



REPORT NO.: RES31028

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RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
THE AO-LOCAL DEVELOPMENT PROJECT  
APPROVED ON MARCH 18, 2010  
TO  
THE REPUBLIC OF ANGOLA

SOCIAL PROTECTION & LABOR  
AFRICA

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**I. BASIC DATA**

**Product Information**

Project ID P105101	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 18-Mar-2010	Current Closing Date 28-Feb-2020

**Organizations**

Borrower The Republic of Angola	Responsible Agency Social Action Fund
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**Project Development Objective (PDO)**

Original PDO

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.

**Summary Status of Financing**

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IBRD-87730	25-Jul-2017			28-Feb-2020	70.00	0	70.00
IDA-46890	18-Mar-2010	16-Mar-2011	12-Aug-2011	31-Dec-2017	81.70	78.78	.13

**Policy Waiver(s)**

Does this restructuring trigger the need for any policy waiver(s)?

No

**II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES**



The Local Development Project (LDP) was approved by the Board of Directors on March 18, 2010, but it only became effective on August 12, 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 three times: the first time in April, 2015 to extend the closing date of the Project from July 31, 2015 to December 31, 2016 to enable completion of planned activities that were affected by the delayed effectiveness date. The second time in December 2016 to extend the closing date of the Project to June 30, 2017. And the third one in March 2017 to extend the closing date to December 31, 2017. The Project includes an IDA credit of US\$81.7 million, complemented by US\$56.7 million from Government counterpart funds. An Additional Financing in the amount of US\$70 million was processed and approved by the Board on July 25, 2017, but has not yet been signed.

As of December 2017, the LDP Project has already disbursed 99 percent of Project funds and is expected to reach its development objectives by the new closing date. The LDP Project has been rated as Moderately Satisfactory in Implementation Progress and Progress towards achievement of the PDO in the last ISR, but it was rated as Satisfactory against both in the two previous ISRs.

The project has 3 components where considerable achievements have been reached:

a. Component 1: Local Social and Economic Infrastructure. As of December 2017, this component has built 787 education related infrastructure out of 990 initially planned, 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 supply of equipment for effective startup 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 78,000 children have enrolled in primary school, an additional 11,000 families attend health facilities daily and an additional 264,000 people have access to improved water sources. An assessment of the infrastructures built under the LDP showed that, on average, infrastructures were built with good quality and respecting market reference prices. Component 1 has been affected by the weak provision of counterpart funding, which has resulted in 91 infrastructures not being completed.

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 socio-economic 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 of Component 2 shows that this component has successfully improved productivity at the local level and has created permanent and temporary employment through support to local initiatives. However, Component 2 failed to reach the poorest populations, as these ones were not able to provide co-financing to the proposed activities. Due to the small size of the initiatives supported through the component, the impact on the dynamization of the local economy has been lower than expected.

c. Component 3: Local Institutional Strengthening. Through this component Angola's Social Action Fund (FAS) has supported municipal administrations and councils to jointly prepare, manage and monitor Local Development Plans and Municipal Investment Plans (PIM). As of December 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 significantly to the decentralization and deconcentration process in Angola. However, the Component has not succeeded in supporting municipalities to execute and monitor their own plans.



## Financial Management, Procurement, and Social and Environmental Safeguards

The FM and Project Management ratings of LDP have been recorded consistently as Satisfactory for the last three years. The Procurement rating for LDP has been Moderately Satisfactory for the last two ratings and there has been substantial progress in processing procurement of goods and consulting services. There are no overdue audits for the Project. Safeguards are currently rated as Moderately Satisfactory. The Project is classified as a Category B project and triggered three Bank safeguard policies: Environmental Assessment (OP/BP 4.01), Involuntary Resettlement (OP/BP 4.12) and Indigenous Peoples (OP/BP 4.10). As of December 2017, the LDP team remains weak on supervision of the activities, but had not observed any social and environmental safeguard issues.

## Additional Financing

An Additional Financing to the Local Development Project in the amount of US\$70 million was processed and approved by the Board on July 25, 2017.

The AF will further strengthen the local development agenda by continuing (i) to provision basic social services at the local level in the poorest provinces and municipalities; (ii) to provision capacity to municipal officials for consultative resource allocation and transparent resource management; and (iii) expanding the local economic development agenda through the provision of economic opportunities to improve livelihoods and income of poor households. 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 interventions including labor-intensive public works and productive inclusion activities targeting poor households in remote areas. These activities will be complemented by capacity building of municipal administrations for a 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 decentralized level. In addition, the AF will further strengthen Government's capacity to target and prioritize poorest provinces, municipalities and households; and civil society capacity to effectively oversee expenditure planning and monitoring.

The Financial Agreement for the Additional Financing has not been signed yet by the Government of Angola. The delay in the signature is related to the appointment of a new Government only by late September 2017, which has not permitted Government to have enough time for the internal clearances that are needed before signature.

The extension of the Project's closing date to February 28, 2020 has already been approved by the Board through the Additional Financing. To enable to disburse the remaining funds, an extension of the closing date of the original loan until March 30, 2018 is sought. This request was not sought six months before the closing date because it was expected that the original loan would have been fully disbursed and the Additional Financing signed by now.

## III. DETAILED CHANGES

### LOAN CLOSING DATE(S)

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# The World Bank

The AO-Local Development Project (P105101)

<b>Ln/Cr/Tf</b>	<b>Status</b>	<b>Original Closing</b>	<b>Revised Closing(s)</b>	<b>Proposed Closing</b>	<b>Proposed Deadline for Withdrawal Applications</b>
IBRD-87730	Not Effective	28-Feb-2020		28-Feb-2020	28-Jun-2020
IDA-46890	Effective	31-Jul-2015	31-Dec-2016, 30-Jun-2017, 31-Dec-2017	30-Mar-2018	30-Jul-2018