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INTERNATIONAL FINANCE CORPORATION

AND

MULTILATERAL INVESTMENT GUARANTEE AGENCY

COUNTRY PARTNERSHIP STRATEGY
(FY14 - FY16)

FOR

THE REPUBLIC OF ANGOLA

August 15, 2013

Southern Africa Country Department 2
Africa Region

International Finance Corporation
Sub-Saharan Africa Department

Multilateral Investment Guarantee Agency
Sub-Saharan Africa Department

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Acronyms and Abbreviations

AAA	Analytical and Advisory Activity	INE	National Institute of Statistics
BAREC	Building Africa's Resilience to Climate Change	M&E	Monitoring and Evaluation
CPAR	Country Procurement Assessment Review	MDGs	Millennium Development Goals
CPE	Country Program Evaluation	MIGA	Multilateral Investment Guarantee Agency
CPI	Corruption Perceptions Index	NGOs	Non-Governmental Organizations
CPPR	Country Portfolio Performance Review	PAD	Project Appraisal Document
CPS	Country Partnership Strategy	PICPDR	Programa Integrado de Combate à Pobreza e Desenvolvimento Rural
CSOs	Civil Society Organizations	PEFA	Public Expenditure and Financial Accountability
DFID	Department for International Development (UK)	PES	Economic and Social Plan
DPL	Development Policy Lending	PERs	Public Expenditure Reviews
DPO	Development Policy Operation	PFM	Public Financial Management
ECP	Estratégia de Combate à Pobreza	PPP	Public Private Partnership
EITI	Extractive Industries Transparency Initiative	PRSP	Poverty Reduction Strategy Paper
ENAD	National School of Administration	RAS	Reimbursable Advisory Services
ESW	Economic and Sector Work	ROSC	Reports on the Observance of Standards and Codes
FDI	Foreign Direct Investment	SAPP	Southern Africa Power Pool
GDP	Gross Domestic Product	SDI	Spatial Development Initiative
GEF	Global Environment Facility	SMEs	Small and Medium-Sized Enterprises
GFDRR	Global Facility for Disaster Risk Reduction	SOEs	State-Owned Enterprises
IBRD	International Bank for Reconstruction and Development	TA	Technical Assistance
IDA	International Development Association	TB	Tuberculosis
IEG	Independent Evaluation Group	TI	Transparency International
IFAL	Institute for Local Administration	TVET	Technical and Vocational Education and Training
IFC	International Finance Corporation	UN	United Nations
IMF	International Monetary Fund	WBI	World Bank Institute

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**Country Partnership Strategy FY14-FY16 for
The Republic of Angola**

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EXECUTIVE SUMMARY

- 1. This World Bank Group Country Partnership Strategy (CPS) for Angola covering Fiscal Years 2014-2016, the first in nearly 4 years, comes at an important juncture in Angola's development history of transitioning to shared prosperity.** After emerging from a devastating 27-year civil war in 2002, the country has to date achieved a period of remarkable reconstruction and recovery and fast economic growth. As a result of the sharp rise in per capita income which surpassed the eligibility threshold for IDA resources for several years, Angola will be transitioning at the end of FY14 to a middle-income IBRD country. The CPS was prepared to support that transition and to define areas that could be supported with a new set of instruments, among which knowledge takes the center stage.
- 2. There are significant challenges remaining from the earlier period of reconstruction which need to be addressed to lift Angola's development effort to a higher plane.** Despite the rapid growth, particularly fueled by the development of Angola's oil and gas sector, large pockets of the population still remain in poverty and without adequate access to basic services. Taking into account Angola's high population growth rate and existing income and service access disparity across different regions and population groups, there is a clear need for a more inclusive development policy and shared prosperity.
- 3. Recognizing this need, the Government has emphasized the need for economic diversification, equitable distribution of wealth, and better service delivery in its medium-term National Development Plan.** The 2008 economic crisis which significantly slowed the pace of economic growth and public investments served as a reminder of the risks of Angola's overwhelming dependency on the oil industry. The successful completion of the economic adjustment program supported by an IMF Standby Arrangement now provides Angola with a more stable environment in which a strong shift in development orientation could be implemented.
- 4. Capacity constraints continue to impede progress on diversification and human development.** Angola is not likely to meet any of the Millennium Development Goals by 2015, and ranks very low on human development and business environment indicators. Although the non-oil sector has performed better in recent years, there are still overbearing bureaucratic hurdles and governance challenges that inhibit growth of the private sector. Despite large public investments in expanding the social infrastructure for key public services, lack of human resources to run the facilities efficiently has prevented more rapid improvements in education and health outcomes.
- 5. The availability of large revenues from oil provides Angola with the ability to accelerate its development trajectory.** The Government recognizes that such a financial cushion will shrink over time as oil and gas resources are gradually depleted. Therefore, it is placing a heavy emphasis on building human resources capable of sustaining a more diversified economy that leads to poverty reduction.

6. **Responding to the above challenges and prepared with significant local consultations and strong Government ownership, the World Bank Group's CPS aims at:**

(1) supporting integrated national economic diversification through timely knowledge and technical assistance support on spatially balanced rural development, energy sector expansion and development, and private and financial sector development; (2) enhancing the quality of services in education, health, and water and sanitation, and deepening the protection of the vulnerable and marginalized citizens; and (3) building adequate human and institutional capacity to enable sound economic management, develop skills needed in a diversifying economy, and to build resilience to potential shocks from the global economy or climate change. Gender and governance dimensions underpin the support the WBG will provide to Angola under the CPS.

7. **The WBG's program will make use of a range of financial and advisory instruments available from IBRD, IFC, and MIGA, as well as knowledge services from the World Bank Institute (WBI), to support poverty reduction and shared prosperity.** The program will include Analytical and Advisory Activities under each of the two Pillars and Foundation Plank of the CPS, including a number of technical assistance activities to be funded through reimbursable advisory services (RAS). Where there is a clearly defined need, the WBG will also be ready to provide longer-term support through various financial products from IBRD, IFC, and MIGA to leverage private investments and to lower the cost of financing Angola's long-term development.

8. **Partnership among the Bank, IFC, MIGA and WBI, as well as with key development partners, has deepened during the preparation of the CPS.** The synergistic benefits of such partnerships were already recognized by the Government as a key potential strength of the WBG as Angola's development partner who can offer a package of support tailored to the country's needs at different stages of investment and reforms to promote shared prosperity. A Finance Partners mission and workshop in Luanda planned for September 2013 will further unpack how the WBG arms can work as One Bank to achieve better results to meet Angola's development challenges.

9. **Risks to the CPS remain substantial, however, owing to the depth of existing disparity in Angola and the capacity gaps that impede the pace of reform implementation.** High dependency on Angola's oil sector, which constitutes about half of GDP, is another vulnerability in case the demand or price of oil drops significantly. The flip-side of this risk is that an oil boom could divert resources from investment to consumption and reduce the Government's commitment to structural reforms. A downturn in economic activity arising from a variety of domestic and external factors could lead to a surge in public frustration over the existing disparity and distortions. The proposed CPS constitutes a calibrated engagement to mitigate these risks by promoting measures to reduce poverty and to achieve shared prosperity. There is a shared ownership of the priorities contained in the CPS within Government and the WBG. The Mid-term Review of the CPS will provide an opportunity to reassess Government's interest and commitment, and to adjust the program content accordingly.

FY14-16 COUNTRY PARTNERSHIP STRATEGY FOR THE REPUBLIC OF ANGOLA

I. INTRODUCTION

1. **This proposed new Country Partnership Strategy (CPS) of the World Bank Group covering the period FY14 to FY16 comes at an important juncture in Angola's development history in transitioning to shared prosperity.** Angola is an oil producing country of about 20 million inhabitants and a 2012 GNI per capita of US\$4,580. It achieved an impressive recovery from the 27-year civil war and is now looking to build a prosperous future. Strong progress has been made in economic management and public finance, infrastructure development, and expansion of key services. GDP grew at an average rate of 11 percent between 2002 and 2011. Sustained investment in oil and gas sectors yielded a steady stream of resource revenues which were used in rehabilitating transport, energy, and social infrastructure.

2. **By contrast, progress on governance, basic services delivery and income distribution has been mixed.** Progress has been made, at times slowly, in the broad area of governance and transparency, especially in regards to budgetary management and economic governance. Yet, in relative terms globally, Angola still ranks extremely low on various country rankings for these indicators. There is also a sense in recent times of a constricting space for some non-state actors, especially civil society, while delivery of basic services (water and health in particular) is still below average standards for Sub-Sahara Africa.

3. **Economic diversification, equitable distribution of wealth, and better service delivery emerged as Government's medium-term priorities.** Angola faces many challenges in counteracting the distortions caused by its heavy dependence on oil, and in reducing disparity in living standards. Overall growth has not been as inclusively shared as it could have been, with marked disparities in regional poverty headcount persisting across the country.¹ The Authorities seem increasingly aware of these realities and are trying to respond by allocating more budgetary resources to achieve shared prosperity.

4. **There is a strong commitment on the part of the Government of Angola (GoA) to deepen its engagement with the World Bank Group (WBG).** Since the Board last discussed the Interim Strategy Note (ISN) for Angola in April 2007, GoA/WBG dialogue went through a period of low intensity, with limited lending and AAA and reduced Country Office presence, while Angola developed other new partnerships. As new WBG operations that have been prepared with stronger client buy-in are being implemented, a stronger cooperation has resumed, particularly during the preparation of this Strategy. This CPS, prepared jointly with GoA more than twenty years after the first and only full Country Assistance Strategy (1991), is in part about building a foundation for a renewed and stronger collaboration.

¹ Poverty headcount declined from 62 percent in 2001 to 37 percent in 2009 but is still high in rural areas at 58 percent. Gini coefficient shows high inequality at 0.55.

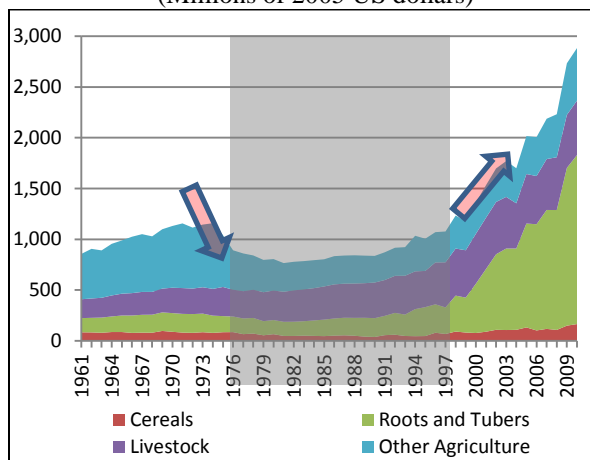
5. At its core, this WBG Strategy is designed to support Angola’s transition to Middle-Income Country status by: supporting its largely own financed ongoing efforts for a more integrated economic diversification beyond abundant oil; at improving its delivery of basic services; and by supporting its longer term institutional and human resource capacities. As such, the strategy has *a knowledge-centric focus* to support the Government in the management of Angola’s own considerable resources, and for deepening efforts at shared prosperity for the citizens. The effectiveness of this CPS should be judged on whether it plays a modestly catalytic role in orienting the course of Angola’s national development towards one that is more regionally balanced and durably self-sustaining.

II. COUNTRY CONTEXT

A. IMPACT OF PROLONGED CONFLICT

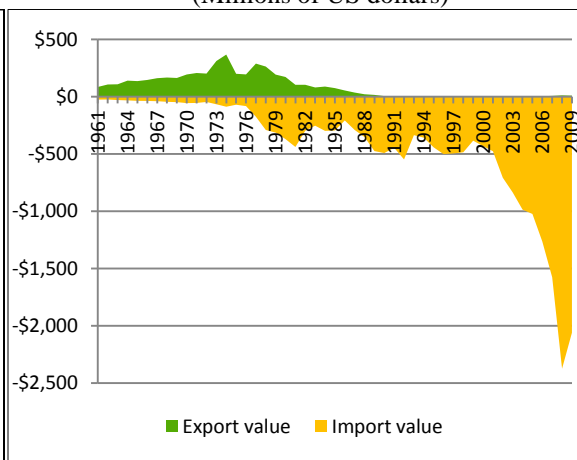
6. Armed conflict characterized recent Angolan history for over 35 years, with pre-Independence armed conflict and civil war that left the country in shambles with weak state capacity, some of the world’s worst human development indicators, and massive infrastructure destruction.² By 2002 when peace was restored, a large part of the country’s population had been dislocated from rural areas to urban centers, most of them unskilled due to interrupted schooling. Education levels were very low and institutional capacity was very weak.

Figure 1 Agricultural Production
(Millions of 2005 US dollars)



Source: FAOSTAT

Figure 2: Agricultural Trade
(Millions of US dollars)



Source: FAOSTAT

7. Average GDP growth during the civil war was only 2 percent,³ with negative growth recorded between 1990 and 1993. Oil revenues, averaging 37 percent of GDP, financed the war and some limited public services in accessible areas. Hyperinflation ensued owing to the monetization of chronic fiscal deficit, with average inflation between 1991 and 2000 reaching 1043 percent.⁴ Agricultural production which had thrived before Independence declined

² Over a third of the roads and bridges and 70 percent of the three existing railway lines were destroyed, and the three main ports became dilapidated without required maintenance.

³ Official data on constant price GDP at market prices only goes back to 1985.

⁴ Inflation rate reached the peak of 4145 percent in 1996, but was reduced to 109 percent by 2002 as the Authorities

(continued)

significantly during the war years, especially in export crops, turning Angola into a net importer.

8. **The social costs of the internal conflict were very high.** Some 750,000 Angolans (7% of the population) died from conflict-related causes; over 4 million people were internally displaced; and 440,000 became refugees. Among the most vulnerable were the rural population, female heads of households, children, persons with disability, and ex-combatants. About one in four Angolan children died before their fifth birthday, 90 percent of whom perished due to malaria, diarrhea or respiratory tract infections. In terms of education, primary school enrollment was very low at 56 percent, and suffered from late entries into school and high repetition and drop-out rates.

9. **After the Peace Agreement of 2002, the Government initiated a program of reconstruction** aided by oil resources and bilateral aid. The Government's ambitious reconstruction effort proved difficult to implement given the shortage of a skilled labor force and the lack of inputs. Local employment generation was limited to low paying jobs or in the informal sector as most reconstruction labor came from abroad. The demand for non-tradable goods rose sharply and prices soared in general in light of domestic scarcities.

B. RECENT POLITICAL DEVELOPMENTS

10. **Angola has maintained political stability since the end of the civil war.** The new Constitution adopted in February 2010 established a presidential parliamentary system. Under the new system, President is no longer elected by direct popular vote, but instead the head of the party winning the most seats in Parliament becomes President. The 2010 Constitution sets a limit of two five-year presidential terms effective from the 2012 election.

11. **Parliamentary elections were held under the new Constitution in August 2012.** Movimento Popular de Libertação de Angola (MPLA) won 175 out of 220 seats, receiving over 72 percent of the votes. As a result, the incumbent Jose Eduardo dos Santos was sworn in as President together with Vice President Manuel Vicente, former head of the state oil company, Sonangol. União Nacional para a Independência Total de Angola (UNITA) is the main opposition party with 32 parliamentary seats, while Convergência Ampla de Salvação de Angola (CASA-CE) and Partido de Renovação Social (PRS) won 8 and 3 seats respectively.

12. Following the elections, **the newly constituted Government worked quickly to operationalize the MPLA elections manifesto “enhancing growth and distributing better” into *National Development Plan, 2013-2017*** which focuses on poverty reduction, eradication of hunger, accelerated infrastructure development, assistance to young entrepreneurs, and better access to education and vocational training.

13. **The prospects for rule of law and peace are good.** Progress is being made in ending armed conflict in the country, including in the oil-rich province of Cabinda where the Armed Cabinda separatists *Frente de Libertação do Enclave de Cabinda* (FLEC) have fought for independence since 1975. A Memorandum of Understanding (MOU) was signed between the

discontinued the monetary financing of fiscal deficit.

Government and a faction of FLEC in 2006 seeking to bring a formal end to the conflict. However, sporadic attacks on Government and other members of the society are still common.

C. POVERTY AND INEQUALITY

14. **The poverty headcount in Angola decreased from an estimated 62 percent in 2001⁵ to 37 percent by 2009.⁶** The national poverty line was set at 4,793 kwanzas per month, which translated to about US\$2.00 per day during the 2008/09 survey period. The lowest level of poverty is found in the capital Luanda, with 8.6 percent, while the highest level of headcount poverty is found in the South Center region of the country, with 54.8 percent.⁷ Extreme poverty is more pronounced in rural areas and inland provinces to the east, highlighting Angola’s remaining challenges for reducing absolute poverty and enhancing shared prosperity.

Table 1: Poverty Headcount in 2008 - 2009

	Poverty Headcount (%)	Population (%)
Angola	36.6	100.0
Urban	18.7	54.8
Rural	58.3	45.2
Region		
Luanda (Capital)	8.6	29.0
Centre South	54.8	29.2
East	51.0	10.1
Centre North	52.6	7.1
South	39.5	15.2
North	34.2	9.5

Centre South region: Huambo, Bié, Benguela and Kwanza Sul.

East region: Lunda Norte, Lunda Sul, Moxico and Kuando Kubango

Centre North region: Bengo, Malange and Kwanza Norte

South region: Namibe, Cunene, and Huíla

Source: Inquérito Integrado sobre o Bem-Estar da População | IBEP (2011)

15. **Inequality is also high, with a Gini coefficient of 0.55.** According to IBEP, it is estimated that 60 percent of the income (and 50 percent of consumption) is concentrated among the richest 20 percent of the population compared with about 3 percent of the income (and 5 percent of consumption) that is shared by the lowest 20 percent. On average, food consumption is equivalent to near 60 percent of household expenditure among the poorest 20 percent of the population and up to near 70 percent of those living in rural areas. The survey also found that about 80 percent of interviewed households had suffered from at least one shock during the previous year (lack of seeds due to market fluctuation, drought and illness or death of a member, crop infestation, and rising food prices). In addition, the unequal access of women to land and

⁵ Household Income and Expenditure Survey (IDR), conducted in 7 provinces during 2000 and 2001. Poverty in 2001 was pervasive, with 94 percent in the rural areas and 57 percent in urban areas being poor.

⁶ Survey on the Welfare of the Population (IBEP), conducted in 18 provinces during 2008 and 2009.

⁷ The 2001 survey and the 2008-09 survey are not comparable, so caution is called for in interpreting poverty trends. INE is currently trying to establish a comparison for both surveys (at least in the areas where they overlap).

other factors has been a constraint for increasing agriculture incomes.

16. **Poverty in rural areas is further compounded by the limited access to social services, especially for women and rural population.** IBEP reports that only 24 percent of rural households had access to clinics within 2 kms, compared to 63 percent in urban areas. Some 86 percent of women in the poorest income quintile gave birth at home whereas 73 percent in the richest quintile gave birth at health facilities. Children in rural areas have 50 percent higher probability of dying before age 5 than those in urban areas. IBEP also revealed significantly lower mortality among children whose mothers had received education. However, more than 70 percent of rural population is said to be illiterate. Lack of progress in transparency and governance in public financial management is a constraint for improving service delivery.

D. MILLENNIUM DEVELOPMENT GOALS (MDGs), GENDER, AND REGIONAL DISPARITY

17. **Angola's civil conflict had a major impact in delaying the achievement of the MDG targets.** The country is not likely to meet any of the MDG targets by 2015. Nevertheless, as a post-conflict country, Angola made reasonable progress in the areas of poverty reduction, primary education, and gender equality. Despite the progress made since 2002, social indicators remain very poor. Life expectancy at birth is 51.1 years, with a high probability of 38.5 percent of not surviving to age 40. The maternal mortality ratio at 450 per 100,000 births is among the highest in Sub-Saharan Africa.

18. **Malnutrition is acute with about 30 percent of children under age 5 suffering from stunting and 16 percent being underweight.** One in five children dies before their fifth birthday, of which 90 percent die as a result of malaria, diarrhea, or respiratory tract infections. Almost half of the country's population does not have access to drinkable water and sanitation,⁸ the lack of which is a major cause of gastrointestinal diseases.

19. **Progress has been made regarding the number of HIV infected persons who are on anti-retroviral-treatment.** Progress has also taken place in malaria control, with a significant reduction in morbidity and mortality. The TB program has expanded the Directly Observed Treatment Strategy (DOTS) to the provinces through 2,400 events benefitting from HIV/AIDS, malaria, and TB prevention programs.

20. **Education is an important channel for poverty reduction and the achievement of shared prosperity.** The 2008/09 IBEP reports that poverty incidence is high at 62 percent for households whose heads received no education, whereas just 14 percent of the households whose heads received secondary education or above were poor. Access to education has improved steadily, but it has proved more difficult to keep children in school and complete a full cycle of primary education. As in other post-war countries, Angola's education system went through a catch up phase whereby older children who have not gone to school before enrolled in primary schools. Indeed, primary school enrollment increased by 11 percent per year between 2002 and 2010 with the number of students enrolled rising from 1.8 million to 4.2 million. However, grade 6 completion rate is below Sub-Saharan average at 35 percent.

⁸ Access to water and sanitation services have also been strengthened, with access to improved water services delivered through house connections and rehabilitated standpipes increasing.

Table 2: Angola: Millennium Development Goals Progress

MDG Indicator	Target	1995-2000	2007-2009	Remarks
Goal 1: Eradicate Extreme Poverty and Hunger				
1.1 Proportion of population living below poverty line	half	68%	37%	Progress
1.8 Prevalence of underweight children (0-4 years)	half	42%	16%	On track
Goal 2: Achieve Universal Primary Education				
2.1 Net attendance ratio in primary education	100%	49.7	77%	Progress
2.2 Proportion of pupils starting grade 1 who reach last grade of primary	100%		35%	Scanty data, Limited progress
2.3 Literacy rate of 15-24 year-olds, women & men	100%		76%	Progress
Goal 3: Promote Gender Equality and Empower Women				
3.1 Ratios of girls to boys in primary school	1	0.25	0.98	Good progress
3.1 Ratios of girls to boys in secondary	1		0.85	Need to increase girls' enrolment
3.3 Proportion of seats held by women in national parliament		15%	44%	Need more women
Goal 4: Reduce Child Mortality				
4.1 Under-five mortality rate	Reduce by 3/4	274/1000	194/1000	Limited progress
4.2 Infant mortality rate	Reduce by 3/4		116/1000	Limited progress
4.3 Proportion of 1 year-old children immunized against measles			58%	Limited Progress
Goal 5: Improve Maternal Health				
5.1 Maternal mortality ratio	Reduce by 3/4	1400/100000	450/100000	Limited progress
5.2 Proportion of births attended by skilled health personnel		22%	49%	Limited progress
5.3 Contraceptive prevalence rate (modern methods)		8%	13%	Limited progress
5.5 Antenatal care coverage (One visits or more)		64%	69%	Limited progress
5.5 Antenatal care coverage (four visits or more)		45%	47%	Limited progress
Institutional deliveries		16%	42%	Limited progress
Goal 6: Combat HIV/AIDS, Malaria and Other Diseases				
6.1 HIV prevalence among population aged 15-24 years			1.7%	Good progress
6.2 Condom use at last high risk sex (among population aged 15-49 years)			24%	Limited progress
6.3 Proportion of population aged 12< years with comprehensive correct knowledge of HIV/AIDS (MDG indicator is 15-49)			23%	Limited progress
6.4 Proportion of orphans aged 10-14 years who had lost both parents but were attending school			74%	Some progress

Sources: Nutrition Survey (2007); IBEP (2011); Ministry of Education administrative data. Note that these data differ from other sources of data for the MDGs, including DEC.

GENDER EQUALITY

21. **The role assumed by women has been crucial in Angola during the prolonged conflict.** Men went to fight in the war while women tended to livelihood in their communities. At the end of the war, a considerable number of widowed women had to take more

responsibilities in all areas in the society not only to sustain families but also to support the rehabilitation of local communities (OECD-SIGI).⁹ These circumstances brought changes in gender roles (Fonseca et. 2001).¹⁰ Currently, women sometimes play roles that traditionally were dominated by men. Even at the community level in provinces, female traditional leaders exist and they are usually selected through an election in the community. High female labor participation is attributed to this unique gender aspect in Angola.

22. **The feminization of agriculture and women's land access issues contribute to food insecurity and rural poverty**, according to the 2008 *Country Gender Profile* (CGP) produced by the African Development Bank. The Government has made efforts to promote gender equality and the rights of women but challenges remain. The Constitution of Angola guarantees equal rights for men and women. Equal access to land is provided for in the law as is the protection from domestic violence (2011). However, almost 40% of the women in Angola report aggression from their husbands or partners and land distribution follows the traditional rules that favor men. Angola improved its Gender Gap Index from 0.604 in 2006 to 0.662 in 2011. The political empowerment of women has made a remarkable progress rising from 0.07 points in 2006 to 0.29 points in 2011. This increase resulted from an improvement in the number of seats held by women in the National Parliament, which rose from 20.6 percent in 2002 to 44 percent in 2009.¹¹ Today, Angola has one of the highest shares of women MPs in the region.

23. **In spite of significant steps in female's empowerment, in practice, women are still disadvantaged in a number of ways.** Education and health gender metrics have been improving, but areas of concern include female mortality, gaps in earnings and productivity, and effective voice in the household. Fertility rate was still very high at 5.6 children per woman of child-bearing age in 2009 (WB Gender Stats, 2009). Although women's participation in the labor force is high at 76% for the adult population (WB Gender Stats, 2009), there is a significant gender gap in earning. According to the 2010 WB Enterprise Surveys, women are more likely to own smaller businesses than men. Women are also more likely to be working in low-productivity agricultural activities. Acknowledging the challenges above, the Government values gender equity as a requirement for achieving poverty reduction and shared prosperity in a sustainable manner (Angop, 2011).¹²

REGIONAL DISPARITY

24. **A number of surveys show growing regional, as well as urban/rural, disparity over the last decade in Angola.** In terms of income per capita,¹³ Luanda ranks highest with an average of US\$8,783 per person in 2007, while 10 of the 18 provinces had an average income below US\$1,000. Just over 51 percent of Luanda residents had access to improved water and 84 percent connected to electricity grid, while in provinces with worst conditions, access to water and electricity were 6.6 percent and 8.7 percent, respectively. (See Annex 4 for a discussion on constraints to shared prosperity)

⁹ <http://genderindex.org/country/angola>

¹⁰ http://www.iussp.org/Brazil2001/s40/S48_04_Fonseca.pdf

¹¹ CEDAW/C/AGO/4-5 from <http://www.un.org/womenwatch/daw/cedaw/31sess.htm>

¹² http://www.portalangop.co.ao/motix/en_us/noticias/politica/2011/4/19/Government-values-gender-equality-sustainable-development-requirement,2991e9e8-53ff-4be7-ad81-c8031d039356.html

¹³ CEIC 2011

Figure 3: Income & Oil Revenues

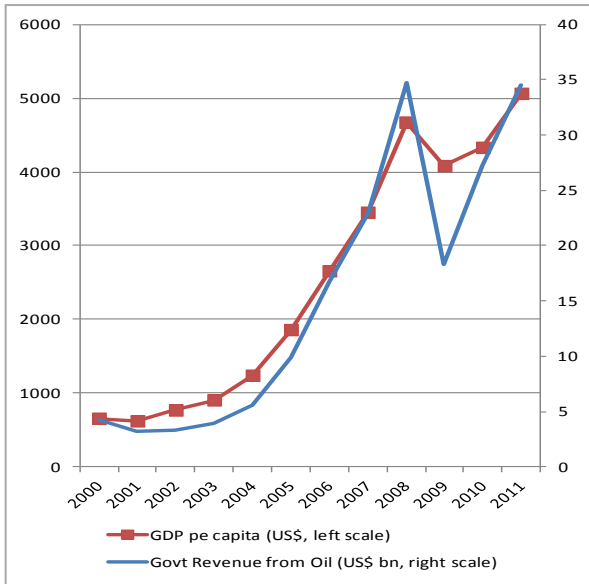
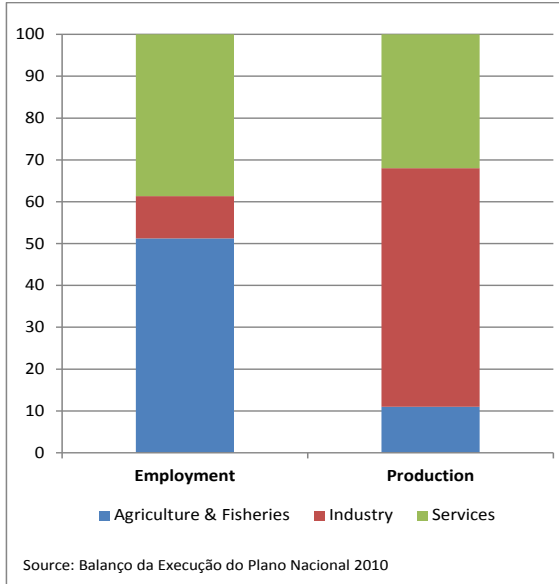


Figure 4: Structure of Angolan Economy, 2010



25. **The Angolan economy reliance on oil has deepened.** Oil production, which currently accounts for about 50 percent of GDP, more than doubled its output from 0.8 million barrels per day in 2003 to 1.7 million in 2011. With the end of violent conflict, agricultural production and the non-oil sector recovered strongly, but agricultural productivity remains low due to its subsistence nature. Non-oil sectors – besides construction and some services – face many challenges due to lack of competitiveness.

26. **The existing constraints to shared prosperity are to a large extent a product of the prolonged war.** The IBEP (2011) documents the high migration from provinces to the capital city of Luanda during the initial phase of the war (1975-1992). At the peak of the influx into Luanda, some 38 percent of the city inhabitants were said to have moved from other parts of the country. Today, this figure is still significant at 30.5 percent. The poorest quintile of the households reported the war to be the main reason for migration (39 percent), and very small share of them migrated in search of work (3 percent) or schooling (1 percent).

27. **The structure of the economy has changed gradually with the intensification of oil and mining activities in the last 25 years.** Agriculture and fisheries constituted 11 percent of GDP in 2010, compared to 9 percent in 1985. Industrial sectors, comprised of oil and gas, mining, manufacturing, energy, and construction, grew in importance with their combined GDP share rising from 53 percent in 1985 to 57 percent by 2010¹⁴ Despite showing strong growth after the war, services lost GDP share to 32 percent in 2010, down from 37 percent in 1985. Overall, the GDP nearly quadrupled during the same period. More than 50 percent of Angolan workers are engaged in agriculture and fisheries – some 3.15 million out of a 6.2 million workforce in 2010 (Figure 4). Industrial sectors employ about 10 percent, while service sectors provide 39 percent of the jobs.

¹⁴ The GDP share is based on constant 2000 prices rather than using current price GDP at factor cost.

28. **This presents an important structural factor which accentuates income disparity observed in Angola today.** Given the under-developed social transfers mechanism, those engaged in agriculture earn much less than those working in industries. Indeed, this shows up rather clearly in the most recent poverty report (IBEP 2011) whereby 66.2 percent of agricultural workers fall below the poverty line, while poverty rates among industrial- and service-sector workers are significantly less at 19.7 and 18.4 percent, respectively. A concerted effort is needed from all stakeholders to overcome the structural and historical constraints, and to achieve shared prosperity.

E. RECENT ECONOMIC DEVELOPMENTS

29. **Growth slowed down significantly in recent years.** Average real GDP growth of 15 percent between 2002 and 2008 fell to 3.1 percent during 2009-2011 due to the decline in global oil prices and a contraction in domestic oil production. The resulting drop in oil revenues, the primary source of government revenue, impacted the non-oil economy through diminished private consumption, cuts to public spending and the accumulation of substantial arrears to domestic firms, particularly in the construction sector.

30. **In 2008, the global financial and economic crisis was transmitted to the Angolan economy through the drop in the price of oil and the fiscal situation began to deteriorate rapidly.** From January to October 2008 the average monthly oil revenue received by the Government amounted to \$3.2 billion. By December 2008 it had declined to \$1.5 billion, falling further to \$600 million by February 2009. Since Angola's main source of fiscal revenue is through the taxation of the oil sector, fiscal situation worsened despite efforts to reduce expenditures. Investment expenditures which had already been contracted could not be reduced, exacerbating the fiscal imbalances. In the face of these fiscal rigidities, the Government borrowed domestically and from commercial banks. Shortage of financing led the Government to incur arrears, affecting negatively the financial sector and the economy as a whole.

31. **The impact of the global crisis also worsened the current account deficit to 12 percent of GDP in 2009.** Delays in floating the exchange rate led to a drastic fall of international reserves, from around US\$20 billion in November 2008 to US\$12.5 billion in April 2009. As foreign exchange reserves plummeted, the demand for US dollars skyrocketed, leading to a run on deposits and resurgence of a parallel market where the Kwanza was trading at a 30 percent discount against the dollar.

32. **Angola's economy rebounded in 2012, with GDP expanding by an estimated 8.1 percent.** A combination of high oil prices and rising oil production boosted GDP growth and generated a large increase in fiscal revenues, enabling the government to clear its arrears and increase public expenditure. At the same time inflation declined to single digits (the first time in more than two decades), and international reserves recovered to about US\$31 billion (7 months of imports) as the external current account turned positive.

Table 3: Angola - Economic Indicators
(As of June 2013)

	2010 Actual	2011 Actual	2012 Est.	2013 Proj.	2014 Proj.	2015 Proj.	2016 Proj.
Real Economy (percent change)							
Real GDP growth	3.4	3.4	8.1	7.2	7.5	7.3	7.0
Oil sector	-3.0	-5.6	5.2	6.0	9.2	6.2	6.0
Non-oil sector	7.6	8.9	9.5	7.8	6.7	8.3	7.9
GDP (US\$ billions)	82.5	99.3	109.0	117.3	122.6	138.7	149.6
GDP per capita (US\$)	4329	5061	5391	5633	5717	6236	6598
Central Government (% GDP)							
Total Revenue	43.2	50.2	46.0	43.1	42.4	41.0	40.5
Of which: Oil-related	32.8	40.1	37.5	33.8	33.8	30.3	29.6
Total expenditures	35.3	38.7	36.5	37.6	37.0	36.3	36.8
Of which: Capital expenditures	9.6	8.9	10.1	10.6	10.6	10.3	10.5
Primary balance	6.8	10.5	8.6	4.5	4.6	3.9	2.6
Interest payments	1.2	1.0	1.0	1.0	0.8	0.8	0.7
Overall fiscal balance	7.9	11.5	9.6	5.5	5.4	4.7	3.3
Money, Credit and prices (percent change)							
Broad Money (M3)	7.8	21.5	23.7	18.9	16.3	15.7	14.5
Credit to the economy	24.8	46.1	15.0	14.7	10.0	18.3	16.9
Consumer Prices (average)	14.4	13.5	10.3	8.7	7.7	7.3	7.0
Balance of Payments (US\$ billions)							
Exports	50.6	67.0	69.7	68.5	72.4	75.9	81.2
Of which oil	48.6	64.5	67.4	66.0	69.7	72.9	78.3
Imports	16.7	20.2	23.9	25.5	27.3	29.4	33.2
Trade Balance	33.9	46.8	45.9	43.0	45.1	46.5	48.0
Current Account Balance	7.5	11.3	7.5	6.2	6.7	7.3	8.5
Current Account Balance (% GDP)	9.0	11.2	6.7	5.3	5.5	5.3	5.7
Gross Intl. Reserves	19.3	23.4	36.6	45.8	55.4	64.7	71.9
Gross Intl. Reserves (months of imports)	4.9	5.3	7.4	9.0	10.4	11.7	12.4
Exchange Rate							
Period average exchange rate, AOA/US\$	92.2	94.1	95.6	98.5	103.5	108.6	114.2
Oil							
Oil production (millions of barrels per day)	1755	1703	1900	1957	2016	2076	2118
Angola oil price (average, US\$ per barrel)	77.8	102.0	98.8	98.3	96.3	95.3	95.5

Source : *Angola Economic Update*, The World Bank, 2013

33. **Among the most salient features of the Angolan economy are its very low levels of investment, both public and private.** Angola's total investment rate is currently about 13 percent of GDP, well below the three-year average for Sub-Saharan Africa (SSA) of 24 percent. Public investment accounts about 10 percent of its GDP, while private investment

represents just 3 percent,¹⁵ compared to a SSA average of 13 percent. Since the recovery began, the authorities have taken steps to increase public investment, which rose by about 3 percent in 2011 and 17 percent in 2012. The 2013 budget calls for a steep increase of 60 percent in nominal capital expenditures.

F. MEDIUM-TERM ECONOMIC PERSPECTIVES

34. **Angola's overall economic outlook is positive, with GDP growth projected at 7.2 percent in 2013 and 7.5 percent in 2014.** These projections are based on sustained increases in oil production, relatively stable international oil prices, and continued growth in the non-oil sectors, particularly construction. Net capital inflows are expected to remain solid, bolstering foreign exchange reserves and reinforcing the government's fiscal position, while inflation is expected to continue its gradual decline. Finally, the production of liquid natural gas (LNG), expected to begin in 2013, could contribute an additional 2 percentage points to the GDP growth rate during its first year alone.

35. **Despite its favorable near term outlook, Angola's reliance on oil revenues and imports leaves the economy highly vulnerable to external shocks.** Oil exports are responsible for an overwhelming share of Angola's fiscal and external revenues, and a negative shock to global oil prices would significantly reduce GDP growth. In addition, Angola's reliance on both strategic and consumer-goods imports – particularly food – means that any substantial increase in international food prices would translate into rapidly rising inflation and reduced consumption, with a devastating effect on the country's poor.

36. **Over the medium term, rebalancing the composition of public expenditures from current to capital spending would help to alleviate infrastructure bottlenecks and boost growth in the non-oil sectors.** Current expenditures account for three-quarters of all public spending, and over the past three years they have grown at twice the rate of capital expenditures. Angola's fuel-subsidy costs are estimated to be the highest in SSA, reaching 5 percent of GDP in 2012 – equivalent to half of all capital spending.

37. **Strong growth of the non-oil sectors will help to reduce regional disparity.** Angola today has considerable scope to increase its agricultural production to supply domestic as well as international markets. Improvements in a number of agricultural performance indicators reflect positively on the farmers' ability to respond and adapt to the changing environment. Such responsiveness, combined with fertile land and favorable climate, allows a degree of optimism that the sector can generate significant economic activity and improve rural livelihoods as a result. This argues strongly for some shift in the regional distribution of public investment toward rural feeder roads, small irrigation, rural electrification, and market information systems – just to name a few areas.

38. **The impact of the crisis has demonstrated valuable lessons regarding critical gaps in macro-management.** The first is to set clearer rules regarding the flow of funds from SONANGOL to the Treasury. The second priority is to have in place the mechanisms to exercise control over budgetary commitments. A lack of such controls led to a substantial increase in the

¹⁵ The available data on private investment in Angola are limited. Expanding the collection and publication of data on investment disaggregated by economic sector and by region, would allow for a more comprehensive assessment of the dynamics of economic growth.

level of arrears. Third, the Government needs to decide on principles of anti-cyclical public spending that would allow it to adjust to fluctuations in oil revenues.

G. GOVERNANCE AND ACCOUNTABILITY

39. **Sustained progress in governance is a pre-condition for the success of Government’s poverty reduction efforts.** Available data suggests the need for improvement in a broad range of governance areas. Transparency International ranks Angola 168th out of 182 countries in 2011 on its Corruption Perception Index and the Mo Ibrahim index 2011 rates Angola 42nd out of 53 countries in Africa. Despite overall weakness, the Worldwide Governance Indicators show improvements in four out of six dimensions of governance¹⁶ over the past 15 years.

Table 4: Worldwide Governance Indicators (percentile)

	1996	2000	2005	2010	2011
Voice and Accountability	5.8	8.7	12.0	14.7	14.6
Political Stability	3.4	1.9	21.2	38.7	35.8
Government Effectiveness	20.5	3.4	11.2	12.4	11.4
Regulatory Quality	7.8	3.9	10.3	16.3	12.3
Rule of Law	4.8	1.9	6.2	9.0	10.3
Control of Corruption	7.3	2.4	6.3	3.3	3.8

Source: The World Bank (<http://info.worldbank.org/governance/wgi/index.asp>)

40. **Government has made some advances in strengthening accountability and transparency.** In 2010, the Administrative Probity Law which sets the basis and rules for the management of public resources was approved. There have been improvements in the *Reporting and Auditing* of Government expenditure. The General Accounts of the State have been published for the first time. Starting in 2010, a quarterly budget execution report is produced, although not made public. Efforts are underway to bring greater transparency to the management of oil revenues.¹⁷

41. **The Budget¹⁸ is grounded on the *National Development Plan, 2013-2017* detailing the priorities and actions to be financed during the year.** Policies and priorities are explicit, but are not well connected to the Budget. The budget classification system is comprehensive, but does not follow international standards. *Budget implementation* has improved over the last few years with deviations of actual expenditures from the amounts budgeted declining. Most of the deviations are underperformance on capital spending attributed to delays owing to capacity constraints. To strengthen the capacity of the Government to manage the Budget, the Integrated

¹⁶ However, the indicators on Government Effectiveness and on Control of Corruption have been erratic and on a downward trend in recent years.

¹⁷ Angola is not yet a signatory to the Extractive Industries Transparency Initiative (EITI). While the Government has initiated some actions oriented to achieve EITI accreditation, there are several steps needed to update national practices to international standards in the diamonds, mineral, and oil and gas sectors.

¹⁸ The 2013 Budget, equivalent to US\$67 billion, marked a 47 percent increase over 2012 as previously off-budget expenditures were brought on-budget.

Financial Management System (SIGFE) has been expanded and the budget execution authority of local governments has been increased. There has also been satisfactory progress on reducing the time allowed for submission of General Accounts of the State (CGE) to Tribunal of Accounts which is responsible for external audit.

42. **There have been recent improvements in the transparency and accountability of public financial management, but challenges remain.** The government has improved collection and reporting processes for oil revenues and transfers, which is expected to enhance transparency and accountability in oil-sector management. Notably, the 2013 National Budget includes, for the first time, quasi-fiscal operations undertaken by the state-owned company Sonangol, which will help to reduce the budgetary uncertainty associated with oil-revenue flows.¹⁹ Angola's recently established sovereign wealth fund²⁰ could do much to stabilize expenditures against oil-price volatility and/or accumulate long-term savings in anticipation of the eventual decline of the oil sector, though it would be important that its mandate and governing framework is more clearly specified.

43. **Unclear rules and a weak judicial system threaten the rule of law.** The justice system still suffers from weak territorial coverage, a limited number of qualified personnel and poor infrastructure. The impact of these deficiencies can be felt throughout the economy and society, particularly in promoting private sector development, as lack of access to justice is said to be one of the major factors affecting the willingness of foreign and domestic investors to contribute to diversification and employment generation. Improvements in the settlement disputes, enforcement of contracts, and resolution of insolvency cases, where no significant reforms have been made, are urgently needed to facilitate business development.

44. **Weak public procurement system performance.** The government published its procurement law 20/10 and its presidential Decree 298/10, creating the Gabinete de Contratação Publica, both in 2010. But in 2013, few procurement practitioners master and practice the law, there are no bidding documents or manuals, and the Gabinete has been created but is not yet fully operational. There is still considerable progress required in terms of capacity building of procurement professionals, relationship with market, transparency, integrity and general performance of the system.

45. **There is increasing demand for a more accountable, transparent and efficient public sector in Angola.** The challenge will be for the Government to attain a new status of trust, competence, and respectability. The Government recognizes the difficulty of strengthening the public sector capacity which inevitably did not receive adequate attention during the war period, but is investing heavily in civil service training facilities and in information technology. More pronounced advances in other governance areas beyond the narrow focus on public financial management could also contribute strongly to the Government's long-term development strategy and poverty reduction.

¹⁹ Ernst & Young completed a full audit of SONANGOL's accounts for 2008, including its quasi-fiscal operations.

²⁰ Government established a Sovereign Wealth Fund (FSDEA) in 2012 and allocated US\$5 billion initially. The FSDEA will receive transfers of 50 thousand barrels per day from oil revenues.

H. GOVERNMENT’S DEVELOPMENT VISION AND PRIORITIES

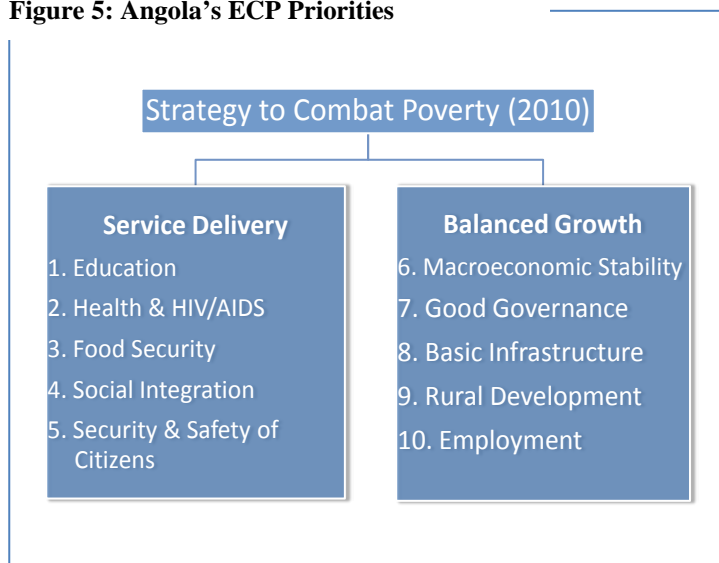
46. **The Government has consistently set out its vision for equitable and inclusive development for all Angolans.** These are essentially captured in three overarching strategic frameworks: (a) *Vision 2025*; (b) *National Development Plan (2013-2017)*; and (c) *Poverty Reduction Plan (Estrategia de Combate a Pobreza)(ECP)(2010-2015)*.

47. **The *Vision 2025* documents Angola’s long-term aspirations for peace and national reconciliation, sustainable development, establishment of an integrated national economy, and reduction in inequality.** The *Vision 2025*, completed by the Government in 2008, builds on Angola’s considerable resources and potential and is designed to offer opportunities to all, with a view to reducing poverty and creating employment opportunities for a majority segment of the population that has not shared the benefits of recent growth.

48. The *National Development Plan 2013-2017* operationalizes *the Vision 2025* and aims at improving the life quality of all Angolans, reducing hunger and extreme poverty, expanding youth employment, and diversifying the economy. The Plan underlines the role of the private sector as a driver of economic growth and the need to better use Angola’s abundant human and natural resources. Various policies are outlined to facilitate access to credit, assist emerging economic activities, support the informal economy, and encourage companies to integrate themselves into the business clusters. A progress report on the execution of the National Plan²¹ is prepared annually, reporting on achievements made and challenges faced in implementation. There is scope for establishing a results-based M&E system accompanying the Government’s development strategy, but substantial investments are needed for regular collection of statistics.

49. **The *Strategy to Combat Poverty, 2010-2015 (ECP)* also embodies the priorities identified in the *Vision 2025*.**

Figure 5: Angola’s ECP Priorities



Elaborated through a wide consultation with the communities, it presents the key priorities specific to nine of the 18 provinces as formulated by the communities in the areas of (i) agriculture and food security; (ii) economy, markets, and commerce; (iii) health and education; (iv) public works; and (v) public administration and justice. The strategy sets out ambitious goals by 2015 to reduce poverty and hunger further by half; achieve full completion rates for boys and girls in primary school; eliminate gender disparity at all levels of education;

reduce under-5 child mortality by 2/3rd; reduce by half the number of households without access to safe water; arrest and reverse HIV/AIDS and malaria/communicable disease trends; prevent

²¹ Government of Angola, *Balanço da Execução do Plano Nacional 2010*, June 2011

damage to natural environment; create quality jobs for youth; and create a non-discriminatory, open, rules-based commercial and financial systems.

50. **In addition to the Government-wide strategic documents mentioned above, there are sector-specific initiatives such as *Education For All*, *Water For All*, and *Energy For All*, which aim for major expansion in access to public goods and services by 2017.** In the area of social protection, a comprehensive social assistance strategy is under preparation to shift social protection from focusing mostly on supporting ex-combatants and those affected by the conflict to ensure that the poor can also take advantage of opportunities offered by economic growth. Programs such as the *National Strategy on Food and Nutritional Security* and *Angola Invest* aim to revitalize the national economy through investments to raise productive competitiveness and diversify national industries. Many of these initiatives are expected to be weaved together into an Integrated National Strategy on Economic Diversification and implemented in a closely coordinated manner.

51. **Featuring prominently in the ongoing discussions on diversification are the planned investments in commercial agriculture and large infrastructures for energy and transport.** The Government intends to provide a series of supportive public goods central to Angola's diversification strategy, including agricultural research and extension services, water for production, electricity for processing, well-maintained feeder roads, business regulatory simplification, strong education and skills training opportunities, well-equipped and staffed health services, etc. A few of these investments are mentioned below to give a flavor of the challenges and opportunities. (See Annex 6, *Potential Areas for Future Bank Group Engagement* developed as a background note for the CPS):

- a) ***Agriculture and Forestry***: Less than 3 percent of Angola's abundant fertile land is cultivated and the economic potential of the forestry sector remains largely unexploited. Diverse climatic conditions favor a wide variety of crops, and there is considerable irrigation potential. With the right policies to foster on-farm productivity growth and off-farm skills acquisition, Angola's relatively young population can serve as a source of qualified labor supply as economic diversification intensifies.
- b) ***Ports and Railways***: Angola is strategically located, with large markets to the North and to the South, and is well-positioned to become a regional logistics hub. With the Benguela Railways going all the way to Luau which borders the Democratic Republic of Congo, the on-going process of regional integration creates opportunities for the emergence of new businesses and economic diversification. Railways and ports systems are undergoing rehabilitation and expansion. Three main railways will soon connect the ports of Namibe, Luanda, Benguela and Amboim to the interior of the country and to neighboring countries enabling the emergence of enterprises along the tracks.
- c) ***Energy***: Shortage of electricity poses a serious constraint to development as demand outstrips available electricity. Installed capacity in Angola equals 1913 MW, of which 68% is hydro. The existing three networks are not interconnected and only 30 percent of the population has access to electricity of varying quality. In addition, a misaligned tariff structure and poor collection practices—only 40 percent of the services are billed and only 70 percent of the bills are collected—have led to high government subsidies of around US\$1 billion annually. Nevertheless, the potential to generate power through

hydro is immense (up to 16 GW and the third largest in Africa). The Government recently adopted a US\$23 billion investment plan to increase power generation and transmission capacity more than threefold by 2017. It has also started the process of implementing institutional reforms with a view to strengthen electricity utilities to make them financially viable.

52. **Access to financial services is a major constraint to economic activity and diversification**, despite the rapid growth of the financial sector. The assets of the financial sector stand at 46.8 percent of GDP. Banking dominates the financial sector, with 99 percent of the assets. Lending is concentrated to wholesale and retail trade as well as construction, with limited lending to the small and medium enterprises. Indeed, Angola remains largely unbanked with only 11 percent of the population having access to banking services. In order to increase access to finance, Government recently launched a guarantee program offering commercial banks up to 70 percent coverage for loans they provide to small and medium-sized enterprises. Credit in rural areas that could support the emergence of agricultural value chains is virtually non-existent.

53. **Finally, and pervasively, Angola is faced with a significant capacity gap in implementing its ambitious development vision to diversify the economy and reduce poverty.** The situation is particularly dire in Angola as the long-drawn out war prevented the needed investment in improving governance and institutional capacity. The availability of oil, arguably, had the perverse effect of easing the financing constraint and reducing the motivation to rapidly introduce institutions that would increase the efficiency in the use of public resources. There is an urgent need to enhance the transparency, efficiency and credibility of public financial management, strengthen the national statistical system, improve provincial and sectoral plans, and to implement the legal framework for public procurement.

III. PROPOSED WORLD BANK GROUP COUNTRY PARTNERSHIP STRATEGY

54. **The new Country Partnership Strategy for FY14-16 is prepared at a critical juncture in the cooperation between World Bank Group (WBG) and Angola, especially as the country nears its expected graduation from IDA eligibility.** As earlier noted, Angola's development challenges are multi-dimensional and further complicated by the existing regional disparity as well as still weak institutional and implementation capacity. The country is faced with the daunting task of distributing the social and economic benefits of its rich natural resources more evenly, and building a solid foundation for a more inclusive growth based on economic diversification. At the same time, it needs to continue to expand basic service delivery and improve service quality in order to achieve MDG targets, and to put into place robust social protection systems and policies to mitigate exogenous shocks that particularly impact the quality of life of the poor.

55. **The Government has unequivocally expressed its strong desire to deepen cooperation with the World Bank Group** and worked closely with IDA, IFC, and MIGA staff to design this Strategy. The joint IDA/IFC/MIGA/WBI Technical Mission in 2012 included 2 weeks of consultations with 12 line Ministries, public institutions, and the Central Bank to prioritize a long list of potential areas for Bank Group support. Following the national elections and the changing of key Ministerial portfolios in the new Government, Bank Group Missions in January and March 2013 were able to narrow down the CPS priority activities after intensive

discussions with senior GoA officials of the new Government – *a key change as a result has been the additional request by the Authorities for energy sector support as a key priority*. Renewed interest by the Authorities was also evident in Bank support in Reimbursable Advisory Services and in the IDA to IBRD transition process.

56. **The nature of the proposed WBG’s support to Angola centers around facilitating knowledge transfer, providing strategic development advice, and building institutions and capacity, for reducing poverty and promoting shared prosperity.** The shift away from focus on provision of concessional development financing toward a more strategic and largely knowledge-centric engagement is somewhat overdue not only for the WBG but also the community of development partners as a whole, given that their development financing now constitutes less than 0.5 percent of total government expenditure.²² In spite of the diminishing significance of WBG’s development financing for Angola relative to its own resources, the Government strongly values the Bank Group’s strategic advice and technical assistance in implementing its long-term development vision.

A. LESSONS AND RECOMMENDATIONS FROM PAST WBG INVOLVEMENT

57. **The proposed CPS for FY14-16 incorporates lessons learned from the past and is strongly aligned with the country's vision for the future as well as a series of consultations undertaken with stakeholders** (See Annex 7). It is also aligned closely with the priorities laid out in the Africa Regional Strategy. Gender, climate change adaptation, good governance, and social protection are important cross-cutting issues that are mainstreamed in the CPS. The CPS will maximize synergies within the WBG institutions, as well as benefit from comparative technical strengths of external partners, so that development assistance provided to Angola is firmly grounded in solid technical analyses and draws on a vast pool of collective development experiences globally. Such an integrated approach would require: (a) partnerships with various stakeholders; (b) stepped up demand-driven knowledge generation and advisory work; and (c) stronger inter-ministerial coordination given multi-dimensional nature of Angola’s development challenges. These were all essential elements of the lessons drawn from 10 years of largely IDA support to Angola’s post-conflict program implementation. Angola’s Graduation to IBRD-only status from FY15 opens a new set of potential issues.

58. **A review of the *Interim Strategy Note (ISN) for 2007-2009* found that the program had succeeded the most in delivering results in the core social sectors including health, education and demobilization and reintegration.** An Independent Evaluation Group (IEG) Country Program Assessment Evaluation was also completed in 2006. ICRs are available for several operations completed over the last 5 years. These reviews and studies gave rise to several lessons and recommendations (See Annex 8) as summarized below:

- Focus the program on helping the Authorities articulate and implement their vision in the areas that they request support;
- The core of any WBG program in Angola should be knowledge intensive;
- Better appreciation of the political economy context and governance issues should be

²² Gross ODA disbursement from all donors amounted to US\$ 297 million in 2010 compared to the total budget of US\$33.6 billion. [update to 2012]

reflected in the design of the projects and AAA;

- The design of projects needs to be reconsidered to simplify implementation;
- The WBG should significantly strengthen its presence and impact on the ground;
- The outcomes and results indicators in the next country strategy should be specific, measurable, attainable, realistic and time-bound;
- The partnership within the WBG (IDA, IFC and MIGA) and external partners should be tightened; and
- WBG's role in donor coordination and aid effectiveness and in harnessing the civil society should be strongly reinforced.

B. THE PROPOSED CPS STRATEGIC OBJECTIVES AND GUIDING PRINCIPLES

59. The CPS responds to a decade of high GDP growth with still high levels of poverty, inequality, and structural problems of natural-resource dominated Angolan economy, while addressing the twin goals of reducing extreme poverty and enhancing shared prosperity. **Thus the proposed CPS aims to support the Government of Angola in building on its emerging strong record of own-management of its development agenda.** The Government is already positioning itself as a fast-growing middle-income economy. Its long-term strategic objectives²³ include: (1) ensuring democracy, social cohesion, and macroeconomic stability; (2) promoting competitiveness and sustainable economic development; (3) promoting human development and expansion of employment; (4) promoting scientific and technological advancement; (5) building sustainable supporting infrastructure; (6) supporting emergence of the private sector and entrepreneurship; and (7) fostering national cohesion and regionally-balanced development. The CPS will support the Government in making strong progress toward *a selected subset of these objectives*, with specific focus on helping to strengthen Angola's national capacity to sustain a more broad-based economic and social development and shared prosperity. In this regard, the CPS provides Angola with timely ESWs focusing on rural development, gender constraints, skills development – which will seek to influence Government policies to reduce poverty, provide social safety net, and broaden growth through continued support to the non-petroleum sectors.

60. **Angola is expected to graduate from IDA-eligibility at the end of FY14 as its per capita income has continued to rise above the IDA threshold for several years.** The country is eligible for access to IBRD funding, but the Authorities have as yet not signaled an interest in accessing IBRD funding. *The CPS is therefore structured essentially along the lines of a Middle Income Country (MIC) strategy.*

61. **As a consequence, the CPS is guided by two broad principles:**

- The CPS places at its core *a much stronger emphasis on knowledge, with a relatively lower priority on direct financial support.* Since 2000, Angola has spent upwards of US\$ 150 billion²⁴ for the reconstruction of physical infrastructure and the expansion of

²³ Ministry of Planning, ECP, 2010; and Ministry of Planning, Plano Nacional, 2011-2012.

²⁴ Gross fixed capital formation, dominated by public investment. Estimate in USD calculated from INE, BNA, and IMF data.

its social services delivery system. It plans to channel a similar scale of public resources not only to meet the demand of the increasing population,²⁵ but also to significantly improve the quality of services delivered to them. The importance of fostering greater local knowledge and capacity generation to support Angola's own-funded public investments must not be understated. A greater use will be made of technical assessments and reviews, reimbursable advisory services, seminars and workshops, and other South-South exchanges, where knowledge and experience could be broadly shared and disseminated.

- The CPS is *designed to maximize synergies from partnerships*, both internally by coordinating more closely than in the past the activities of IDA/IBRD, IFC, MIGA, and WBI as well as externally with traditional and emerging development partners. It will seek to strengthen cooperation with the NGOs operating in Angola as well as the corporate social responsibility (CSR) and private development programs (e.g. the Gates Foundation).²⁶

STRATEGIC OBJECTIVES

62. **The CPS takes as its overarching Strategy the promotion of more inclusive development**, with two core objectives constituting Pillars, and one Foundation Plank of cross-cutting nature. The *First Pillar* focuses on *supporting integrated national economic diversification* by revitalizing rural economies toward greater competitiveness and employment. The focus will be on the strengthening of the non-oil economy, with emphasis on recuperating traditional lines of business that suffered greatly during the war, as well as the technical assistance for the energy sector. The focus of the *Second Pillar* will be on *enhancing the quality of service delivery* to improve the quality of life of the population and equip them to take a greater role in the development of the country and instituting a strong social protection program. Lastly, the *Foundation Plank* of the CPS will revolve around *building human and institutional capacity* approaching the levels common in the middle-income countries, complementing the two strategic Pillars.

63. These objectives would be achieved during the CPS period through stronger attention to quality and implementation performance enhancements in 4 existing projects and a new education project, as well as through the expected build-up of a series of reimbursable advisory services (RAS).

²⁵ Population of estimated 19 million in 2010 is projected to nearly double to 37 million by 2040.

²⁶ Some complementary funding has already been secured from the European Union (Local Development Project), Total E&P Angola (Municipal Health Service Strengthening Project), and IFAD (Market-oriented Smallholder Agriculture Project).

Table 5: Proposed Strategic Objectives of Angola CPS

<p><u>Pillar 1:</u></p> <p>Supporting Integrated National Economic Diversification</p> <ul style="list-style-type: none"> ▪ Agricultural Development ▪ Energy Sector Support ▪ Private & Financial Sector development 	<p><u>Pillar 2:</u></p> <p>Enhancing Quality of Service Delivery and Deepening Social Protection</p> <ul style="list-style-type: none"> ▪ Quality of Service Delivery • Social Protection & Nutrition
<p><u>Foundation Plank: Building Human / Institutional Capacity and Resilience to Shocks</u></p> <ul style="list-style-type: none"> ▪ Economic Management / Planning ▪ Integrated Skills Development Strategy ▪ Youth Employment 	

64. **The diversification and service delivery agenda are fully consistent with the World Bank Group’s emphasis on *reducing extreme poverty and sharing prosperity*.** The CPS contrasts a decade of high GDP growth with still high levels of poverty, inequality, and the structural problems of natural-resource dominated economy. The CPS proposes to provide the Authorities with timely ESWs touching on rural development, gender constraints, skills development – which will seek to influence Government policies to reduce poverty, provide social safety net, and broaden growth through continued support to the non-petroleum sectors.

PILLAR 1: SUPPORTING INTEGRATED NATIONAL ECONOMIC DIVERSIFICATION

65. **The Government is placing a strong emphasis on enhancing geographically balanced growth and on national economic diversification.** Promoting regionally balanced growth and development is not only desirable, but also allows Angola to develop its rich non-petroleum resources and help accelerate economic diversification. Conditions need to be created for existing economic agents to become more productive and for new businesses to flourish in the broader Angolan economy, in addition to the thriving petroleum and gas sector, so that good jobs could be created in a sustained manner. More growth opportunities in the Provinces would help to stem the urbanization tide, particularly of those rural farm households which already possess traditional knowledge that could be upgraded to double or triple crop yields. The tripling of cassava yield since 1997 attests to the potential of Angolan farmers to achieve high productivity in other cash crops. Higher yields allow farm households to build up food security buffer which is essential for them to diversify their production.

66. **Productivity increase is also needed for post-farm gate processing industries and services to flourish by achieving economies of scale.** These industries and services serve to create jobs along the value chain. With adequate facilitation programs, the Government feels that the rural economy could build streams of value chains that connect more efficiently to the market. Similar approaches for diversification applies not only to agriculture, but also fisheries, forestry, and non-petroleum mining and quarrying which are in fact economic clusters where Angola once was competitive and still has strong latent potential.

Table 6: Pillar 1 Outcomes – Supporting Integrated National Economic Diversification

CPS Outcomes	Milestones / Indicators
Increase average yield for major crops cultivated by smallholder farmers	<ul style="list-style-type: none"> ➤ Project-level interventions to increase yield: <ul style="list-style-type: none"> • Maize from 0.4 in 2014 to 0.8 t/ha in 2016 • Iris potato from 4.0 in 2014 to 5.0 t/ha in 2016 • Cassava from 11 in 2014 to 12 t/ha in 2016
Expand power generation & transmission network and accelerate rural electrification	<ul style="list-style-type: none"> ➤ Electricity generation capacity increased by 30 percent between 2013 to 2017 ➤ Increase in the number of provincial population centers connected to the grid
Remove regulatory overhang and improve business environment	<ul style="list-style-type: none"> ➤ Reduce business startup time from 68 days to 34 days
Improve access to finance and reduce financial sector risks	<ul style="list-style-type: none"> ➤ Improve credit bureau coverage from 0% in 2013 to all SMEs under Government guarantee program ➤ Improve banking supervision and FOREX management ➤ Strengthen AML-CFT monitoring and enforcement

Results Area 1: Rural and Spatial Development

67. **Successful agriculture and rural development can be a powerful instrument for reducing extreme poverty, increasing food security, and stimulating growth in employment.** In particular, the rural areas are home to the majority of the people identified as being poor in the 2008 IBEP, so making the rural economy more dynamic will have a far-reaching effect on achieving *shared prosperity*. The Government appreciates the importance of agriculture and rural development to the country's overall social and economic development and has supported it as a national priority. The Ministry of Agriculture has identified five major challenges: (1) increasing overall agricultural production and productivity²⁷; (2) linking farmers (particularly smallholders) to markets to raise farmers' income; (3) building rural infrastructure (e.g., irrigation, transportation, electrification, land quality improvement, etc.); (4) creating non-farm job opportunities²⁸; and (5) strengthening the capacity of rural community-based organizations. The CPS will target also women, to help them to have more access to land and address gender constraints in the country. The typical rural community faces all of the above challenges at the same time, so the benefits that can be derived by addressing one challenge at a time are often significantly undermined owing to the existence of other constraints.

68. **The current Bank portfolio has been restructured** to achieve greater complementarities among sectoral interventions while maintaining a tight geographical focus to avoid dissipation of effort. The *Market Oriented Smallholder Agriculture Project (MOSAP)* was restructured to cover capacity building of smallholder farmers, support small community-based investment in agribusiness and to building agricultural extensions infrastructure.

²⁷ For example, in 2010 maize yields averaged 2.07 MT per hectare throughout Africa as a whole, while in Angola they reached only 0.68 MT per hectare.

²⁸ Agriculture contributes only 11% of total GDP, while employing 51% of the labor force. This means that the marginal productivity of the agricultural labor force is extremely low, implying the need to encourage workers to move into other sectors to find employment. By transitioning into off-farm rural enterprises, many agricultural workers will be able to increase their incomes.

69. **An *Economic and Sector Work (ESW)* will be undertaken so that the binding constraints impeding agricultural growth are well understood.** The findings of the ESW can contribute to the design of a national agriculture and rural development strategy which is central to the achievement of poverty reduction and shared prosperity as extreme poverty and lack of services is more pronounced among rural households.²⁹ The joint study will include spatial analysis to identify opportunities and constraints in linking rural farmers to markets.

Results Area 2: Energy Sector Support

70. **Government is implementing an ambitious Five-Year Action Plan to expand the existing power network and water supply infrastructure.** Angola intends to embark on a US\$23 billion investment program to expand the current power generation and transmission capacity from 1913MW to 7256MW by 2017, extending the access to electricity further to 82 municipalities.³⁰ The Action Plan contemplates concurrent regulatory reform to unbundle and rationalize power utilities, to accelerate rural electrification, and to enhance opportunities for private sector participation in the energy sector. The wider availability of electricity in rural areas is expected to contribute to more value addition opportunities, contributing over time to non-farm wage employment and diversification of the rural economy – leading to a reduction in extreme poverty and allowing shared prosperity. Investment categories range from biomass, mini-hydros, wind, solar systems to two large-scale hydroelectric projects (1700-2000MW), as well as off-take of power by proposed aluminum smelter and steel mill projects.

71. **Significant technical and management capacity gaps exist, both at the national level and in provinces where the expansion projects would be undertaken.** The Bank Group will explore providing an integrated support, including (1) reimbursable advisory services (regulatory reform, rural electrification, tariff rationalization, operations and maintenance, and training program at facilities level); (2) IFC advisory services on energy PPPs; and (3) MIGA credit enhancement and political risk insurance on projects (e.g. Cambambe hydropower project). Results framework will need calibration depending on the Government's uptake of the above services.

72. **The Bank Group will explore options for supporting the oil and gas sector throughout the CPS period,** especially with regard to supporting Angola to subscribe to EITI program. Because of the presence of world-class oil and gas companies already in Angola, and the growing involvement of SONANGOL in the global market, the Bank Group has been only involved from time to time in the elaboration of anti-flaring initiative on the margin.

²⁹ European Union has agreed in principle to work with the Bank on the Integrated Rural Development Strategy and possibly peering its agriculture project under the upcoming EDF framework to the Bank's TA project on rural development.

³⁰ Ministry of Energy and Water, *Action Plan for Energy and Water Sectors, 2013-2017*. In addition, US\$5.9 billion would be invested in expanding and upgrading water pump and purification systems to supply 120 municipalities by 2017.

Results Area 3: Private and Financial Sector Development

73. **A key objective of the Government's vision is to accelerate the development of local industries as part of the diversification and shared prosperity goals.** There are important business environment constraints currently inhibiting a more vibrant and geographically balanced business development, as noted by various measures on investment climate. Private sector companies need a stable and conducive business enabling environment, good connectivity to markets, and sustained advice on best practices in business (e.g. entrepreneurship, corporate governance, standards, and capacity development such as technical and business training). Sustained growth of the private sector, especially maximizing the use of the currently under-utilized human labor, will be important channel through which to reduce inequality and *promote shared prosperity*.

74. **The latest *Financial Sector Assessment Program* (FSAP, 2012) notes significant constraints in access to finance,** particularly the access to credit for small- and medium-sized enterprises. Financial sector stability and promotion of savings and investment culture will be essential for strong private sector development. To support the Central Bank in carrying out the FSAP recommendations, a fee-based service will be prepared in FY14 to support: (i) strengthening of BNA's supervision capacity; (ii) implementation of Financial Education Campaign; and (iii) Foreign Exchange management and monitoring. Draft Agreement has been shared with BNA on Reimbursable Advisory Services for the implementation of the Action Plan for Anti-Money Laundering and Countering Financing of Terrorism (AML-CFT). Lastly, BNA has expressed a keen interest in signing up for the Bank's Reserves Advisory and Management Program (RAMP).

75. **A review of the accountancy profession will be conducted to identify reforms** that could contribute to (1) increasing the number of professional accountants serving private and public sectors and (2) enhancing quality of financial reporting for enhanced cash-flow based financing and improved business competitiveness.

76. **A Seminar on Financing Options for senior Government officials is planned early in FY14** to raise awareness about various forms of financing instruments available in the global market. Given imminent IDA graduation, the Seminar will also address the access to and benefits of IBRD financing, use of IFC and MIGA products to maximize their leverage on private capital.

77. **A time-bound advisory service geared toward removing bureaucratic and regulatory overhang will be developed.** To make Angola's business environment more conducive to private sector growth, a multi-year reform program will be needed to remove regulatory and procedural bottlenecks inhibiting or delaying business operations.

78. **The Government is putting in place a Public Private Partnerships (PPP) legal and regulatory framework to attract and oversee private sector investments in crucial infrastructure, energy, and transport sectors.** On a cost recovery basis, the Bank Group is ready to provide technical assistance to strengthen institutional and technical capacity, to design and implement a comprehensive training course on PPPs, and to prepare PPP projects manuals for selected economic sectors based on international best practices.

Table 7: Possible Activities under CPS Pillar 1

Strategic Pillar 1 <i>Supporting National Economic Diversification</i>
Reimbursable Advisory Services & Technical Assistance & (RAS/TA)
<p>TA</p> <ul style="list-style-type: none"> • Financing Options Seminar (IDA Graduation) • Financial Sector Assessment Program Follow-up • Energy Sector Development <p>RAS:</p> <ul style="list-style-type: none"> • Reserve Assets Management Program (RAMP) • Anti-Money Laundering • Public Private Partnerships • Business environment reforms <p>IFC:</p> <ul style="list-style-type: none"> • Business Edge Program
Economic & Sector Work (ESW)
<ul style="list-style-type: none"> • Agricultural Development Study • Review of Accountancy Profession • Financial Sector Development Strategy • Doing Business Reform Action Plan
Ongoing and Potential Operations (Lending)
<p><u>On-going operations</u></p> <ul style="list-style-type: none"> • Market-oriented Smallholder Agriculture Project

79. **To help build entrepreneurial capacity, the Business Edge Program is well positioned to provide advice, problem solving, and training to companies, industries, and governments.** Private sector partners have expressed interest in funding the pilot phase of this program (training of the trainers and tailoring the Portuguese translation of the training manuals to the Angolan context). The National Bank of Angola has expressed interest in co-hosting with IFC a private sector workshop which is intended to (a) raise awareness about IFC's possible activities; and (b) serve as an important step in updating WBG knowledge³¹ of the Angolan private sector's needs and priorities. The common objective of these interventions is to help unleash the private sector's innate ability to develop new lines of businesses and to create the large number of jobs that Angola needs.

PILLAR 2: ENHANCING THE QUALITY OF SERVICE DELIVERY AND DEEPENING SOCIAL PROTECTION

Results Area 1: Enhancing the Quality of Service Delivery

80. **Government stresses the importance of enhancing the quality of services along with the ongoing expansion of service delivery.** Experience from other countries, however, suggests that expansion in the access to services was accompanied by deterioration in quality of services

³¹ Structured as a forum to hear directly from cross section of the private sector perspectives on the opportunities, challenges, constraints and experiences as well as how the WBG can assist in unlocking the full potential of the Angolan private sector.

and outcomes (stagnating completion rates, worsening literacy and numeracy skills, inability to contain HIV/AIDS and other epidemics), so more actions are needed to ensure adequate quality of services, with a special focus on women. In fact, in the rural economy which is based largely on subsistence agriculture or artisanal fishing, basic education, health, infrastructure, and social protection services allow the households the necessary means to build human capital and increase long-term productivity. Improvements in livelihood of the households in the bottom income quintiles can only be sustained if members of the households individually can achieve productivity growth.

Table 8: Pillar 2 Outcomes – Enhancing Quality of Service Delivery and Deepening Social Protection

CPS Outcomes	Milestones / Indicators
Improve the quality of education	<ul style="list-style-type: none"> ➤ Number of teachers trained through In-Service Teacher Training Program increasing from 6,000 in 2013 to 11,000 in 2016 ➤ Plan for national implementation of School grouping (ZIP) model prepared by 2014
Expand health service delivery	<ul style="list-style-type: none"> ➤ Percentage of institutional deliveries in the five selected municipalities increases to 52% in 2014 and 57% in 2016 ➤ % of children 0-1 year immunized with penta vaccine 3rd dose increases from 33% in 2013 to 38% in 2016
Improve sustainable water supply system	<ul style="list-style-type: none"> ➤ Number of people in urban areas provided with access to improved water sources under WSIDP project reaches to 230,000 in 2014 and to 520,000 people in 2016 (of which 50 % are women) ➤ Number of Provincial Water & Sanitation Utilities achieving annual profitability targets increases to 20% in 2016 and to 44 % in 2019
Reduce malnutrition	<ul style="list-style-type: none"> ➤ GoA Program on reducing malnutrition ➤ Percentage of households that consume iodized salt increases from 44.7% in 2007 to 75% in 2016
Improved access to social safety net and nutrition support	<ul style="list-style-type: none"> ➤ Coherent social assistance strategy adopted with a functional operational plan ➤ Better targeting achieved through unified registry of beneficiaries, monitoring and evaluation

81. **Supporting the Government’s efforts in decentralization:** Developing national and local capacity to deliver quality services and systems expansion is an important element in the on-going projects. Especially *Local Development Project (LDP, FY10)*, now underway, covers capacity building of local government at a municipality level across the sectors. Other IDA-funded projects also aim to strengthen capacity in planning and business management of social infrastructure construction, i.e. schools, health facilities, and water delivery. Through ongoing projects, the CPS intends to enhance system-wide efficiency and value for money for key services.

82. **Focusing particularly on poor segment of the population, the Bank will continue to support the enhancement of sustainable water supply systems.** The *Water Sector Institutional Development Project (WSIDP, FY09)* is supporting institutional reforms for water supply and sanitation utilities, complemented by an aggressive capital investment program to rehabilitate treatment facilities, pumping stations, transmission mains and distribution networks in peri-urban areas. The project focuses on creating regulatory and institutional frameworks for delivery of

water and sanitation services.³² In 2011, an additional credit in an amount of US\$120 million was approved for WSIDP to support improved water supply access by scaling-up the investments in the nine cities, eventually allowing connections to about 486,000 poor people.

83. **There is scope for complementing the WSIDP with additional strategic assistance, including in sanitation:**

- a) Capacity-building (FY14-16) through South-South Cooperation in the Water and Energy Sector by establishing a systematic exchange with Brazil and Portugal (language limitation). Direct cost of Government could be financed by existing Project with minor restructuring; and
- b) A Water & Sanitation Program (WSP) Sanitation study to determine existing gaps in access to sanitation and estimate the economic value of improving sanitation for better health outcomes (FY14-15).

84. **The CPS puts a strong emphasis on improving the quality of education, especially for girls.** The Bank's support for improving the quality of education in Angola is grounded in recent analytical work and consistent with the objective of reducing poverty and enhancing shared prosperity. Given the progress being made in increasing access to education under the Government program, the Bank's support focuses on quality through:

- a) **The Learning for All Project** (FY14, to be presented to Board together with the CPS) targets enhancing the quality of teaching and the school accountability. The focus on teaching quality is to be achieved by improving teacher knowledge and skills (i.e. mathematics, Portuguese, pedagogy). School accountability focuses on being tightly linked to the ongoing process to decentralize responsibility for primary education to municipalities. In addition, the project aims to help the Government put into place a system of assessment to track primary learning outcomes, by developing a supporting database. Attention will also be given to improving the capacity of the Ministry of Education and the local administration of the targeted school districts (ZIP).
- b) **The READ Project** (Russian trust-funded TA project launched in FY12) will introduce a solid national assessment system in Education which will contribute to finding a gap in learning and reform the pedagogy in classrooms.

85. **Improving the quality of health services.** The CPS supports institutional reforms and investments to create conditions favorable to improving health indicators, especially regarding child and maternal mortality. Bank support through the ongoing *Municipal Health Service Strengthening Project (FY10)* targets increased provision of pre-natal health care, immunization, institutional delivery of births, and the provision of a basic package of health, nutrition and population services. The project will also support analytical work to inform policy and decision making in areas such as human resources, health care financing and coverage, as well as a nutrition gap analysis. It is anticipated that these efforts will strengthen the stewardship role of the Ministry of Health while developing capacity at the provincial and municipal levels to deliver quality health services. Improvements in quality would ultimately lead to a reduction in the ratios

³² These include the creation of National Institute for Water Resources (done in October 2010), autonomous Provincial Water and Sanitation Utilities (under consideration by the Government), a regulatory agency for urban water supply and sanitation, and an asset management unit for urban infrastructure established within the Ministry of Energy and Water (MINEA).

of children and maternal mortality. A strategic partnership with TOTAL E&P Angola has been signed, availing to the Bank up to \$4.5 million supplementary funding over the life of the project.

Results Area 2: Deepening Social Protection

86. **Social Protection has evolved following country needs.** After focusing on supporting the displaced population as well as households and individuals affected by the civil war (which displaced about 4.5 million and landmines affected 17 percent of the population), the Government has now shifted social protection priorities to address food insecurity, gender, poverty and vulnerability. After issuing the general framework for social protection in 2004, the Government is developing a social assistance strategy to create a system to support the extremely poor and vulnerable groups. A well-targeted social safety net provides the necessary buffer against various shocks which tend to push people back into poverty. The subsistence farmers, in particular, are constrained from crop diversification because they have no scope to try something new – e.g. adoption of techniques which promise higher productivity – without adequate protection against food insecurity.

87. The Bank will partner with UNICEF and the European Union to enhance Government capacity **to design, implement and monitor an effective social protection strategy that assists the extremely poor and vulnerable to mitigate the immediate impact of poverty** and to reduce medium term poverty. (FY14-16) Activities to this end could include:

- a) A review of social assistance programs and social protection expenditures to identify the risks and vulnerabilities of the different groups, assess the existing supply of social safety net programs and identify the gaps between risks and existing interventions. The assessment will help government to identify priorities and prepare a social assistance policy and operational plan (FY14-FY15);
- b) Technical assistance to develop and implement tools to make operational the social assistance strategy, such as a targeting mechanism to select the poorest, a registry of beneficiaries, and monitoring and evaluation tools to improve the effectiveness of current and future social assistance programs (FY15-FY16);
- c) Analytical work to identify specific conditions of certain groups in order to develop and implement tailored interventions as part of the social protection system. Possible groups are children (and nutrition and early childhood development) and low income youth-at-social-risk. One intervention will be prepared in FY15 and another in FY16.

88. **The Bank's engagement in social protection in Angola has been historically through the support to the Social Action Fund (FAS).** The Local Development Project (FY10), a credit of US\$81.7 million which became effective in August 2011, is the fourth operation supported by the Bank after FAS I, II and III. The Bank and the EU have reached an understanding that an additional €30 million would be provided as a co-financing grant to FAS, to scale up existing efforts to expand social infrastructure in rural areas and build capacity at local level, as well as strengthening M&E instruments, including a rigorous impact evaluation, audits, and staffing to monitor and support the implementation of the program.

Table 9: Possible Activities under CPS Pillar 2

Strategic Pillar 2
<i>Enhancing the Quality of Service Delivery & Deepening Social Protection</i>
Reimbursable Advisory Services & Technical Assistance & (RAS/TA)
<ul style="list-style-type: none"> • Social Protection and Nutrition Support • South-South Cooperation in the Water and Energy Sector (upon request)
Economic & Sector Work (ESW)
<ul style="list-style-type: none"> • Sanitation Study
Ongoing and Potential Operations (Lending)
<u>On-going operations</u> <ul style="list-style-type: none"> • Water Sector Institutional Development Project • Municipal Health Services Strengthening Project • Local Development Project
<u>Pipeline</u> <ul style="list-style-type: none"> • Education Project – <i>Learning for All</i>

**FOUNDATION PLANK: BUILDING HUMAN / INSTITUTIONAL CAPACITY
AND RESILIENCE TO SHOCKS**

Results Area 1: Economic Management and Planning

89. **Stable and sound macroeconomic environment is an important objective of Angolan Authorities**, particularly since the 2008 crisis and in the current volatile global environment. It provides the business community with stability and predictability in investing money for expansion or diversification – i.e. leading to growth in employment. There is a wide range of capacity-building and technical assistance needs in the area of economic management and public sector operations. A series of *reimbursable advisory services* is being discussed in the areas of public investment management, medium-term expenditure framework (MTEF), macroeconomic modeling and economic analysis, and statistics compilation (national accounts, prices, and a census of firms).

90. In line with the greater focus on knowledge, the Bank plans to undertake the following core diagnostics on Angola:

- a) **Public Expenditure Review (PER)**: The Budget is the main instrument to achieve the Government’s objective of economic diversification and good governance. The PER will examine Government expenditures and budget processes to assess the equity, targeting, efficiency, and effectiveness of budgetary allocations in the context of Angola’s macroeconomic framework and sector priorities.
- b) **Country Economic Memorandum (CEM)**: The aim of a new CEM is to help design a medium-term strategy for economic diversification and employment creation for Angola by identifying and understanding the potential non-oil growth sectors and their diversification prospects.
- c) **Angola Economic Updates (AEUs)**: The semi-annual series will be launched in 2013 to assess macroeconomic developments and cross-sector issues affecting economic growth, diversification, and poverty reduction. The AEUs will review the recent economic trends

and growth prospects in Angola and will juxtapose these with the unfolding situation at the global level.

Table 10: Foundation Plank Outcomes – Building Human / Institutional Capacity & Resilience to Shocks

CPS Outcomes	Milestones / Indicators
Improve coordination of economic policies and efficiency of public expenditures	<ul style="list-style-type: none"> ➤ Better economic monitoring ➤ Effective budget execution
Formulate and implement a long-term skills development strategy	<ul style="list-style-type: none"> ➤ GoA Program for Skills Development adopted ➤ Regular survey of private sector labor demand
Strengthen training of GoA national and local level staff	<ul style="list-style-type: none"> ➤ GoA carries out medium-term HR capacity-building planning by 2015 ➤ Collective course offerings on economic management, planning and budgeting, spatial analysis, and development issues at ENAD, IFAL, other specialized Institutes, and universities expanded by 2015
Build awareness about Angola’s exposure to severe weather events and to long-term effects of global climate change	<ul style="list-style-type: none"> ➤ GoA carries out climate resilience assessments in 3 key sectors by 2016 ➤ Reliance on fuelwood reduced by 10 percent each year through introduction of cooking gas

Results Area 2: Integrated Skills Development Strategy

91. **Angola’s key natural resources are non-renewable.** High capital intensity of petroleum and gas industries and the business pattern that so far has limited downstream industry spillovers suggests that there needs to be a concerted effort to diversify the productive base and improve social conditions to the level of average middle-income countries. Conditions need to be created for existing economic agents to become more productive and for new businesses to flourish in the broader Angolan economy, in addition to the thriving petroleum and gas sector, so that good jobs can be created in a sustained manner. Governments can actively promote economy-wide skills development which transform currently unviable business opportunities into profitable enterprises capable of absorbing increasingly skilled labor.

92. **There is a need to more closely link human capital development,** so that more qualified Angolans would be able to fill the jobs created by the private sector. This is a prerequisite for *economic diversification and promotion of shared prosperity*. In education, stronger private sector linkage can be built in the technical and vocational education and training (TVET) to ensure that the schools equip the students with the skills demanded by businesses. The Government has set an ambitious target of doubling skilled and semi-skilled workforce in 10 years. The CPS proposes a multi-sectoral and *integrated study on skills development*.

93. **Youth unemployment is likely to get worse due to the demographic trends.** High numbers of unemployed youths pose a risk to cohesion and peace. The Bank could help to enhance the understanding of youth unemployment in Angola by preparing a Youth Employment Policy Note (FY15). The Government can design a Youth Employment program including skills development and labor intensive temporary works for the youth. In several countries which succeeded in increasing average income and reducing inequality, the investment in the education and skills training of the youth had a profound impact on raising the overall household income within a generation. For reduction of extreme poverty and promotion of shared prosperity, investing in youth should be arguably the most important priority of the State.

Results Area 3: Human Capacity and Institutions Building

94. **Human capacity and institutional building will be a cross-cutting objective of Bank Group support to Angola.** The two Strategic Pillars will be complemented by a cross-sectoral Foundation Plank to build human capacity and institutions. Institutional setup will need to develop in tandem with broader geographic and economic diversification and increasing need to place service delivery closer to the growing population.

95. **The objective of building national institutions and capacity has been incorporated in ongoing projects.** For example, *MOSAP (FY09)* trains smallholder farmers and agricultural extension workers and *Local Development Project (FY10)* enhances the local institutional capacity at municipality level for better service delivery. The institutional capacity building must be continued in all interventions contemplated under the CPS.

96. **The Bank’s development knowledge, together with its global knowledge network, will provide useful inputs to build Angola’s own capacity.** The Bank will update its information base on Angola, provide human capacity and institution-building support, and function as a clearing-house of knowledge from other MIC countries (South-South exchange). WBI courses introducing cutting edge approaches to development (e.g. Frontiers of Development, Urban Planning, Climate Change Adaptation, Inclusive Growth, etc.) will be an important element in this regard.

Table 11: Possible Activities under CPS Foundation Plank

<u>Foundation Plank</u> <i>Building Human / Institutional Capacity and Resilience to Shocks</i>
Reimbursable Advisory Services & Technical Assistance & (RAS/TA)
<ul style="list-style-type: none"> • Climate Change Seminar • WBI e-Courses • RAS : <ul style="list-style-type: none"> ✓ Building human resources in selected national institutions ✓ Possible RAS on Economic Management • (e.g. Procurement, Statistics & Economic Modeling)
Economic & Sector Work (ESW)
<ul style="list-style-type: none"> • Public Expenditure Review • Country Economic Memorandum • Angola Economic Updates • Integrated Skills Development Strategy • Youth Employment Policy Note

97. **A key innovative effort of the Strategy would be to agree with the Authorities on four to five key national institutions for which the Bank Group would make a firm assessment, covering say 10 years, of their key human capacity needs.** A strategic program for the realization of these key institutions over that period and beyond would then be determined for focused implementation. Possible institutions for such an approach might include: The National Institute of Statistics (INE); The Institute for Local Administration (IFAL); The National Institute of Water Resources; The National School of Administration (ENAD); and possibly Ministries of Planning; Economy; Finance; and Energy and Water.

98. In parallel, **WBI is discussing with Ministry of Public Service and Ministry of**

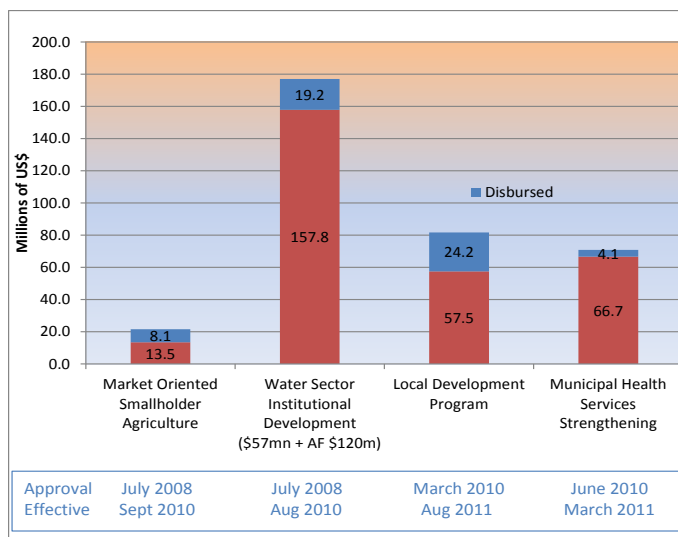
Territorial Administration possible ways of accelerating capacity building at central and local levels by supporting the training programs of the *National School of Administration* (ENAD) and the *Institute for Local Administration Training* (IFAL). Neither of these training programs currently offers courses on development and economics topics, or on specific issues pertaining to service delivery. More than 45 e-Learning courses from WBI could be made available to these agencies, and also the public universities, provided that funding can be secured to translate the teaching materials.

99. **Angola is exposed to significant climate change risks.** Due to the destruction of meteorological stations during the war, climate variation patterns over the last 3 decades are virtually unknown. Anecdotal evidence during 2006/7 floods suggests that large number of crop-growing areas hitherto not exposed to regular flooding had been inundated. *Water Sector Institutional Development Project (WSIDP, FY09)* is financing 189 new meteorological stations and a monitoring system, and is financing two river basin studies. Other evidence suggests that some fish stock in Angolan waters have migrated elsewhere due to overall rise in seawater temperature. There is an urgent need to reinforce climate resilience into key infrastructure that Angola is planning to invest in. Volatility in weather change patterns also renders traditional crops more difficult to grow and prone to crop failures which are detrimental to the households in extreme poverty. To raise awareness of this risk and to showcase the adaptation measures already being taken by other countries, the Bank will explore organizing a Climate Change and Disaster Risk Reduction Seminar during the CPS period.

IV. IMPLEMENTING THE FY14-FY16 COUNTRY PARTNERSHIP STRATEGY

100. **The Bank Group support will put more emphasis on strengthening knowledge transfer through AAA and technical assistance,** in addition to limited lending operations. The CPS interventions will comprise of: (a) AAA/RAS work; (b) projects prepared under the IDA-16 allocation; and (c) and Integrated Partnerships. Assuming Angola does not access IBRD financing during the CPS period, the AAA/RAS and other forms of knowledge products will dominate the WBG’s Program over FY14-FY16, as detailed in Annex 1.

Figure 6: Current IDA Portfolio
(As of June 30, 2013)



The Current Portfolio

101. **Four projects are under implementation with a combined size US\$359.5 million and average age of 4 years.** Effectiveness delays plagued the current portfolio as shown in Figure 6. These projects will deliver a good share of expected results under the CPS.

102. **The portfolio quality has improved significantly in the last 12 months,** with all projects being rated marginally satisfactory for Development Objective. The overall disbursement rate rose from 1.2 percent at end-2011 to 11.8 percent by end-June 2013 owing to

acceleration of project activities. The *Market-Oriented Smallholder Agriculture Project* was restructured in February 2013 with a cancellation of US\$8.5 million for activities which are not likely to be carried out by the September 2014 closing date.

103. **There is some scope for fine-tuning the activities under the existing projects to complement other components of the CPS.** Some US\$295 million undisbursed funds will continue to provide important investments in water systems, agricultural extension services, health facilities, and local institutions. In spite of recent improvements, the Angola portfolio continues to perform below the regional average. The efforts to improve capacity in financial management and procurement need to be continued in order to mitigate capacity constraints. Where possible, the projects will be fine-tuned to track progress on reducing gender disparity by using “genderized” results indicators.

New Pipeline

104. **The IDA16 (FY12-14) indicative allocation for Angola is about US\$170 million,** of which US\$75 million has been allocated to *Learning for All Project* which is being presented to the Board together with this CPS. The remainder of the funding will not be utilized given the lack of time to prepare an operation before the end of IDA-16 cycle and the emerging shift to **Reimbursable Advisory Services (RAS)**³³.

105. During the transition period as Angola graduates from IDA and considers accessing IBRD financing, RAS would likely be the preferred instrument by which Angola acquires knowledge and training assistance from the WBG. As an initial introduction to the process, the Bank is brokering a study tour to a number of Gulf States clients already utilizing this instrument. Recently, a US\$670,000 RAS with the Central Bank for assistance in strengthening Angola’s Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) capacity has been developed and awaiting BNA approval. Discussions are ongoing to put in place RAS for financial and private sector development, energy sector development, and Economic Management.

A. DELIVERING THROUGH INTEGRATED PARTNERSHIPS

Internal Partnerships

106. **The Bank, IFC, MIGA, and WBI will strengthen its partnership to help Angola in overcoming its development challenges.** The year-long in-country discussions with the Authorities for the preparation of the CPS were undertaken jointly. Already, there is an emerging coordination of activities around the energy sector with cross-debriefing and sharing of existing knowledge across institutional boundaries. The synergy among WBG institutions, each focusing on the parts fitting its mandate, has proven exceptionally effective in building a credible dialogue with the Authorities on the CPS.

³³ RAS or Fee-for-Services Agreements are often used by countries which do not need significant financing support but would benefit from tailor-made knowledge transfer or policy advice from WBG. The service is provided on a cost-recovery basis and could be provided on a confidential basis as it is the beneficiary country which pays for the service.

107. International Finance Corporation (IFC) will continue to partner with IDA to provide advisory support to Angola in improving the business environment and removing hurdles that inhibit private sector growth generally and focusing on specific sectors. IFC can also provide upon request specific advisory services to improve access to finance, support sustainable business development of SMEs, and facilitate Private-Public partnerships (PPPs). Conditions permitting, IFC can also explore business development for investment opportunities in the financial sector, agribusiness, general manufacturing and services, and infrastructure. Multilateral Investment Guarantee Agency (MIGA) has recently approved a US\$512 million guarantee for commercial loans for Cambambe hydropower project, and is exploring similar operations to help protect private investments in Angola. MIGA's involvement helped to secure long-term financing at competitive terms. Given the large volume of planned infrastructure projects, Angola can derive significant benefits with MIGA engagement. World Bank Institute (WBI) will be engaged not only to provide direct support to capacity development initiatives undertaken by Government, but also to incorporate WBI's knowledge and capacity-building experience into the design of Bank operations undertaken during the CPS period. (See Annex 9 for details on the scope of IFC, MIGA, and WBI programs)

External Partnerships

108. **The WBG has been working in partnership with several other development partners and the private sector.** Co-financing is the one of the forms of collaboration. The Market Oriented Smallholder Agriculture Project (FY09) has leveraged funds from IFAD (*US\$ 8.2 million*) and Japan through PHRD grant (US\$ 4 million) along with the US\$ 30 million of IDA resources. Moreover, the Municipal Health Service Strengthening Project (FY10, US\$ 70.8 million) collaborates with UNICEF, WHO, and UNFPA on technical and implementation issues. The same project also involved the private sector, with Total E&P Angola providing an additional funding of US\$ 4.5 million to support the several sub-components of the project.³⁴ Building on the existing collaboration on the ground, the strengthened partnership will be expected with both bilateral and multilateral donors for the Bank to supplement the Bank operation effectively. (*See Annex 14* for details on Donor Activities)

109. **Opportunities for closer collaboration with a number of development partners are being explored** in an integrated and structured way around following clusters:

- **European Union (EU)** will work with the Bank on agriculture, technical-vocational education, and local development in its forthcoming Strategy due in 2014. EU has agreed to partially finance the *Agriculture Development Study (CPS Pillar 1)*, and to work jointly with the Bank on future analytical work on labor and technical education. A strong partnership with the EU in local governance and social protection is in place with EU-funded Additional Financing being prepared for the ongoing IDA Local Development Project.
- **African Development Bank (AfDB)** was asked by GoA to elaborate for Angola a *National Economic Diversification Strategy* recently. At the specific request of the Government, the Bank will collaborate by undertaking some complementary analytical

³⁴ Chevron and BP have expressed interest in discussing possible collaboration with the World Bank Group.

work as warranted, including lead work on spatial development and planning. The Bank will also work with AfDB in updating the 2008 *Country Gender Profile*, making use of IBEP data which was not available earlier.

- **United Nations (UN)** Agencies have worked closely with Bank projects (e.g. social protection joint work and technical support for 2008 household survey – UNICEF)
- **Japan** has provided PHRD Grant funding for Market-Oriented Smallholder Agriculture Project, and is interested in taking part in joint analytical work on agriculture.
- **Norway** has indicated interest in supporting the policy dialogue and capacity building in the energy and related infrastructure cluster, possibly through a secondment of a technical expert to the Bank’s Country Office.
- **The South-South Knowledge Exchange with Brazil** is planned as an explicit CPS activity in the water and sanitation sector, and similar opportunities will be explored in agricultural research and rural development (EMBRAPA) and social safety net (Bolsa Familia) and wider social protection.
- **The Bank and the USAID** have collaborated more closely on financial sector development where the existing USAID direct-funded programs are phasing out. USAID has also produced a comprehensive study on Angola’s Energy sector needs and intends to work with the Bank Group in the energy sector.
- **China** is Angola’s key partner on infrastructure projects. Opportunities for technical collaboration, for instance on spatial infrastructure planning, will be explored.

110. **The Bank Group as a whole will continue to leverage its support by working in partnership with various other stakeholders in Angola.** Private partners have mobilized funds directly for community level activities, with some overlapping areas of interest with the Bank. A “win-win” partnership can be created between the Bank and the private entities linking their Corporate Social Responsibility (CSR) programs. There is also scope for building partnerships with Emerging Countries through South-South cooperation.

111. **The implementation of the CPS aims at also deepening partnerships with Civil Society Organizations (CSOs) for knowledge generation.** Through regular consultation, the Bank will work closely with the non-state actors including the think tanks, research institutions, the academia, non-governmental organizations (NGOs), and community based organizations to generate knowledge.

B. RISKS

Direct Risks to the CPS Implementation

112. **Results and Outcomes.** There is a substantial risk that the Bank Group will not attain the defined results and outcome under the CPS owing to a variety of reasons, including the small relative scale of its interventions. Further at the level of Government, there is weak on-ground capacity for public financial management and procurement reforms, lack of access to basic information (e.g. statistics), and complex national political economy dynamics. Yet, the current stable economic environment provides a window of opportunity for renewed economic reforms, especially in the energy, financial and economic management, and wider infrastructure areas. Even modest success in these areas would go a sizable way in impacting poverty levels and

shared prosperity, given the overarching centrality of these sectors to governance and inclusive economic management. In addition, the Bank could play an important role, through analytical and other activities, in highlighting the importance of sustaining with ongoing and future reforms.

113. **Angola does not access IBRD resources.** In spite of being creditworthy for IBRD financing, it is possible that the GoA may choose not to borrow from IBRD. The CPS makes full use of other Bank Group activities such as those available through IFC and MIGA, in addition to AAA and RAS, in order to deepen its engagement with Angola. MIGA has already begun to intensify its operations in Angola's energy sector, and the Bank expects to shortly sign its first RAS with National Bank of Angola in the financial sector. Finally, a comprehensive review would be undertaken at mid-term implementation of the CPS, with a view to more decisively charting out alternative strategic options should the Government not have accessed the IBRD window by that time.

Overall Risks to the Operating Environment

114. **Economic Vulnerabilities – "Hard-landing" due to a sudden drop in oil price.** Angola's economy and public sector revenues remain very dependent on the oil industry, so there is a significant risk of a sudden economic slow-down due to oil market developments. Angola's ability to manage a "soft landing" from current high levels of economic activity will depend critically on continued structural reforms - particularly greater control of public expenditure and efficiency of public services, continued financial sector reform, and maintenance of a strong fiscal position through the cyclical upswing. In the event of a hard-landing, budget allocations to priority spending on basic services and social safety net could be cut back or grow at a slower pace. The Bank will have ongoing projects for education, health, and water during the CPS period which could assist the service delivery sectors to increase efficiency of spending. Also, compared to the 2008 crisis, the Bank is better positioned to help the Authorities to minimize the macro impact of an economic downturn by assisting them through programs such as the RAMP and a RAS on economic management.

115. **Failure to address disparity and equity issues.** While a significant degree of political stability has been observed in Angola in the past decade, the existing disparity and inequality need to be addressed in order to avoid conflict and violence, which is disproportionately damaging for the poor. Large numbers of peri-urban youth, who are unemployed or underemployed in the informal sector are a source of instability and need to benefit from increased social and economic inclusion. There is always the risk of flare-up protests and social upheavals given the insufficient capacity in the Government to push ahead with multiple reforms in a short period of time. The WBG intends to help Government mitigate this risk by communicating reform details to all stakeholders. A steadfast implementation of the recently formulated Government strategies and the support envisioned in this CPS, especially in the areas of boosting service delivery and social protection, are therefore important mitigating elements to assist in the transition to a more inclusive development model.

Annex 1: Proposed Deliverables under the Angola Country Partnership Strategy, FY14-16 *

	FY14	FY15	FY16
Economic and Sector Work	Integrated Rural Development Strategy Social Protection Strategy Angolan Economi Updates	Public Expenditure Review Integrated Skills Development Strategy Youth Employment Policy Note Angolan Economi Updates	Sanitation Study Country Economic Memorandum Angolan Economi Updates
Reimbursable Advisory Services	AML-CFT Action Plan RAMP FSAP followup Energy Sector Reform	Sovereign Wealth Fund Statistics (INE) Business environment reforms Public Private Partnerships	Economic Modeling Statistics
Technical Assistance	Social Protection and Nutrition Support Financing Options Seminar (<i>IDA Graduation</i>) WBI e-Courses Climate Change Seminar IFC Business Edge	Social Protection and Nutrition Support WBI e-Courses IFC Business Edge	WBI e-Courses South-South Exchange on Water
Potential New Operations	Education Project - Learning for All		
Existing Projects	Agriculture (MOSAP) Water (WSIDP) Health (MHSSP) Local Development (LDP) Education (Learning for All)	WSIDP MHSSP LDP Education (Learning for All)	WSIDP MHSSP LDP Education (Learning for All)

Note: * Base case scenario without IBRD Access.

ANNEX 2. ANGOLA CPS FY14-16 RESULTS MATRIX

Long Term Development Issues		CPS Outcomes	Milestones & Indicators	Products / Instruments
Government Outcomes	Key Challenges			
PILLAR 1: ECONOMIC DIVERSIFICATION FOR SHARED PROSPERITY				
1.1: Improve food security, raise rural incomes, and eliminate extreme poverty	<p>Dependency on imported food</p> <p>Low agricultural productivity and lack of commercialization</p>	<p>Increase average yield for major crops cultivated by smallholder farmers</p> <ul style="list-style-type: none"> • smallholder farmers to benefit from capacity building support and assistance from extension services 	<p>Project-level interventions to increase yield:</p> <ul style="list-style-type: none"> • <i>Maize from 0.4 in 2014 to 0.8 t/ha in 2016</i> • <i>Iris potato from 4.0 in 2014 to 5.0 t/ha in 2016</i> • <i>Cassava from 11 in 2014 to 12 t/ha in 2016</i> 	<p><u>Active Projects</u></p> <ul style="list-style-type: none"> • Market-oriented Smallholders Agriculture Project (closing FY15) <p><u>AAA</u></p> <ul style="list-style-type: none"> • Integrated Rural Development Strategy (FY14)
1.2: Enhance capacity and quality of electricity network	<p>Frequent rolling blackouts and unscheduled power cuts</p> <p>Low access to electricity</p> <p>High subsidies on electricity</p>	<p>Expand power generation and transmission network to reduce power outage</p> <p>Accelerate rural electrification</p> <p>Reduce Distribution and collection losses</p>	<p>Electricity generation capacity increased by 30 percent between 2013 to 2017</p> <p>Increase in the number of provincial population centers connected to the grid</p> <p>Reduce subsidies through tariff rationalization and improved collection rate by 20 percent by 2017</p>	<p><u>Guarantees</u></p> <ul style="list-style-type: none"> • MIGA political risk insurance • Possible IBRD partial risk guarantee <p><u>RAS</u></p> <p>Reimbursable energy TA in 2-3 areas [CPS results subject to demand for IBRD and RAS products]</p>
1.3a: Promote private sector growth and diversification	<p>Regulatory and administrative constraints keep the cost of doing business high and impede start-up and growth of enterprises</p>	<p>Remove regulatory overhang and improve business environment</p>	<p>Reduce the time needed to start a business from 68 days to the SSA average of 34 days</p> <p>Strengthen entrepreneurial capacity</p>	<p><u>AAA</u></p> <ul style="list-style-type: none"> • Review of accountancy profession • Doing Business Reform Action Plan <p><u>RAS</u></p> <ul style="list-style-type: none"> • Public-Private Partnerships • Investment Climate Program • Business Edge Program

ANNEX 2. ANGOLA CPS FY14-16 RESULTS MATRIX

Long Term Development Issues		CPS Outcomes	Milestones & Indicators	Products / Instruments
Government Outcomes	Key Challenges			
1.3b: Improve access to finance and financial sector stability	<p>Credit access constrained for medium and small businesses</p> <p>Weak anti-money laundering framework</p>	<p>Improve access to finance and reduce financial sector risks</p>	<p>Improve credit bureau coverage from 0% in 2013 to all SMEs receiving loans under the Government guarantee program</p> <p>Improve banking supervision and FOREX management</p> <p>All BNA asset managers receive training under RAMP</p> <p>Strengthen Anti-money laundering / Countering Financing of Terrorism monitoring and enforcement</p>	<p><u>AAA</u></p> <ul style="list-style-type: none"> • <u>Financial Sector Development Strategy</u> <p><u>RAS</u></p> <ul style="list-style-type: none"> • FSAP recommendations follow-up • Reserve Advisory and Management Program (RAMP) • AML-CFT Action Plan Support (FY14-15)
PILLAR 2: ENHANCING QUALITY OF SERVICE DELIVERY AND DEEPENING SOCIAL PROTECTION				
2.1a: Enhance education quality	<p>Lack of qualified teachers</p> <p>Poor school management</p> <p>Lack of literate and trainable workers in the medium term</p>	<p>Improve the skills of in-service teachers</p> <p>Establish the school management system</p> <p>Increasing the number of trainable Angolans</p>	<p>In-service teacher training program designed and implemented</p> <ul style="list-style-type: none"> • Number of teachers trained increasing from 6,000 in 2013 to 11,000 in 2016 <p>Plan for national implementation of School grouping (ZIP) model prepared by 2014</p> <p>Literacy Campaign in all provinces of Angola targeting disparities of gender, income and geography (500,000 students benefiting from project interventions)</p>	<p><u>Lending</u> Learning for All Project (FY14)</p> <p><u>Trust Fund</u> READ Trust Fund</p>

ANNEX 2. ANGOLA CPS FY14-16 RESULTS MATRIX

Long Term Development Issues		CPS Outcomes	Milestones & Indicators	Products / Instruments
Government Outcomes	Key Challenges			
2.1b: Restructure National System of Health to guarantee all population access to primary health care	<p>Insufficient access of quality basic health services</p> <ul style="list-style-type: none"> • Lack of health facilities; • Inadequate numbers and skewed distribution of staff 	Expand health service delivery	<p>Percentage of institutional deliveries in the five selected municipalities increases to 52 % in 2014 and 57 % in 2016</p> <p>% of children 0-1 year immunized with penta vaccine 3rd dose increases from 33 % in 2013 to 38 % in 2016</p>	<p><u>Active Projects</u></p> <ul style="list-style-type: none"> • Municipal Health Services Strengthening Project • Local Development Program <p><u>Partnerships</u></p> <ul style="list-style-type: none"> • Health – TOTAL E& P • LDP – European Union
2.1c: Expand water and sanitation network	<p>Insufficient and old assets installed in the water systems</p> <p>Weak capacity of planning management and operation of water supply systems</p> <p>Low access to sanitation system</p>	<p>Improve sustainable water supply system</p> <ul style="list-style-type: none"> • Rehabilitate and broaden capacity and coverage of existing water delivery and sanitation systems • Improve profitability of operators through an appropriate tariff policy without burdening needy population 	<p>Number of people in urban areas provided with access to improved water sources under the project reaches to 230,000 in 2014 and to 520,000 people in 2016 (of which 50 % are women)</p> <p>Number of Provincial Water & Sanitation Utilities achieving annual profitability targets increases to 20% in 2016 and to 44 % in 2019</p>	<p><u>Active Projects</u></p> <ul style="list-style-type: none"> • Water Sector Institutional Development Project (WSIDP) • WSIDP Additional Financing <p><u>AAA</u></p> <ul style="list-style-type: none"> • Sanitation Study <p><u>Partnerships</u></p> <p>South-South Exchange with Brazil water utilities</p>
2.2a: Reduce malnutrition	High rates of chronic malnutrition and micronutrient deficiencies which impair growth and cognitive skills	Reduce malnutrition	<p>GoA Program on reducing malnutrition</p> <ul style="list-style-type: none"> • Percentage of households that consume iodized salt increases from 44.7% in 2007 to 75% in 2016. 	<p><u>AAA/TA</u></p> <ul style="list-style-type: none"> • Nutrition Gap Analysis (P125146)

ANNEX 2. ANGOLA CPS FY14-16 RESULTS MATRIX

Long Term Development Issues		CPS Outcomes	Milestones & Indicators	Products / Instruments
Government Outcomes	Key Challenges			
2.2b: Protect vulnerable groups	<p>Social safety net not serving the poor and vulnerable groups</p> <p>Low access to public services for the poor</p>	Improved access to social safety net and nutrition support	<p>Coherent social assistance strategy adopted with a functional operational plan</p> <p>Better targeting achieved through unified registry of beneficiaries, monitoring and evaluation</p>	<p><u>AAA</u></p> <ul style="list-style-type: none"> • Programmatic social protection and nutrition support <p><u>Partnerships</u> South-South Exchange on Social Protection Schemes (e.g. Bolsa Familia)</p>
FOUNDATION PLANK: BUILDING HUMAN / INSTITUTIONAL CAPACITY AND RESILIENCE TO SHOCKS				
3.1: Maintain macroeconomic stability	Economy sensitive to oil price fluctuations	Improve coordination of economic policies and efficiency of public expenditures	<p>Better economic monitoring</p> <p>Effective budget execution</p>	<p><u>AAA</u></p> <ul style="list-style-type: none"> • Angola Economic Updates • Public Expenditure Review <p><u>RAS</u></p> <ul style="list-style-type: none"> • Statistical and modeling support to INE, MoF, MoE, MPlan, and BNA
3.2: Build skilled workforce	<p>Lack of workers with technical or professional skills</p> <p>Dependence on imported labor</p> <p>Weak linkage between higher education (incl TVET) and private sector skills needs</p>	Formulate and implement a long-term skills development strategy	<p>GoA Program for Skills Development adopted</p> <p>Regular survey of private sector labor demand</p>	<p><u>AAA</u></p> <ul style="list-style-type: none"> • <u>Integrated Skills Development Policy Note (Joint WBG-EU Assessment, FY15)</u> • <u>Youth Employment Policy Note</u>

ANNEX 2. ANGOLA CPS FY14-16 RESULTS MATRIX

Long Term Development Issues		CPS Outcomes	Milestones & Indicators	Products / Instruments
Government Outcomes	Key Challenges			
3.3a: Strengthen technical and institutional capacity of the State	<p>Insufficient number of staff with relevant professional/academic training in key institutions</p> <p>Weak technical quality of staff in local level government/facilities</p>	Strengthen training of GoA national and local level staff	<p>GoA carries out medium-term HR capacity-building planning by 2015</p> <p>Collective course offerings on economic management, planning and budgeting, spatial analysis, and development issues at ENAD, IFAL, other specialized Institutes, and universities expanded by 2015</p>	<p><u>AAA</u></p> <ul style="list-style-type: none"> • Human resource and institutional capacity assessment for key institutions (INE, Ministries of Planning, Finance, and Economy) <p><u>RAS/Training</u></p> <ul style="list-style-type: none"> • Tailored training courses • WBI e-Courses
3.3b: Build Resilience to Shocks	<p>Angola is one of the Sub-Saharan African countries most likely to be affected by climate change</p> <p>Rapid deforestation accentuates the impact of climate change events</p>	Build awareness about Angola’s exposure to severe weather events (drought and floods), particularly for rural farming households, and to long-term effects of global climate change	<p>GoA carries out climate resilience assessments in 3 key sectors (e.g. agriculture, fisheries, urban transport) by 2016</p> <p>Reliance on fuelwood reduced by 10 percent each year through introduction of cooking gas</p>	<p><u>Workshop</u></p> <ul style="list-style-type: none"> • Climate Change Seminar (FY15) <p><u>Training</u></p> <p>WBI e-Courses</p>

Note: The CPS results framework may need to be modified at mid-term review based on the actual Government demand for WBG products, fee-based or reimbursable advisory services.

Annex 3: Angola - Statistical Issues

Angola has several regular and informative statistical publications produced by different government agencies; reflecting some progress in the provision of data and transparency in statistical reporting. Despite improvements in the frequency and availability of basic economic and social statistics, there are some concerns about data quality and timeliness in Angola. Efforts are underway, however, to strengthen the statistical base, including through technical assistance from the World Bank, the IMF, the European Union and UNICEF.

The relevant statistical publications include the quarterly statistical bulletin of the National Bank of Angola (BNA), the quarterly budget execution reports of the Ministry of Finance, and the quarterly economic outlook of the National Institute of Statistics (INE). INE also published an informative inflation report. Data postings on the government website (www.minfin.gov.ao), including revenues from the oil sector, but are not as timely as recommended in the General Data Dissemination System. The BNA recently redesigned its website, to make it more accessible and timely, and INE initiated its website in 2011.

National accounts and price statistics

Official GDP estimates are published annually and generally only by sector, with no disaggregation by industry and the government sector is not identified. Annual GDP at constant prices is estimated using 2002 prices. There are no estimates of GDP by expenditure. The government is currently working towards the establishment of a quarterly GDP series. Apart from oil production, sectoral data are calculated using indicators with weights based on incomplete surveys conducted in 2001 or earlier. A lack of statistical offices in the provinces significantly limits data coverage.

The CPI is based on a basket of goods and services for which prices are collected in Luanda. The geographical coverage of price collection was extended to five more provinces and an unofficial quarterly index has been compiled commencing in 2005. The CPI weights were revised in January 2002 based on a household survey conducted in 2001. CPI data are produced monthly, normally with a lag of two weeks. In 2012 INE started publishing an index of wholesale prices.

Poverty and welfare indicators

In 2011 INE published the results of the 2008-09 Survey on the Welfare of the Population with the technical support of the World Bank and UNICEF. This survey is not comparable with the Household Survey conducted in 2000-01. Poverty data was produced but more can be done in order to improve the quality and periodicity of the estimates. The World Bank has been discussing with the national statistical office (INE) diverse alternatives to work on institutional and capacity building issues.

Monetary and financial statistics

Data for the financial sector and the balance sheet of the central bank are timely but still based on old report forms. There are concerns about the quality and timeliness of reports from some commercial banks. The IMF has been assisting the BNA in compilation of monthly monetary statistics using the new standardized report forms.

Government finance statistics

The timeliness and quality of government finance statistics has improved recently but it is still an issue to be further developed by the government to strengthen public financial management and fiscal policy. Budget execution reports reflect liabilities for tax payments as estimated in the budget (budget basis), rather than revenues collected (cash basis); and expenditures reflect only expenditures on a cash basis rather than expenditure on a commitment basis.

Data from the Integrated Financial Management Information System (IFMIS) are still limited in coverage and reliability, and subject to revisions. Monthly government accounts tend to rely on estimates based on the budget rather than on actual execution figures. The Ministry of Finance does not report a significant number of series for government finance data for publication in the Government Finance Statistics (GFS) Yearbook or in the International Financial Statistics (IFS).

External sector statistics

The balance of payments and international investment position are compiled in line with the recommendations of the fifth edition of the IMF's Balance of Payments Manual. These statistics are compiled and disseminated annually, with a lag of nine months after the reference period. The technical units are understaffed and there are problems of non-compliance with data reporting requirements by resident enterprises. A thorough review of the balance of payments and international investment position (IIP) for 2008 and 2009 was conducted.

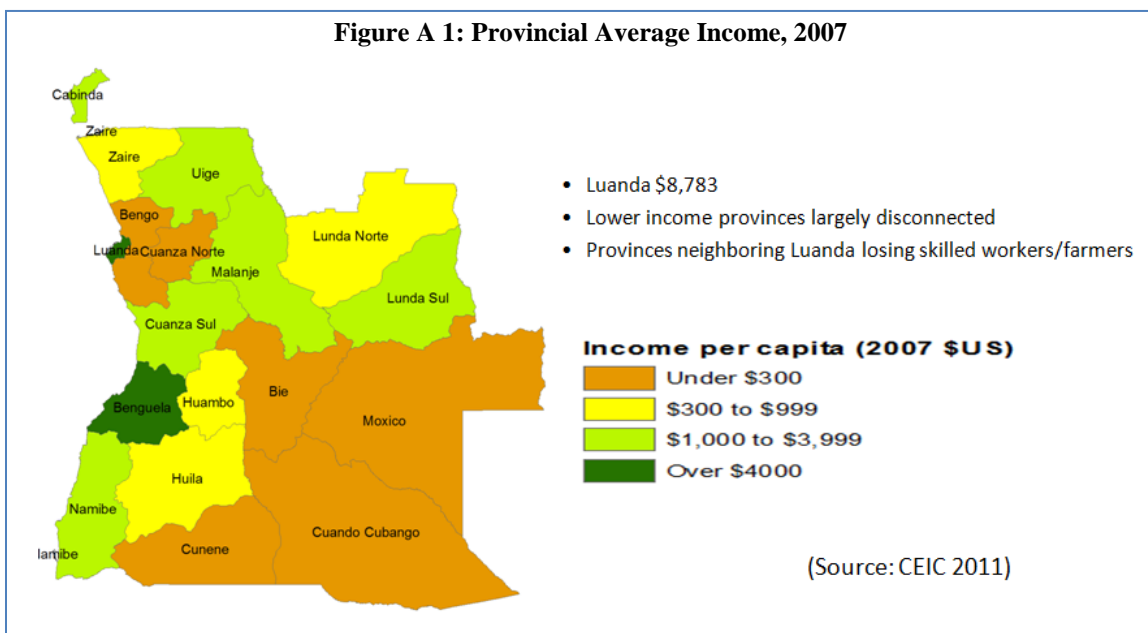
The authorities have made progress regarding the methodological soundness of classification of balance of payments transactions. Nonetheless, some inconsistencies have been found, especially regarding the classification of transactions involving arrears and SDRs. The IIP showed important inconsistencies with the balance of payments and the external debt statement. Coverage and timeliness of source data remain a major shortcoming. The development of the BNA's International Transactions Reporting System (ITRS), known as SIOBE, was halted due both to lack of staff and the uncertainty regarding its replacement by a similar ITRS being developed by the BNA.

Continued improvement in the quality of government statistics needs: (1) an increase in the rate of response to the surveys, including the adoption of administrative measures to curb noncompliance with reporting requirements; (2) implementation of tools and mechanisms for the organization, analysis and validation of ITRS data; (3) compliance with commitments in the agreements signed with the National Statistics Institute, and the MoF for access to their databases; and (4) integration of more data sources. In order to reach these goals, INE has developed a national strategy on statistics, published in 2011, and has been developing its implementation strategy in coordination with the BNA and line ministries.

The Bank is well-placed to provide technical and capacity-building assistance for statistics. In addition to the areas of welfare and poverty indicators discussed above, the World Bank has discussed with INE alternatives on technical assistance on national accounts, prices, and a census of firms.

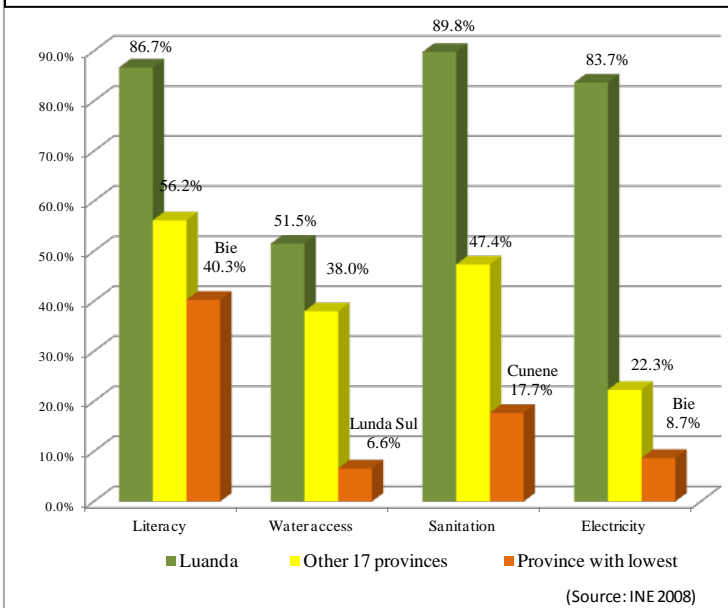
Annex 4: Key Constraints to Shared Prosperity in Angola

The existing regional disparity Angola is a condition created by the prolonged war and will take time and concerted effort to overcome. The 2008/9 IBEP documents the high migration from provinces to the capital city of Luanda during the initial phase of the war (1975-1992). At the peak of the influx into Luanda, some 38 percent of the city inhabitants were said to have moved from other parts of the country. Today, this figure is still significant at 30.5 percent. The principal reasons for families to have migrated away from their places of birth are because of war and for family reunification. Moreover, the poorest quintile of the households reported the war to be the main reason for migration (39 percent), and very small share of them migrated in search of work (3 percent) or schooling (1 percent).



Access to services is significantly better in Luanda than the rest of the country. In addition to the access to water, sanitation, and electricity shown in Figure A-2 below, most other social indicators show better conditions in Luanda: poverty incidence is 8.6 percent compared to the national rate of 36.6 percent; population with no access to schools is low at 7 percent, compared to the 20 percent national median and 41 percent in Kuando Kubango province; just 4 percent of Luanda households use charcoal for cooking whereas this figure ranges from 22 to 49 percent in other provinces; 78 percent of Luanda babies were delivered with assistance from a health professional while the corresponding figure in Uige province was 21 percent. Combined with the apparent income disparity as shown in Figure A1 above, the availability of better services in large cities may have contributed to the rapid urbanization, principally to Luanda.

Figure A 2: Regional Disparity in Literacy and Public Services



The issue of disparity has another narrower dimension which arguably may be more difficult to address. The population of Luanda which is said to have been 440 thousand in 1974 has now grown more than 10-fold. The families that fled the war settled in the outskirts of Luanda in makeshift dwelling (so called *musseques*) which, by the end of the war in 2002, extended some 13 kilometers beyond the historical center of Luanda (Cain et al, 2002). Sanitary conditions in these areas are very poor, and sporadically trigger the cholera epidemic (MSF, 2006). Neither

does the Luanda economy provide sufficient opportunities for employment to the families living in the outskirts, so young people enter the small-scale informal workshops or fend for themselves in the streets selling imported consumer goods.³⁵ The importance of creating a more diversified economy and aligning the education system to produce qualified labor for such an economy is perhaps more urgent in Luanda which not only has to address all the negative effects of rapid urbanization, but also has to deal with the immediately visible income disparity among its residents.

There are also structural reasons for regional disparity in income and access to services. About 50 percent of Angolans work in largely informal agriculture sector which suffers from historically low productivity and lack of access to markets. Those who have migrated to urban centers work in the informal sector (e.g. street side vendors) or in low-paying service jobs (for example, as unskilled construction workers or security guards). Furthermore, despite rapid expansion of basic services, the inland provinces still lack water and sanitation services, health care, access to electricity, and transport linkages with urban markets. The Government has established programs such as Water for All, Energy for All, and Education for All programs to overcome these constraints so that all Angolans can benefit from the shared prosperity of a rapidly growing economy.

³⁵ Significant urbanization is taking place in other large cities such as Huambo, Benguela, Lobito, and Lubango.

Annex 5: Angola - Social Indicators

	Latest single year			Same region/income group	
	1980-85	1990-95	2003-09	Sub-Saharan Africa	Lower-middle-income
POPULATION					
Total population, mid-year (millions)	9.3	12.5	18.5	839.6	3,810.8
Growth rate (% annual average for period)	3.4	3.2	2.8	2.5	1.2
Urban population (% of population)	30.3	44.0	57.6	36.9	40.9
Total fertility rate (births per woman)	7.2	7.0	5.6	5.0	2.5
POVERTY					
<i>(% of population)</i>					
National headcount index	..	..	..	..	..
Urban headcount index	..	61.1	..	..	..
Rural headcount index	..	..	..	..	..
INCOME					
GNI per capita (US\$)	..	310	3,750	1,125	2,321
Consumer price index (2000=100)	..	0	163	135	130
Food price index (2000=100)	..	..	..	..	..
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	..	..	..	..	..
Lowest quintile (% of income or consumption)	..	..	..	..	..
Highest quintile (% of income or consumption)	..	..	..	..	..
SOCIAL INDICATORS					
Public expenditure					
Health (% of GDP)	..	3.3	4.1	2.9	2.1
Education (% of GDP)	..	..	2.6	3.8	4.1
Net primary school enrollment rate					
<i>(% of age group)</i>					
Total	60	..	..	75	87
Male	64	..	..	77	88
Female	56	..	..	73	86
Access to an improved water source					
<i>(% of population)</i>					
Total	..	36	50	60	86
Urban	..	32	60	82	94
Rural	..	40	38	47	81
Immunization rate					
<i>(% of children ages 12-23 months)</i>					
Measles	44	46	77	68	79
DPT	8	24	73	70	79
Child malnutrition (% under 5 years)	..	..	..	25	24
Life expectancy at birth					
<i>(years)</i>					
Total	41	43	48	53	68
Male	40	41	46	51	66
Female	43	45	50	54	70
Mortality					
Infant (per 1,000 live births)	155	147	98	81	43
Under 5 (per 1,000)	262	248	161	130	57
Adult (15-59)					
Male (per 1,000 population)	569	514	406	390	201
Female (per 1,000 population)	458	420	350	358	136
Maternal (modeled, per 100,000 live births)	..	1,000	610	650	230
Births attended by skilled health staff (%)	..	..	47	44	66

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment rate: break in series between 1997 and 1998 due to change from ISCED76 to ISCED97. Immunization: refers to children ages 12-23 months who received vaccinations before one year of age or at any time before the survey.

World Development Indicators database, World Bank - 15 April 2011.

ANNEX 6: BACKGROUND NOTE ON POTENTIAL AREAS FOR BANK ENGAGEMENT

- 1. Angola is strategically located, with large markets to the North and to the South, and is well-positioned to become a regional logistics hub.** With the Benguela Railways going all the way to Luau which borders the Democratic Republic of Congo, the on-going process of regional integration creates opportunities for the emergence of new businesses and economic diversification. Previously dislocated refugees (some 440,000 at peak) can serve as a conduit to link Angola to its neighbors. Likewise, about 1 percent of the Angolan population is said to have migrated from overseas.
- 2. Angola has been one of the fastest growing oil producers over the last decade,** with production more than doubling from approximately 0.75 million barrels per day in 2000 to more than 1.7 million barrels per day in 2010. Angola is expected to complete the construction of a large-scale liquefied natural gas facility in 2013 to capture previously flared associated gas for export. As a capital intensive industry, however, the petroleum and gas sector employs only 22,510 workers out of an estimated 6.1 million total jobs in the country. There is potential for more direct and indirect jobs to be created from further development of downstream petrochemicals industry. Other sectors such as power generation and processing of raw metals and minerals could also become commercially viable as the petrochemicals industry is gradually built up.
- 3. Less than 3 percent of Angola's abundant fertile land is cultivated and the economic potential of the forestry sector remains largely unexploited.** Diverse climatic conditions favor a wide variety of crops, and there is considerable irrigation potential. With the right policies to foster on-farm productivity growth and off-farm skills acquisition, Angola's relatively young population can serve as a source of qualified labor supply as economic diversification intensifies. Forest area represents about 45 percent of total land area, with some 53 million hectares of forest resources and an annual deforestation rate of 0.2 percent. Timber production under a sustainable forest resource management, coupled with improved transport networks, would allow sustained production of 330,000 m³ per year.
- 4. Angola was a major exporter in the 1960s and has one of richest fisheries resources in Africa,** ranging from shrimp, mackerel, sardinella, hake, and tunas of high value (bluefin, yellowfin, bigeye). Fisheries production has increased from 239,000 MT in 2000 to around 312,000 MT by 2007 (with a potential annual yield of 360,000 MT). Approximately 21,000 artisanal fishermen with a fleet of roughly 4,500 boats operate off the coast of Angola, and 25,000 more engaged in inland fisheries, while the number of people directly dependent on and engaged in fishing activities (handling, processing, and marketing) is estimated at 140,000. Significant opportunities exist for increasing employment, production and profitability in the sector. Government is promoting aquaculture and inland fishing as an important source of protein (food security) and employment (poverty reduction) for rural and coastal communities.
- 5. Angola's currently stable strong macroeconomic position,** including a stock of national external reserves totaling almost US\$34 billion at the end of December, 2012, amply cushions it from endogenously or exogenously generated shocks and offers it a unique opportunity for sustainably embarking on an integrated and comprehensive program of national economic development, fuelled by oil.

6. **Yet, despite these current resource endowments, accumulated through rapid and high economic growth in the past decade, Angola still faces enormous challenges as a nation, even as it now transitions from low income to middle income status. A key role of the Government to provide a series of supportive public goods is central to Angola's diversification strategy,** including agricultural research and extension services, water for production, electricity for processing, well-maintained feeder roads, business regulatory simplification, strong education and skills training opportunities, well-equipped and staffed health services, etc. Some of the key constraints which must be addressed to diversify the economy are described below.

7. **Electricity poses a serious constraint to development as demand outstrips available electricity.** Installed capacity in Angola equals 1913 MW, of which 68% is hydro. The existing three networks are not interconnected and only 30 percent of the population has access to electricity of varying quality. The rapid growth of demand for electricity would perpetuate this gap unless sizeable investments are made to close it. However, a misaligned tariff structure and poor collection practices—only 40 percent of the services are billed and only 70 percent of the bills are collected—have led to high government subsidies of around US\$1 billion annually. Utilities serving existing users have not reached operational and financial viability, making it difficult to promote private sector participation. Nevertheless, the potential to generate power through hydro is immense (up to 16 GW and the third largest in Africa). Over the medium to long-term, Angola has the potential to become a major electricity supplier to the Southern African countries. The Government recognizes that the current condition of the power sector represents a bottleneck for growth and diversification. It has started the process of implementing institutional reforms and changes in the organizational structure of the sector. *Moreover, the Government recently adopted a US\$23 billion investment plan to increase power generation and transmission capacity more than threefold by 2017.*³⁶

8. **Angola still suffers from poor road conditions owing to years of destruction and under-maintenance during the war.** Large investments were made to rehabilitate and expand the road network to a total length of 62,560 km, with public spending on roads averaging US\$2.8 billion annually between 2005 and 2009. However, road density remains low, with even some provincial capitals still inaccessible by road. In addition, feeder roads are non-existent in many parts of the country. Large investments are still required to improve rural roads to link agriculture production areas to markets.

9. **Railways and ports systems are undergoing rehabilitation and expansion.** The railway systems used to carry 9.3 million metric tons of freight to Angola's ports in Namibe, Luanda, Benguela and Amboim, but the freight volumes are currently low. Luanda Port has been, and continues to be, expanded and reorganized into specialized freight terminals. Although conditions improved significantly, as processed freight volume increased by more than ten-fold in the last decade, the port continues to suffer from significant congestion with ships anchored in the bay weeks at a time waiting to unload. However, as the three main railways soon connect the ports to the interior of the country and to neighboring countries, they will enable the emergence of enterprises along the tracks and become an important backbone of Angola's diversified economy.

³⁶ Ministry of Energy and Water, *Action Plan for Energy and Water Sectors, 2013-2017*.

10. **Better protection of Angola’s natural environment is also an important element of the country’s strategy.** Angola is one of the most biodiversity rich countries in Africa with respect to variety of ecosystems, diversity of flora and number of endemic species.³⁷ The *Medium Term Economic and Social Development Plan* (2009-2013) highlights the need for a systematic management of the principal environmental problems while the *National Development Plan for 2013-2017* sets as a policy goal the implementation of the National Program for Climate Change.

11. **Angola ranks very low in most international rankings of competitiveness or the quality of the business environment.** The 2011-2012 Global Competitiveness Index (GCI) placed Angola at 138 out of 139 countries, only Chad ranked lower.³⁸ The GCI points to an overall weak infrastructure (roads, railroads, electricity, and ports). The conditions for competition are also weak with poor property rights, lack of access to financial services, heavy government regulation, and political interference in economic life. The country ranks lowest in business sophistication or technological readiness. According to the IFC Enterprise Survey, corruption is ranked as the top constraint to doing business, with its significance much higher in Angola than in SSA. Access to land is the second concern for small and medium farms.

12. **A difficult and burdensome regulatory environment constrains business development.** Angola ranks very low, 172nd out of 185 countries, in WBG’s 2013 Doing Business (DB) Report which looks at regulations that apply to small and medium-size companies. Although some caveats are placed on DB ranking methodology, it is clear that the regulatory environment for businesses operating in Angola has been challenging. The Government recognized the need to address the problem and launched various unified single-window simplification initiatives such as *Guichet Único* and *Balcão Único do Empreendedor*. As a result, it has become easier to start a business and register property. Labor regulations are rigid, but salaries relatively flexible.

13. **Access to financial services is a major constraint to economic activity and diversification,** despite the rapid growth of the financial sector. The assets of the financial sector stand at 46.8 percent of GDP. Banking dominates the financial sector, with 99 percent of the assets. A rapid privatization of the state-owned banking sector has taken place and share of state banks in total assets had fallen to 7 percent by 2010. The ownership of the existing 21 commercial banks is heterogeneous, and foreign participation is high, making the sector vulnerable to contagion particularly from Portugal. Loans account for only 35 percent of the total banks’ assets, 80 percent of which is concentrated in 5 largest banks. This is low by international standards and reflects serious capacity constraints. Lending is concentrated to wholesale and retail trade as well as construction, with limited lending to the small and medium enterprises. Indeed, Angola remains largely unbanked with only 11 percent of the population having access to banking services. There are several micro-finance pilots, but a comprehensive effort to develop the sector has yet to emerge.

³⁷ Of the estimated 5,000 plant species, 1,260 are endemic, making Angola the second richest country in Africa in endemic plant species. The diversity of mammals is also one of the richest on the continent, with 275 species.

³⁸ Angola was not included in the 2012-2013 GCI.

14. **Government has made a strong commitment to restore essential services for the population.** This includes increased spending for health and education to improve the availability of essential inputs such as books, medicines, health workers, and teachers. While Angola is unlikely to achieve most of the MDGs, there have been impress progress in increasing access to education and health services during the last decade. For example, primary school enrollment has increased from 1.8 million children in 2002 to 4.2 million by 2010. In health outcomes, Angola has generally caught up with other countries in Sub-Saharan Africa. As the Government's efforts to expand and devolve service delivery network to local government levels continue, attention needs to shift to ensuring improvements in quality of services. Several challenges need to be overcome:

- a. **Angola has pursued a strategy to decentralize service delivery.** The 2007 Local Administration Law defined responsibilities for service delivery at provincial, municipal and communal levels, allowing municipalities to become independent budget units. A key element of the decentralization strategy was the institutionalization of civic participation through the *Conselhos de Auscultação e Concertação Social* and the creation of Municipal Management Support Fund in 2008 to transfer funds to finance services and investments identified according to local needs and priorities. The Ministry of Public Administration started the provision of technical support and training to municipalities, but capacity remains weak in local governments.³⁹
- b. **Reducing disparities across Provinces in service standards and outcome has been difficult.** These disparities are to a certain extent a consequence of the war and decades of lack of investments in the sectors. The increase in inputs has been uneven across localities, and has not always been accompanied with concomitant improvements in quality and value for the money.
- c. **Securing adequately trained frontline service providers has been a challenge.** The service delivery system experiences difficulties in deploying qualified teachers, nurses, midwives, and doctors to the interior parts of the country. This contributes to poor education and health outcomes in less connected provinces and inhibits diversification of economic activity.
- d. **Adequate administrative reporting and basic statistical capacity are needed for accurate planning and monitoring.** For example, Angola does not have a functioning educational management information system (EMIS) or a harmonized health information system (HIS) to track routine health information. A major challenge in providing an adequate social safety net is the lack of data required to identify those most in needs. The Government plans to undertake a population census in 2014 which will contribute to establishing a comprehensive baseline for service delivery statistics.

15. **Angola has made significant progress towards providing access to improved water and improved sanitation to its population, in particular in urban areas.** But still, about half of the country's population does not have access to improved water and sanitation, the lack of

³⁹ Yilmaz, S. and Felicio M., *Angola: Local Government Discretion and Accountability*, The World Bank, Africa Region, Working Paper Series No. 128, October 2009.

which is a major cause of gastrointestinal diseases. An aggressive capital investment program to expand and rehabilitate water supply systems is ongoing, but institutional reforms to set up cost-effective water supply and sanitation utilities are needed to deliver sustainable services. Fifty percent of the population has access to improved water; 20 percent to piped water. There is a substantial difference between rural and urban areas. While 60 percent has access to improved water in urban areas, only 38 percent do so in the rural areas. As for sanitation, 57 percent of Angolans have access to improved facilities, a percentage higher than SSA average of 31 percent.

16. **Food security is an important priority highlighted in all Government strategies.** A vulnerability analysis carried out in 2003 showed that more than 2.6 million people were food insecure, of which more than 50 percent belonged to displaced population. Government is keen on addressing multiple dimensions to food security, including food availability, economic accessibility, food consumption, utilization, and stability. Indeed, the Government identifies food security and nutrition as the first objective of its Rural Development and Poverty Reduction Strategy (2010). Accurate food security data in Angola is sparse, and nationally representative, comprehensive household-level surveys focusing exclusively on the food security situation have not been carried out. Available data shows that micronutrient deficiencies are pervasive: 30 percent of preschool children and more than half of pregnant women are anemic; almost two-thirds of preschool-aged children are vitamin A deficient; up to 20 percent of young children are at risk of developing iodine deficiency disorders, and almost half of the population is at risk of inadequate zinc consumption.

17. **Angola's social protection system is a work in progress which requires substantial improvements, especially in targeting the poor.** In 2004, a Social Protection law was passed and defined the benefits to be provided under: (i) Compulsory Social Protection for formal workers to mitigate the impact of unemployment, old age, illness, maternity, etc.; and (ii) Basic Social Protection scheme to support poor and vulnerable families through social assistance interventions.

Box 1: THE ECONOMIC COST OF CHRONIC MALNUTRITION

Angola loses approximately US\$1.8 billion per year from chronic child malnutrition and deficiencies in several essential vitamins and minerals. The economic costs of under-nutrition include direct costs, such as the increased burden on the health care system, and indirect costs of lost productivity. In Angola, 30 percent of Angolans preschool-aged children have stunted growth which reflects chronic nutritional inadequacies, and is largely irreversible beyond two years of age. Vitamin A deficiency and iron deficiency anemia are especially prevalent: in preschool-aged children and pregnant and lactating women and over half of the country's population are at risk of iodine deficiency. Maternal and child under-nutrition contribute to over one-third of all child deaths in developing countries such as Angola. Furthermore, children who are undernourished between conception and two years of age (the period referred to as the "window of opportunity") are at high risk for impaired cognitive development, which adversely affects national productivity and economic growth. Priority interventions to address under-nutrition are: (i) behavior change interventions such as promotion of breastfeeding; (ii) micronutrient and de-worming interventions such as providing vitamin A supplementation for children; and (iii) complementary and therapeutic feeding such as community nutrition programs.

18. The current system mainly focuses on formal (and therefore less poor) workers. Social safety net interventions (within the basic social protection program) also need to be consolidated and scaled up. Furthermore, even though the law states that the basic social protection scheme is under responsibility of Ministry of Social Reinsertion (MINARS), there are several key social

protection programs under the responsibility of other Ministries and agencies, such as nutrition programs under the Ministry of Health, School feeding programs under the Ministry of Education or Public Works interventions under the responsibility of the Social Action Fund (FAS/Ministry of Planning and Territorial Development). Therefore, coordination of the various programs is a priority.

19. **Over the last few years, Angola's focus on social protection has shifted.** After focusing on supporting displaced population as well as households and individuals affected by the Civil War (which displaced about 4.5 million), the Government has now shifted social protection priorities to address food insecurity, poverty and vulnerability. Currently under the leadership of MINARS, the Government is developing a social assistance strategy to create a system to support the extremely poor and vulnerable.

20. **Finally, and pervasively, Angola is faced with a significant capacity gap in implementing its ambitious development vision to diversify the economy and reduce poverty.** While this situation is common to other post-conflict developing countries, the situation was particularly dire in Angola as the long-drawn out war prevented the needed investment in improving governance and institutional capacity. The availability of oil, arguably, had the perverse effect of easing the financing constraint and reducing the motivation to rapidly introduce institutions that would increase the efficiency in the use of public resources. Still public sector and fiscal reforms have taken place beginning in 1999 with the support of the international community, including the Bank and the IMF. The process initiated then continues to this day in order to enhance the transparency, efficiency and credibility of public financial management, strengthen the national statistical system, to improve provincial and sectoral plans, and to implement the legal framework for public procurement.

21. The Government is strengthening the capacity of local governments to provide key services more effectively closer to the beneficiaries. For this reason, the Government stresses the need to develop home-grown human capital and institutional framework fit for a rapidly transforming middle-income economy. The task of improving the quality of these essential public services, while continuing to expand the service delivery system, is putting a significant strain on the existing institutional and human capacity. Furthermore, in a dynamically transforming economy, there will continue to be a need to provide social protection to vulnerable groups who struggle to catch up with the changing environment.

Annex 7: CPS Consultations

1. A series of stakeholder consultations took place in 2012, as the proposed Strategy took shape, including the two separate consultation meetings with Development Partners (DPs) and CSOs to discuss the latest strategic orientation of the CPS. These consultations are complemented by 2012 Bank client survey. The following key themes were discussed during the consultations:

- a. **Impact of Civil War:** The war is certainly to blame for the current situation but it was essentially questionable policies that have led to serious structural imbalances in the economy today. Some of those imbalances have paradoxically been exacerbated with the end of the war, including in vital sectors such as fisheries and agriculture. For instance, even during the war, the country could have invested in the fisheries industry, but it didn't.
 - b. **Governance:** Two penetrating comments were made on Government strategies and on corruption. First, Angola already has a number of good strategies. The GoA's Vision 2025 is largely well thought through. The problem is rather the poor implementation, and that is due to many reasons, including corruption and the erratic nature of the country's policy environment. There is a sense that corruption, particularly in health and education services, is severely undermining the efforts of donors. It was recommended that the Bank should reflect upon corruption more deeply in the strategy.
 - c. **Agriculture:** Participants questioned whether agriculture, especially support to smallholders, was a genuine priority of the Government. Government seems to favor large agriculture projects. It is a myth to say Angola has a great agricultural potential because actually Angola's land is of poor quality and needs a lot of investments to grow crops. Lack of adequate farming skills is a major constraint to agricultural productivity growth. The exodus of male adults from rural areas has greatly affected rural productivity. Support services for agriculture, particularly those normally performed by extensionists are badly needed. Significant data gaps exist, rendering crop production estimates and even the amount of arable land to be unreliable.
 - d. **Education:** The proliferation of higher education institutions is bringing to the fore serious quality issues. There is no adequate supervision for the 33 universities in Angola, most of which are private. The primary and secondary education suffers from widespread absenteeism. The dropout rates both in primary schools and in the early years of secondary education attest to a generalized problem that needs to be fixed through profound evidence based reforms. The current education system does not develop the much needed skills for the country to tackle its development challenges. Angola has to invest greatly in technical and vocational education.
2. **Knowledge Bank:** Participants applauded the CPS' greater push for knowledge, recalling that the GoA has consistently been saying that it "needs our brains and not our money". Some suggested that the Bank should support the development of an Angola-specific knowledge base which should be used by GoA for informed decision making in areas such as urban poverty, inequality, food insecurity, agriculture development, youth unemployment, among others. In this regard, the Bank is well-placed to provide technical and capacity-building assistance for statistics. However, there was also the view that the expectations about the usefulness of knowledge support for rational policy-making should be toned down because of unpredictable nature of how decisions are made in Angola.

Annex 8: Key Messages from Assessment of Bank Group Engagement with Angola

Strategic Dialogue and Support

1. **Focus the program on helping the Authorities articulate and implement their vision in the areas that they request support.** Various reviews have warned against supply-driven initiatives. A disperse program taxes the limited capacity of the Government to implement it and may divert resources from priority programs to the possible frustration of the clients.
2. **The core of any WBG program in Angola should be knowledge intensive.** The 2006 IEG Country Assistance Evaluation (CAE) emphasizes the role of the WBG in analytical work and technical advice, building on a track record of relevant and quality work. Analytical work that is demand-driven, of good quality and delivered on time can help build the credibility of the WBG as a reliable partner. The CAE recommended engagement, despite the difficult governance environment.

Program Design

3. **Better appreciation of the political economy context and governance issues should be reflected in the design of the projects and AAA.** Political economy factors affected the implementation of the ISN program, including the notable delays in effectiveness. Governance and anti-corruption should be mainstreamed into the design of all new operations.
4. **The design of projects needs to be reconsidered to simplify implementation.** In response to the development needs of the country, the current projects tend to have many components and are geographically spread out. Taking account of the multi-sectoral nature of the Bank projects, inter-ministerial coordination needs to be ensured.

Program Implementation and Monitoring

5. **The WBG should significantly strengthen its presence and impact on the ground.** The business environment in Angola is challenging because of the high operating costs, the limited capacity of the counterparts, a difficult political economy and in recent years a small WBG program. The ISN Review stressed the need for a stronger presence on the ground through a well-staffed local office to guarantee pro-activity of the Bank vis-à-vis the clients, as well as a better understanding of the internal dynamics in the country. The ISN Review also called for an increased visibility of the Bank in Angola.
6. **The outcomes and results indicators in the next country strategy should be specific, measurable, attainable, realistic and time-bound.** In addition, they could be better aligned with the project development objectives of the active and pipeline operations. Moreover, the progress and results should be monitored jointly by Government and Bank teams regularly. Bank teams need to pay closer attention to the implementation risks.

Partnership Coordination

7. **The partnership within the WBG (IDA, IFC and MIGA) and external partners should be tightened,** especially in areas such as private sector development and infrastructure. The ISN review notes that the World Bank Group needs to better adapt its business model to pool resources available both within and outside of the World Bank Group. Closer collaboration with non-traditional partners (i.e. private companies and BRICs) should be pursued. In addition, local non-governmental organizations (NGOs) are often implementers of the Government's projects, and they know how to work with the Government.
8. **WBG's role in donor coordination and aid effectiveness and in harnessing the civil society should be strongly reinforced.** The Bank should continue to lead the donor coordination efforts in the areas where it has comparative advantage. Strong role is needed also in sectors where it has active operations (i.e. health, education, infrastructure, agriculture, and water).

Annex 9: Potential Activities of IFC, MIGA, and WBI during CPS Implementation

International Financial Cooperation (IFC)

1. Over the CPS implementation period, IFC could help the Governments achieve long-term economic growth and better living standards by harnessing the potential of the private sector to increase access, enhance quality, and improve efficiency in public services. The following interventions are being contemplated:

2. *Support to improve the overall Investment Climate:* Based on an agreement of responsibilities and contributions, the first step of IFC support would involve working closely with the Ministry of the Economy and the relevant ministries to jointly undertake a diagnostic review of the Angolan business enabling environment. The objective of the review would be to identify key issues and binding legal and regulatory constraints of the Angolan business environment climate that impede the full participation of potential investors and businesses (including MSMEs) in the Angolan economy. The review would attempt to answer the question: what are the key legal and regulatory impediments to the full participation of Angolan businesses (micro, small, medium or large) in the Angolan economy, and would seek to find solutions to improving the country's investment climate through regulatory simplification of business registration and licensing procedures. Recommendations on the way forward would be submitted to GoA for approval and adoption. The results of the implementation phase of a structured regulatory simplification reform project usually counts towards the country's performance on the annual Doing Business ranking.

3. *Support to improve agribusiness sector:* Given the GoA's stated desire to diversify the economy beyond the petroleum sector, there is clearly also a need to assess the investment climate from the view of specific industry sectors. As implementation of the overall regulatory reforms commences, with GoA agreement of responsibilities and contributions, IFC will explore working with GoA to undertake industry-specific diagnostic review of the business enabling environment of the agribusiness sectors to determine sector-specific impediments. The diagnostic would attempt to answer the question - what is necessary to have an Angolan agribusiness sector that has a meaningful contribution to a fully diversified economy, with the private sector playing a key role? The diagnostic would help determine the support necessary to build private sector capacity along the entire value chain, identify and support anchor investments, ensure access to finance along the value chain, promote supplier and community linkages, and support value added segments of the value chain. On implementation of the agreed structured actions required in the business environment of the agribusiness sector, the IFC would also look to explore investment generation and financing opportunities with the right partners. IFC would look to explore supporting increased agricultural productivity through development of sustainable commercial agriculture/agribusiness.

4. *Support for Sustainable Business Development of SMEs:* From interaction with the banks, the analysis is that access to finance *per se* is not the problem with the inability of Angolan SMEs to access capital, rather, the capacity of the entrepreneurs to put together their business plans and financing proposals is the problem. Similarly, interaction with the large corporate companies in Angola who are trying to localize their supply chains shows that the ability of most Angolan SMEs to prepare submissions to bid requests and appropriately respond to procurement proposals is quite limited. In this regard, in conjunction with the private sector,

the IFC will explore the deployment of its signature Farmer and SME capacity building programs, Business Edge⁴⁰ and SME Toolkit⁴¹, to both be implemented through partnerships with Angolan institutions.

5. IFC would also explore business development for investment opportunities in the following sectors: financial sector, agribusiness (plantations, large-scale commercial agribusiness, milling, beverages, activities across the value chain, etc), general manufacturing and services (e.g. cement, hotels, etc), infrastructure, (in particular, commercial agribusiness related infrastructure), health services, etc. IFC would also explore PPP advisory opportunities.

Multilateral Investment Guarantee Agency (MIGA)

6. The Authorities have also shown a keen interest in promoting the use of MIGA sovereign risk guarantees as a way to lower the overall cost of Angola's external borrowing. MIGA supports foreign investors who undertake investment projects in Emerging economies through the provision of political risk insurance (PRI). MIGA's current exposure in Angola amounts to US\$524.9 million for projects in the energy and services sector. The PRI instruments used are: Transfer and Convertibility; Expropriation; War, Civil Disturbance, and Terrorism; Breach of Contract; and Non Honoring of Sovereign Financial Obligations. MIGA PRI helps lenders improve the risk rating of the transactions in which they participate and thus MIGA PRI facilitates the financing of the projects in emerging economies. MIGA would be ready to consider supporting investors and lenders investing in Angola as follows:

- Guarantee products – particularly focusing on the infrastructure sectors, with priority projects in energy generation, transmission and distribution to help the Government meet its development goals. Where projects are undertaken by the Government with private contractors through a bidding process, MIGA could work with the investors and lenders to explore the instruments that could be used to achieve the adequate financing for the projects.
- MIGA has also identified potential needs in the construction material industry where foreign private investment and financing is being explored and where MIGA can help with by providing guarantees related to transfer and convertibility, expropriation, and war and civil disturbance.
- The Government of Angola informed the World Bank Group that they are in the process of creating an Infrastructure Guarantee Fund. Once the Fund is created, perhaps with support from the World Bank, MIGA could discuss some technical assistance to the Government of Angola to help organize the operation of the guarantees and assist with the corresponding training.

⁴⁰ <http://www.businessedge-africa.com> - tools for the strengthening of SMEs and for the training of middle management of large enterprises such as financial institutions, telecommunication companies and corporations.

⁴¹ www.smetoolkit.org - (a web-based tool that allows entrepreneurs to develop their management skills in the areas of management, human resources, finance, human resources, markets, access to finance, among others).

World Bank Institute (WBI)

7. **WBI will contribute its knowledge and capacity-building experience to support the Government at several levels.** WBI uses nontechnical approaches that complement technical solutions to development problems including:

- a) ***Innovation for Development*** by leveraging the Bank's global reach to developing tools, methods, and online platforms to facilitate an open and collaborative development process between governments, citizens, and other stakeholders;
- b) ***Knowledge Exchanges*** to facilitate the sharing of information and experiences among development practitioners and policymakers through a dedicated unit that focuses on South-to-South practitioner exchanges;
- c) ***Leadership and Coalition Building*** by supporting open and collaborative governance to strengthen the capacity of government and citizens to facilitate participatory and sustainable development; and
- d) ***Structured Learning*** that includes courses, seminars, conferences, webinars and e-learning modules covering a variety of topics relevant to international development.

8. **Specific capacity building and knowledge exchange opportunities utilizing WBI material and RAS support were identified by two key ministries.** The Ministry of Territorial Administration proposed possible support to local and provincial governments, perhaps through IFAL, and the Ministry of Economy proposed support for capacity and knowledge exchanges for Public Private Partnerships. A more general level of assistance could be accessed through WBI's e-learning curriculum. The e-Institute is a virtual learning classroom and provides convenient and reliable access to cutting edge knowledge. More than forty-five e-Learning courses address complex problems in priority areas such as governance, health, cities, climate change, and public private partnerships. Learners also have access to free monthly podcasts and webinars, video success stories, multimedia toolkits, and other resources. Very limited content, however, is currently available in Portuguese and a further review of the content and priorities with key stakeholders, in order to tailor the programs to the Angolan situation, would be necessary.

Annex 10: Angola - Exposure Indicators

Indicator	Actual		Estimated			Projected			
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total debt outstanding and disbursed (TDO) (US\$m) ^a	15543	18178	20817	21921	24075	26161	28914	31987	34556
Net disbursements (US\$m) ^a	2632	1496	2461	1213	2154	2086	2752	3074	2569
Total debt service (TDS) (US\$m) ^a	3730	3251	3771	5418	5658	6598	6839	7440	8357
Debt and debt service indicators (%)									
TDO/XGS ^b	37.4	35.3	30.7	32.4	37.1	40.1	43.7	47.8	50.4
TDO/GDP	20.6	22.0	20.0	19.5	20.4	20.9	21.5	22.3	22.5
TDS/XGS	9.0	6.3	5.6	8.0	8.7	10.1	10.3	11.1	12.2
Concessional/TDO	28.1	23.9	20.1	18.6	15.6	12.7	9.9	7.3	7.0
IBRD exposure indicators (%)									
IBRD DS/public DS	..	..	..	..	..	..	..	..	..
Preferred creditor DS/public DS (%) ^c	..	..	..	..	..	..	..	..	..
IBRD DS/XGS	..	..	..	..	..	..	..	..	..
IBRD TDO (US\$m) ^d	..	..	..	..	..	..	..	..	..
Of which present value of guarantees (US\$m)	..	..	..	..	..	..	..	..	..
Share of IBRD portfolio (%)	..	..	..	..	..	..	..	..	..
IDA TDO (US\$m) ^d	385	378	425	464	489	504	504	490	474
IFC (US\$m)									
Loans	27.0	23.4	12.5	50.3	74.4	1.4	..	..	..
Equity and quasi-equity /c	..	..	..	..	..	..	..	..	..
MIGA									
MIGA guarantees (US\$m)				13	525	525	525	525	525

a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.

b. "XGS" denotes exports of goods and services, including workers' remittances.

c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.

d. Includes present value of guarantees.

e. Includes equity and quasi-equity types of both loan and equity instruments.

Annex 11: Angola – IFC Operations

Angloa

Committed and Disbursed Outstanding Investment Portfolio

Amounts in US Dollar Millions

Accounting Date as of : 07/31/2013

<u>FY Approval</u>	<u>Company</u>	<u>Comitted</u>					<u>Disbursed Outstanding</u>				
		<u>Loan</u>	<u>Equity</u>	<u>Quasi- Equity**</u>	<u>GT/RM*</u>	<u>Participant</u>	<u>Loan</u>	<u>Equity</u>	<u>Quasi- Equity**</u>	<u>GT/RM*</u>	<u>Participant</u>
2008/ 2009/ 2010/ 2011/ 2012/ 2013/ 2014	BFA Angola	-	-	-	44	-	-	-	-	44	-
2009	Secil Lobito	15	-	12	-	-	-	-	-	-	-
Total Portfolio		15	-	12	44	-	-	-	-	44	-

*Denotes Guarantee and Risk Management Products

*Quasi-equity includes both loan and equity types

Annex 12: Angola- IFC Investment Operations Program
(As of July 31, 2013)

	2010	2011	2012	2013	2014*
<u>Original Comittments</u>					
IFC and Participants	23.4	12.46	50.29	74.39	1.44
IFC's Own Accounts Only	23.4	12.46	50.29	74.39	1.44
<u>Original Comittments by Sector (%)- IFC Own Accounts Only</u>					
Finance and Insurance	100	100	100	100	100
Total	100	100	100	100	100
<u>Original Comittments by Investment Instrument (%)- IFC Own Accounts Only</u>					
Guarantee	100	100	100	100	100
Total	100	100	100	100	100

*As of July 31, 2013

Annex 13: Selected Indicators* of Bank Portfolio
Performance and Management
(As of Date 6/12/2013)

Indicator	2010	2011	2012	2013
Portfolio Assessment				
Number of Projects Under Implementation ^a	8	5	5	4
Average Implementation Period (years) ^b	3.2	2.5	3.5	4.0
Percent of Problem Projects by Number ^{a, c}	12.5	20.0	20.0	25.0
Percent of Problem Projects by Amount ^{a, c}	7.0	6.5	6.5	6.1
Percent of Projects at Risk by Number ^{a, d}	62.5	100.0	80.0	50.0
Percent of Projects at Risk by Amount ^{a, d}	59.6	100.0	61.6	29.4
Disbursement Ratio (%) ^e	9.0	1.2	11.1	9.2
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US\$)				
Average Supervision (US\$/project)				

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	15	4
Proj Eval by OED by Amt (US\$ millions)	409.0	128.3
% of OED Projects Rated U or HU by Number	33.3	25.0
% of OED Projects Rated U or HU by Amt	18.7	11.0

- a. As shown in the Annual Report on Portfolio Performance (except for current FY).
- b. Average age of projects in the Bank's country portfolio.
- c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
- d. As defined under the Portfolio Improvement Program.
- e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.
- * All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Annex 14: Angola – Donor Sector Mapping

(As of May 2012)

Partner	Sector/Thematic Areas																							
	Private Sector	Financial Sector	Infrastructure/Transport	Trade	Agriculture & Rural Dev.	Health	Education	Environment (incl. climate change)	Water & Sanitation	Social Protection (incl. Child Protection)	Public Sector & Governance	Judicial & Legal Reform	Capacity/Inst. Building (incl. M&E)	Security & Stability (incl. Refugees, human rights)	Macroeconomic Framework	Energy & Mining	Demining	Fishery	Gender	Civil Society	Commodity Aid	Tourism	Culture	
AfDB	X	X	X		X			X	X			X	X											
Delegation of EU	X		X	X	X	X	X	X	X		X	X	X	X			X			X				
France					X		X				X		X											
Germany	X						X						X											
Italy					X	X	X			X		X									X			
Japan			X		X	X	X				X		X	X		X	X			X				
Netherland	X		X	X	X	X							X			X	X			X				
Norway							X						X			X		X	X					
Portugal		X			X	X	X																	X
Spain				X	X				X		X	X		X						X				
United Kingdom			X	X			X				X	X		X			X							
United States	X	X		X	X	X	X	X	X	X	X	X	X	X	X					X				
UNDP	X	X		X	X	X	X	X	X		X		X	X	X		X	X	X	X			X	
UNFPA						X	X			X			X											
UNICEF	X		X			X	X		X	X	X	X	X						X	X				
WFP (no active program at this point)																								
WHO						X																		
World Bank			X		X	X	X		X	X			X											

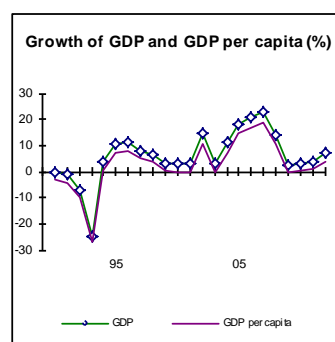
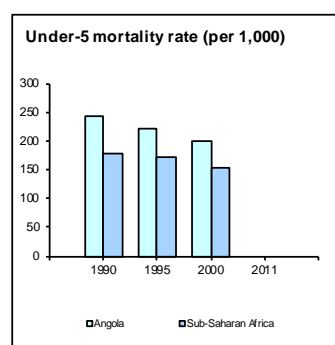
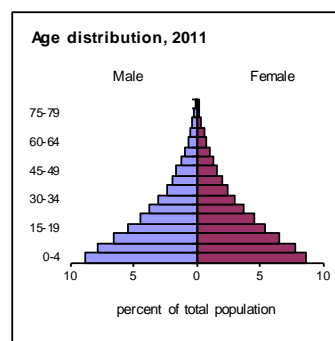
* China, Brazil, EU, and UK have not supplied the information.

Annex 15: Angola – At a Glance

Angola at a glance

6/17/13

Key Development Indicators	Angola	Sub-Saharan Africa	Upper middle income	
(2012)				
Population, mid-year (millions)	20.1	875	2,490	
Surface area (thousand sq. km)	1,247	24,244	61,034	
Population growth (%)	2.7	2.5	0.7	
Urban population (% of total population)	59	36	61	
GNI (Atlas method, US\$ billions)	92.2	1,101	16,341	
GNI per capita (Atlas method, US\$)	4,580	1,258	6,563	
GNI per capita (PPP, international \$)	5,230	2,225	10,703	
GDP growth (%)	6.8	4.7	6.6	
GDP per capita growth (%)	4.1	2.1	5.9	
(most recent estimate, 2005–2012)				
Poverty headcount ratio at \$1.25 a day (PPP, %)	54 ^a	48	9.0	
Poverty headcount ratio at \$2.00 a day (PPP, %)	70 ^a	69	20.4	
Life expectancy at birth (years)	51	55	73	
Infant mortality (per 1,000 live births)	98	69	16	
Child malnutrition (% of children under 5)	16	21	3	
Adult literacy, male (% of ages 15 and older)	83	71	96	
Adult literacy, female (% of ages 15 and older)	58	54	91	
Gross primary enrollment, male (% of age group)	137	103	111	
Gross primary enrollment, female (% of age group)	112	96	111	
Access to an improved water source (% of population)	51	61	93	
Access to improved sanitation facilities (% of population)	58	31	73	
Net Aid Flows				
	1980	1990	2000	2012^b
<i>(US\$ millions)</i>				
Net ODA and official aid	52	266	302	238
<i>Top 3 donors (in 2010):</i>				
United States	7	1	37	55
Japan	0	0	21	38
European Union Institutions	1	54	37	24
Aid (% of GNI)	..	2.8	4.1	0.3
Aid per capita (US\$)	7	26	22	12
Long-Term Economic Trends				
Consumer prices (annual % change)	..	1.8	325.0	10.8
GDP implicit deflator (annual % change)	..	10.9	418.2	4.3
Exchange rate (annual average, local per US\$)	..	0.0	10.0	96.7
Terms of trade index (2000 = 100)	..	64	100	206
1980–90 1990–2000 2000–12				
<i>(average annual growth %)</i>				
Population, mid-year (millions)	7.6	10.3	13.9	20.1
GDP (US\$ millions)	..	10,271	9,135	112,700
<i>(% of GDP)</i>				
Agriculture	..	17.9	5.7	10.0
Industry	..	40.7	72.1	59.7
Manufacturing	..	5.0	2.9	6.3
Services	..	41.4	22.2	27.8
Household final consumption expenditure	..	39.3	15.6	50.1
General gov't final consumption expenditure	..	47.0	42.5	20.3
Gross capital formation	..	7.3	15.1	11.7
Exports of goods and services	..	38.9	89.6	60.1
Imports of goods and services	..	32.6	62.8	42.2
Gross savings	..	5.5	23.8	19.0



Note: Figures in italics are for years other than those specified. .. indicates data are not available.

^a Country poverty estimate is for earlier period. ^b Aid data are for 2010.

Development Economics, Development Data Group (DECDG).

Balance of Payments and Trade*(US\$ millions)*

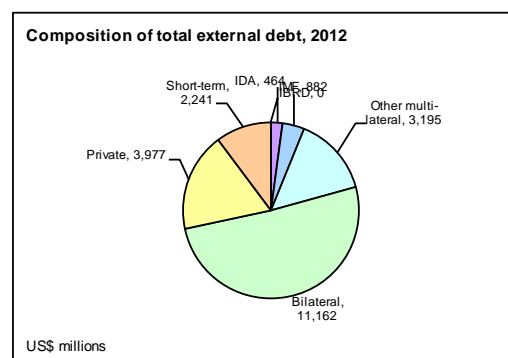
	2000	2012
Total merchandise exports (fob)	7,921	67,060
Total merchandise imports (cif)	3,040	22,574
Net trade in goods and services	2,449	20,184
Current account balance	795	8,278
as a % of GDP	8.7	7.3
Personal transfers and compensation of employees (receipts)	..	..
Reserves, including gold	1,198	31,031

Central Government Finance*(% of GDP)*

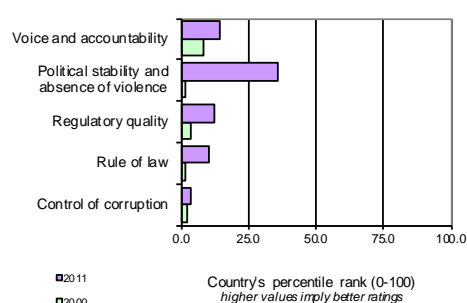
	2000	2012
Current revenue (including grants)	50.2	44.9
Tax revenue	50.0	43.1
Current expenditure	43.5	29.8
Overall surplus/deficit	-8.4	6.1
Highest marginal tax rate (%)		
Individual	..	..
Corporate	35	35

External Debt and Resource Flows*(US\$ millions)*

	2000	2012
Total debt outstanding and disbursed	12,379	21,921
Total debt service	1,705	5,418
Debt relief (HIPC, MDRI)	-	-
Total debt (% of GDP)	135.5	19.5
Total debt service (% of exports)	20.7	8.1
Foreign direct investment (net inflows)	879	2,205
Portfolio equity (net inflows)	0	0

**Private Sector Development**

	2000	2012
Time required to start a business (days)	-	68
Cost to start a business (% of GNI per capita)	-	118.9
Time required to register property (days)	-	184
Ranked as a major constraint to business (% of managers surveyed who agreed)	2000	2011
Electricity	..	34.5
Corruption	..	12.5
Stock market capitalization (% of GDP)	..	..
Bank capital to asset ratio (%)	10.6	..

Governance indicators, 2000 and 2011

Source: Worldwide Governance Indicators (www.govindicators.org)

Technology and Infrastructure

	2000	2011
Paved roads (% of total)	10.4	..
Fixed line and mobile phone subscribers (per 100 people)	1	50
High technology exports (% of manufactured exports)	..	..

Environment

	2000	2011
Agricultural land (% of land area)	46	47
Forest area (% of land area)	47.9	46.9
Terrestrial protected areas (% of land area)	12.4	12.4
Freshwater resources per capita (cu. meters)	9,939	7,544
Freshwater withdrawal (billion cubic meters)	..	..
CO2 emissions per capita (mt)	0.69	1.4
GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)	4.6	7.2
Energy use per capita (kg of oil equivalent)	538	716

World Bank Group portfolio*(US\$ millions)*

	2000	2011
IBRD		
Total debt outstanding and disbursed	0	0
Disbursements	0	0
Principal repayments	0	0
Interest payments	0	0
IDA		
Total debt outstanding and disbursed	226	425
Disbursements	24	53
Total debt service	2	12
IFC (fiscal year)		
Total disbursed and outstanding portfolio of which IFC own account	1	3
Disbursements for IFC own account	1	0
Portfolio sales, prepayments and repayments for IFC own account	0	0
MIGA		
Gross exposure	21	13
New guarantees	0	0

Note: Figures in italics are for years other than those specified.
 .. indicates data are not available. - indicates observation is not applicable.

6/17/13

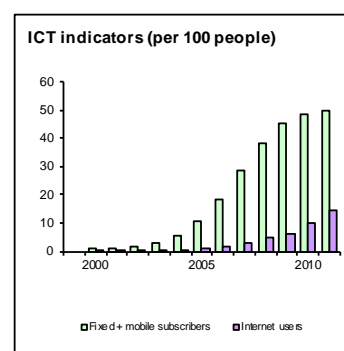
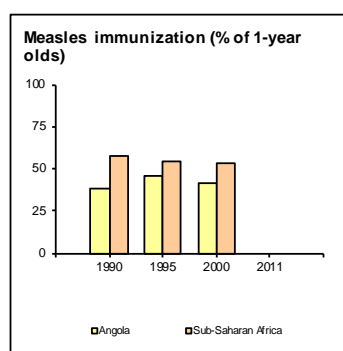
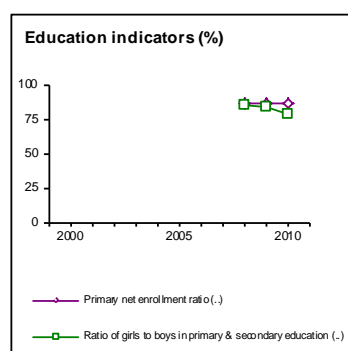
Development Economics, Development Data Group (DECDG).

Millennium Development Goals

Angola

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	Angola			
	1990	1995	2000	2011
Goal 1: halve the rates for extreme poverty and malnutrition				
Poverty headcount ratio at \$1.25 a day (PPP, % of population)	..	..	54.3	..
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..
Share of income or consumption to the poorest quintile (%)	..	..	2.0	..
Prevalence of malnutrition (% of children under 5)	..	37.0	27.5	15.6
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	..	..	51	86
Primary completion rate (% of relevant age group)	34	..	..	47
Secondary school enrollment (gross, %)	11	..	15	31
Youth literacy rate (% of people ages 15-24)	..	..	72	73
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	..	..	82	79
Women employed in the nonagricultural sector (% of nonagricultural employment)	..	24	..	..
Proportion of seats held by women in national parliament (%)	15	10	16	39
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	243	222	200	161
Infant mortality rate (per 1,000 live births)	144	131	119	98
Measles immunization (proportion of one-year olds immunized, %)	38	46	41	93
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	1,200	1,200	890	450
Births attended by skilled health staff (% of total)	..	23	45	47
Contraceptive prevalence (% of women ages 15-49)	..	8	6	..
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	0.6	1.2	1.6	2.1
Incidence of tuberculosis (per 100,000 people)	205	226	250	304
Tuberculosis case detection rate (% , all forms)	48	19	46	78
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	42	43	46	51
Access to improved sanitation facilities (% of population)	29	34	42	58
Forest area (% of land area)	48.9	..	47.9	46.9
Terrestrial protected areas (% of land area)	12.4	12.4	12.4	12.4
CO2 emissions (metric tons per capita)	0.4	0.9	0.7	1.4
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	5.4	4.0	4.6	7.2
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	0.7	0.4	0.5	1.5
Mobile phone subscribers (per 100 people)	0.0	0.0	0.2	48.4
Internet users (per 100 people)	0.0	0.0	0.1	14.8
Households with a computer (%)	..	..	..	7.1



Note: Figures in italics are for years other than those specified. .. indicates data are not available.

6/17/13

Development Economics, Development Data Group (DECDG).

Annex 16: Operations Portfolio (IBRD/IDA and Grants)
(As of Date 6/12/2013)

Closed Projects **17**

IBRD/IDA *	▼
Total Disbursed (Active)	41.80
of w hich has been repaid	0.00
Total Disbursed (Closed)	245.87
of w hich has been repaid	66.45
Total Disbursed (Active + Closed)	287.67
of w hich has been repaid	66.45
Total Undisbursed (Active)	295.49
Total Undisbursed (Closed)	36.22
Total Undisbursed (Active + Closed)	331.72

Active Projects

Project ID	Project Name	Last PSR			Fiscal Year	Original Amount in US\$ Millions				Difference Between Expected and Actual Disbursements ^{a/}		
		Supervision Rating		Fiscal Year		IBRD	IDA	GRANT	Cancel.	Undisb.	Orig.	Frm Rev'd
		Development Objectives	Implementati on Progress									
P105101	AO-Local Dev. Program SIL (FY10)	MS	MS	2010		81.7			57.5			
P093699	AO-Market Oriented Smallholder Agr	MU	MS	2009		30.0		8.5	13.5	15.9	1.5	
P111840	AO-Municipal Health Serv Strength (FY10)	S	MS	2010		70.8			66.7	29.0	7.7	
P096360	AO-Water Sector Institutional Dmp	S	MS	2009		177.0			157.8	52.8	3.3	
Overall Result						359.5		8.5	295.5	74.6	12.5	

Annex 17: Angola Trust Funds, FY14

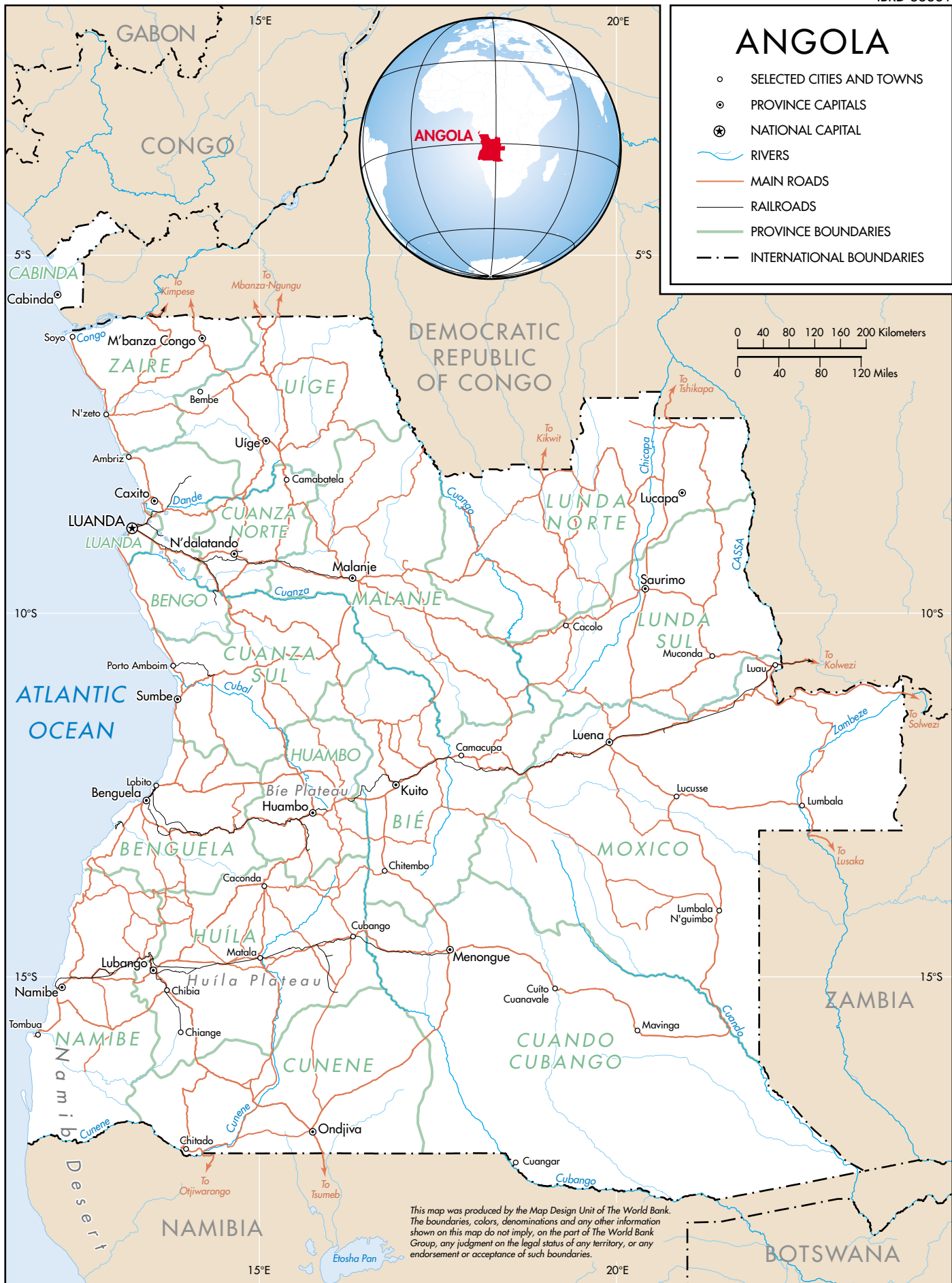
Donor Name	Trust Fund #	Trust Fund Name	Project #	Net Grant Amount	Funds Disb. to Date	Fund Balance in USD	Effective Date	Grant Sign Date	End Disb. Date	Closing Date
	Recipient Executed									
Japan - Ministry of Finance	TF057845	PHRD: ANGOLA - MARKET ORIENTED SMALLHOLDER AGRICULTURE	P093699	4,000,000.00	889,400.95	3,110,599.05	9/20/2010	11/26/2009	3/31/2015	9/30/2014
	Bank Executed									
Government of the Russian Federation	TF013757	Angola READ Program - Phase 3	P116547	1,314,296.44	15,465.50	1,303,842.84	11/27/2012	11/27/2012	10/31/2014	6/30/2014
Total E&P Angola	TF071846	Municipal Health Service Strengthening Project	P111840	4,500,000.00	0.00	4,500,000.00	3/2/2012	3/28/2012	6/30/2016	6/30/2016
Total				8,500,000.00	904,866.45					

Source: Operations Portal and Client Connection

Note: Angola is eligible to use a number of other trust funds, but has not done so yet. These include TF052432 DEVCO Advisory Fund; TF052487 Global Gas Flaring Reduction Partnership; TF054299 Norwegian Trust Fund for Debt Sustainability, Volatility and Relief; TF054664 and TF090446 Extractive Industries Transparency Initiative; and TF093900 DEMPA Trust Fund.

ANGOLA

- SELECTED CITIES AND TOWNS
- ⊙ PROVINCE CAPITALS
- ⊗ NATIONAL CAPITAL
- ~ RIVERS
- MAIN ROADS
- RAILROADS
- PROVINCE BOUNDARIES
- - - INTERNATIONAL BOUNDARIES



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