project was classified as a Category B project and triggered three World Bank safeguard policies: Environmental Assessment (OP/BP 4.01), Involuntary Resettlement (OP/BP 4.12), and Indigenous Peoples (OP/BP 4.10). As of July 1, 2016, the LDP team had not observed any social and environmental safeguard issues. The proposed AF would not trigger any new safeguard policies and FAS has already a full-time safeguards specialist providing support in the implementation of the Environmental and Social Management Frameworks (ESMFs).

(e) **Calendar of activities:** The AF will have an implementation period with a closing date for completion of activities on February 28, 2020, and for disbursements on June 30, 2020. Therefore, the proposed AF will extend the closing date of the parent project by 26 months (from December 31, 2017, to February 28, 2020).

(f) **Borrower interest:** The Government's request for AF is driven by the LDP's good performance over the last years. The Government requested an AF to the LDP in a letter sent to the World Bank on November 1, 2016.

(g) **Implementation capacity:** Additional management and implementation costs are included in the budgeting for activity scale-up.

Rationale for Restructuring and Additional Financing

30. **Angola is facing one of the most acute crises in its history, which is causing severe effects to the economy and the country's population.** The crisis was ignited by the massive drop in oil prices and has represented a major shock for an oil-dependent economy like Angola. The massive cut in public expenditures has left Angola with few choices other than to diversify its economy and to reduce its dependence on oil. Therefore, mitigating measures to protect the poorest are necessary.

31. **Given the dire economic and public expenditure situation, there is a strong justification for further support to the LDP through the AF.** The reasons to support the Government with the AF are (a) the need to respond to the individual and household challenges as well as the needs of the chronic poor and vulnerable exacerbated by the current crisis, (b) to increase the number of poor households with access to productive inclusion as part of the GoA economic diversification strategy, (c) full integration of the CDD approach in the Government strategy for inclusive growth and shared prosperity, (d) to ensure the completion of part of the activities from the LDP that are pending due to non-availability of counterpart funding, and (e) the good operational and fiduciary performance of the LDP to date.

32. **The AF will preserve the progress made by the GoA in alleviating poverty and delivering services to the poor and vulnerable while partially compensating for lower oil revenue that has already been translating into lower social expenditures.** Considering the successful implementation of the LDP and other initiatives done under the PMIDCP, Angola is on a positive path to initiate the implementation of social protection programs aiming at protecting the poorest and promoting their productive inclusion. The AF will catalyze existing efforts from MINFAMU, MINARS, MAT, and others in the framework of the poverty reduction strategy, by (a) providing efficient tools for poverty targeting, including poverty maps and household targeting tools; (b) building the capacity of technical units and development agents at the municipal level; and (c) developing delivery systems such as payment systems, beneficiary registries, Monitoring and Evaluation systems for the proper implementation of social safety nets. This combined work will set the base for a new generation of decentralized social protection programs.

33. **The LDP has successfully supported Angola's decentralization process through capacity building to municipalities for better planning of municipal priorities.** The AF will continue supporting the decentralization process by supporting the poorest municipalities in the

country to execute properly and monitor the Municipal Development Plans defined under the LDP. In this context, the *Agentes de Desenvolvimento Comunitário e Sanitário* (Health and Community Development Agents, ADECOS) will play an important role. These community development workers will provide intermediation services to make the link between beneficiaries and social services. The ADECOS, among other tasks, will be in charge of mapping existing social services and referring potential beneficiaries to these when necessary.

34. **Finally, the AF will support the GoA in completing the basic social infrastructure that could not be completed under the LDP due to lack of counterpart funding.** These infrastructures are a combination of education, health, water, and productive facilities that would serve communities in poor and remote areas.

35. **The AF will also complement the efforts of other development partners such as the EU**, that supports implementation of the LDP (following an identical approach) in other geographical areas and the United Nations Children's Fund (UNICEF) that, financed by the EU, is supporting the GoA in the design of social protection programs through the Strengthen and Scale- up Social Assistance to Vulnerable Population of Angola Project (known as APROSOC). The EU and UNICEF have been actively involved in the design of the AF to make sure that activities are complementary and promote multiplier effects.

36. **The inclusion of additional subcomponents requires a revision of the results framework and an extension of the closing date of the original to February 28, 2020, to allow for the implementation of the proposed activities.**

Proposed Additional Financing Activities

37. The PDO of the project will not be changed, nor will the components change in essence.

38. **However, the AF represents a transition in FAS' approach compared to the previous phases of the LDP and FAS' Projects**. This evolution mirrors that of many other social fund agencies around the world, which started with an almost exclusive focus on CDD and, because of their strong performance and closeness to the grassroots, could be used as conduits for the establishment of national safety nets systems comprising multiple programs.

39. **The AF for the LDP will support building the basic blocks of a safety nets system in which FAS is poised to become a central player.** The main elements of the transition will relate to (a) gradually reducing the investment in the provision of capital-intensive infrastructure; (b) introducing, on a pilot basis, progressive interventions including productive safety nets and productive inclusion activities targeting poor households in remote areas; (c) increasing the Government's capacity to target and prioritize the poorest provinces, municipalities, and households; (d) developing the basic delivery systems for an effective safety nets system, including a social registry of beneficiaries, an MIS, a payment system, and so on; (e) setting up coordination and implementation arrangements for actors involved in the delivery of social assistance at the central and decentralized levels; and (f) enhancing civil society capacity to oversee expenditure planning and implementation.

40. **While it is important to complete and scale up activities under the three original components of the LDP, the AF will make it possible to start putting in place and test the building blocks of a safety net system that could then be extended to other provinces.**

41. In this sense, the LDP will keep the three original components and the AF will include three additional subcomponents:

(a) **Component 1: Local Social and Economic Infrastructure (US$22.4 million proposed under this AF).** This component will (i) continue financing works, goods, and consulting services needed to construct and rehabilitate social and economic infrastructure and (ii) complete basic social infrastructure that was initiated under the LDP in selected municipalities and that could not be completed due to lack of counterpart funding. Subprojects will be identified following participatory procedures and prioritized in a Local Development Plan prepared by the municipal authorities and councils as described in the LDP document. Development of social infrastructure will be guided by both vulnerability and actual needs. Component 1 will be implemented in 17 municipalities and the selection of municipalities will follow poverty and vulnerability criteria, which are based on (i) poverty rates at provincial and municipal levels according to recently developed poverty maps; (ii) coverage of basic public service; (iii) commitment from sectors to invest in the maintenance of the infrastructures and in the supply of human resources to run the facilities (teachers, doctors, and nurses, mainly); and (iv) availability of other financial sources (no overlap with EU project). Due to the inflationary pressure and the need to boost the local economy, the AF will assess modalities to reduce the cost of the construction of the basic social infrastructure, including the use of local material and local labor force. Component 1 will use a combination of direct execution through FAS and municipal grants to selected municipalities to execute their own development plans.

New subcomponent: Productive safety nets. A subcomponent on productive safety nets (cash for work) will be added to the project with the objectives of providing additional income to poor and vulnerable households, by combining cash transfers with the creation of basic local productive infrastructure and providing skills and on-the-job training. This subcomponent will be implemented in six municipalities, selected among the poorest in the country. Approximately 7,000 beneficiaries will participate in cash-for-work activities distributed on work sites of approximately 200 participants each. Participants will work 20 days per month for four months each year during the two years of implementation of the project and will be paid Kz 400 per day (approximately, US$2.4) amounting to a total of US$386 over the two-year period. Working days will be of four hours to facilitate participation of women, who need to have time for other tasks. The type of activities to be carried out will be labor intensive: 60 percent of the cost will go to labor costs and 40 percent to materials and technical supervision. Activities will aim at improving the natural and productive environment and will mostly consist of soil and water conservation interventions, and small productive infrastructure. The design and supervision of the works will be carried out by municipal technical services. Payments will be made on a regular basis to beneficiaries according to the number of days effectively worked each month and will be made through reliable and professional payment agencies, to be procured under the project. Selected vulnerable households with no members able to participate in cash-for-work activities will benefit from direct cash transfers. The subcomponent will support the development of a payment system, as well as a targeting system to select beneficiaries, an MIS, and a grievance redress system.

(b) **Component 2: Local Economic Development (US$16.8 million proposed under this AF).** The objective of the LED component is to improve access to economic opportunities and skills for poor and vulnerable households and promote market access by the selected producer groups and individuals. The component will build on the results of Component 2 under the LDP and the additional funds are expected to increase the number of subprojects and beneficiaries financed with matching grants in the first eight municipalities[7] under the LDP and expand coverage by providing matching grants in other selected municipalities in the same four provinces. The AF will use the baseline studies, sectoral studies, communication, and dissemination strategies developed under the LDP. Matching grants will support municipalities, beneficiary associations, cooperatives, and microenterprises and will only finance activities that have the potential to catalyze local economic development. Activities to be financed through matching grants will be screened, assessed, and approved by FAS and the respective technical sector.

New subcomponent: Productive inclusion. In addition to supporting matching grants, the AF will also include a subcomponent aiming at promoting productive inclusion of poor and vulnerable households. These activities would include providing skills and grants to poorer population groups, who could not afford to match grants, to promote self-employment, entrepreneurship, and increase local productivity and enhancing linkages with other existing Government initiatives on youth productive inclusion (for example, the new Commercial Agriculture Initiative, Farmer Field Schools, and so on). The productive inclusion subcomponent would be implemented through three main pillars. The first pillar would be a mandatory training/capacity-building package to make sure that all productive inclusion participants receive training on soft skills, basic FM, financial literacy (including savings), and entrepreneurship, including on how to prepare a simplified business plan. At the end of the training, beneficiaries will develop a simplified business plan for a productive activity based on their capacity and potential returns. The second pillar would be two asset transfers based on performance. Beneficiaries of the productive inclusion subcomponent will receive the first transfer after approval of a simplified business plan defining the type of productive activity they want to invest in and the type of assets or technical assistance that they would use the asset transfer for. The business plan would be evaluated and approved by a municipal commission and by FAS. The second asset transfer would be delivered after completion of agreed milestones defined in the business plan that would be related to the purchase of the planned productive assets or services and to other performance indicators more related to project management, such as a proper financial bookkeeping, and so on. The third pillar of the subcomponent would be related to technical assistance and extension services. FAS will ensure that all productive inclusion beneficiaries have

[7] Benguela, Baía Farta, Caála, Huambo, Chibia, Lubango, Namibe and Tômbwa.

proper access to extension services or technical assistance for at least two years. This will be ensured through provision of direct technical assistance by FAS staff and through coordination with technical sectors (agriculture, commerce, and so on) at the municipal level. In contrast with the original LDP, Component 2 of the AF will make use of poverty-based targeting criteria and tools to select and prioritize poor and vulnerable households.

(c) **Component 3: Local Institutional Strengthening (US$30.8 million proposed under this AF).** The AF will scale up capacity-building activities for participatory planning, management, and monitoring of basic public service delivery and expenditure management in 34 selected municipalities. Specifically, the AF will support completion and scale-up of Subcomponent 3.1 (Municipal planning and management), as described in the LDP document. Complementing the efforts under the LDP, the AF will focus on building the capacity of municipalities to implement their own PIMs. This component will include capacity building to municipalities in public procurement, public management of infrastructures, social and environmental management, and M&E of public expenditure among other activities. The AF will also support Subcomponent 3.2 (Project management, local development policy implementation and monitoring) to measure results and ensure adequate implementation of the project at the central, provincial, and local levels. This will include completion of the impact evaluation of the LDP by carrying out follow-up surveys to the rigorous baseline survey implemented under the LDP. The AF will add activities on social communication to enhance accountability by developing grievance and redress mechanisms to get feedback from local populations on the implementation of the different activities. The grievance and redress mechanism will be integrated in the municipal MIS developed under the LDP. Component 3 will invest in FAS' capacity to lead the decentralization processes and all training activities to be performed at the municipal level will be implemented in partnership with the *Instituto de Formação das Administrações Locais* (Institute of Local Administration Training, IFAL).

New subcomponent: Support to Health and Community Development Agents (ADECOS). Another innovation of Component 3 of the AF will be the integration of ADECOS in its implementation to make the link between beneficiaries and social services. ADECOS are Health and Community Development Agents who will perform intermediation services to make the link between beneficiaries and social services. To do that, ADECOS will be in charge of mapping existing social services and referring potential beneficiaries to these when necessary. ADECOS are selected within the participating municipalities and need to be residents from the municipality where they will work. The support to ADECOS will be done in 15 selected municipalities and this, combined with capacity building to municipal technical units, will allow for a more effective implementation of decentralized programs, including the *Cartão Kikuia* Program and other programs from the Government's Poverty Reduction Strategy. This subcomponent would finance the training and equipment (phones, computers, bicycles, and so on) for ADECOS and supervisors, the development of protocols and tools to register vulnerable households in the social registry of beneficiaries, and operational costs for intermediation services.

42. **The AF will be implemented in 34 different municipalities in 18 provinces of the country.**

Table 1. Geographical targeting of the AF

Component	Municipalities Covered by the AF
1. Local Social and Economic Infrastructure	18
Labor-intensive public works	6
2. Local Economic Development	9
Productive inclusion	9
3. Local Institutional Strengthening	34
ADECOS	15
Total	**34**

Implementation Arrangements

43. **The LDP will be implemented under the existing institutional and implementation arrangements.** FAS, under MAT, will continue to be the overall coordinating and implementing agency of the program with the support of provincial directorates. Selection of infrastructure to be built and rehabilitated will continue to be community driven and based on already defined Municipal Development Plans. To support the scale-up of the project, FAS will further strengthen the existing institutional arrangements at various levels, including procurement and FM through recruitment of additional staff. As the program expands, it is also important to maintain the strong emphasis on effective coordination with other sectors, local-level government, and with development partners. In this sense, coordination with other social ministries, such as the Ministry of Education, Ministry of Health, and IFAL will be crucial for basic local service planning and delivery. FAS will promote the creation of municipal and provincial technical units with representation of relevant sectors for the implementation of the AF.

44. **FAS has demonstrated its abilities to be a fairly strong agency to implement the LDP in Angola.** FAS is in a unique position to take responsibility of the program given its attachment to MAT, its presence throughout the country, and its capacity to coordinate with other agencies. Over the last years, FAS has created and staffed several administrative units, including human resources, procurement, FM, and safeguards, and productivity has increased as a result of additional equipment, training, and staff. Nevertheless, there is still significant scope for further improvement in terms of strengthening capacity at the provincial and municipal levels.

45. **For the activities representing the transition from a pure CDD approach to a safety nets approach and, due to the synergies with other initiatives in the frame of the PMIDCP, FAS will coordinate closely with MINFAMU, MINARS, and MAT.** Even though MINARS and MINFAMU are coordinating other safety nets interventions in Angola (that is, *Cartão Kikuia*), persistent challenges with implementation of these programs have limited their effectiveness and, FAS, like other social funds in the region, is well placed to be used as a conduit for the implementation of a national safety nets program.

46. **The specific coordination and implementation mechanisms to be used for the new subcomponents are currently under development with technical assistance support from the**

World Bank (P156589). In preliminary discussions between FAS, MINFAMU, and MINARS, it was agreed that FAS should play a prominent role in the implementation of safety nets programs at the local level, while MINFAMU and MINARS should be more engaged at the strategic level.

47. **FAS' readiness to implement the new activities under the AF has been enhanced over the last year.** During the preparation of the AF and, using funds from the LDP and the Technical Assistance Project, FAS has already made progress with some of the operational tools that will be used for the AF, namely the operational manuals for the productive safety nets and productive inclusion subcomponents, the project's MIS, and the registry of beneficiaries. Other operational instruments including targeting systems, M&E systems, or payment systems will be developed with the AF. To develop these tools, FAS benefitted from the knowledge obtained through study tours to similar programs in Madagascar, Mozambique, Peru, Brazil, and Chile.

48. **Angola will go through an electoral process in 2017, which could lead to changes to the mandates of institutions that currently play a key role in the social assistance.** Hence as a mitigation measure for potential changes in the institutional settings after the elections, the scope of new activities under the AF will be limited to pilots just reaching a few thousands of beneficiaries in selected municipalities.

49. **In an attempt to maximize the impact of the activities of the AF, the geographic scope of the LDP will be reduced, concentrating activities in fewer municipalities**, but ensuring that most of the municipalities implement activities from the three different components in an integrated manner. The AF will seek geographical complementarity with the activities implemented under the EU-financed project, as well as with the new Health Project under preparation.

50. **Municipalities will play a more prominent role in the implementation of Components 1 and 2 through the receipt of municipal grants and matching grants to implement activities defined in the Municipal Development Plans.**

51. **The project will use the recently created ADECOS to perform some of the project activities including the targeting of poor and vulnerable households, case management, and data collection for M&E purposes.** ADECOS may also help spur access to the improved primary health care services in the context of the new health project, helping coordinate and create synergies between this AF and the health project. Overall, they could play a supply-demand integratory role at the local level while also helping targeting the poorest.

52. **For the productive safety nets and productive inclusion subcomponents, FAS will work with local nongovernmental organizations (NGOs) to set up and deliver the activities.** Payments under the productive safety nets subcomponent will be outsourced to a specialized payment agent.

53. **Based on the experience of the LDP, training and capacity-building activities under Component 3 and the productive inclusion subcomponent will be performed in partnership with IFAL**, which is the national institute in charge of providing and certifying training in Angola, and in coordination with the *Instituto Nacional de Formação Profissional* (National Institute for

Professional Training) and the *Instituto Nacional de Pequenas e Medianas Empresas* (National Institute for Small and Medium Enterprises).

54. **To ensure the sustainability of assets and infrastructures created through Component 1 of the project, FAS will follow a detailed process of validation of proposed investments** that will have the following steps: (a) identification of infrastructures in the poorest municipalities to be built by FAS by the municipal technical units based on the information provided by the municipal profiles; (b) validation of the annual Municipal Investment Plans by the Municipal Councils; (c) submission of the PIMs to provincial governments for compilation, validation, and submission to the National Directorate of Public Investments at the MDP; (d) consultation with sectors (health, education, and so on) and after concurrence from these, insertion of the proposed activities in the Public Investment Plan; and (e) approval of the Public Investment Plan by the Council of Ministers. This validation process aims at ensuring the sector's commitment to plan and budget adequately for maintenance and staffing of the services provided by the project.

55. **The implementation of the project by FAS will also be guided by MAT's recently approved National Strategic Plan for Territorial Administration (PLANEAT).** The plan aims at building an efficient local administration through better management of public resources that will lead to poverty reduction and sustainable development. To achieve that, the plan intends to reform local institutions through the provision of adequate human, technical, and institutional resources, promote deconcentration and decentralization, and guarantee basic living conditions and livelihoods to all vulnerable groups.

56. **Citizen engagement will be promoted from the design to the implementation and monitoring of the activities under the AF.** First, the project will support the creation of Consultation Councils at the municipal level to participate in the planning and implementation of PIMs. The Consultation Councils will have civil society representatives participating in their activities. Second, the project will develop a Grievance Redress Mechanism (GRM) so that beneficiaries and non-beneficiaries of the project can provide feedback on the quality of the different investments and social services. The GRM will also act as a participatory monitoring tool, to obtain real-time information on project activities.

Financial Management

57. **FAS will handle FM of the project.** FAS has been working to ensure compliance with FM requirements in World Bank-funded operations and is taking appropriate actions to address the FM shortcomings identified during the missions and in the latest audit report, such as strengthening FAS FM capacity by hiring an experienced and qualified financial manager. There are no significant changes expected in the project's FM and disbursement arrangements.

58. **For the cash transfers for the productive safety nets subcomponent, FAS will contract a Payment Agency.** FAS will oversee as well as monitor and evaluate the activities of the Payment Agency in all selected municipalities to ensure that payments are made in accordance with the terms, conditions, and procedures contained in the Project Operational Manual. The payment agent will be contracted through a transparent competitive bidding process and needs to ensure that payments are done on time and in a transparent and accountable manner, allowing for funds reconciliation.

59. **The AF will make use of reimbursement, advances, direct payment, and special commitments disbursement methods for the World Bank proceeds.** To facilitate the implementation of the project activities, FAS will maintain the same segregated Designated Account for the deposit of World Bank funds in U.S. dollars. FAS will prepare IFRs covering all project funds and expenditures and provide such reports to the World Bank within 45 days of the end of each calendar quarter. The project financial statements will be audited annually by independent auditors and the audit report will be submitted to the World Bank no later than six months after the end of each financial year.

Procurement

60. **The procurement capacity of FAS to implement the project needs some improvement.** One procurement officer and one procurement assistant at the central level and procurement assistants at the provincial level comprise the FAS procurement unit. This capacity is inadequate for implementation of the project considering the decentralized approach of the project. To mitigate this risk, an additional qualified procurement specialist at the central level and some additional procurement assistants at the provincial level will be required.

61. **The team received clearance on April 20, 2017 from the Chief Procurement Officer for the use of the Procurement and Consultants Guidelines in lieu of the Bank's New Procurement Framework**. This is to ensure continuity within the Project. The Government requested the application of the Bank's Procurement and Consultant Guidelines (both published by the Bank in January 2011 (revised July 2014), replacing the ones referred to in the Financing Agreement of the original project, published by the Bank in May 2004 and revised in October 2006).

Safeguards

62. **The proposed AF would not trigger any new safeguard policies.** The parent project was classified as Category B with respect to environmental and social consideration and triggered three safeguards policies: Environmental Assessment (OP/BP 4.01), Involuntary Resettlement (OP/BP 4.12), and Indigenous Peoples (OP/BP 4.10), due to the potential for negative impacts related to social infrastructure construction and/or rehabilitation. Potential negative environmental impacts could include (a) the management of waste at the rehabilitation/construction sites, soil erosion, loss of vegetation, and rehabilitation of borrow pits, as well as dust and noise during the works; (b) issues around the water supply and sanitation in the schools and health centers; (c) high demand for wood for construction, for example, furniture, windows; and (d) high demand for firewood for cooking. The ESMF addresses OP/BP 4.01 and OP 4.09, and the Resettlement Policy Framework (RPF) addresses OP/BP 4.12 basic requirements.

63. **The current RPF and ESMF (both dated January 28, 2009, updated and published on May 25, 2017) and the Indigenous Peoples Policy Framework (IPPF), (dated April 13, 2009, updated and published on May 25, 2017) will be used for the proposed AF and updated as needed.** If new public works and sites are identified, Environmental and Social Management Plans and/or Resettlement Action Plans and Indigenous Peoples Planning Framework will be prepared as and when necessary during implementation.

III. Proposed Changes

Summary of Proposed Changes	
The proposed AF will support the scale-up and completion of activities under the three components of the LDP and will add three new subcomponents on productive safety nets, productive inclusion, and support to Health and ADECOS. The PDO will remain the same. The Results Framework has been updated to reflect the additional beneficiaries and new indicators have been added at intermediate levels to reflect the objectives of the AF. Finally, project costs, closing date, disbursement estimates, and FM arrangements have been adjusted accordingly.	
Change in Implementing Agency	Yes [ ] No [X]
Change in Project's Development Objectives	Yes [ ] No [X]
Change in Results Framework	Yes [X] No [ ]
Change in Safeguard Policies Triggered	Yes [ ] No [X]
Change of EA category	Yes [ ] No [X]
Other Changes to Safeguards	Yes [ ] No [X]
Change in Legal Covenants	Yes [ ] No [X]
Change in Loan Closing Date(s)	Yes [X] No [ ]
Cancellations Proposed	Yes [ ] No [X]
Change in Disbursement Arrangements	Yes [ ] No [X]
Reallocation between Disbursement Categories	Yes [ ] No [X]
Change in Disbursement Estimates	Yes [X] No [ ]
Change to Components and Cost	Yes [X] No [ ]
Change in Institutional Arrangements	Yes [ ] No [X]
Change in Financial Management	Yes [ ] No [X]
Change in Procurement	Yes [ ] No [X]
Change in Implementation Schedule	Yes [X] No [ ]
Other Change(s)	Yes [ ] No [X]

Development Objective/Results

Project's Development Objectives

Original PDO

The LDP Development Objectives are to improve access of poor households to basic services and economic opportunities, and to enhance local institutional capacities among Angola's municipalities.

Change in Results Framework

Explanation:

The additional beneficiaries and new activities supported by the AF are reflected in the Results Framework. A set of intermediate result indicators have been added to monitor the progress of the main activities proposed under the AF. See annex 1 for details.

Compliance

Covenants - Additional Financing (AO-Local development Project - AF - P160105)

Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
				☐		

Conditions

Source of Fund	Name	Type
IBRD	Retroactive financing	Disbursement

Description of Condition

Notwithstanding the provisions of Part A of Section IV of the Legal Agreement, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed US$14,000,000 may be made for payments made prior to this date but on or after May 30, 2017, for Eligible Expenditures under Category (1) and (3).

Source of Fund	Name	Type
IBRD	Payment Agent and Operational Manual	Disbursement

Description of Condition

Notwithstanding the provisions of Part A of Section IV of the Legal Agreement no withdrawal shall be made under Category (2) until (i) the Payment Agents referred to under Section F.2 of the Project Agreement have been hired in a manner satisfactory to the Bank; and (ii) the Productive Safety Net and Direct Cash Transfer Manual has been adopted in manner satisfactory to the Bank.

Source of Fund	Name	Type
IBRD	Productive Inclusion Manual	Disbursement

Description of Condition

Notwithstanding the provisions of Part A of Section IV of the Legal Agreement no withdrawal shall be made under Category (4) until the Productive Inclusion Manual referred to in Section I.B of the Project Agreement has been adopted in a manner satisfactory to the Bank.

Source of Fund	Name	Type
IBRD	Subsidiary Agreement ratified	Effectiveness

Description of Condition

The Subsidiary Agreement has been duly authorized or ratified by the Borrower and the Project Implementing Entity and is legally binding upon the Borrower and the Project Implementing Entity in accordance with its terms.

Source of Fund	Name	Type
IBRD	Subsidiary Agreement executed	Effectiveness

Description of Condition

The Additional Condition of Effectiveness consists of the following, namely that the Subsidiary Agreement has been executed on behalf of the Borrower and the Project Implementing Entity

Risk	
Risk Category	**Rating (H, S, M, L)**
1. Political and Governance	Substantial
2. Macroeconomic	High
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Moderate
8. Stakeholders	Moderate
9. Other	—
OVERALL	Substantial

Finance

Loan Closing Date - Additional Financing (AO-Local development Project - AF - P160105)

Source of Funds	Proposed Additional Financing Loan Closing Date
IBRD Guarantee	28-Feb-2020

Loan Closing Date(s) - Parent (AO-Local Development Project - P105101)

Explanation:

The inclusion of additional subcomponents will require a revision of the closing date to February 28, 2020, to allow for the implementation of the proposed activities.

Ln/Cr/TF	Status	Original Closing Date	Current Closing Date	Proposed Closing Date	Previous Closing Date(s)
IDA-46890	Effective	31-Jul-2015	31-Dec-2017	28-Feb-2020	31-Dec-2016, 30-Jun-2017, 31-Dec-2017

Change in Disbursement Estimates **(including all sources of Financing)**

Explanation:

Due to the extension of the Project and the AF in an amount of US$70 million, the disbursement estimates will change to reflect the extension of the Project

Expected Disbursements (in US$, millions) (including all Sources of Financing)

Fiscal Year	2017	2018	2019	2020
Annual	25.00	25.00	20.00	0.00
Cumulative	25.00	50.00	70.00	70.00

Allocations - Additional Financing (AO-Local development Project - AF - P160105)				
Source of Fund	**Currency**	**Category of Expenditure**	**Allocation**	**Disbursement %(Type Total)**
			Proposed	**Proposed**
IBRD	US$		70.00	100.00
		Total:	70.00	

Components

Change to Components and Cost

Explanation:

The AF—like the original LDP—will include three components and will add three additional subcomponents. The new subcomponents aim at (a) continuing supporting full integration of the CDD approach (including deconcentration and decentralization) into the Government strategy for inclusive growth and shared prosperity, (b) increasing the number of poor households with access to productive inclusion as part of the GoA economic diversification strategy, and (c) responding to individual and household challenges as well as the needs of the chronic poor and vulnerable exacerbated by the current crisis.

Component 1 - The main changes to this component relate to the introduction of municipal grants to selected municipalities to execute their own development plans in combination with other basic social infrastructures that will be built through FAS. Due to the inflationary pressure and the need to boost the local economy, the AF will introduce modalities to reduce the cost of the construction of the basic social infrastructure including the use of local material and local labor force.

Another important change to Component 1 will be the introduction of a new subcomponent on Productive Safety Nets. This subcomponent will be added to the project with the objective of providing additional income to poor and vulnerable households, by combining cash transfers with the creation basic local productive infrastructure, and providing skills and on-the-job training. This subcomponent will be implemented in six municipalities, selected among the poorest in the country and approximately 7,000 beneficiaries will participate in cash-for-work activities. The type of activities to be carried out will be labor-intensive and will aim at improving the natural and productive environment, and will mostly consist of soil and water conservation interventions and small productive infrastructure. The design and supervision of the works will be carried out by municipal technical services.

Component 2 - The main changes to this component relate to the scope of the initiatives to be funded through matching grants. Matching grants will support municipalities, beneficiary associations, cooperatives, and microenterprises and will only finance activities that have potential to catalyze local economic development. Activities to be financed through matching grants will be screened, assessed, and approved by FAS and the respective technical sector and, unlike the LDP, matching grants will not benefit individual households.

Another important change to Component 2 will be the introduction of a new subcomponent on productive inclusion aiming at promoting productive diversification of poor and vulnerable households. These activities would include providing skills and grants to poorer population groups, who could not afford to matching grants to promote self-employment, entrepreneurship, and increase local productivity and referring beneficiaries to other productive initiatives.

Unlike the LDP, Component 2 in the AF will make use of poverty-based targeting criteria and tools to select and prioritize poor and vulnerable households.

Component 3 - The main changes to this component relate to a more important emphasis in supporting municipalities to actually execute their own PIMs and the addition of activities on social communication to enhance accountability by developing grievance and redress mechanisms to get feedback from local populations on the implementation of the different activities.

Another important change will be the introduction of a new subcomponent—Support to Health and Community Development Agents (ADECOS). ADECOS are health and community development agents that will perform intermediation services to make the link between beneficiaries and social services. To do that, the ADECOS will be in charge of mapping existing social services and referring potential beneficiaries to these when necessary. This subcomponent would finance the training and equipment (phones, computers, bicycles, and so on) for ADECOS and supervisors, development of protocols and tools to register vulnerable households in the social registry of beneficiaries, and operational costs for intermediation services.

Current Component Name	**Proposed Component Name**	**Current Cost (US$, millions)**	**Proposed Cost (US$, millions)**	**Action**
Local Social and Economic Infrastructure	Local Social and Economic Infrastructure	98.50	120.90	Revised
Local Economic Development	Local Economic Development	10.20	27.00	Revised
Local Institutional Strengthening	Local Institutional Strengthening	32.90	63.70	Revised
	Total:	141.60	211.60	

Other Change(s)

Change in Implementation Schedule

Explanation:

The closing date of the project will be extended to February 28, 2020, to allow for the timely implementation of all new activities.

IV. Appraisal Summary

Economic and Financial Analysis

Explanation:

Determining an economic rate of return (ERR) for demand-driven projects such as the LDP presents key methodological challenges, as subprojects and resource allocations are not known ex ante. The breadth of projects chosen by communities (Component 1) and the long-term character of local economic development planning (Component 3) challenge the calculation of economic returns. However, by drawing on available project data and on comparable international experiences, a sound case can be made for the project’s economic and social benefits. Social and economic infrastructure provision can be assessed on (a) construction and maintenance costs and (b) impact on communities (ERR). Local economic development can be assessed through increased investments and economic activity and success of supported businesses.

Component 1, Local Social and Economic Infrastructure, will employ planning and management methods developed under FAS III and the LDP, with the addition of productive safety nets activities that will be designed and implemented in a participatory manner with local communities and technical services. For Component 2, Local Economic Development, ex ante appraisal of proposed matching grants and of productive inclusion activities will be based on business plans with demonstrated financial viability of productive investments. The contribution of these investments to employment and income growth will be monitored as indicators of the social and economic benefits of LED initiatives. Component 3, Local Institutional Strengthening, also builds directly on activities, methods, and systems employed under FAS III and the LDP, with the addition of activities to promote increased access to social services through intermediation services of ADECOS and increased accountability through grievance and redress mechanisms.

Component 1 - Local Social and Economic Infrastructure

The infrastructures selected by communities (education, health, water, and other productive infrastructure) tend to offer high rates of return. Studies show the cost-effectiveness of CDD infrastructures as compared to equivalent works built through other Government service delivery mechanisms. The Philippines, Indonesia, and Nepal, for example, report 13 percent to 39 percent lower costs depending on the type of investments. For social funds in Bolivia, Honduras, and Nicaragua, unit costs were found to be lower by 25–40 percent. In Africa, it is estimated the ERR for investments in education in Lesotho and found that primary education yielded 10.7 percent[8], secondary 18.6 percent, and tertiary 10.2 percent. Similarly, in Malawi, the rates of return were found to be 28 percent for primary school education, 15 percent for secondary schools, 50 percent for boreholes and water points, and 26 percent for rural road rehabilitation.

FAS has proven to be an efficient and cost-effective way to provide social and economic infrastructure. The FAS project data indicate that the unit cost of infrastructure built under the project is on average much lower than for similar infrastructure provided by other Government agencies and organizations. For example, the unit cost for school construction is half that of the Ministry of Public Works, and health facilities are 20 percent cheaper. Unit costs for providing potable water vary significantly given the different technologies and types of water points. In addition, the FAS investments make use of higher quality building materials and better construction methods and contract out all of its construction work. Operating costs have also dropped significantly as the project has gained experience and scale. An assessment of the infrastructures built under the LDP showed that, on average, infrastructures were built with good quality and respecting market reference prices.

Through the promotion of participatory decision making at the local level, the project also fosters transparency and the efficient allocation of scarce resources in response to local priorities and beneficiary surveys undertaken for the project indicate high beneficiary satisfaction.

On the social impact of the infrastructure built under the LDP, an additional 69,000 children have enrolled in primary school, an additional 9,240 families attend health facilities daily, and an additional 264,000 people have access to improved water sources.

Sustainability of investments is a core requirement of the FAS methodology, which includes analysis of subproject economic impact and sustainability at the planning stage. FAS uses technical criteria,

[8] Psacharopoulos. 1994.

standard designs, and simple economic criteria to determine subproject economic viability. This includes application of a list of unit costs by type of investment and also takes into consideration recurrent costs (staffing and materials) and the financial sustainability of investments. Provincial and municipal authorities are required to assume staffing and recurrent cost commitments in writing. These sustainability measures are checked by desk and field appraisals carried out by the FAS technical staff as part of the analysis of proposed investments. FAS' administrative and overhead costs have substantially decreased since the beginning of the LDP as a result of economies of scale and improved management and planning. Infrastructure financed by FAS has led to better service delivery and has proven sustainable, with project monitoring indicating the overwhelming majority of investments to still be fully operational in the years following construction.

Productive Safety Nets

Simulations were carried out to estimate the potential impact of the Productive Safety Nets Subcomponent under the assumption that this subcomponent will be implemented in six municipalities, selected among the poorest in the country. Around 7,000 beneficiaries will participate in cash-for-work activities and participants will work 20 days per month for four months each year during the two years of implementation of the project and will be paid Kz 400 per day (approximately US$2.4), amounting to a total of US$386 over the two-year period. Table 2 shows the incidence of poverty headcount rate across the selected municipalities with no intervention and after the intervention, as well as the share of beneficiaries moving out of poverty as a direct result of the cash transfer.

Table 2. Municipality-level Poverty Rates - Before and After Intervention

	Poverty Rate before Intervention (%)	Poverty Rate after Intervention (%)	Share of Recipients Moving Out of Poverty (%)
Chongoroi	69.1	69.1	0
Luacano	52.7	28.6	92
Muconda	50.1	37.4	74
Quela	44.7	21.4	95
Quilengues	74.9	74.9	0
Ukuma	55.1	47.5	73
Total	**62.4**	**55.7**	**56**

It is worth noting that all six municipalities have poverty rates that are higher than the national average (defined as the 40th percentile). Quilengues and Chongoroi have the highest headcount rates in the sample, which also indicates that all of the (perfectly targeted) beneficiaries in these two municipalities will remain below the 40th percentile poverty threshold. In other words, the fact that poverty headcount rates remain unchanged in a municipality is a strong argument for targeting even more beneficiaries. At the other end of the spectrum lie Quela and Luacano, where 95 percent and 92 percent of the beneficiaries, respectively, move out of poverty due to the benefit, and in between are Muconda and Ukuma, where 74 percent and 73 percent, respectively, would move out of poverty.

Component 2 - Local Economic Development

For Component 2, assessments of service access gaps, productive opportunities, and local ownership are undertaken to provide targeted support to competent and credible local producers. Component 2 activities are undertaken in conjunction with local infrastructure investments (under Component 1) for a holistic approach to local economic development.

The appraisal methodology for matching grants was developed and piloted under the LDP. All the productive and commercial activities to be promoted through matching grants financed by the LDP are assessed following established methodologies for financial viability and sustainability.

The LDP disbursed US$1.35 million to support 150 Business Improvement Projects (BIPs), benefiting about 400 direct beneficiaries (40 percent women and 60 percent men) and about 500 employees. In addition, it contributed to generate more than 600 temporary jobs during the implementation of the BIPs. Moreover, direct beneficiaries invested about US$200,000 in improving their businesses and generated savings of about US$50,000. Based on the results of a sample of beneficiaries from the first rounds, they increased sales by US$2.7 for each dollar invested in their BIPs.

The evaluation of Component 2 shows that, through its activities, this component has successfully improved productivity at the local level and has created permanent and temporary employment through support to local initiatives.

As for the new productive inclusion subcomponent, similar experiences in Brazil or Peru, combining technical assistance, skills transfer, asset transfer, and extension services, have shown very positive results such as increased income of beneficiary households, increased access to productive assets, a higher participation of women in productive activities, and an important diversification in the productive activities of beneficiary households.

Component 3 - Local Institutional Strengthening

At the local level, FAS has contributed to strengthen capacity and prepare the groundwork for decentralization and has been provided training to local government officials for municipal capacity building since 2004. FAS has also actively promoted civic participation in the local government through training and institutionalization of civic participation through the creation of the *Conselho de Auscultação e Concertação Social* (Commune Consultative Councils) and municipal technical units. Internal assessments have shown that municipalities receiving support from FAS are better prepared to discharge their newly assigned roles in planning, budgeting, and procurement, as well as in monitoring of service provision. With the recent approval of the National Plan for ADECOS, it is expected that access to municipal services will be improved through the intermediation of ADECOS between beneficiaries and services. This activity would also improve the quality of the data on social indicators and budget expenditure that would allow for better accountability and impact evaluation.

Technical Analysis

Explanation:

The AF aims at contributing to the implementation of GoA’s long-term development strategy and vision by institutionalizing decentralized, participatory development processes that improve public service access and contribute to local economic development. Through the AF, the LDP will evolve and shift in focus by gradually reducing the investment in the provision of capital-intensive infrastructure and focus more on progressive, labor-intensive interventions, including productive safety nets and productive inclusion activities targeting poor households in remote areas. These activities will be complemented by capacity building of municipal administrations for better planning and management of public resources for the provision of basic social services and will set the path for the implementation of social protection programs at the decentralized level. In addition, the AF will further strengthen the Government’s capacity to target and prioritize the poorest provinces, municipalities, and households and enhance civil society capacity to effectively oversee expenditure planning and monitoring.

The AF complements existing World Bank-financed projects in health, education, potable water, and agriculture sectors in Angola by (a) improving the capacity of selected municipalities to plan and manage public investments in a participatory manner, (b) providing basic public goods, (c) improving delivery systems, and (d) preparing an information base on the real demand of social services at the local level. Specifically, the LDP will complement the Municipal Health Service Strengthening Project (P111840) and the new health project by improving the capacity of the selected municipalities in both operations to plan and deliver services in a participatory manner and ensuring an integrated package of services at the local level. For the education sector, it will complement the Learning for All Project (P122700) by building primary schools particularly in remote areas. It will also complement the Water Sector Institutional Development Project (P096360) through rehabilitation and/or construction of water infrastructure mostly in rural areas. The LDP will also interface with the new Market Oriented Smallholder Agriculture Project (P093699) by offering it the planned Municipal Economic Development Strategies and value chain studies.

Due to the synergies with other initiatives in the frame of the PMIDCP, FAS will closely coordinate with MINFAMU, MINARS, and MAT for the development of delivery systems for social protection programs such as targeting systems, M&E systems, or payment systems. In this sense, the AF and more specifically, the productive safety nets and productive inclusion subcomponents have benefitted from the inputs created through the technical assistance project, Support to a Systemic Approach to Social Protection and Poverty Reduction (P156589).

The AF will try to improve some implementation features of the parent project. For Component 1, the parent project has been affected by the inadequate provision of counterpart funding, which has resulted in several infrastructures not being completed. The amount needed to complete all pending infrastructures is equivalent to US$13 million. The AF will give priority to completing these pending infrastructures. In addition, the AF will assess the possibility of using local materials and local labor force to reduce the costs of the social infrastructures. The AF will also introduce the recommendations from the two technical assessments carried out under the LDP, which provided very specific technical recommendations on how to improve the plans of the schools, and health centers built under the project.

Component 2 under the parent project failed to reach the poorest populations as the poorest households were not able to provide cofinance to the proposed activities. In addition to that, due to the small size of the initiatives supported through the component, the impact on the dynamism of the local economy has been lower than expected. To correct that, the AF will introduce a targeting methodology for the subcomponents of productive safety nets and productive inclusion that will combine geographical targeting, community-based targeting, and a Proxy Means Test (PMT) and will ensure that poor and vulnerable households benefit from the activities. To boost the local economy, matching grants will not support individual households and will only support activities with a potential for activating the local economy.

Component 3 under the parent project did not succeed in supporting municipalities to execute and monitor their own plans. Therefore, this is something that will be supported through the AF by (a) providing specific capacity building to municipalities on public procurement, FM of public expenditures, safeguards, and so on and (b) providing municipal grants to municipalities to directly implement some of the investments identified in their municipal plans.

Social Analysis

Explanation:

Social issues and social development outcomes are central to the LDP Development Objective and activities. Improving the quality and access to local services through all AF investments is expected to generate significant positive social impacts in a number of communities across Angola. The AF expected social development outcomes are (a) improved access to services across the territory, (b) strengthened human and institutional capacities at the local level, (c) increased citizens voice in decision making and public expenditure management, (d) enhanced assets of poor households, and (e) improved enabling environment for service delivery. The AF will continue to apply participatory methodologies for better service delivery by strengthening voice through Municipal Councils and other civic platforms as well as improving the interface among Government officials, users, and services providers.

Given the nature of the LDP investments, minor adverse socioeconomic impacts, including the need to permanently or temporarily acquire land and productive resources, and/or impact on assets may be encountered. The LDP impacts and/or compensation as a result of such investments may occur in a few exceptional cases; however, the degree of impact is not expected to be significant. In the case of productive safety nets activities, any use of public or private land will be reviewed in light of the World Bank's land use guidelines and existing municipal requirements.

With the LDP expansion to remote or undeserved municipalities, indigenous peoples, such as the San, a minority indigenous group with a population of 870 families scattered in the provinces of Huila, Cunene, Namibe, and Kuando Kubango, may receive more attention due to their greater deficit in basic services and economic opportunities. Special arrangements have been developed and integrated into the LDP Operational Manual and IPPF for FAS to engage with and assist such indigenous populations through culturally appropriate methods and experienced organizations. It is presumed that all LDP-financed activities targeted to indigenous populations would have positive benefits by addressing priority needs as identified by the community members as part of the LDP-supported local planning process. The AF will be implemented in at least four municipalities where San populations can be found. FAS will explore the feasibility of contracting an NGO with experience working with indigenous people to plan and implement activities benefiting this target group.

Beyond safeguards, the project, through Components 1, 2, and 3, aims at mainstreaming gender dimensions to ensure that fair and transparent mechanisms are put in place to select and compensate the beneficiary districts, poor households, and individuals (common targeting system, single registry of beneficiaries, systematic payment system, communication campaign to ensure effective outreach, and so on).

The project will build from the experience in other countries to ensure that the design of the productive safety nets and productive inclusion activities promote the participation of women. Experiences like the one in Mozambique, where over 80 percent of beneficiaries in cash-for-work schemes are women, will be assessed and adapted to Angola. Some of the design features that will be added to the cash-for-work schemes to promote women participation include limiting the working hours per day or identifying activities that do not require a lot of physical effort.

For both subcomponents, productive safety nets and productive inclusion, a categorical targeting element will be combined with geographical targeting and PMT to make sure that target groups like female-headed households are integrated into the program.

Component 1, through the construction of health centers and water points, will also have a positive impact on gender dimensions by (a) increasing prenatal and postnatal visits from women to health centers and (b) reducing the time spent daily by women fetching water.

Environmental Analysis

Explanation:

Elements of Angola's environmental and social regulatory framework relevant to the LDP are Environmental Framework Law 5/98, Environmental Impact Assessment Decree 1/04, Land Law 9/04, Resettlement of Displaced Persons Decree 1/01, Resettlement of Displaced Persons Decree 79/02, and

Decree on Environmental Licenses 59/07. Although the regulatory framework is suitable, institutional capacity and law enforcement remain inadequate, leaving Angola's natural resources base vulnerable to mismanagement and degradation. The LDP has adopted several measures to ensure that any potentially adverse environmental impacts caused by its investments are appropriately mitigated in line with national regulations and World Bank policies.

Potential environmental impacts are expected to be minor and early concerns will be addressed in the design of the facilities in question. Specifically, the construction and maintenance of social infrastructure may cause minor adverse environmental impacts in targeted communities.

Productive safety nets activities are likely to generate positive environmental impact as most of the subprojects are expected to be related to natural resource management (terracing, reforestation, and so on).

The LED investments are likely to generate improvements in overall mitigation of environment risk sources rather than generate adverse impacts. Potential adverse environmental impacts will be avoided through the use of a standard negative list of activities that cannot be financed with the matching grants or productive inclusion activities. The LDP was classified as a Category B project consistent with the provisions of OP/BP 4.01. Based on the nature, scale, and scope of the LDP's activities and specific investments, three World Bank safeguard policies are triggered: Environmental Assessment (OP/BP 4.01), Involuntary Resettlement (OP/BP 4.12), and Indigenous Peoples (OP/BP 4.10).

To ensure that LDP implementation is carried out in an environmentally and socially sustainable manner, the borrower has updated three of its safeguard tools, namely an ESMF, an RPF, and an IPPF. The three frameworks detail procedures to be followed during the planning, design, and construction phase of the LDP investments as well as measures to mitigate and monitor any adverse environmental or social impacts generated by these activities. The ESMF provides environmental guidelines and a screening mechanism for contractors and FAS staff and establishes mechanisms to determine potential environmental and social impacts of the LDP activities as well as provides a list of appropriate mitigation measures to be adopted during implementation to eliminate or reduce all adverse impacts to acceptable levels. The RPF delineates the principles and procedures to be followed in the event of land acquisition, impact on assets, and/or loss of livelihoods. The IPPF outlines the principles and procedures to be followed to ensure that indigenous populations (for example, the San) will have an opportunity to participate in the LDP, if requested. A specific budget for the implementation of these three frameworks has been allocated.

Implementation of safeguards for the LDP have been rated as Moderately Satisfactory. As of March 2017, the LDP team had not observed any social or environmental safeguard issues and adequate safeguards tools were developed for the three different components.

FAS will oversee implementation and monitoring of the three frameworks. In light of the supplementary activities to be undertaken, additional specialists maybe hired and training provided to undertake the reviews necessary to disburse AF funds.

Risk

Explanation:

The Operational Risk Assessment Framework of the parent project has been updated using the new Systematic Operations Risk-Rating Tool. The overall risk rating for the operation is Substantial. In line with the risks identified in the parent project, some of these risks could hinder the expansion phase planned under the AF.

The AF will finance activities in which FAS has accumulated extensive experience and developed adequate institutional capacity, as demonstrated by previous operations.
The following risks have been identified as the most likely to threaten the program scale-up.

The Macroeconomic risk is considered as High because Angola is facing one of the most acute crises in its history, which is causing severe effects to the economy. Real GDP growth decelerated from 4.8 percent in 2014 to 0 percent in 2016. The deceleration is driven by the reduction in oil prices relative to earlier periods affecting a sector accounting for 40 percent of GDP, 97 percent of exports, and 75 percent of revenue in 2013. Headline inflation has stabilized at a high level. Despite relatively strong fiscal measures taken by the Government, budget balances have deteriorated and public debt has increased rapidly. The Political and Governance risk rating is considered as Substantial because Angola will go through an electoral process and, for the first time in many years, a new leadership team will be appointed, which could potentially bring a shift in some of the country's priorities. The risk rating for Institutional Capacity for Implementation is considered Substantial because the uncertainty over the institutional landscape going forward represents an important risk for institutional and implementation issues as, after the elections, changes to the mandates of institutions participating in the project might happen. To mitigate against this risk, the new activities for the AF will be introduced on a small scale so that they can fairly easily be adapted to a potential change in the institutional landscape. In addition to this, the difficulties experienced in making sure that the social infrastructures built under the project have a proper staffing strategy and that funds for maintenance costs for the social infrastructures are allocated by the Government also represent an important risk for implementation. Moreover, FAS expansion is targeting remote and underserved areas where institutional capacity at municipal level is weak, which may constitute a new risk. To mitigate this risk, the project will allocate resources to strengthen FAS' presence and capacity at the provincial level and enhance institutional and implementation capacity in the new municipalities. The AF will take advantage of the newly approved policy on ADECOS to strengthen FAS' and Government's presence at the local level and to enhance the targeting of poor communities and households participating in the project.

The addition of three subcomponents on labor-intensive public works (under Component 1), productive inclusion (under Component 2), and on ADECOS (under Component 3) make the technical design of the project a bit more complex. To overcome this risk, study tours, South-South learning, and technical assistance will be facilitated during the design and implementation of the subcomponents.

Safeguards, currently rated as Moderately Satisfactory, will be reinforced. In light of the supplementary activities to be undertaken, additional specialists may be hired and training provided to undertake the reviews necessary to disburse project funds.

As of March 2017, FAS had already spent 99.7 percent of the funds under the project. A late approval and effectiveness of the project would put at risk FAS' operational capacity as FAS would not be able to keep part of its structure until the project becomes effective. The electoral process in August 2017 may also delay the effectiveness of the AF if no Government representatives are authorized to ratify the AF until a new Government is appointed.

Procurement, currently rated as Moderately Satisfactory, may delay implementation of the project if additional resources are not provided. Several weaknesses in the area of procurement were detected and have been discussed with the Government, and a comprehensive work plan to address them was agreed to and is under implementation. The project will recruit at least one additional procurement specialist for the Project Implementation Unit.

V. World Bank Grievance Redress

64. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Annex 1: Results Framework

Project Name:	AO-Local Development Project - AF (P160105)	Project Stage:	Additional Financing	Status:	DRAFT
Team Leader(s):	Eric Zapatero Larrio	Requesting Unit:	AFCC1	Created by:	Eric Zapatero Larrio on 17-Aug-2016
Product Line:	IBRD/IDA	Responsible Unit:	GSP07	Modified by:	Eric Zapatero Larrio on 17 May-2017
Country:	Angola	Approval FY:	2018		
Region:	AFRICA	Lending Instrument:	Investment Project Financing		
Parent Project ID:	P105101	Parent Project Name:	AO-Local Development Project (P105101)		

Project Development Objectives

Original Project Development Objective - Parent:

The LDP Development Objectives are (a) to improve access of poor households to basic services and economic opportunities, and (b) to enhance local institutional capacities among Angola's municipalities.

Proposed Project Development Objective - Additional Financing (AF):

The AF Development Objectives are (a) to improve access of poor households to basic services and economic opportunities, and (b) to enhance local institutional capacities among Angola's municipalities.

Results

Core sector indicators are considered: Yes	Results reporting level: Project Level

Project Development Objective Indicators

Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Number of daily beneficiaries attended by new or refurbished health centers and post	☐	Number	Value	0.00	9,240.00	11,550.00
			Date	01-Jun-2010	25-Apr-2016	28-Feb-2020

			Comment			The end target does not change as the AF will only complete the social infrastructure that could not be finished under the LDP. Revised end target deadline.
Additional people with access to improved water source	☐	Number	Value	0.00	264,000.00	264,000.00
			Date	01-Jun-2010	25-Apr-2016	31-Dec-2016
			Comment			The end target does not change as the AF will only complete the social infrastructure that could not be finished under the LDP.
Number of Children enrolled in primary education in new or refurbished schools	☐	Number	Value	0.00	68,919.00	79,400.00
			Date	01-Jun-2010	25-Apr-2016	28-Feb-2020
			Comment			The end target does not change as the AF will only complete the social infrastructure that could not be finished under the LDP.

						Revised end target deadline.
Percentage of people satisfied with quality of social and economic services financed by the LDP	☐	Percentage	Value	0.00	0.00	60.00
			Date	22-Feb-2010	25-Apr-2016	28-Feb-2020
			Comment			The end target does not change as the AF will only complete the social infrastructure that could not be finished under the LDP. Revised end target deadline.
Percentage participating municipalities have civil society members integrated in the technical units and create a forum to debate the development plans with the civil society	☐	Percentage	Value	0.00	60.00	80.00
			Date	22-Feb-2010	25-Apr-2016	28-Feb-2020
			Comment			Revised end target deadline
Percentage participating municipalities integrate their Municipal Investment Plans into provincial annual plans	☐	Percentage	Value	0.00	100.00	80.00
			Date	22-Feb-2010	25-Dec-2016	28-Feb-2020
			Comment			The terminology for ‘Local Development Plans’ has been changed to ‘Municipal Investment Plans’, which is the actual name for the municipal plans.

						Revised end target deadline.
Percentage of the participating producer groups/business providers in municipalities supported by Component 2 have improved their business management capacity	☐	Percentage	Value	0.00	100.00	80.00
			Date	22-Feb-2010	25-Dec-2016	28-Feb-2020
			Comment			Revised end target deadline
Intermediate Results Indicators						
Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Number of ADECOS trained under the Additional Financing	☐	Number	Value	0.00	0.00	330.00
			Date	12-Apr-2017	12-Apr-2017	28-Feb-2020
			Comment			
Number of productive safety nets subprojects implemented under the Additional Financing	☐	Number	Value	0.00	0.00	75.00
			Date	12-Apr-2017	12-Apr-2017	28-Feb-2020
			Comment			
Number of beneficiaries of productive inclusion activities	☐	Number	Value	0.00	0.00	5,000.00
			Date	12-Apr-2017	12-Apr-2017	28-Feb-2020
			Comment			
Percentage of female beneficiaries of productive inclusion activities	☐	Number Sub Type Breakdown	Value	0.00	0.00	50.00
			Date	12-Apr-2017	12-Apr-2017	28-Feb-2020
			Comment			
Percentage of beneficiaries of productive inclusion activities with satisfactory completion of the activity milestones	☐	Percentage	Value	0.00	0.00	60.00
			Date	05-Apr-2017	12-Apr-2017	28-Feb-2020
			Comment			
Percentage of timely payments to productive safety nets beneficiaries	☐	Percentage	Value	0.00	0.00	70.00
			Date	12-Apr-2017	12-Apr-2017	28-Feb-2020
			Comment			

Number of beneficiaries of productive safety nets	☐	Number	Value	0.00	0.00	7000.00
			Date	12-Apr-2017	12-Apr-2017	28-Feb-2020
			Comment			
Percentage of female beneficiaries of productive safety nets	☐	Number	Value	0.00	0.00	50.00
		Sub Type	Date	12-Apr-2017	12-Apr-2017	28-Feb-2020
		Breakdown	Comment			
Percentage of service facilities which effectively apply LDP promoted accountability mechanisms for service delivery improvement	☐	Percentage	Value	0.00	0.00	70.00
			Date	22-Feb-2010	25-Apr-2016	28-Feb-2020
			Comment			Revised end target deadline
Percentage of municipalities creating Consultation Councils to assess, plan and implement municipal investment plans	☐	Percentage	Value	15.00	97.00	70.00
			Date	22-Feb-2010	25-Apr-2016	28-Feb-2020
			Comment			The indicator has been rephrased to reflect the participation of Consultation Councils along the whole project cycle.
Percentage of grievances registered in the GRM that are addressed in a timely manner	☐	Percentage	Value	0.00	0.00	60.00
			Date	25-Apr-2017	25-Apr-2017	28-Feb-2020
			Comment			Citizen Engagement Indicator
Percentage of participating municipalities implementing Municipal Investment Plans	☐	Percentage	Value	15.00	33.00	70.00
			Date	22-Feb-2010	25-Apr-2016	28-Feb-2020

			Comment			The terminology 'Local Development Plans' has been replaced by 'Municipal Investment Plans', which is the official terminology.
Percentage of active members of producer groups trained in business improvement skills are utilizing these skills one year after receiving matching grant	☐	Percentage	Value	0.00	100.00	50.00
			Date	22-Feb-2010	25-Apr-2016	28-Feb-2020
			Comment			Revised end target deadline
Percentage of active members of producer groups receiving advisory business support services are satisfied	☐	Percentage	Value	0.00	100.00	50.00
			Date	22-Feb-2010	25-Apr-2016	28-Feb-2020
			Comment			FAS will change the approach and advisory services will not only be provided by service providers but also by extension services and FAS and IFAL staff.
Percentage of producer groups receiving LDP matching grants achieve their objectives	☐	Percentage	Value	0.00	71.70	70.00
			Date	22-Feb-2010	25-Apr-2016	28-Feb-2020

			Comment			Revised end target deadline
Percentage of value chain studies prepared cover the main developed sectors and those sectors with high growth potential in Angola	☐	Percentage	Value	0.00	100.00	80.00
			Date	22-Feb-2010	25-Apr-2016	31-Dec-2017
			Comment			
Percentage of participating municipalities with Municipal Economic Development Strategies	☐	Percentage	Value	0.00	100.00	80.00
			Date	22-Feb-2010	25-Apr-2016	31-Dec-2017
			Comment			
Participating municipalities budgeting for and implementing local infrastructure maintenance plans	☐	Number	Value	9.00	70.00	50.00
			Date	22-Feb-2010	25-Apr-2016	28-Feb-2020
			Comment			Revised end target deadline
Percentage of LDP funded infrastructure fully functional 12 months after completion	☐	Percentage	Value	0.00	100.00	80.00
			Date	22-Feb-2010	25-Apr-2016	28-Feb-2020
			Comment			Revised end target deadline
Improved community water points constructed or rehabilitated under the project	☒	Number	Value	0.00	12.00	12.00
			Date	22-Feb-2010	25-Apr-2016	31-Dec-2017
			Comment			The end target has been revised from 14 to 12 as due to the implementation of the Water for All Project, FAS was advised not to continue constructing water points.

Health facilities constructed, renovated, and/or equipped (number)	☒	Number	Value	0.00	74.00	135.00
			Date	22-Feb-2010	25-Apr-2016	31-Dec-2017
			Comment			
Number of additional classrooms built or rehabilitated at the primary level resulting from project interventions.	☒	Number	Value	0.00	787.00	990.00
			Date	22-Feb-2010	25-Apr-2016	28-Feb-2020
			Comment			Revised end target deadline
Direct project beneficiaries	☒	Number	Value	0.00	3,322,318.00	4,112,400.00
			Date	22-Feb-2010	25-Apr-2016	28-Feb-2020
			Comment			Revised end target deadline
Female beneficiaries	☒	Percentage	Value	0.00	21.00	50.00
		Sub Type				
		Supplemental				

Annex 2: Detailed Description of New Project Activities

Subcomponent 1.2. Productive safety nets

1. **The specific objective of this subcomponent is to support beneficiary households in the recipient's rural and urban areas, through the provision of timely and predictable supplemental income in return for their participation in cash-for-work activities.**

2. **Beneficiary households will participate in the program for two years when they would be able to stabilize their income and can access other economic opportunities or participate at the productive inclusion subcomponent.**

3. **This subcomponent will be implemented in six municipalities, selected among the poorest in the country.** Approximately 7,000 vulnerable beneficiaries will participate in cash-for-work activities distributed on work sites of approximately 200 participants each. Participants will work 20 days per month for four months each year during the two years of implementation of the project and will be paid Kz 400 per day (approximately US$2.4), amounting to a total of US$386 over the two-year period. Working days will be of four hours to facilitate participation of women, who need to have time for other tasks.

4. **The type of activities to be carried out will be labor intensive: 60 percent of the cost will go to labor costs and 40 percent to materials and technical supervision.** The cost structure of the cash-for-work activities should guarantee that a wide range of high-quality public works activities is implemented while enabling the largest possible number of poor households to participate in the program. Therefore, the project focuses on providing cash transfers to the participants in the form of wages in exchange for their participation in the works during certain periods of the year.

5. **It is expected that productive safety nets activities will contribute to the overall objective of increasing food security, reducing poverty, and supporting livelihood diversification and natural resource management.** Subprojects will be mostly in the areas of soil and water conservation and management, such as the replanting of indigenous species without the use of pesticides, rehabilitation of degraded areas, and maintenance of existing rural roads (there will be no new rights-of-way or the opening of new trails or roads). In urban areas, the activities are likely to be oriented to community services such as the maintenance of roads, parks, beaches, or public buildings; cleaning and maintaining of public areas; and draining of sewage systems.

6. **The cash-for-work activities to be financed by the program will follow the general parameters and characteristics described in the following paragraphs.**

7. **Seasonality.** The cash-for-work activities under this subcomponent will be implemented during the months when vulnerable households are less busy with productive activities and food insecurity is higher because of the depletion of household food reserves and of rising food prices in local markets. The exact four months of implementation every year will be determined in a participative process with the municipalities where the activities will be implemented.

8. **Targeting.** The households that will participate in the productive safety nets will be selected using the targeting system developed by the project. The three targeting steps are (a) geographical targeting in which the poorest municipalities and *comunas* will be selected using existing poverty maps, (b) community-based targeting in which within each selected *comuna*, the local community council will compile a list of beneficiary households in a transparent and open manner and based on a set of poverty and vulnerability criteria, and (c) the verification of the eligibility of this list of households using a PMT to detect any errors of inclusion (any non-poor households that have been included on the list).

9. **Number of working days and level of benefits.** The program will offer 20 days of paid work per month for four months to the selected households. Each month, participants will be paid Kz 8,000 (equivalent to US$48). This rate is less than the existing market wage rate for unskilled workers. This rate will allow households to purchase an optimal percentage of their food requirements during the lean season. It should also ensure that households do not have an incentive to pursue their regular economic activities or search for new opportunities, but instead it will provide them with a safety net to stabilize their consumption and to enable them to avoid resorting to negative coping strategies such as selling off their assets in periods of need.

10. **Guaranteed and predictable benefits.** A household will be eligible for the program if it has been targeted by the common targeting system, has been registered in the single beneficiary register with all the required information about the household, and has been identified as having members who are 'able to work'. Municipal authorities and FAS will be responsible for guaranteeing that the targeted households are offered the number of working days to which they are entitled.

11. **FAS, with support from ADECOS, would register beneficiary households in each district.** Beneficiary households would be enrolled in the program by ADECOS based at the municipal level. FAS and municipal authorities would also provide beneficiaries with information on the program and accompany them throughout the implementation of the program. They will be present on payment day and help with complaints and updates in family situations (for example, if a beneficiary household leaves the area or does not collect its benefits for more than two consecutive months and so on).

12. **Cash payments would be made through a payment agency hired by FAS.** A number of potential payment agencies (banks, mobile phones companies, and so on) will be identified and invited to bid. The payment agency is expected to be identified and its contract ready by the time the AF becomes effective (tentatively August 2017), so that beneficiaries can start receiving their benefits as soon as possible after enrollment.

13. **Basis of payment.** Participants in the cash-for-work activities will be paid according to their attendance (duly recorded on attendance sheets filled in and signed by the beneficiaries), combined with their effective performance of the tasks assigned to them as verified by the municipal technical service in charge of supervising the subproject. Attendance records for each beneficiary will be compiled by a service provider (probably an NGO) hired by FAS at the end of each month and entered in the MIS as the basis for the production of the payroll.

14. **Participation of beneficiaries and social accountability will be key aspects of program implementation.** Activities will be implemented with intensive participation and constant consultation of and feedback by beneficiary households. It is, for example, foreseen that a grievance redress system will be put in place as well as a regular monitoring of the operation including follow up of special cases (case management).

15. **Types of public works.** It is expected that cash-for work-activities will contribute to the overall objective of increasing food security and supporting livelihood diversification and natural resource management. Soil and water conservation and management, rehabilitation of degraded areas, and maintenance of rural roads would be potential activities. A manual describing a range of cash-for-work activities that might be implemented in Angola has been developed during the preparation of the AF and will be updated over time. The manual will also provide a standard design and norms for the selection, design, and supervision of the subprojects.

16. **Participatory planning methodology and process.** Involving target communities in participatory planning of subprojects will be the responsibility of FAS and municipal authorities. They will be responsible for coming up with locality-level, multiyear plans for enough asset-building cash-for-work subprojects to absorb two years of person-days per *comuna*.

Subcomponent 2.2: Productive inclusion

17. **The productive inclusion subcomponent would provide skills and grants to poorer population groups to promote self-employment, entrepreneurship, and increase local productivity, enhancing links with other existing Government initiatives on youth productive inclusion (for example, the new Commercial Agriculture Initiative, Farmer Field Schools, and so on).**

18. **The productive inclusion subcomponent would be implemented through four main pillars.**

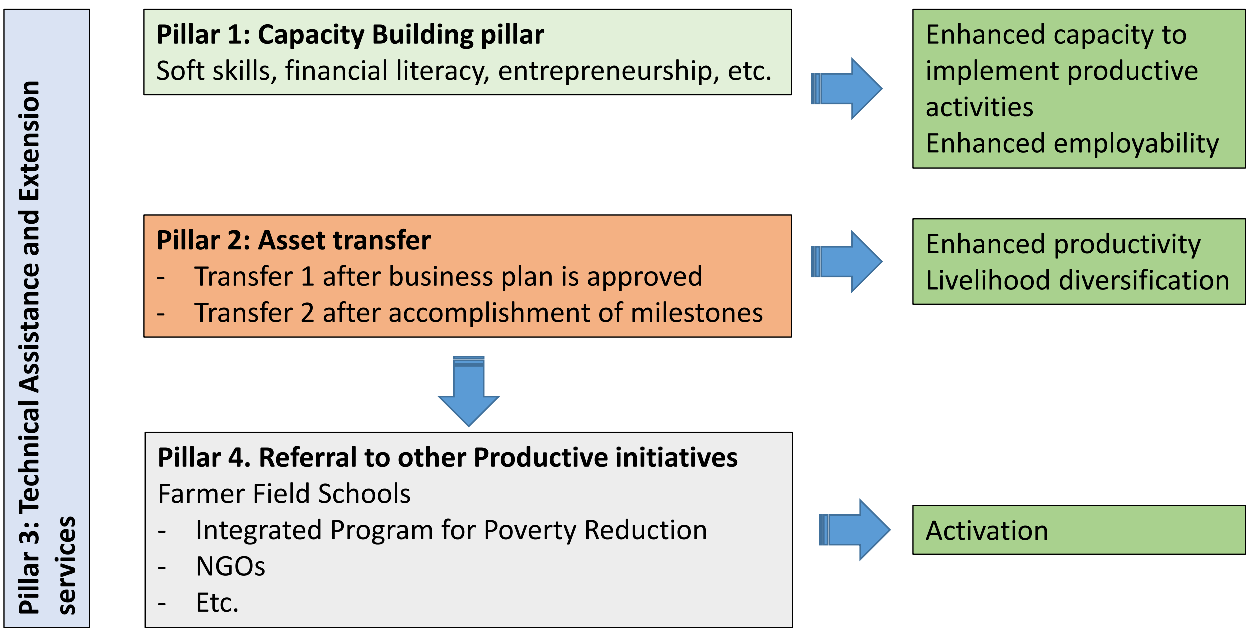
- **Pillar 1. Capacity building.** The first pillar would be a mandatory training/capacity building package to make sure that all productive inclusion participants receive training on soft skills, basic FM, financial literacy (including savings), and entrepreneurship, including how to prepare a simplified business plan. At the end of the training, beneficiaries will develop a simplified business plan for a productive activity based on their capacity and potential returns.

- **Pillar 2. Asset transfer.** The second pillar would be an asset transfer based on performance. Beneficiaries of the productive inclusion component will receive two asset transfers. The first one would be delivered after approval of a simplified business plan defining the type of productive activity they want to invest in and the type of assets or technical assistance that they would use the asset transfer for. The second asset transfer would be delivered after completion of agreed milestones defined in the business plan that would be related to the purchase of the planned productive assets or services and to other performance indicators more related to project management, such as a proper financial bookkeeping, and so on. To be able to participate in the asset transfer pillar, all beneficiaries need to successfully participate first in the capacity-building pillar.

- **Pillar 3. Technical assistance and extension services.** FAS will ensure that all productive inclusion beneficiaries have proper access to extension services or technical assistance for at least two years. This will be ensured through provision or direct technical assistance by FAS staff and through coordination with technical sectors (agriculture, commerce, and so on) at the municipal level.

- **Pillar 4. Referral to other productive initiatives**. At the end of the intervention, FAS, through ADECOS, will refer productive inclusion beneficiaries to other potential Government initiatives that could promote beneficiaries' path to graduation. Some of these initiatives could include Farmer Field Schools or projects under the PMIDCP.

Figure 2.1. Productive Inclusion Framework



19. **Targeting.** The households that will participate in the productive inclusion subcomponent will follow the same targeting methodology as for the productive safety nets: (a) geographical targeting through poverty maps, (b) community-based targeting, and (c) verification of the eligibility of this list of households using a PMT to detect any errors of inclusion.

20. **Implementation arrangements for productive inclusion.** The productive inclusion subcomponent will have different players in charge of different tasks, who will need to work in a coordinated manner:

(a) **FAS** will design and coordinate the productive inclusion subcomponent. In doing that, FAS will need to provide strategic and operational guidance to the different players. FAS will be in charge of developing the targeting and M&E instruments for the subcomponent and will be in charge of ensuring that the different players implement their activities as planned. This will include outsourcing of some of the activities to NGOs or other service providers.

(b) **IFAL** will be in charge of the capacity-building pillar by developing the different modules (soft skills, financial literacy, entrepreneurship, and so on) and setting up adequate arrangements for the delivery of trainings.

(c) **ADECOS** will support FAS operationally in the implementation of the subcomponent by supporting data collection for different processes, including targeting and M&E. ADECOS will also be in charge of mapping other existing productive activities and referring productive inclusion beneficiaries to these activities.

(d) **Municipal technical departments** will be in charge of providing extension services to productive inclusion beneficiaries. In rural areas, it is expected that most of the beneficiaries will be engaged in farming activities and therefore, rural development extension services are expected to be very important to provide assistance to implement more productive techniques and minimize losses.

(e) **NGOs** might be subcontracted to implement part of the activities of the productive inclusion subcomponent, including providing asset transfers, supporting M&E, or delivering training.

Subcomponent 3.2: Support to Health and Community Development Agents (ADECOS)

21. **This subcomponent aims at introducing intermediation services to make the link between beneficiaries and social services.** ADECOS will be in charge of mapping existing social services and referring potential beneficiaries to these when necessary.

22. **The support to ADECOS will be done in 15 selected municipalities.** This subcomponent would more specifically finance training and equipment (phones, computers, bicycles, and so on) for ADECOS and their supervisors and the development of protocols and tools to register vulnerable households in the social registry of beneficiaries and operational costs for intermediation services, including mapping of services, where necessary.

23. **Profile of ADECOS.** ADECOS are selected within the participating municipalities and need to have the following profile:

- They need to be residents from the municipality where they will work.
- They should have completed primary schooling.
- They should be 18 years old or older.
- They should have good communication skills.

24. **The main responsibilities of the ADECOS are the following**:

- Map existing municipal services at the municipal level.

- Identify local needs at the municipal and household levels for their area of intervention.

- Carry out intermediation services between municipal services and inhabitants.

- Support M&E efforts for municipal and national programs.

25. **ADECOS are trained and report to a supervisor, who will also reside in the municipality.**

26. **Institutional arrangements for the ADECOS Program.** MAT, at the central level, and FAS, at the municipal level, will coordinate the work done by ADECOS. IFAL will be in charge of the training to ADECOS and supervisors, and ADECOS and supervisors will be in charge of coordinating the efforts of different sectors at the municipal level.

Annex 3: Revised Estimate of Project Costs

Budget: Additional Financing to Local Development Project			
Components	**LDP (US$)**	**AF (US$)**	**TOTAL (US$)**
Component 1	**45,000,000**	**22,400,000**	**67,400,000**
Subcomponent - Basic Social Infrastructure	45,000,000	13,798,400	58,798,400
Subcomponent - Productive Safety Nets	0	8,601,600	8,601,600
Component 2	**4,000,000**	**16,800,000**	**20,800,000**
Subcomponent - Matching Grants	4,000,000	6,451,200	10,451,200
Subcomponent - Productive Inclusion	0	10,348,800	10,348,800
Component 3	**16,500,000**	**16,800,000**	**33,300,000**
Subcomponent - Institutional Strengthening	16,500,000	10,651,200	27,151,200
Subcomponent - ADECOS	0	6,148,800	6,148,800
Component (4)	**16,200,000**	**14,000,000**	**30,200,000**
Staff and Operational Costs	16,200,000	14,000,000	30,200,000
Total	**81,700,000**	**70,000,000**	**151,700,000**

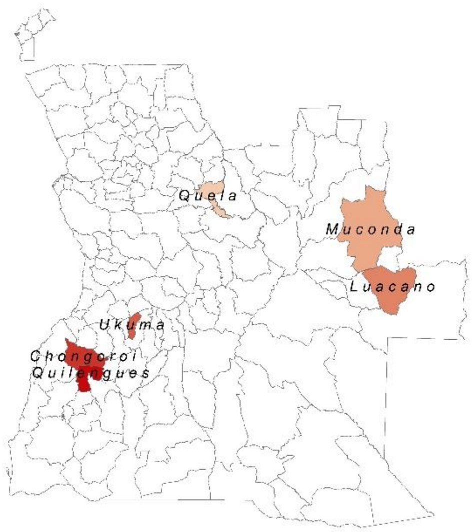
Budget: Additional Financing to Local Development Project			
Components	**Funding gaps previous activities (US$)**	**Scale up of previous activities (US$)**	**New activities (US$)**
Component 1	**10,798,000**	**3,000,400**	**8,601,600**
Subcomponent - Basic Social Infrastructure	10,798,000	3,000,400	0
Subcomponent - Productive Safety Nets	0	0	8,601,600
Component 2	**0**	**6,451,200**	**10,348,800**
Subcomponent - Matching Grants	0	6,451,200	0
Subcomponent - Productive Inclusion	0	0	10,348,800
Component 3	**0**	**10,651,200**	**6,148,800**
Subcomponent - Institutional Strengthening	0	10,651,200	0
Subcomponent - ADECOS	0	0	6,148,800
Component (4)	**0**	**10,000,000**	**4,000,000**
Staff and Operational Costs	0	10,000,000	4,000,000
Total	**10,798,000**	**30,102,800**	**29,099,200**

Annex 4: Financial and Economic Analysis for the Productive Safety Nets Component

Distribution of Benefits

1. This annex describes the expected poverty impacts of a cash transfer benefit of Kz 8,000 per month (US$48) to a total of 7,000 beneficiaries distributed equally across six municipalities in Angola. In the calculations, perfect targeting is assumed, that is, that the benefit goes to the poorest 1,166 families in each municipality.

Figure 4.1. Distribution of Beneficiaries



Chongoroi: 1,166

Luacano: 1,166

Muconda: 1,166

Quela: 1,166

Quilengues: 1,166

Ukuma: 1,166

Source: Author's elaboration

Methodology

2. **Since no recent household survey with reliable consumption estimates exists in Angola, the simulations rely on a combination of the 2008 household survey (*Inquerito de Bem Estar da Populacao em Angola* [National Household Survey, IBEP] 2008) and the 2014 population census.**

3. **In the 2008 IBEP, it would be difficult to obtain reliable poverty rates at the municipality level because only between 24 and 155 observations are included in the relevant municipalities.** However, using a 10 percent random sample of the 2014 census data, sample sizes of between 446 and 1,677 households are obtained. For this analysis, the dataset is expanded by a factor 10 to resemble the population of households in each municipality. Since consumption data are not included in the census, simulations rely on an estimated monthly per capita consumption (in 2008 kwanzas), based on variables included in a standard PMT model.[9]

[9] See Fisker. 2017. *Proxy Means Testing in Angola*.

4. **A benefit of Kz 8,000 in 2017 is roughly equivalent to Kz 2,500 in 2008 terms (a 3.2 times increase).** This has been calculated using the consumer price index made public by *Instituto Nacional de Estatistica* (National Institute of Statistics), Angola, and also resembles the change in exchange rates toward the U.S. dollar. Therefore, the benefit of Kz 8,000 per month is deflated to Kz 2,500 per month to estimate the impact on poverty.

5. **Due to the lack of recent consumption estimates (and thus poverty analyses), a poverty threshold equivalent to the 40th percentile of the nationwide distribution of estimated monthly per capita consumption is used.**

Results

6. **Table 4.1 shows the incidence of poverty headcount rate across the selected municipalities with no intervention and after the intervention, as well as the share of beneficiaries moving out of poverty as a direct result of the cash transfer.**

Table 4.1. Municipality-level Poverty Rates - Before and After Intervention

	Poverty Rate Before Intervention (%)	Poverty Rate After Intervention (%)	Share of Recipients Moving out of Poverty (%)
Chongoroi	69.1	69.1	0
Luacano	52.7	28.6	92
Muconda	50.1	37.4	74
Quela	44.7	21.4	95
Quilengues	74.9	74.9	0
Ukuma	55.1	47.5	73
Total	62.4	55.7	56

7. **It is worth noting that all six municipalities have poverty rates that are higher than the national average (defined as the 40th percentile).** Quilengues and Chongoroi have the highest headcount rates in the sample, which also indicates that all of the (perfectly targeted) beneficiaries in these two municipalities will remain below the 40th percentile poverty threshold. In other words, the fact that poverty headcount rates remain unchanged in a municipality is a strong argument for targeting even more beneficiaries. At the other end of the spectrum lie Quela and Luacano, where 95 percent and 92 percent of beneficiaries, respectively, move out of poverty due to the benefit.