

**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



ANGOLA

COUNTRY STRATEGY PAPER UPDATE 2008-2009

**ORSB DEPARTMENT
June, 2008**

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ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank
ADF	African Development Fund
BAI	African Investment Bank
BDA	Angolan Development Bank
BNA	Central Bank of Angola
BPC	Saving and Credit Bank
EITI	Extractive Industry Transparency Initiative
ESW	Economic and Sector Work
IDP	Internal Displaced Persons
I-PRSP	Interim- Poverty Reduction Strategy Paper
MDG	Millenium Development Goals
MICS	Multiple Indicator Cluster Survey
MTEF	Medium-Term Expenditure Framework
PEMFAR	Public Expenditure Management and Financial Accountability Review
PIP	Public Investment Programming
PIU	Project Implementation Unit
SADC	Southern African Development Community
SMEs	Small and medium enterprises
SIGFE	Integrated System of State's Financial Management
SIGPE	Integrated System of State's Assets Management
SWAP	Sector Wide Approach
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
SOEs	State Owned Enterprises
UNDP	United Nations Development Programme
WHO	World Health Organization

FIGURES

CURRENCY EQUIVALENTS

(June 2008)

UA 1	=	US\$ 1.62069
UA 1	=	Kz 121.814
US\$ 1	=	Kz 75.161

FISCAL YEAR

January 1st to 31 December 2008

WEIGHTS AND MEASURES

Metric system

I. INTRODUCTION

1.1 The Bank's strategy for the period 2005-2007 agreed upon with the Angolan authorities and the country's development partners came to an end on 31 December 2007. In the absence of a new Government's medium term strategy which is in the process of being finalized (2009-2013) and due to legislative and presidential elections scheduled for September 2008 and May 2009 respectively, it is not appropriate at this time for a full CSP preparation. Based on these constraints and in order to ensure continuity in the Bank Group operations, Angola Country Team recommended that the current CSP be updated until conditions are met for the preparation of a full CSP in 2009 covering a five year period (2010-2014). This report provides an assessment of the current CSP, focusing on the 2005 Board of Directors recommendations. The latest dealt with urging Management to make provision for institutional building in future Bank Group-financed in Angola and ensuring consolidation of on-going operations. It also sets out proposed activities for Bank support during the period 2008-2009 and as well as broad projects ideas to be focused on during the preparation of the next full CSP in 2009.

II. RECENT DEVELOPMENTS

2.1 Political changes. Today, Angola is a country at peace, despite sporadic fights in the enclave of Cabinda between the remaining separatist FLEC-guerrillas (Frente de Libertação do Enclave de Cabinda) and the Angolan Armed Forces. In August 2006, a peace agreement with the Cabinda Forum for dialogue was signed granting the oil-rich enclave a special status under the integrity of the Angolan territory. The new legislative and presidential elections are now scheduled for September 2008 and May 2009 respectively, since the voter registration process came to an end on September 15, 2007, with over 8 million of the voting population registered. While the results of the forthcoming elections would affect the composition and perhaps the development priorities of the new ruling government, the core development priorities will remain unchanged, namely poverty reduction (68%), sustainable economic growth and strengthening of governance through better transparency and efficiency in oil revenues management and enhanced decentralization at provinces levels.

2.2 Economic and Social Changes. During the last few years, economic growth in Angola has been rapid, driven by high oil prices and increases in oil and diamond production and export. The high levels of oil revenue and extractive industry have resulted in important surpluses in both fiscal and external accounts. The Government has shown strong commitment in pursuing economic and structural reforms enabling private sector development while moving from oil to a non-oil driven economy although direct spill-over effects from the oil sector to the rest of the economy have been limited.

2.2.1 Macroeconomic performance. Prudent macroeconomic policies have shown good results over recent years as Angola was considered in 2007 as one of the fastest growing economy in Africa. These policies are expected to be pursued by the Government in order to reach the convergence indicators set by SADC countries. Inflation has drastically fallen in 2007 to around 12%, while 2008 and 2009-2010 targets are 10% and 6-8% respectively. The increasing external reserves and the restrictive monetary policy are factors conducive to the appreciation of the Kwz versus the dollar, resulting in the diminution of imported inflation. But the dependence of the economy to the Euro zone for consumer goods imports are factors positively influencing consumer price index, which is a concern for the Government to keep on track the inflation. Despite high oil prices and increases in oil production and revenues, overall budget balance is decreasing as a percentage of the GDP. However the non-oil primary fiscal deficit fell from 61.5 percent

of non-oil GDP in 2005 to 52.8 percent in 2007, which is still larger than that of other oil-producers in sub-Saharan Africa. In 2007 Angola is assessed to be at moderate risk of debt distress but the increasing non-concessional borrowing from emerging development partners like China, South Korea and Brazil could undermine the country's debt sustainability.

Figure 1

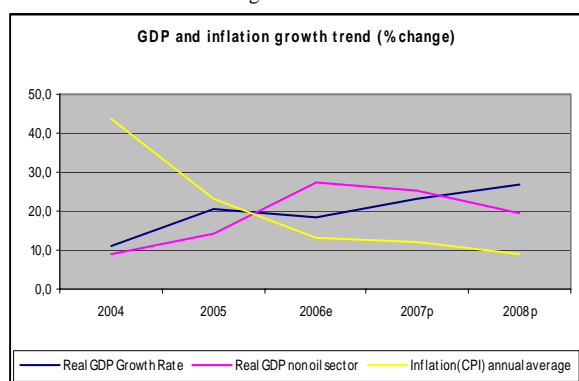


Figure 2

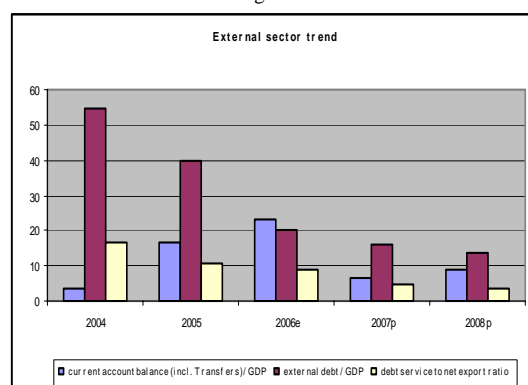
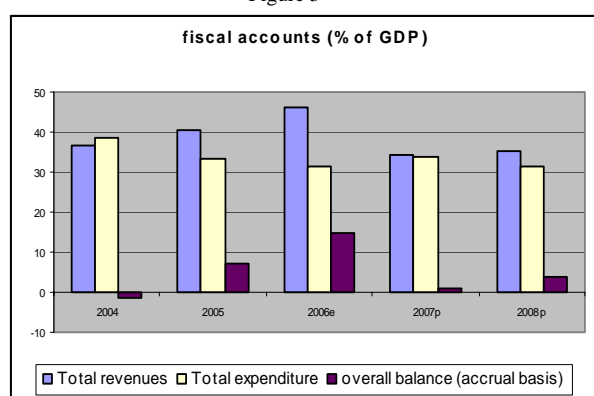


Figure 3



Angola's external current account position stayed solid. The external current account surplus widened to 23 percent of GDP in 2006 and official reserves doubled to US\$ 8.6 billion (about seven months of imports of non-oil goods and services). In late 2006 and early 2007 Angola paid the bulk of its principal and interest arrears to Paris Club creditors. The external debt-to-GDP ratio declined from 40 percent in 2005 to about 20 percent in 2006

2.2.2 Finance and Banking operations. In 2006 and 2007, banking operations and financial services all increased sharply. Nineteen (19) Banks are currently operating in Angola and are profit makers. Accompanying the acceleration of growth in the non-oil sectors of the economy, especially in the construction and service sectors, credit to the private sector increased by 101.8 per cent in 2006 and by 70.6 per cent in 2007 according to the Central Bank. In the meantime the Central Bank (BNA) has increased the regulatory credit risk framework for banking operations. The development of the economy requires medium term financing that has been provided through two new development-oriented banks such as *Banco Africano de Investimento* (BAI Bank) and *Banco de Desenvolvimento de Angola* (BDA). The 2005 Securities and Exchange Law and the incorporation of the Angolan Stock Exchange Company in 2006 represent giant steps in moving to transparent capital markets. Pending operational issues related to the settlement of institutions and brokers, the country's securities market is expected to be effective during 2008. Also with the technical assistance of BNA and USAID, micro credit financing is now accessible to small and medium enterprises through banking institutions such as *Banco Sol*, *Banco de Poupança e Crédito* (BPC), *Novo Banco*, as well as BAI all offering this type of financing. The banking supervision regulatory framework is being modernized.

2.2.3 The Agriculture sector has a good potential in Angola due to abundant and relatively good-quality land. With the gradual rehabilitation of rural infrastructure which was almost completely destroyed by the war, and the return of displaced people, the sector is progressively recovering. In 2007, USD 91.3 million was invested in agriculture, of which USD 80 million was provided by the Government. Agriculture has become a

priority sector for public investment and the country's largest employer with 4.8 million people representing 89% of all jobs, the sector thus has a key role to play given its importance for poverty reduction. On the environmental side, Angola's biodiversity is remarkable; forest occupies about 35% of the country's territory while the coastline of over 1,600 km is rich in fish species. However, the recent trend of environmental loss and threat it poses to fish resources, over-exploitation of plant species, pollution of soil, water and the atmosphere as well as erratic climate changes raises awareness of the risk to environmental sustainability. The government is also attracting donor support and private investment in order to strengthen farm production, agricultural and tourism investments and reduce environmental risks. However, several obstacles continue to hamper agricultural development, including poor access to credit, poor road conditions, environmental degradation and loss of biological diversity, inadequate system for preserving and processing agricultural output and problems with securing clear titles to land despite the adoption of a new land law.

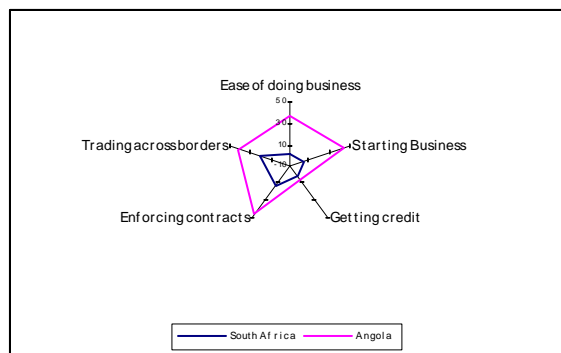
2.2.4 Economic Infrastructure. The Government of Angola has also made important efforts to rehabilitate transportation infrastructure and electricity production, almost totally ruined by the war and by chronic underinvestment. During the past two years, the government has invested over USD 33 million of its Public Investment Programme (PIP) for the rehabilitation of roads. Since 2006, numerous small distribution lines destroyed during the war have also been rehabilitated. The 479 km railway from Luanda to Malange is almost finished and should be operational before the end of 2008, together with the 1000 km railway running from Namibe (on the coast) to Menongue, in the Cuando Cubango province. However, the rehabilitation of the Benguela railway line, which links the coast to the border with the Democratic Republic of the Congo, has been postponed to 2010 because of de-mining operations. Likewise, numerous rehabilitation projects are under way to increase electricity production, regular water supply to a number of municipalities and jobs for local workers. The major projects under way in this sector are the Capanda hydroelectric power plant, the hydroelectric power plants along the Kwanza river and the Cambambe hydroelectric power plant. However, the public entities in charge of these sectors, such as the Ministry of Water and Energy, the Ministry of Transport and the Ministry of Telecommunication are suffering from the lack of human capacity and modernized institutional regulatory framework allowing efficient management, monitoring and supervision of works and infrastructure.

2.2.5 Social sector. Angola is a very poor performing country with regards to social indicators in Africa. In spite of some progress in human development indicators, Angola's score of 0,446 on the Human Development Index ranks the country at 162 out of 177 in 2007. Extreme poverty (population living under 1 US\$/day) remains high at 68%. In spite of Angola's efforts to improve access to Education, primary school enrollment remains among the lowest in Sub-Saharan Africa with only 25% of school age children enrolled in primary school, and 27% of students entering grade one completing grade four. Gender inequalities also persist, as women have fewer opportunities for literacy and education. Likewise, the existing situation with regard to vocational education in Angola is not encouraging with less than 3% of rural and 6% of urban youth undergoing such kind of training. In the Health sector, the epidemiological profile in Angola features a high prevalence of communicable diseases, as well as high infant (132 per 1000 live births according to UN Population Division The 2006 Revision) and maternal mortality (1,400 per 100,000 in 2005, according to UNICEF/WHO), resulting in an average life expectancy of only 43 years. Three in five persons lack access to safe water or sanitation, and on average, women are less educated than men and enjoy lower health status while burdened with heavier workloads than men. The state of degradation of the water network and constant vandalism and unauthorized water diversion results in poor efficiency to the tune of about 40 – 60%. Thus, the development of adequate regulations is crucial for improved

management of water resources. However, the current development of the non-oil economy is gradually fostering job-creation, a more even distribution of income and at some extent social welfare for specific groups. The unemployment rate declined from 29.2% in 2005 to 25.2% in 2006 and 20% in 2007 respectively.

2.3 Private sector, business climate and related issues. Although progress has been particularly slow in terms of improvement of the business environment, including the persistence of corruption, the reform process has accelerated in other domains such as state owned enterprises (SOEs), access to credit and infrastructure rehabilitation.

Figure 4: Doing Business ranking indicators in Sub Saharan Africa



Undeniable progress has been made in recent years in the transparency of management of oil revenue, although much remains to be done. Although Angola has not yet joined the Extractive Industry Transparency Initiative (EITI), the Government has published extensive oil sector data on the website of the Ministry of Finance and has improved oil bidding practices.

2.3.1 Manufacturing and Tourism. Despite a difficult environment for doing business, some progress has been observed in the timing required to establish a company (15 days) as well as in the creation of light industries such as beverage producing plants, tobacco, cigarettes and clothing detergent and food processing. The Government has also put in place several investment incentives packages for the development of specific industries and their spatial distribution within the country. In the **tourism** area, according to World Travel and the Tourism Council, growth in Angola's tourism and travel sector is estimated at 31% for 2007 and projections between 2008 and 2017 are at a healthy 9% per year, generating USD 6,965.2 million in 2007 to USD 16,502.2 million by 2017. It is estimated that Luanda needs ten new hotels to fill the current deficit of 3,500 rooms. Six new hotels are already under construction in Luanda and several others throughout the country totaling 40 new hotels during coming years. Such booming development in tourism requires specific skills and services to match the market needs.

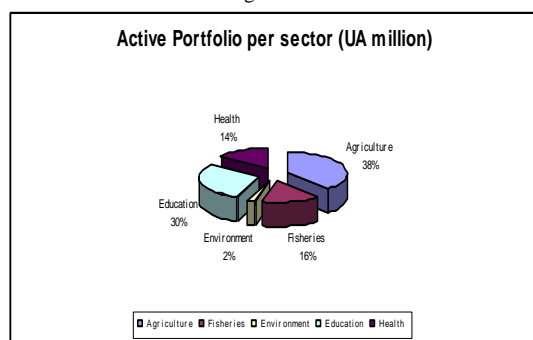
III. BANK GROUP ASSISTANCE

3.1 Portfolio Management issues

3.1.1 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 an environment conducive for private sector development. They have been aligned with priority sectors identified in the Government's Interim PRSP (I-PRSP) which sets 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 training, (ix) Governance and (x) Macroeconomic management.

3.1.2 The Bank's portfolio performance in Angola is very weak. The first Country Portfolio Performance report in 2007 showed that general performance of Bank's portfolio in Angola is unsatisfactory, as determined by the rating of 1.75. Given that one project was a problematic project and two were potentially problematic projects, the proportion of project at risk (PAR) in the rated portfolio was 50%. The main reasons for these situations are: (i) low capacity in the PIUs and in the public administration, including lack of knowledge of 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

Figure 5



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 and even cancellation of some project activities were caused by the high level of inflation and foreign exchange fluctuations which occurred during 2002-2004, thus causing financial gaps. Dialogue missions visited Luanda to share with Angolan Authorities ways to address portfolio performance issues and it was agreed on some key measures to be undertaken by the Bank and the Government such as trainings in Bank's languages and procedures, translation funds in the PIUs for bidding and tender documents and the setting up of a Central Aid Coordination Unit in the Ministry of Planning to address project implementation and disbursements concerns.

3.2 Factors constraining the Bank's Operations. Lack of sustained dialogue and coordination with the Government and other development partners explained in great part the difficulties faced by the Bank in the implementation of its operations. In absence of a Field Office, the Bank is not sufficiently proactive to rapid shifts in national priorities likely to occur in a reconstruction period. The allocation granted to the country through ADF resources over the last years was too small compared to the huge financial resources needed for rehabilitation and reconstruction to facilitate confidence building between the Bank and the Government. For example, for the ADF X and XI cycles, allocations for Angola were respectively UA 35 million and UA 46 million, which is considered as insufficient for Angolan Authorities. Forthcoming discussions on the Angola status as MIC and its eligibility to ADB resources could help in solving the problem of low allocation. Likewise, the difficult business environment has also impeded the Bank's private sector full participation in the country's reconstruction and support to Small and Medium Enterprises (SME) for the diversification of the economy.

3.3 Areas requiring dialogue. To ensure successful implementation of Bank strategy for Angola, the Bank needs to increase non-lending activities, including ESW, and build on lessons from earlier interventions. 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. Institutional support should remain one of the Bank's priorities in Angola as the country's capacity is so weak.

3.3.1 In the agriculture sector, there is a need for the Government to increase its budget allocation to the agricultural sector (crop, livestock, fisheries, forestry and environment) to the required level of the Maputo Declaration i.e. 36%. This with an effective human and institutional capacities, would be helpful in achieving the MDG goals, especially MDG 1 – reduction of extreme poverty and hunger, MDG4 – reduction of child mortality and MDG

7 – ensuring environmental sustainability. In particular for the latest, an environmental assessment program financed by the Bank in 2003 and completed in 2007 settled basis for poverty reduction through sustainable exploitation of natural resource base and environmental awareness creation. The study produced three key outputs namely, (i) the first ever State of Environment Report for the Government of Angola; (ii) the Establishment of an Environmental Information and Database Unit; and (iii) the production of 10 bankable project briefs/proposals. The Government has expressed great interest in seeing the Bank take part of the financing of a second phase program currently under preparation. The Government is also keen to move towards a SWAP in the agriculture sector and discussions with partners such as FAO, UNDP and World Bank are needed and the Bank is expected to give support in that negotiation.

3.3.2 In the social sector, the Bank’s portfolio performance is the weakest and needs to be properly addressed. The low performance in reaching the MDG goals with respect to the social sector, in particular the MDG4- reduction of child mortality and the MDG5- improve maternal health, calls for better dialogue with the Government and other development partners for results improvement and impact on living conditions of the population; in particular, poor performance of the PIUs requires new approaches based on partnership-building with other development partners such as UNICEF and WHO.

3.3.3 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 that is the case, 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. The Bank’s private sector department could also take advantage of the current oil-booming economy to invest in the country reconstruction,

IV. RECENT DEVELOPMENT IN EXTERNAL ASSISTANCE COORDINATION

Table 1. Development Partners Interventions per sector

Areas of Intervention	Main Donors
Social sector Health; Education and vocational training, Reintegration of vulnerable groups	France, Germany, Italy, The Netherlands, Portugal, Spain, ADB, World Bank, EU, UNDP, UNFPA, WHO, UNESCO, UNICEF, UNHCR, UNIFEM, UN Habitat
Productive sector Agriculture and fisheries, Environment, Water	France, USA, ADB, FAO, IFAD, World Bank, AFD, US-AID
Governance /Macroeconomic management Democracy; Civil society; local authorities	Italy, Norway, USA and USAID, DFID, Switzerland, Sweden, UNDP, EU, ADB, World Bank

4.1 Improvement in aid coordination with development partners remains a concern for the Ministry of Planning. While the Government has been unable to properly address aid coordination issues, informal coordination among development partners particularly the World Bank, the European Union, the UNDP and ADB takes place, and has been showing good results. The Bank, during its last dialogue on the country portfolio review concerns, has advised the Government to implement a Central Project Implementation Unit (CPIU) to help coordinate Bank’s projects through better technical advice provided to the PIUs in the field. While the Government has agreed to the implementation of such system, there seems to be preference for the institution of a broader and more formal aid coordination mechanism, including Projects Information system for better follow-up and monitoring of all donors aid in the Ministry of Planning.

4.2 Dialogue with other donors, the World Bank, the European Union and UNDP particularly has highlighted interest in moving towards a joint assistance strategy and

budget support in helping Angola to implement its economic and structural reforms program. However, the first step would be to help the Government address issues highlighted in the Public Expenditure Management and Financial Accountability Review (PEMFAR), particularly the strengthening of the conventional public spending system and to phase out the non conventional spending mechanisms. In order to start the process it was agreed with the World Bank to work towards a joint assistance strategy preparation in 2009 and SWAP operations in some key sectors to be determined. The forthcoming opening of the Bank's Field Office would be helpful in improving dialogue with the Government and other partners in these areas of cooperation.

V. REVIEW OF BANK GROUP STRATEGY AND PIPELINE OF PROJECTS

5.1 Review of Bank's Group Strategy

5.1.1 The Bank's strategy for the period 2005-2007 was discussed and agreed upon with the Angolan authorities and the country's development partners. In light of the priorities of the Government, the strategy adopted was centered on the following two pillars: **(i) reduction of rural poverty; and (ii) creation of a conducive environment for private sector development.** During the ADF X cycle, three projects were identified and pipelined to support the Bank's strategy in Angola. All three have been appraised and approved by the Board before end of the ADF X cycle in 2007.

5.1.2 As mentioned in the below Table, economic reforms have greater impact than the social reforms. The social situation is still worrying for the majority of the population living in rural areas and those that have just been re-settled from the camps of the internally displaced persons (IDP), estimated at 4.4 million, i.e. about 40% of the population as well as those who sought refuge in the squalid urban slums. These three types or categories of the poverty stricken population are those who could not gain access or still do not have basic access to social services. Those who lived in the IDP camps totally dependant on food aid and thus extremely food insecure and those who spilled over to the urban centers' – leaving in very poor housing and sanitary conditions, generating a different dimension of urban poverty. In this context, the Government of Angola finds the Bank's CSP Pillar 1 still valid and thus wishes the Bank to retain it, while widening the scope of poverty to cover both rural and urban areas. In the meantime, the Government underscores the importance of environment and management of natural resources in which a majority of the poor subsist and requests the Bank to focus much attention to the social sector and an increased support to capacity building, institutional development and training in the public sector.

5.1.3 Based on these facts and the country's bad performance in reaching the MDGs compared to other countries in the SADC or Sub-Saharan Africa region, pillar 1 remained valid while widening the scope of poverty as **i) reduction of poverty through improved social services delivery and increased access to production factors.** The dynamism created by the development of the non-oil private sector and its impact on job creation and revenue distribution, the necessity to create a conducive environment and strengthening the legal, policy and regulatory framework for doing business; as well as strengthening governance, participatory and environmental impact assessment (EIA) processes in natural resource management justify retaining the same second pillar during the transitory period, namely **ii) creation of a conducive environment for private sector development.**

Table 2. Performance Criteria of the Bank

Group Assistance

Criteria	Expectation at end 2007	Status of Implementation in 2008	Expectation at end 2009
Strengthening human resources	-Achieve 1/3 of the MDGs	Not achieved. Very few progress observed	Progress towards 1/3 of the MDGs
Reform of the Public Procurement System	1-Establish a public procurement regulatory agency 2-Preparation of a national public procurement strategy	1-Delayed. To be implemented with the technical support of the World Bank project EMTA 2- Software (SIGPE) and trainings of staff being implemented. To be effective second semester 2008.	Effective
Improvement of the expenditure chain	1-Connection of half of the provinces to the SIGFE 2-Setting up of all components of the PFMP	1-All the provinces have been connected to the SIGFE since 2006 2-Completed	
Improvement of transparency in the management of oil revenue	1-Establishment of an oil-revenue-management unit at the MINFIN 2-Quarterly publication of revenue from oil and diamond and annual audit of SONANGOL and the BNA	1-KPMG firm has been hired to implement the Fiscal MT Revenue Unit. The Software and the trainings are underway with the TA of US-AID 2-Partially completed	Completed Completed
Implementation of judicial reform	1-Adopt the law on the national strategy and the action plan for the reform of the judicial system 2-Build the capacity of the Institute of Legal Studies to increase the number of judges by 1/3	No progress observed	Partially completed
Implementation of civil service reform and decentralization	1- Establish the National School of Administration 2-Implement the national decentralization and deconcentration strategy -Provide the provinces with their own tax system	1-The School was inaugurated in Luanda in April 2008 by the President of the Republic 2-SIGFE implemented in all provinces. Pilot decentralization of current budget underway in Benguela and Uige	2.Budget decentralization enhanced
Performance of the Bank's portfolio -Time for effectiveness of new loans-Disbursement rate for active projects	1-Reduce current time frames by half 2-Increase the disbursement rate by more than 100%	1-Progress observed for Sumbe Water project 2-No progress observed	2. Disbursement rate at 30%

5.1.4 Intensive dialogue with Government officials in Sector Ministries and discussions with other partners intervening along these two pillars has allowed the identification of some projects or ESWs to be undertaken during the transition period and implemented during the ADF XI or after. The Government has shown its strong commitment in dealing with the environmental issues growing with the rapid development of the private sector and asks for the Bank's technical support. The potential areas the Bank could focus on are the strengthening of the institutional capacity of the Ministry of Environment and other relevant institutions to put in place responsive legal, policy, institutional and regulatory framework for sustainable natural resource management and environmental conservation. This will promote better use of both renewable and non-renewable natural resources and private sector development. In that perspective the Bank is considering an Environment Institutional Support Project to be submitted to the Board (2008).

5.1.5 In the context of a market driven economic development strategy tied to workforce development opportunities, in specific high growth industries/economic areas, it is proposed that the Bank help the Government of Angola undertake an assessment of workforce and skills requirements needed to match demand for labor in identified growth

sectors and (2008), following by a skills development project to address qualification gaps (2010). In the health sector, the need has been expressed for an Investment Plan based on a mapping of existing health facilities, which is currently only available in five provinces. It is thus proposed that the Bank assist the Government of Angola in carrying out such an exercise for the remaining provinces through an ESW that could be initiated in 2009. This will later facilitate the preparation in 2011 of a Health Project aiming to improve quality and efficiency of health services delivery.

5.1.6 Also, in the new context of market driven economy, the Bank’s private sector Department needs to identify areas for business, in particular in power supply for electricity demand and railways, roads and sea ports for trade and regional integration purposes. In most cases, sector reforms are underway or need to attract private sector investments and the Government has requested Bank’s support in institutional and human capacity building to engage in public, private, partnership (PPP) and infrastructure contracts management and monitoring. Below are the Tables describing the situation for each of the two pillars of the Bank’s CSP update.

5.2 Pipeline of Projects

5.2.1 Due to few projects in the pipeline, the mission got opportunity to identify future operations and ESWs to be undertaken during and over the interim period in order to help design pillars of the next full CSP. Based on discussions held with the Government and the 2005 Board Directors recommendations and in order to address weaknesses observed in the Bank’s operations in the private sector, a proposed lending and non lending activities was made. Up to 2009, all these proposals are subject to revision depending on outcomes of the full CSP preparation mission.

5.2.2 Expected results from Pillar 1: “Reduction of poverty through improved social services delivery and increased access to production factors”. It is expected to deepen Bank’s interventions in order to help reduce poverty, increase food security and access to social services. The challenge is to increase the disbursement rate of the Bank’s portfolio in the social sector and the Bank expects to take advantage of a close collaboration with the UN’s institutions present in the field to speed up the implementation of its projects. The analytical works to be undertaken aim at help select the pillars and Bank’s programs for the new CSP.

Table 3. Proposed lending and non lending activities (Pillar 1)*

	On-going	IOP 2008-2009	Pipeline ADF XI-ADFXII	Comments
RURAL	1. Bom Jesus Calenga project US\$28.2 million OSAN 2. Artisanal Fisheries Project US\$11.5 million OSAN	1. Environment Institutional Support Project 2008 (UA 12 million) OSAN 2. Okavango River Basin Integrated Rural Development Program UA (UA 13 million) (2009) OSAN	1. Artisanal Fisheries Project extension (2011) OSAN 2. Tse-Tse fly and Trypanosomias Eradication Project (Regional program) 2011 (OSAN)	
SOCIAL	1. Basic Education Project US\$ 13 million 2. Reintegration of Vulnerable Groups in Huambo Project US\$ 5.3 million 3. Rehabilitation of Health services in Uige Province US\$ 8.7 million 4. Sumbe water project US\$ 19.7 million	1. ESW: Mapping of health facilities card (13 remaining regions) 2009 OSHD	1. Human development Capacity Building for Improved Health Services Delivery (2011) 2. RWSSI (2010) OWAS	The ESWs will help design the pillars under the new CSP to be prepared

(*): All proposed lending and non lending activities up to 2009 are subject to revision depending on full CSP preparation recommendations.

5.2.3 Expected results from Pillar II. “Creation of a conducive environment for private sector development”. It is expected to fill the gap of activities enabling the private sector development to be undertaken by the Bank. Several economic and sector works were expected to be launched in order to help identify the pillars and suitable

projects for the new CSP. Governance, Infrastructure as well as skills development for business are the main areas identified. The Environment Institutional Support mentioned in Pillar 1 is also contributing to the private sector development by creating capacity in the Ministry of Environment for the enforcement and implementation of laws and regulations related to environmental issues such as land uses, environmental fees, exploitation of non renewable resources etc. The private sector would also start non-sovereign financing for private businesses in Angola based on consultations with stakeholders underway.

Table 4. Proposed lending and non lending activities (Pillar II)*

	On-going	IOP 2008-2009	Pipeline ADF XI-ADFXII	Comments
GOVERNANCE	1.PAGEF project US\$ 9.7 million		1. ESW: Program-based budgeting in Angola: Action Plan for Institutional and capacity building needs 2009 (OSGE)	The ESWs will help design the pillars under the new CSP
ENABLING ENVIRONMENT FOR PRIVATE SECTOR DEVELOPMENT		1. ESW: Growth drivers and skills needs assessment 2008 OSHD 2.ESW: National Road Masterplan (2009) OINF 3. Economic Infrastructure Management Support Program UA 10 million (2010) OINF	1. Skills Development for private sector development (UA 10 million) (2009) OSHD 2. Mini Steelworks US\$80 million (2009) OPSM 3. Hotel project US\$ 40 million (2009) OPSM	1. OPSM interventions are non sovereign and dialogue is being undertaken to focus more on country's priorities 2. The Environment Institutional Support mentioned in pillar 1 is also contributing to private sector development

(*)All proposed lending and non lending activities up to 2009 are subject to revision depending on full CSP preparation recommendations.

VI. CONCLUSIONS AND RECOMMENDATIONS

6.1 Angola is crossing a challenging period of its development and needs to take advantage of this opportunity to create foundations for a stable and sustainable development. The Bank could help Angola reach these goals.

6.2 The Board is invited to take note of this CSP update which does not propose a change in strategy and to also note the opportunities which the potential interventions being explored by the sector departments, including the private sector department, offer to the Bank in expanding its lending operations in Angola.

Angola - Development Indicators

Social Indicators	Angola		Africa	Developing countries
	1990	2007 *		
Area ('000 Km²)	1 247		30 323	80 976
Total Population (millions)	10,5	17,0	963,7	5 448,2
Population growth (annual %)	2,7	2,8	2,3	1,4
Life expectancy at birth, total (years)	40	43	54	65
Mortality rate, infant (per 1,000 live births)	157,0	131,9	85,3	54,1
Physicians per 100,000 People	4,2	16,5	39,6	78,0
Births attended by skilled health staff (% of total)	15,9	22,5	50,4	59,0
Immunization, measles (% of children ages 12-23 months)	38,0	48,0	75,4	78,0
School enrollment, primary (% gross)	91,7	91,0	96,4	91,0
Ratio of girls to boys in primary education (%)	92	...	91	84
Illiteracy rate, adult total (% of people ages 15 and above)	...	32,6	33,3	26,6
Access to Safe Water (% of Population)	36,0	53,0	62,3	80,0
Access to Sanitation (% of Population)	30,0	31,0	45,8	50,0
Human Develop. Index Value (0-1)	...	0,446	0,514	0,691
Human Poverty Index (% of Population)	...	...	36,8	...
	Angola			
Economy	1990	2000	2006	2007
GNI per capita, Atlas method (current US\$)	730	430	1 980	...
GDP (current Million US\$)	10 295	9 123	45 163	60 852
GDP growth (annual %)	-0,5	3,0	18,6	19,8
Per capita GDP growth (annual %)	-3,1	0,4	15,3	16,6
Gross Domestic Investment (% of GDP)	11,7	15,1	11,3	11,0
Inflation (annual %)	...	268,4	12,2	11,8
Budget surplus/deficit (% of GDP)	-23,7	-7,8	10,9	10,0
Private Sector Development & Infrastructure	1990	2000	2006	2007
Time required to start a business (days)	...	...	119	119
Investor Protection Index (0-10)	...	...	6	6
Main telephone lines subscribers (per 1000 people)	7	5	...	...
Internet users (per 1,000 people)	...	1	...	...
Roads, paved (% of total roads)	...	10	...	...
Railways, goods transported (million ton-km)	...	...	...	...
Trade, External Debt & Financial Flows	1990	2000	2006	2007
Export Growth, volume (%)	4,2	1,6	9,0	24,8
Import Growth, volume (%)	12,9	1,0	14,0	47,2
Terms of Trade (% change from previous year)	18,6	55,6	20,4	-2,8
Trade Balance (mn US\$)	2 313,1	4 879,7	22 276,7	35 827,9
Trade balance (% of GDP)	22,5	53,4	49,3	58,7
Current Account (mn US\$)	1,3	794,3	10 537,8	10 778,3
Current Account (% of GDP)	0,0	8,7	23,3	17,7
Debt Service (% of Exports)	21,1	36,5	8,7	8,3
External Debt (% of GDP)	115,2	99,8	20,7	15,6
Net Total Inflows (mn US\$)	88,3	117,5	153,1	...
Net Total Official Development Assistance (mn US\$)	265,8	302,2	170,7	...
Foreign Direct Investment Inflows (mn US\$)	-334,5	878,5	-1 140,0	...
External reserves (in month of imports)	...	2,5	6,0	5,6

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

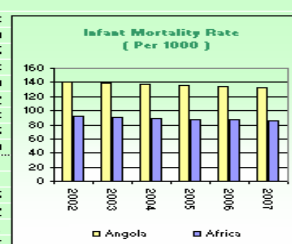
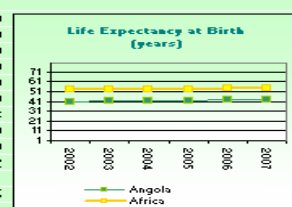
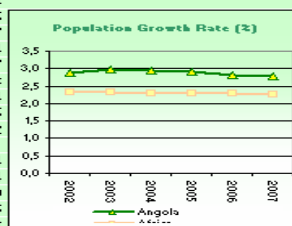
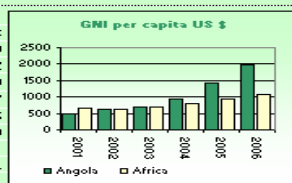
* Most recent year

Last Update: April 2008

Angola

COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Angola	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km ²)		1 247	30 307	80 976	54 658
Total Population (millions)	2007	17,0	963,7	5 448,2	1 223,0
Urban Population (% of Total)	2007	56,0	39,8	43,5	74,2
Population Density (per Km ²)	2007	13,7	31,8	66,7	23,0
GNI per Capita (US \$)	2006	1 980	1 071	2 000	36 487
Labor Force Participation - Total (%)	2005	41,3	42,3	45,6	54,6
Labor Force Participation - Female (%)	2005	46,3	41,1	39,7	44,9
Gender - Related Development Index Value	2005	0,439	0,486	0,694	0,911
Human Develop. Index (Rank among 174 countries)	2005	162	n.a.	n.a.	n.a.
Popul. Living Below \$ 1 a Day (% of Population)	2001	68,0	34,3		
Demographic Indicators					
Population Growth Rate - Total (%)	2007	2,8	2,3	1,4	0,3
Population Growth Rate - Urban (%)	2007	4,8	3,5	2,6	0,5
Population < 15 years (%)	2007	46,1	41,0	30,2	16,7
Population >= 65 years (%)	2007	2,4	3,5	5,6	16,4
Dependency Ratio (%)	2007	94,3	80,1	56,0	47,7
Sex Ratio (per 100 female)	2007	97,3	99,3	103,2	94,3
Female Population 15-49 years (% of total populat)	2007	23,1	24,2	24,5	31,4
Life Expectancy at Birth - Total (years)	2007	42,7	54,2	65,4	76,5
Life Expectancy at Birth - Female (years)	2007	44,3	55,3	67,2	80,2
Crude Birth Rate (per 1,000)	2007	47,3	36,1	22,4	11,1
Crude Death Rate (per 1,000)	2007	20,5	13,2	8,3	10,4
Infant Mortality Rate (per 1,000)	2007	131,9	85,3	57,3	7,4
Child Mortality Rate (per 1,000)	2007	230,8	130,2	80,8	8,9
Total Fertility Rate (per woman)	2007	6,4	4,7	2,8	1,6
Maternal Mortality Rate (per 100,000)	2005	1 400	724	450	8
Women Using Contraception (%)	2001	6,2	26,6	61,0	75,0
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2005	16,5	39,6	78,0	287,0
Nurses (per 100,000 people)*	2005	245,4	120,4	98,0	782,0
Births attended by Trained Health Personnel (%)	2006	47,4	50,4	59,0	99,0
Access to Safe Water (% of Population)	2004	53,0	62,3	80,0	100,0
Access to Health Services (% of Population)	2004	24,0	61,7	80,0	100,0
Access to Sanitation (% of Population)	2004	31,0	45,8	50,0	100,0
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2005	3,7	4,7	1,3	0,3
Incidence of Tuberculosis (per 100,000)	2005	268,8	300,7	275,0	18,0
Child Immunization Against Tuberculosis (%)	2006	65,0	83,7	85,0	93,0
Child Immunization Against Measles (%)	2006	48,0	75,4	78,0	93,2
Underweight Children (% of children under 5 years)	2003	40,0	28,6	27,0	0,1
Daily Calorie Supply per Capita	2004	2 178	2 436	2 675	3 285
Public Expenditure on Health (as % of GDP)	2004	1,5	2,4	1,8	6,3
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2002	91,0	96,4	91,0	102,3
Primary School - Female	2001	69,0	92,1	105,0	102,0
Secondary School - Total	2001	16,5	44,5	88,0	99,5
Secondary School - Female	2002	16,8	41,8	45,8	100,8
Primary School Female Teaching Staff (% of Total)	2001	41,0	47,5	51,0	82,0
Adult Illiteracy Rate - Total (%)	2006	43,3	33,3	26,6	1,2
Adult Illiteracy Rate - Male (%)	2006	17,1	25,6	19,0	0,8
Adult Illiteracy Rate - Female (%)	2006	45,8	40,8	34,2	1,6
Percentage of GDP Spent on Education	2004	5,8	4,7	3,9	5,9
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2005-07	2,4	6,0	9,9	11,6
Annual Rate of Deforestation (%)	2000-07	0,2	0,7	0,4	-0,2
Annual Rate of Reforestation (%)	2000-07	1,0	10,9	...	...
Per Capita CO2 Emissions (metric tons)	2005-07	0,5	1,0	1,9	12,3



Sources : ADB Statistics Department Databases; World Bank: World Development Indicators; last update : avril 2008

UNAIDS; UNSD; WHO; UNICEF; WRI; UNDP; Country Reports

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

Country	Status	Sector	ADF Cycle	Approval Date	Signature date	Effectiveness Date	Last Disbursement	Current Disb. Deadline	Net Amt Approved	Total Disbursed	% Disbursed
Angola	OnGo	Agriculture	ADF010	24.11.2005	29.12.2005	14.09.2006	20.11.2006	31.12.2012	17 200 000,00 UAC	504 583,22 UAC	2,9
	OnGo	Agriculture	ADF009	30.10.2002	20.01.2003	11.05.2004	31.10.2007	31.12.2009	7 000 000,00 UAC	2 484 555,64 UAC	35,5
	APVD	Water Sup/Sanit	ADF010	28.11.2007	#	#	#	#	12 000 000,00 UAC	0,00 UAC	0
	OnGo	Education	ADF008	05.12.2001	28.03.2002	28.01.2003	23.11.2007	31.12.2007	8 730 000,00 UAC	863 901,51 UAC	9,9
			ADF008	05.12.2001	28.03.2002	30.12.2004	11.09.2006	31.12.2007	900 000,00 UAC	122 263,53 UAC	13,5
	OnGo	Tech./Voca Edu.	ADF009	12.11.2003	26.05.2004	13.01.2006	05.11.2007	31.12.2010	3 780 000,00 UAC	175 677,37 UAC	4,62
	OnGo	Health	ADF009	13.11.2002	23.01.2003	12.09.2003	16.11.2007	31.12.2007	6 500 000,00 UAC	862 568,53 UAC	13,3
	APVD	Institut Suppo.	ADF010	14.11.2007	#	#	#	#	5 900 000,00 UAC	0,00 UAC	0

ANNEX 4: Millennium Development Goals (MDGs)							
Goals and Targets* (from the Millennium Declaration)	Indicators for monitoring progress**						
		2001	2002	2003	2004	2005	2006	2007
Goal 1: Eradicate extreme poverty and hunger							
Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	1. Proportion of population below \$1 (PPP) per day	62,2%					
	2. Poverty gap ratio	31,1%					
Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger	5. Proportion of population below minimum level of dietary energy consumption	27,5%					
Goal 2: Achieve universal primary education							
Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	6. Net enrolment ratio in primary education	56,0%					
	7. Proportion of pupils starting grade 1 who reach last grade of primary**	43,3%					
	8. Literacy rate of 15-24 year-olds, women and men**	71,0%					
Goal 3: Promote gender equality and empower women							
Target 4: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015	12. Proportion of seats held by women in national parliament	16,4%	16,4%	16,4%	16,4%	12,0%	12,7%
Goal 4: Reduce child mortality							
Target 5: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	13. Under-five mortality rate	250‰					
	14. Infant mortality rate	154‰					
	15. Proportion of 1 year-old children immunised against measles	72,0%	72,0%	62,0%	64,0%	45,0%	48,0%
Goal 5: Improve maternal health							
Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio	16. Maternal mortality ratio (per 100.000 live births)	1400					
	17. Proportion of births attended by skilled health personnel	45%					
	19c. Contraceptive prevalence rate	6,2%					
Achieve, by 2015, universal access to reproductive health	Antenatal care coverage (at least one visit and at least four visits)	79,8%					
Goal 6: Combat HIV/AIDS, malaria and other diseases							
Target 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS	18. HIV prevalence among population aged 15-24 years					2,5%	
	19b. Prop of pop° 15-24 with comprehensive correct knowledge of HIV/AIDS	11,7%				20,0%	
Target 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases	21a. Incidence** of malaria	7,9%	11,4%	19,4%	14,5%	13,2%	12,2%
	21b. Death rates associated with malaria	0,8%	0,8%	1,2%	0,5%	0,6%	0,4%
	22a. Proportion of children under 5 sleeping under insecticide-treated bednets			22%			43%
	23b. Death rates associated with tuberculosis			1,8%	2,2%	1,0%	0,4%
Goal 7: Ensure environmental sustainability							
Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation	30. Proportion of population using an improved drinking water source**	62%					
	31. Proportion of population using an improved sanitation facility**	59%					
Goal 8: Develop a global partnership for development							
Target 18: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications	47a. Telephone lines per 100 population	0,6%	0,6%	0,6%	0,6%	0,6%	0,6%
	47b. Cellular subscribers per 100 population						
	48. Internet users per 100 population	0,6%	0,7%	2,8%	5,0%	10,6%	14,4%
			0,3%	0,3%	0,5%	0,6%	