

**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**

ANGOLA

COUNTRY PORTFOLIO PERFORMANCE REPORT

**REGIONAL DEPARTMENT ORSB
SOUTH REGION B
DECEMBER 2007**

SUMMARY REPORT

I. Introduction

1.1 This Country Portfolio Performance Report (CPPR) is the first ever prepared for the Bank's portfolio in Angola. The objective of this summary is to inform the Board members about the performance of the Bank's portfolio in Angola and to formulate relevant recommendations for its improvement. The full report, including project profiles for each active project, is available on request to ORSB.

1.2. The total commitment of the Bank Group since 1983 amounts to UA 298.07 million of which UA 177.65 million has come from ADB and UA 120.42 million from ADF. More than 66% of these allocations were cancelled over the period due to the civil war in the country. Angola resumed cooperation with the Bank after the settlement of arrears in 2001. Two CSPs have been prepared for 2002-2004 and 2005-2007 and have covered rural and social sectors. The first one emphasized rehabilitation of health infrastructure and demobilization and social reintegration activities, while the second one has been designed to tackle poverty reduction in rural areas and create a conducive environment for private sector development. They have been aligned with priority sectors identified in the I-PRSP which set out a total of ten: (i) Social Reintegration, (ii) Security and Human Care, (iii) Food security and Rural Development, (iv) HIV-AIDS, (v) Education, (vi) Health, (vii) Basic infrastructure, (viii) employment and vocational trainings, (ix) governance and (x) macroeconomic management.

II. Overall Review of the on-going Projects

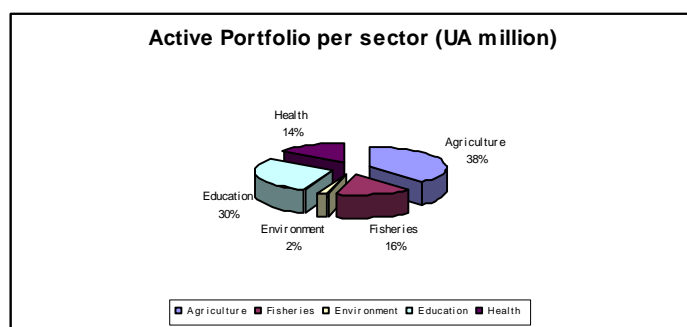
A. Key characteristics of the on-going projects

Sectors	TOTAL	Sector in %	% of disbursement	Overall assessment	Project at risk	Age (Year)	Type of financing
RURAL	25.05	55.71	8.6%	1.99		3.5	
1. Bom Jesus Calenga Project (grant)	17.2	38.25	1.7%	2.44		1.7	ADF X
2. Artisanal Fisheries Project	7	15.56	19.2%	1.65		4.7	ADFIX
3. Environment Investment Program	0.85	1.9	61.2%	1.9		4	ADFIX
SOCIAL	19.91	44.29	9.6%	1.51		4.7	
1. Education II Project	9.63	21.42	10.2%	1.44	PP	5.7	ADFVIII
2. Reintegration of vulner. groups in Huambo Province	3.78	8.41	3.2%	1.5	PPP	3.7	ADFIX
3. Health services rehabilitation project in Uige Province	6.5	14.46	12.46%	1.6	PPP	4.7	ADF IX
TOTAL	44.96	100	9%	1.75		4.1	

2.1 During the ADF X allocation three projects were planned namely i) Bom Jesus Calenga project in the agricultural sector (UA 17.2 million); ii) Water supply project (UA 12 million); and iii) Institutional Support for Capacity Building (UA 5.9 million). The Bom Jesus Calenga project was approved in November 2005 and the two other projects in November 2007.

B. General Assessment of Portfolio Performance

2.2 General performance of Bank's portfolio in Angola is unsatisfactory, thus rated at 1.75. Given that one project is Problematic Project and two are Potential Problematic Projects, the proportion of Project at Risk (PAR) in the rated portfolio is 50% which is higher than the 10-30% range that is indicative of satisfactory portfolio performance. Although the majority of projects' cross-cutting issues are streamlined through the components of projects, few of them have been addressed at this stage of projects implementation, particularly in Gender, Environment and HIV-AIDS issues.



	Angola	Bank wide 2006	World Bank in Angola
Disbursement rate	9%	25%	49.5%
Supervision. Mission/year	2	1.5	2
Average size project loan US\$ million	11.20	50.35	46.3
cofinancing operations ratio	0.17	4.2	N.A
Use of Country PFM Systems %	0	N.A	N.A
Use of Country Procur.Systems %	0	N.A	N.A

2.3 The Bank's portfolio performance in Angola is very weak compared to Bank wide 2006 or World Bank's portfolio. The better performance of the World Bank could be at least partly explained by an active Field Office undertaking an efficient and continuous dialogue with the Government as well as aid coordination with other partners in the country.

2.4 The current portfolio composed of the 6 projects described above has the following common characteristics: (i) general disbursement rate very low at 9%; (ii) great delay between the projects approval, the loan signature and the projects effectiveness (20 months on average); (iii) great delay in launching operational activities such as the recruitment of contractors, start-up project activities, (iv) poor technical support to the PIUs particularly in auditing the Education and Health projects; (v) lack of disbursement of counterpart funds particularly in the Fisheries and the Agriculture Projects; (vi) generally poor management by institutionally and technically weak Project Implementation Units (PIU), i.e. in the Environment Investment Program and Fisheries Project.

2.5 The main reasons for these situations are: (i) low capacity in the PIUs and in the public administration, including lack of knowledge of the Bank's procedures and rules of procurement, disbursement and auditing; (ii) great difficulties in communicating and/or working in the Bank's official languages; including use of the bidding or tender documents in the Bank's official languages that discourage many firms in Angola from participating in Project activities; (iii) ineffective functioning of the Project Steering Committees causing lack of policy advice and strategic guidance to the Coordinators; (iv) Some concerns in the PIUs' include inadequate financing and under budgeted Project activities. In many cases, implementation delays are due to the high level of inflation and foreign exchange fluctuations, thus causing financial gaps and issues around keeping within the existing budget.

III. Assessment of Management Implementation Capacity and Coordination with Other Donors

3.1 At the governmental level, all projects are being implemented using PIUs under the supervision of Executing Agencies (EA) which are generally weak and need training in project management. At the Bank level, there is a need to enhance the skills mix in assessing project performance along with being more proactive on recommendations made by the supervision missions. The Bank's current procedures for procurement and disbursement are under review and need to be both effective and user friendly. There is also need to improve aid coordination with other donors, particularly the World Bank, the European Union and the UNDP. Opening a Field Office would be more advantageous for the Bank in improving dialogue with the Government and other partners.

IV. Potential Future Problems and Lessons for CSP and Portfolio Management

4.1 The primary cause of poor performance of the portfolio in Angola is described above. To scale-up the soundness and development effectiveness of the Bank's portfolio, the Country Portfolio Improvement Plan (C.P.I.P) recommends generic and specific actions which need to be implemented by both Government and the Bank. The CPR took place during a challenging period for the country characterized by the end of civil war, consolidating political stability, and a new era for implementation of structural reforms.

4.2 The Bank needs to increase non-lending activities including ESW and build on lessons from earlier interventions. Institutional support should remain one of the Bank's priorities in Angola as the country's capacity is so weak. Also, the country should be encouraged to move progressively towards a Medium Term Expenditure Framework for Public Investment Programming in order to create sustainability and better allocation of oil revenues. If it does so, budget support loans and SWAPs operations could be complementary to the Bank's project approach, when the country's fiduciary system improves and becomes more reliable.

V. Conclusions and recommendations

The Bank needs to improve on the quality of supervision missions and the follow-up of recommendations made in the BTORs. The opening of the Field Office with tailored staffing would ensure better dialogue with the Government, strong coordination with other partners, and ready support to the PIUs.

5.1 At a joint level of the Bank and the Government

- The Bank and the Government of Angola should work closely to complete, as soon as possible, the HCA and the opening of a Field Office in order to increase visibility of Bank's operations in the country;
- The Bank and the Government should work closely to improve communication issues by ensuring training in Portuguese for the Bank's staff and in the Bank's official languages and project cycle management for the PIU's staff;
- The Bank and the Government, in line with the Paris Declaration, should work together in increasing SWAP or Budget supports loans in the Bank's portfolio and to rely more on donors' joint assistance strategy. As pre-condition, the Government's fiduciary system should be improved and become more reliable with the technical assistance of development partners;

5.2 At the Bank's level

- The Bank should increase trainings for PIUs' staff and civil servants in the Directorates of Studies and Planning of the Technical Ministries, and of EAs, in Bank's procedures in procurement, disbursement and auditing;
- The Bank should ensure a tailored staffing for the Field Office in order to help PIUs in procurement, tender documents and disbursement concerns;
- The Bank should provide sufficient funding to the PIUs for translation of bidding or tender documents in Bank's official languages.

5.3 At the Government's level

- The Government should create a Central Project Implementation Unit (CPIU) with the Bank's technical and financial assistance to give support to the PIUs. This CPIU could give technical support in training PIU staff, assist in procurement operations, disbursement processes and project audit under the Bank's rules;
- The Government should also create a better environment for project preparation, implementation and follow up by putting in place an effective aid coordination mechanism, provide better quality staff, and appropriate working environment for the established PIUs;
- The Government should also address the counterpart funds issue by a timely registration of financial requirements under the public investment programming.

VI. ANNEX: CPIP for Angola

Operations	Major issues	Actions required	Responsible	Deadline
GENERIC ISSUES				
1. Compliance with loan conditions precedent to entry into force	1.1 great delay in compliance with conditions 1.2 weakness and inefficiency of public administration	1.1.1 quality at entry of project, selectivity of conditions and dialogue precedent to entry into force of the loan 1.1.2 dialogue to ensure ownership of the project 1.2.1 enhancement of capacity in public administration	Bank Bank Government	Continue Continue continue
2. Management of the PIUs	2.1 low capacity of PIUs and inefficient management 2.2 communication problem in Bank's official languages 2.3 delay in submission quarterly reports 2.4 no respect of the project implementation schedule 2.5 the Project Steering Committees (PSC) are inefficient 2.6 lack of timely programming of counterpart funding in the projects 2.7 shortage in transfer of counterpart funding to projects	2.1.1 improve recruitment of Project Coordinators 2.2.1 insist on ability of Project Coordinators to communicate in Bank's languages and provide language courses 2.3.1 implement performance-based evaluation system 2.4.1 increase training in Bank's rules, procedures and project cycle management 2.5.1 select properly PSCs' members and make them function properly as specified in their TOR 2.6.1 ensure institutional link between the PIUs, the Directorate of planning and studies of the Sector Ministries and the PSCs 2.7.1 Ensure better link between PIUs, Directorates of Planning of Sector Ministries, Public Investment Programming and the Treasury Dept	Government/Bank Bank/Government Bank/Government Bank Bank Government Government	Continue 2008 2008 Continue Continue 2008 2008
3. Working in Bank's official languages	3.1 difficulties in communicating in French/English increase delay of processing of dossiers 3.2 additional costs due to translation of documents submitted to the Bank	3.1.1 recruitment of French/English speaking staff 3.1.2 training of PIUs staff in Bank's languages 3.2.1 provide documents translation funding to the PIUs	Government/Bank Bank Bank	New projects 2008 New projects
4. Procurement of services, goods and works	4.1 great delays observed due to lack of knowledge of Bank's procedures and rules 4.2 additional cost for firms in bidding in Bank's official languages 4.3 poor response from Bidders requesting often changes of procurement mode	4.1.1 trainings in Bank's procedures for PIUs staff and civil servants particularly in the Directorates of planning and studies of the sector ministries 4.1.2 settlement of a Central Project Implementation Unit(CPIU) in the Ministry of Planning with qualified staff aiming to give support to sector PIUs disseminated over all the country 4.2.1 increase PIUs' translation funds for bidding documents 4.3.1 ensure quality at entry and select the best procurement mode based on the country specificities	Bank Government Bank Bank	2008 End of 2008 New projects Continue

Operations	Major issues	Actions required/taken	Responsible	Deadline
SPECIFIC ISSUES				
RURAL SECTOR				
1. Bom Jesus Calenga Agricultural Development Project	1. staff vacuum in the Research Institute in Shianga	1.1. The EA should finalize the reform process as soon as possible so as to fill the staffing levels at the Research Institute at Shianga	Ministry of Agriculture	on-going
	2. lack of counterpart funding	2.1. Ministry to under pro-active budgeting of counter-part funding	Ministries of Agricult and Planning EA	Continue 2008
	3. lack of donor coordination among the agriculture sector (MINADER)	3.1. EA to set up a Donor sector Committee and expedite recruitment of Bank supported TA		
	4. delay in keeping pace with policy developments within the sector	4.1 EA to be under the supervision of the Directorate of Planning and Studies of the Ministry of Agriculture	Ministry of Agriculture	2008
2. Artisanal Fisheries Development Project	1. Inefficient Contract management of the fisheries Centers	1.1 EA to recruit a capable Procurement Officer and Project Engineer	.Ministry of Fisheries	2008
	2. Inadequacy of approved budgets for activities	2. The EA should gain interest in the Project implementation for effective follow-up and policy guidance as well as affirmative action on under-budgeted activities	Government	continue
	3. Flooding of CEFOPESCAS has stopped training activities	3. EA should take affirmative decision regarding the position of CEFOPESCAS	EA.	completed completed
	4. Difficulty in recruiting a Monitoring and Evaluation Officer	4. The Bank has written ToR & submitted to Government – EA only left to recruit TA for M & E	EA (help provided by the Bank for M & E and the management of the Credit Component) EA	completed
	5. Difficulty for the PMU to get an Office space as well as provide the PMU with technical support	5. EA to provide adequate office space to the PMU as well as finalize with the recruitment of TA to provide hands on technical support to the PIU		on-going
	6. Finalize the recruitment of an NGO to manage the Credit Component	6. Government- Ministry to finalize the contract with the selected NGO to manage the Credit Component	EA	completed
	7. Provision of Government vehicles and staff to support with field implementation	7. EA to procure vehicles and second all staff to the Project	EA	

Operations	Major Issues	Actions required	Responsible	Deadline
SPECIFIC ISSUES				
SOCIAL SECTOR				
3. Basic Education and Jobs skills project	1. More than three (3) years of delay in launching works	1.1 Since ADB has already given no objection for the contracts with the winner firms, the Government should take appropriate measures to start works as soon as possible	PIU	Under processing
4. Socio-reintegration project of Vulnerable groups in the Huambo Province	1. Difficulty in providing counterpart funding	1.1 The PIU and the Ministry of Finance should take appropriate measures for the registration of the project in the Public Investment Program	MINARS	completed
	2. Difficulty in recruiting 2 UNV	2.1 A firm to be recruited in replacement of the U.N.V. A Vocational Specialist will be recruited to strengthen the PIU;	PIU-Huambo	completed
	3. Difficulty to access documents related to the entry into force of the loan	3.1 Ask the Government to release the documents to the PIU's Coordinator	PIU-Huambo, ADB	completed
	4. long delay in transmission of documents to Headquarter	4.1 The use of email is recommended. The opening of ADB Office in Luanda would be also helpful	ADB, Gvt Angola	2008
5. Health Services Development in the Uige Province	1. Project activities not completed but deadline for last disbursement on 31 December 2007	1.1 Prepare request for extension of deadline under some conditions	Health Min./PIU	completed
	2. No constructions started and project costs underestimated	2.1 Restructuring of the project needed and review list of goods and services	Gvt/ADB	On going
	3. Translation costs of bidding documents not charged to the project	3.1 Provide funding for translation of bidding documents	Gvt/ADB	continue
	4. Several requests for disbursement previous to cancellation were sent to the Bank	4.1 Process the disbursements as soon as the sanctions are lifted	ADB	completed
	5. No performance-based management system in the PIU	5.1 Performance-based management system to be settled after the restructuring of the project	Health Min.	2008