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AFRICAN DEVELOPMENT FUND

PROJECT: Institutional Capacity Building for Poverty Reduction COUNTRY: Angola

PROJECT APPRAISAL REPORT

Date: December 2010

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Currency Equivalents

(September 2010)

Currency Unit	=	Angolan Kwanza (AON)
UA 1.0	=	AON 140.57
UA 1.0	=	US\$ 1.51
UA 1.0	=	EUR€ 1.19
US\$1.0	=	AON 93.16

Fiscal Year

01 January – 31 December

Weights and Measures

1 metric tonne	=	2204 pounds (lbs)
1 kilogramme (kg)	=	2.200 lbs
1 metre (m)	=	3.28 feet (ft)
1 millimetre (mm)	=	0.03937 inch (“)
1 kilometre (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

Acronyms and Abbreviations

ADF	:	African Development Fund
AfDB	:	African Development Bank
ASF	:	Annual Stakeholders Forum
BNA	:	Central Bank of Angola
CSP	:	Country Strategy Paper
EMTA	:	Economic Management Technical Assistance
EU	:	European Union
GDP	:	Gross Domestic Product
GEP	:	Office of Studies and Planning
GoA	:	Government of Angola
ICT	:	Information and Communication Technology
IMF	:	International Monetary Fund
KPI	:	Key Performance Indicators
MDA	:	Ministry, Department and Agency
MDG	:	Millennium Development Goal
M&E	:	Monitoring and Evaluation
MINEC	:	Ministry of Economic Coordination
MINFAMU	:	Ministry of Family and Promotion of Women
MINPLAN	:	Ministry of Planning
NDPI	:	National Directorate of Public Investments
ODA	:	Official Development Assistance
PCR	:	Project Completion Report
PD	:	Presidential Decree
PFM	:	Public Financial Management
PIP	:	Public Investment Program/Project
PIU	:	Project Implementation Unit
PMU	:	Project Management Unit
PMT	:	Project Management Team
RMC	:	Regional Member Country
SBA	:	Stand-By-Agreement
SIGIP	:	System for Public Investment Management and Programming
UA	:	Unit of Account
UNDP	:	United Nations Development Program
USAID	:	United States Agency for International Development

Loan Information

Client's information

BORROWER:	Government of the Republic of Angola
EXECUTING AGENCY:	Ministry of Planning

Financing plan

Source	Amount (UA)	Instrument
ADF	UA 4.92 million	Grant
Government of Angola	UA 0.25 million	Counterpart fund
TOTAL COST	UA 5.17 million	

ADB's key financing information

Grant currency	UA
Interest type*	N/A
Interest rate spread*	N/A
Commitment fee*	N/A
Other fees*	N/A
Tenor	N/A
Grace period	N/A
FIRR, NPV (base case)	N/A
EIRR (base case)	N/A

**if applicable*

Timeframe - Main Milestones (expected)

Concept Note approval	September, 2010
Project approval	December, 2010
Effectiveness	February, 2011
Completion	July, 2013
Last Disbursement	December, 2013
Last repayment	N/A

Project Summary

1. The Institutional Capacity Building for Poverty Reduction project is in response to a Government of Angola (GoA) request for technical assistance from the African Development Bank (AfDB) to help build capacity of the National Directorate of Public Investment (NDPI) in the Ministry of Planning (MINPLAN). The initiative is part of GoA's efforts to improve execution of the Public Investment Program (PIP) for economic growth and poverty reduction. The project is expected to strengthen institutional capacity for improved planning, appraisal, implementation, monitoring and evaluation (M&E) of publicly-financed projects. Key staff in NDPI, MINPLAN and Offices of Studies and Planning (GEPs) at ministerial and provincial levels will be trained in project cycle components for the quality and impact of public spending. The project outputs will include: (i) a capacity building master plan; (ii) trained human resources and improved skills for project management; (iii) M&E systems and key performance indicators (KPIs) for performance measurement of public investments; (iv) improved project management tools and manuals; and (v) strategic studies for multi-year investment programs. The duration of the project will be 30 months after the signature of the grant agreement at a total cost of UA 5.17 million.
2. The project will benefit NDPI and MINPLAN primarily, but also impact GEPs located in other Ministries, Departments and Agencies (MDAs) that are involved in designing and managing public investments and poverty reduction projects across the country's 18 provinces. The project will ultimately benefit majority of Angolans, especially the poor, as a result of improved appraisal, implementation and performance of government's public investments programs and donor-funded projects.
3. There has been very little coordination of donor activities in the country, primarily because Angola is not aid-dependent. Donor partners, including the International Monetary Fund (IMF), the World Bank and the United Nations Development Program (UNDP) therefore welcome AfDB's leadership in this initiative. The Bank has experience in supporting institutional capacity building in various countries with success; such knowledge would be relevant to Angola.
4. The project's M&E process will promote knowledge gathering; and the lessons learned will be shared with Bank complexes and the broader development community through the Bank website, MINPLAN website, project review reports and OPEV Evaluation reports. A multi-stakeholder forum will be instituted. This forum will meet annually to enable project beneficiaries and other stakeholders review implementation progress. The knowledge gained from this project will inform future Bank support for institutional development in resource rich post-conflict regional member countries (RMCs).
5. The proposed project uses an inter-agency approach to capacity building, with NDPI/MINPLAN as a hub. The rationale for this design is that GoA's poverty reduction strategies are integrated in several projects that are managed by various MDAs; capacity building within MINPLAN alone cannot address weaknesses that currently exist in project management across Angola.

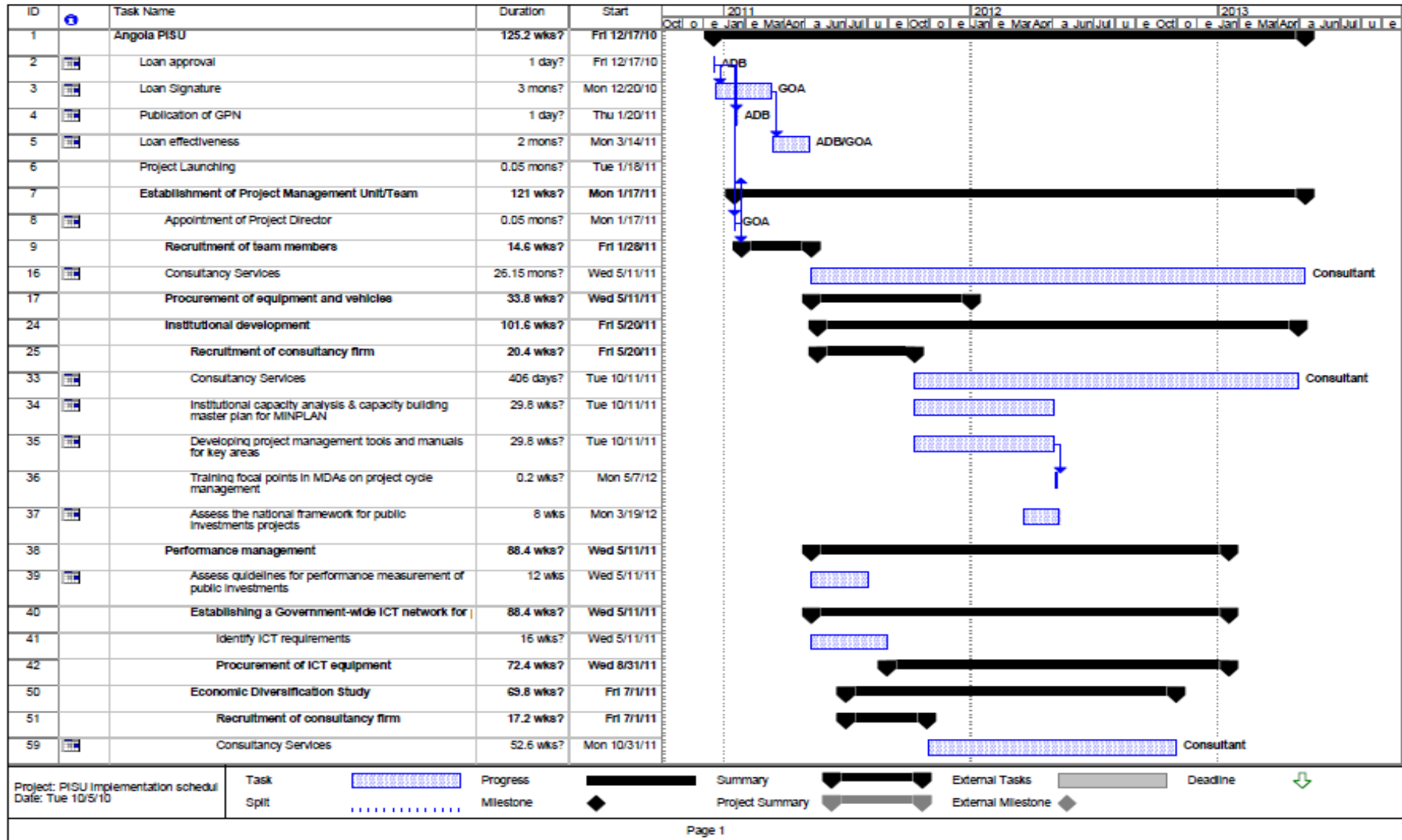
Result-based Logical Framework

HIERARCHY OF OBJECTIVES	EXPECTED RESULTS	REACH	PERFORMANCE INDICATORS	INDICATIVE TARGETS TIMEFRAME	ASSUMPTIONS / RISKS
<p>Goal:</p> <p>To strengthen institutional capacity for achieving national development priorities (as per <i>Angola 2025 Strategy</i>)</p>	<p>Impact:</p> <ul style="list-style-type: none"> Improved fiscal policy implementation environment Improved performance of national development programs 	<p>Beneficiaries:</p> <p>Angolan population: 16 million</p>	<p>Impact Indicators:</p> <ul style="list-style-type: none"> CPIA Rating Human Development Index <p>Source: PCR, CSP</p>	<p>Progress anticipated in the long term: 2025</p> <ul style="list-style-type: none"> CPIA rating improves from 2.5 to 3.5 HDI improves by 30 points (from 143 to 113) 	<p>Assumption statement:</p> <p>Continued government commitment to strengthen institutional capacity</p>
<p>Project purpose:</p> <p>To build an integrated project management and coordination system at the National Directorate of Public Investments (NDPI), Ministry of Planning for improving results and poverty reduction impact of public projects.</p>	<p>Outcomes:</p> <ul style="list-style-type: none"> Improved program planning, implementation and monitoring and evaluation (M&E) of publicly financed projects 	<p>Beneficiaries:</p> <p>NDPI staff</p> <p>Offices of Studies and Planning (GEPs) at ministerial and provincial levels</p>	<p>Outcome indicators:</p> <ul style="list-style-type: none"> CPIA 13: Quality of budgetary and financial management Percentage of Bank project portfolio at risk <p>Source: QPRs; Supervision Reports; MTR Reports.</p>	<p>Progress anticipated in the medium term: 2013</p> <ul style="list-style-type: none"> CPIA 13 increased by one point (from 3.0 to 4.0) Bank projects at risk reduced from 45% in 2009 to 25% in 2015 90% of public projects completed on schedule 	<p>Risk:</p> <p>Poor ownership by GoA</p> <p>Mitigation:</p> <p>Project is strongly linked to the IMF Stand-by-Agreement with GoA requiring improved oversight of publicly-financed activities</p>
<p>Component 1: Human Resource Development</p> <p>1.1 Conduct institutional capacity analysis and develop remedial training framework</p> <p>1.2 Develop operational learning and support materials</p>	<p>Outputs:</p> <p>1.1 Capacity Building Master Plan (w/ skills analysis and training framework)</p> <p>1.2 Manual developed for key areas of PIP operations</p> <p>1.3.1 Staff involved in PIP process trained in project management topics</p>	<p>Beneficiaries:</p> <p>NDPI staff</p> <p>Offices of Studies and Planning (GEPs) at ministerial and provincial levels</p>	<p>Output indicators:</p> <p>1.1. Capacity Building Master Plan</p> <p>1.2 Nr of manuals developed</p> <p>1.3.1 Nr of staff trained (25% women)</p>	<p>Progress in short-run: 2013</p> <p>1.1 Capacity Build Master Plan developed by M6</p> <p>1.2 Three manuals developed by M7</p> <p>#1 investment appraisal</p> <p>#2 procurement & financial mgt</p> <p>#3 Project mgt and M&E</p> <p>1.3.1 350 staff trained by M30 (including 120 women)</p>	<p>Risk factor:</p> <p>1.1 weak mandate for NDPI/MINPLAN to coordinate inter-agency institutional development</p> <p>1.2 Trained staff may leave for more competitive employment</p> <p>Mitigation Measures</p> <p>1.1.PD No 94/10 entrusts NDPI / MINPLAN with a clear coordination</p>

<p>1.3 Train NDPI and GEPs staff on project management and English-language proficiency</p> <p>1.4 Participate in regional study tours international conferences</p> <p>Inputs: UA1.66m</p>	<p>1.3.2 Technical assistance and “on job” training provided on PIP preparation</p>		<p>1.3.2 Timely and improved processing of PIPs</p> <p>1.4 Number of events in which NDPI participates (e.g., budgeting, procurement or PFM)</p>	<p>1.3.2a 60% PIP proposals appraised one month before deadline</p> <p>1.3.2b. All PIP proposals screened for impacts on youth, gender equality, income distribution, etc.</p> <p>1.4 NDPI counterpart staff attend three (3) study tours and two (2) international conferences</p>	<p>mandate</p> <p>1.2 Government currently improving salary and benefits framework for attracting talented professionals / Succession planning mechanisms to be put in place</p>
<p>Component 2: Knowledge and Results Management Strengthening</p> <p>2.1. Develop an M&E framework for PIPs</p> <p>2.2 Conduct field monitoring visits</p> <p>2.3 Establish a Government-wide ICT network for PIP management</p> <p>2.4 Carry out strategic studies to inform design and management of multi-year investment programs</p> <p>2.5 Organize stakeholder forum</p> <p>Inputs: UA 1.74m</p>	<p>2.1 M&E system in place and key performance indicators (KPIs) for each sector developed</p> <p>2.2 Projects supervision improved</p> <p>2.3. Project management ICT tools implemented at GEPs</p> <p>2.4.1 Report and recommendations of the Economic Diversification Study</p> <p>2.4.2 PIP design targets impact on various segments of population (youth, gender, rural/urban, etc.)</p> <p>2.5 Stakeholder forums convened</p>	<p>NDPI staff</p> <p>Offices of Studies and Planning (GEPs) at ministerial and provincial levels</p>	<p>2.1.1 Timely preparation of Project progress Reports (including the KPIs established)</p> <p>2.1.2 Improved planning and execution of PIPs</p> <p>2.2 Number of field visits</p> <p>2.3.1 project database</p> <p>2.3.2 one PIP web portal</p> <p>2.3.3 ICT tools for GEPs</p> <p>2.4.1 Econ. Diversification Study (EDS) carried out</p> <p>2.4.2. Multiyear investment programme finalised identifying different modes of financing and impacts on youth, women and income</p> <p>2.5 Number of stakeholder forums</p> <p>Source QPRs, APRs</p>	<p>2.1.1 All key project reports submitted by M10</p> <p>2.2 Ten (10) by M18 and twenty (20) by M30</p> <p>2.3.1 Project database developed by M12</p> <p>2.3.2. PIP portal developed by M16</p> <p>2.3.3 50% of GEPs covered by M18 and 100% by M30</p> <p>2.4.1 EDS completed by M 18</p> <p>2.4.2. Multiyear Investment Program prepared by 2013</p> <p>2.5 Four forums organised by M6, M12, M24 and M30</p>	<p><u>Risk factor:</u></p> <p>2.1 Weak capacity for data collection and statistical analysis</p> <p>2.2 Finding appropriate expertise to develop ICT network geared towards development outcomes</p> <p><u>Mitigation measures:</u></p> <p>2.1 Implementation will be in collaboration with relevant AfDB-supported projects such as the National Strategy for the Development of Statistics (NSDS)</p> <p>2.2 Microsoft Africa Initiative will be brought in as strategic partner in providing tailored solution based on their experience in other African countries</p>

<p>Component 3: Project Management 3.1 Recruit Coordinator and project management support team 3.2 Recruit external consultants 3.3 Procure equipment for operations</p> <p>Component 3: Inputs: UA2.43</p>	<p>3.1 Operational team established</p> <p>3.2 Qualified consultants recruited</p> <p>3.3 Facilities, equipment and transport available for project implementation</p>	<p>NDPI staff</p>	<p>3.1 Key staff recruited to manage project implementation</p> <p>3.2 Consultants recruited by M3</p> <p>3.3 Number and type of Equipment</p>	<p>3.1 One project coordinator and four experts recruited by M4</p> <p>3.2 Eight (8) recruited by M8</p> <p>3.3 Purchased by M6: - 3 vehicles - 10 desktop and 5 laptop computers (inc. software) - 10 printers</p>	<p><u>Risk factors</u></p> <p>Weak capacity for project start-up</p> <p><u>Mitigation Measures</u></p> <p>A service provider will be on standby to provide assistance to NDPI on fulfilling the grant conditions and getting the PMT constituted.</p>
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Project Timeframe



**REPORT AND RECOMMENDATION OF THE MANAGEMENT OF THE AFRICAN DEVELOPMENT FUND
TO THE BOARD OF DIRECTORS ON A PROPOSED GRANT TO
THE REPUBLIC OF ANGOLA TO FINANCE THE INSTITUTIONAL CAPACITY BUILDING
FOR POVERTY REDUCTION PROJECT**

Management submits the following Report and Recommendation on a proposed ADF Grant for UA 4.92 million to finance the Institutional Capacity Building for Poverty Reduction (ICBPR) project in the Republic of Angola.

I – STRATEGIC THRUST & RATIONALE

1.1. Project linkages with country strategy and objectives

1.1.1 Angola has made tremendous progress in socio-economic development and governance arrangements since the end of the 27-year-long civil war in 2002 (Appendices I and II), but more needs to be done to lift its majority out of poverty. The war had profound social and economic impact: It affected infrastructure vital for social development and economic growth, national institutions as well as an entire generation. The resulting widespread poverty and low institutional capacity of the state apparatus are major constraints for a sustainable and rapid development of the country and are reflected in the country's socio-economic indicators, in spite of the impressive economic growth. These capacity challenges affect performance of Bank Group's portfolio as well as implementation of the entire public investment program (PIP) of the country. GoA recognizes that stronger institutions including human resources with the right expertise are needed in order to manage development more effectively. GoA has therefore requested assistance from the Bank to strengthen the capacity of the National Department of Public Investments (NDPI) and national staff in the management of PIP.

1.1.2 Angola does not have a Poverty Reduction Strategy Paper, as poverty reduction is mainstreamed in various documents outlining Government of Angola's (GoA's) growth and development strategies, such as: (a) the Long-Term Strategy entitled *Angola Visão 2025*; (b) the *Government Program (2009-2012)*; (c) the *National Plan for 2009* and (d) the *National Biannual Plan for 2010-2011*. The main objectives of the broad economic and development strategies pursued by GoA for the period 2006-2015 are: (i) promotion and acceleration of growth and competitiveness through diversification of the economy; (ii) poverty reduction through human capital development, especially private sector job creation; (iii) balanced growth and development alongside natural resource protection; and (iv) an efficient and accountable government underlined by strong institutions.

1.1.3 The proposed project is indicated under Pillars I (*Stimulus to the Competitiveness of the Angolan Economy and Private Sector Development*) and II (*Support Private Sector Development through the Improvement of Economic Infrastructure*) of Angola Country Strategy Paper (CSP, 2011-2015) as a technical assistance and capacity building intervention geared towards supporting GoA's public investment program (PIP).

1.1.4 The proposed project is also referenced by GoA in the Memorandum of Economic and Financial Policies for 2010/11 of the Stand-by-Agreement (SBA) with the International Monetary Fund (IMF) as a means to "*enhance the project appraisal framework at the MINPLAN (with the assistance of the AfDB) to ensure that projects are soundly appraised before they are allocated in the budget*". The SBA, approved on 23rd November 2009, makes a US\$1.3 billion financial assistance package available to help the country cope with effects of the global economic crisis.

1.2. Rationale for Bank's involvement

1.2.1 **Addressing institutional weaknesses:** The acute institutional and human resource weaknesses confronting the country have resulted in inefficient public administration and bottlenecks in implementation of development programs, including those financed by donors. At present, NDPI, the designated department in MINPLAN for coordination of PIP has inadequate capacity including tools to support a large portfolio of

development projects. This capacity constraint has resulted in an environment of poor programming and low levels of execution and implementation of public investments, and ultimately poor infrastructure for supporting economic activities and social services delivery. The project will therefore provide timely assistance to ministries, departments and agencies (MDAs) of GoA on adopting procedures, methods and criteria at all stages of the PIP process in the manner prescribed in Presidential Decree No 31/10 of 12 April 2010. The project will also contribute to improved donor harmonization and coordination.

1.2.2 Improving the Bank's portfolio: Overall performance of Bank Group's portfolio (Appendix III) in Angola is below satisfactory, with the current disbursement rate at 17.08 percent. The portfolio has a commitments-at-risk ratio of 45 percent and an average age of 4.5 years. The major causes of the poor portfolio performance are the usual systemic problems of: (i) poor borrower ownership; (ii) low commitment to timely implementation of measures to improve the portfolio; and (iii) weak institutional and implementation capacity. Project implementation is also constrained by poor/inadequate project conception, which is another impetus for the current project.

1.2.3 Reinforcing the Bank's new country strategy: Providing adequate project management capacity will reinforce the Bank's current assistance strategy (CSP 2011-2015) to reduce dependence on oil revenues, through lending and institutional support to the emerging non-oil private sector such as agriculture/fishery/agri-business, manufacturing, transport, construction, trade and financial services, all of which have a high impact on employment and income generation and, ultimately, poverty reduction. Furthermore, the project is an explicit element in the CSP for *monitoring results* of the Bank's work program by improving collection of relevant data, as well as for mitigating the identified *program implementation risks deriving from poor institutional capacity*. The project will also help ensure greater transparency and accountability in use of national and donor resources.

1.2.4 Improving fiscal effectiveness: The project will help GoA fulfill its commitment under the SBA to enhance the project appraisal framework at MINPLAN, an initiative whose progress will also be assessed as part of the review exercises by the IMF prior to disbursement decisions. The project will also enhance effectiveness of the public financial management (PFM) system; in particular, it will introduce greater fiscal transparency and better oversight of state-financed activities to help monitor fiscal risks.

1.2.5 Promoting balanced and inclusive development: The project will enable NDPI to undertake sectoral and economic studies of national development projects, improve M&E regimes, and strengthen the pro-poor and social development focus of the appraisal of PIPs to address the needs of the poor. Overall, the proposed Bank support will facilitate GoA's objective of greater economic and administrative decentralization, ensure a more balanced territorial development, and improve efficiency and accountability across the various levels of government.

1.3. Donor coordination

1.3.1 The average annual disbursements of official development assistance (ODA) during the last three (3) years totaled about US\$ 228 million, representing a little less than one percent of GoA's annual budget expenditure; the Bank's present financial envelope, in turn, represents only one percent of total ODA. The biggest development donors in 2008, in order of portfolio size, were: the European Union (EU); United States Agency for International Development (USAID); the World Bank; Italy; Norway; Japan; and Portugal. Some of the donor initiatives in Angola are contained in Table 1.3 and Annex A. The small size of ODA largely explains absence of a significant effort by GoA for aid coordination. Efforts by the donor community have resulted in an informal coordination forum, however, implementation on the ground has been challenging and with limited outcomes. Preliminary negotiations towards common project conception and other means of collaboration have been led by GoA and held among the Bank, the EU and UNDP. There has also been close dialogue with the World Bank in preparation of their country assistance strategy (CAS).

1.3.2 Donor agencies in Angola, including the World Bank, UNDP and USAID have been extensively consulted for inputs into the current project and their participation in the activities. They therefore welcome Bank leadership in this initiative due to its extensive experience in supporting institutional capacity building in many regional member countries (RMCs). This project also provides an excellent complement to projects financed by the World Bank and AfDB on public financial management and those of the UNDP on strengthening capacity of GoA regarding the Millennium Development Goals (MDGs) as well as supporting the development of indices for tracking provincial and municipal development outcomes.

Table 1.3. Key related projects financed by AfDB and other development partners in Angola

Year	Title	Donor Name	Commitment Amount	Currency Type
2010	TA for Territorial Development Indices*	UNDP	N/A	USD
2010	Monitoring Framework for the MDGs*	UNDP	1,160,000	USD
2009	Public Financial Management-II	IDA	15,000,000	USD
2008	Public Administration Capacity Building Project (PACBP)	ACBF	1,440,000	USD
2007	Financial Management Support Program	ADF	5,900,000	UA
2003	3rd Social Action Fund (FAS III)	IDA	55,000,000	USD
2003	Economic Management Technical Assistance Project	IDA	16,600,000	USD

*Not started

II – PROJECT DESCRIPTION

2.1. Project components

2.1.1. The project's goal is to strengthen institutional capacity for achieving national development priorities and equitable economic growth. Specifically, the project aims to enhance the integrated and inter-agency project management system, with NDPI in MINPLAN as its hub, and having a strong coordination among all MDAs and provinces that are planning or managing development projects across the country (Annex B). The expected outcomes include an improvement in the Country's CPIA-13 ratings and a reduction in the proportion of projects at risk in the Bank's portfolio. The project components are: (i) human resources development; (ii) knowledge and results management strengthening; and (iii) project management. The principal role of MINPLAN is formulation of national development policy in collaboration with sector ministries, and undertaking M&E of projects financed by government and development partners. As a result of this project, GoA should improve performance of national development programs and institutionalize an effective public investment management system for poverty alleviation.

2.1.2 **Component 1: Human resources development:** This component aims to develop human resource capacity of NDPI and the Offices of Studies and Planning (GEPs) in the various ministries and provinces for project cycle and resource management, including project scheduling, cost estimation, feasibility analysis, financial planning, M&E and other areas. Additional training will also be provided, where applicable, in environmental impact assessment, climate and gender mainstreaming and integrating poverty reducing measures in PIPs. The planned activities include: (i) institutional capacity analysis and development of a training framework; (ii) development of project cycle management manuals to equip staff with the needed guidance for their work; (iii) training of about 350 staff spread across NDPI and GEPs in the above-mentioned topics and; (iv) Key NDPI and GEPs staff will also be supported to undertake study tours to selected countries in and outside Africa to learn from the experiences of others who have been successful in designing and managing large scale PIPs.

2.1.3 A number of consultants with expertise in key areas of project cycle management (e.g., planning, budget, finance, audit, procurement, M&E, and cross-cutting issues such as environment, climate change, poverty and gender) will be hired specifically to prepare operational manuals and training modules and deliver training to about 350 staff within the NDPI/MINPLAN-GEPs system that are involved in the PIP process. The contours of the training programme will be outlined by the institutional capacity building master plan, to be prepared by the PMT. The training modules will be delivered according to area expertise (e.g., project planning, budgeting or financing) and the logistical capacity of MINPLAN to organize the events. Each module is expected to have up to 50 people. While the tailor-made training programs will only be delivered after the 2011 PIP exercise¹, coaching and on-the-job training will be provided by the project management team (PMT), especially during preparation of the PIPs. Staff of NDPI will also be trained in business English-language proficiency in order to improve communication with external partners.

2.1.4 **Component 2: Knowledge and results management strengthening:** This component will improve capacity of NDPI and MDAs (through GEPs) to generate, manage and deploy knowledge for improved implementation and tracking of results. Outcomes will include production of relevant and timely data for M&E; improved poverty indicators for a results-oriented national development program management and accountability system; and a consensus building stakeholders' forum held at project inception to increase project ownership and participation, and subsequently on annual basis for project implementation review. The planned activities include: (i) putting in place networking and other ICT infrastructure in MINPLAN and GEPs, including those at the provincial level; (ii) developing an M&E system for use by NDPI and GEPs across MDAs and provinces concerning public projects; (iii) holding an annual stakeholders' forum and participatory reviews to assess implementation progress, identify challenges and agree on remedial

¹ PIP is generally due by September / October of every year.

actions; and (iv) conducting strategic studies, including on economic diversification in Angola, to strengthen evidence-based policy-making and PIP programming.

2.1.5 Component 3: Project management: There will not be a new project implementation unit (PIU). This component includes the management arrangements to be put in place to ensure effective implementation, namely (i) recruitment of the project management team (PMT) (ii) recruitment of consultants and (iii) procurement of equipment for smooth running of the PMT (Annex D).

2.1.6 The project aims to address systemic challenges of project implementation in Angola, but the project itself may suffer from the same implementation challenges. As such, a specialist will be recruited to assist NDPI/MINPLAN in fulfilling the grant conditions and recruiting the PMT, composed of external experts to overcome the human resource challenges. The PMT established will be phased out at the end of the project and activities integrated into the existing NDPI structure and work plan.

Table 2.1: Project components

nr	Component name	Est cost (UA)	Component description
1	Human resource development	1.10 million	<ul style="list-style-type: none"> • Conduct institutional capacity analysis and develop training framework: Capacity building master plan developed; • Develop project cycle management manuals: Manuals prepared to support training in areas such as investment appraisal, procurement and financial management, project management and M&E; • Train staff of NDPI and GEPs: Staff involved in the PIP process trained in project management areas (e.g., appraisal, planning, procurement, accounting, budgeting, auditing, M&E, database management, and cross-cutting issues such as gender, environment and climate change) they will also undertake study tours to learn from experiences of other countries.
2	Knowledge and results management strengthening	1.26 million	<ul style="list-style-type: none"> • Develop a framework to monitor implementation and performance of PIP: M&E system and KPIs developed for each sector on public program management; • Establish Government-wide ICT network: User-friendly project management ICT tools and manuals prepared and staff trained; • Carry out strategic studies: Multiyear investment programs developed with various modes of financing; analytical studies and outputs will include the <i>Economic Diversification Study</i>; • Convene stakeholder forums: Project stakeholders' forum established to provide consensus and inputs on the activities. • Carry out field monitoring visits: joint PMT / sector staff visits to selected projects to review implementation progress.
3	Project management	2.25 million	<ul style="list-style-type: none"> • Constitute project management team: Project director and counterpart staff are recruited/appointed or seconded; • Recruit consultants: Project coordinator, international and national consultants recruited for key project activities (e.g., planning, M&E, procurement, accounting, budgeting, auditing); • Procure office equipment and tools: Facilities, equipment, tools, and vehicles available for operations.

2.2. Technical solution retained and other alternatives explored

2.2.1 The project emphasizes strengthening human resource and knowledge management capacity of NDPI and its counterpart institutions in MDAs and provincial governments (i.e. the GEPs), as the network of institutions responsible from investment projects and development planning more generally. An early action during implementation will be an institutional capacity analysis to identify key gaps pertaining to NDPI, MINPLAN and the various GEPs, and preparing remedial actions to address them. Apart from direct training of staff, the project will facilitate participation of beneficiaries in sub/regional sector networking, e.g., procurement network, for peer-peer learning and common sub-regional protocols on expert practices. Table 2.2 shows other project alternatives considered but not adopted.

Table 2.2: Project alternatives considered and reasons for rejection

Alternative name	Brief description	Reasons for rejection
AfDB Project Implementation Support Unit (PISU)	The initial idea was to have a project coordination unit to serve as an interface between AfDB-funded projects and their Bank task teams.	AfDB portfolio is 1% of overall ODA. Poor program implementation also concerns other donors.
Donor-wide PISU	To have a PISU that supported projects of AfDB and other donor in Angola.	Overall ODA is only 1% of Angola's annual budget expenditure; effective development of capacity for Angola would need to look beyond donor activities alone.
Government-wide PISU	To have a PISU that supports the Government (PIP) and donors in Angola.	NDPI of the MINPLAN already has a clear mandate for PIP coordination and it would be counterproductive to set-up an additional "institution" within MINPLAN and NDPI.

2.3. Project type

2.3.1 This is a standalone institutional support project aimed at building capacity to enhance delivery and poverty reducing effects of development projects in Angola.

2.4. Project cost and financing arrangements

2.4.1 The estimated project cost, exclusive of taxes and duties, is UA 5.17 million, comprising UA 3.43 million in foreign costs and UA 1.74 million in local costs.

2.4.2 The ADF grant of UA 4.92 million will finance services of international consultants and national counterparts, training activities and purchase and maintenance of equipment (Annex E). The Government of Angola (GOA)'s counterpart funds (UA 0.25 million) will support operating costs of the project.

Table 2.3: Project cost estimates by component [amounts in million UA equivalents]

Components	FE	LC	Total	% foreign
Component 1: Human resource development	0.67	0.43	1.10	61%
Component 2: Knowledge and results management strengthening	0.67	0.59	1.26	53%
Component 3: Project management	1.72	0.53	2.25	77%
Total base cost	3.06	1.55	4.61	66%
Physical Contingencies	0.15	0.08	0.23	
Price Escalation	0.22	0.11	0.34	
Total Project Cost	3.43	1.74	5.17	

Table 2.4: Sources of financing [amounts in million UA equivalents]

Source	FE	LC	Total	
ADF	3.44	1.48	4.92	95%
GoA	-	0.25	0.25	5%
Total Project Cost	3.44	1.73	5.17	

Table 2.5: Project cost by category of expenditure [amounts in million UA equivalents]

Category	FE	LC	Total	% foreign
Goods	0.40	0.01	0.41	98%
Services	2.63	0.31	2.94	90%
Operating costs	0.03	1.24	1.26	2%
Total base cost	3.06	1.55	4.61	66%
Physical Contingencies	0.15	0.08	0.23	
Price Escalation	0.22	0.11	0.34	
Total Project Cost	3.43	1.74	5.17	66%

Table 2.6: Expenditure schedule by component for ADF financing [amounts in million UA equivalents]

Components	2011	2012	2013	Total
Component 1: Human resource development	-	0.63	0.63	1.25
Component 2: Knowledge and results management strengthening	0.19	1.10	0.11	1.41
Component 3: Project management	0.63	1.11	0.53	2.26
Total Project Cost	0.82	2.84	1.26	4.92

2.5. Project's target area and population

2.5.1 The proposed project targets NDPI/MINPLAN, and 56 GEPs in 27 ministries, 18 provinces and 11 other Government Budget Units that are involved in planning, appraisal and implementation of development projects in the country. The direct beneficiaries of this project are the government institutions and their staff whose capacity will be strengthened. The ultimate beneficiaries are Angolan citizens especially the poor who will benefit from improved performance of government agencies responsible for promoting poverty reduction and economic growth. The expected outcomes include an improvement in the country's CPIA-13 ratings and a reduction in proportion of projects at risk in the Bank's portfolio and GoA's PIP portfolio in general.

2.6. Participatory process for project identification, design and implementation

2.6.1 The design of this project was informed by outcomes of detailed consultations with project stakeholders. These were conducted through individual stakeholder meetings and working group sessions with the proposed implementing agency. Acting on a request from GoA for Bank's technical assistance and capacity building support to NDPI at MINPLAN, the Bank undertook project identification, appraisal and validation missions to Angola. During these visits, Bank staff consulted with senior government officials, civil society and donors to understand their needs and assess the existing institutional environment in order to provide the best option of technical assistance and capacity building that responds appropriately to the GoA request for support from the Bank.

2.6.2 Key issues raised during these consultations include: (i) adequacy of the institutional mandate and organizational arrangements for NDPI/MINPLAN to provide inter-agency coordination of capacity building support to MDAs and provinces that are involved in designing, implementing and managing public projects; (ii) ensuring adequate buy-in and ownership across government ministries; and (iii) ascertaining the applicability of a project steering committee. To address these concerns, the project has the following mechanisms: (i) implementation arrangements include engaging international consultants who will work alongside NDPI counterpart staff to facilitate skills transfer; (ii) a Project Management Unit (PMU) and its Team will be created within NDPI instead of being a standalone PIU; (iii) a stakeholders' forum, with the first to be convened at project launching and subsequently once every year will be formed to enhance

participation in decision making and for obtaining stakeholder inputs through participatory review of the project.

2.7. Bank Group experience, lessons reflected in project design

2.7.1 Lessons from the Completion Report of Bank Group's *Results-Based Country Strategy Paper 2005 – 2007 and Country Strategy Paper (CSP) Update 2008 – 2009* have been taken into account in designing the current project, as follows:

(a) Compliance with loan conditions precedent to entry into force: Bank has observed significant delays in GoA's compliance with conditions for disbursement; invariably, no Bank-financed project has been able to disburse in the first year of inception. The project involves hiring a specialist who will help NDPI/MINPLAN fulfil the loan conditions and in undertaking the initial project activities, such as the recruitment of the PMT.

(b) Management of Project Implementation Units: Bank experience shows that there is poor adherence to project implementation schedule, and has recommended an increase in training on Bank's rules, procedures and project cycle management. The current proposal has a strong emphasis on training, especially on project cycle management topics that will include procedures of granting institutions (Bank, other donors and the country's PIP).

(c) Bank has also learned that a major obstacle to implementation of projects has been scarcity of qualified staff: The current project will engage international and local consultants to carry out specified activities, such as preparing and delivering learning modules concerning the various aspects of project management, including public procurement, financial management, accounting, auditing, M&E, etc. Furthermore, the GoA is taking steps to address the human resource deficiencies in the public sector through public sector reforms and improvement in the incentives regime to attract qualified people into the public sector². The project also includes business English-language proficiency training for NDPI staff in line with the new CSP in order to address the communication problem identified during implementation of previous Bank projects.

(d) Project Steering Committees are inefficient: Both Bank and other donor projects have experienced delays in implementation due to inefficient project steering committees. This issue was discussed with the GoA and donors and the general conclusion was that enough consultation mechanisms already are in place for this project (PDs 31/10 and 94/10). As an alternative, it was agreed that an Annual Stakeholders' Forum will be organized and chaired by MINPLAN for participatory review and assessment of implementation.

2.8. Key performance indicators

2.8.1 Detailed performance indicators are presented in the Results-Based Logical Framework. Key outcome indicators include: (i) a one percentage point increase in CPIA Rating (13) ratings by 2013 reflecting changes in financial and budgetary management, as will be reported by Bank CPIA report on Angola; and (ii) proportion of Bank portfolio in Angola at risk reduced from 45% in 2009 to 25% by 2013. Progress on project output indicators will be deduced from periodic (Quarterly and Annual) Project Reports, Supervision Reports as well as review reports by other donors and external sources such as the IMF Review under the SBA. Some of these indicators are: (i) development of a capacity building master plan; (ii) development of training manuals; (iii) number of staff trained (and proportion of women); (iv) development of KPIs for various sectors; (v) creation of a central projects database; and (v) number of sectoral and economic studies carried out, among others.

² Anecdotal evidence exists about staff leaving organizations such as the UNDP for the public sector; and, staff leaving national departments and agencies to work with provincial governments, given their experience on PIP appraisal and implementation.

III – PROJECT FEASIBILITY

3.1. Economic and financial performance

3.1.1 The project will contribute towards better performing PIP portfolio through introduction of more rigorous appraisal techniques. A cost-benefit analysis indicates that the project is economically and financially viable.

3.2. Environmental and Social impacts

Environment

3.2.1 The project is classified as category 3, based on the fact that it does not include any environmentally sensitive activity and is therefore not likely to have negative environmental or social impacts on the country. However, the rapidly growing gap between a very fast growing natural resource-based economy and the low competency and a weak management capacity particularly in public administration results in imminent threat of environmental degradation. The project will thus ensure that direct project beneficiaries are trained on environmental impact assessment and risk mitigation to enhance their capacity for developing an environmentally-friendly PIP portfolio.

Climate Change

3.2.1 The possible effects for Angola in scenarios generated by climate models on a time-scale of 50 to 100 years are³: more extreme weather events due to drought and storms; extension of arid and semi-arid areas in southern Angola; less reliable rainfall in Lubango – Huambo – Malanje axis (agricultural belt); changes in ocean currents (for example the Benguela Current); rises in sea-level, leading to changes in coastal and river basin erosion; changes in river flows, leading to changes in erosion patterns.

3.2.2 The project focuses on institutional capacity building and does not make a direct contribution to climate change nor is directly impacted by it. However, the training modules to be delivered by experts and consultants as part of overall human resources development (Component 1 of this project) will include helping NDPI identify public projects that may impact climatic factors and how to undertake climate proofing to ensure that they duly integrate climate risk mitigation and/or adaptation measures. The training will also raise awareness on reducing greenhouse gas emissions and the opportunities available for internalizing its benefits (for example, the Clean Development Mechanism).

Gender

3.2.3 Gender inequality remains a key development challenge in the country and holds back the majority of women from accessing gender equality. Angola has made progress in terms of the Gender Gap Index⁴, moving to 81st (out of 134 countries) in 2010 with a score of 0.671⁵, from 106th in 2009 and a score of score of 0.6353, but much remains to be done. The country's poor are predominantly women, especially in the rural areas. Data from the Angola Country Gender Profile, prepared by AfDB in 2008, suggested that 31% of Angolan households were female-headed and constituted the majority of households living in extreme poverty. There are still many challenges, but the situation is beginning to improve, for example women's participation in the labor force is growing. Political representation of women used to be very low in Angola, but the recent quota system has helped to increase the representation of women by 30% for senior positions in government, including parliament. In spite of this progress, there are still legislative provisions that

³ UNDP Climate Change Country Profile, Angola.

⁴ The Gender Gap measures the size of gender inequality in economic empowerment and opportunities, educational attainment, political empowerment, health and survival.

⁵ Global Gender Gap Report (2010), World Economic Forum.

discriminate against women, including in the Civil Code, the Commercial Code and the Penal Code, as well as legislative gaps in certain areas, including violence against women. The Ministry of Family and Promotion of Women (MINFAMU) developed a gender equality strategy and has been actively advocating for women's rights throughout the country, but its capacity is still quite weak. Within sector ministries, capacity for gender mainstreaming is generally weak.

3.2.4 The project will thus strengthen the capacity of MINFAMU to continue addressing the roots causes of gender inequality and will also offer training in gender mainstreaming to staff of GEPs involved in design and implementation of PIPs, as to make their projects more gender sensitive. Finally, MINPLAN will be supported to develop gender mainstreaming criteria to screen PIPs for gender responsiveness before they are approved. The project has budgeted for an international consultant in social development to support gender mainstreaming training, pro-poor programming, and M&E issues. By helping to build capacity of MINFAMU the project will be contributing to efforts of GoA to make promotion of gender equality an explicit component of all its national development strategies, policies and programmes, including those aimed at poverty alleviation and sustainable development.

Social

3.2.5 Angola's recovery from the civil war has been remarkable. Its economy has grown by double digit figures since 2002, with GDP per head roughly doubling between 2005 and 2009 (from USD 3611 to an estimated USD 7143⁶). Nonetheless, poverty and inequality remain deep-rooted in the country's fabric: A socio-economic survey⁷ published in 2010 found that 36.6% of the population lived on or below the poverty line (defined as an income of US\$2/day). This proportion is however much higher among the rural population (58.3%) than in urban areas (18.7%). Furthermore, unemployment figures have been persistently high, averaging 25% in 2007, but much higher in regional pockets (such as Cabinda) and across age groups (such as the youth). Government programming in all sectors (represented by GEPs) thus requires a pro-poor orientation to address the above-mentioned asymmetries.

3.2.5 The proposed project will train GEPs to enhance their ability to design and implement investments with effective targeting mechanisms for the poorest. The internal capacity of MINFAMU and MINPLAN (NDPI) will be strengthened to enable them provide cross-sector support to make PIPs more poverty focused. Effective pro-poor programming of public resources should also improve distribution of the country's wealth, enhance access to basic services, enable the poor to realise economic opportunities and create more jobs in the non-oil sectors. These interventions will contribute directly to poverty reduction and accelerate progress towards achieving the MDGs by 2015. This project is also expected to help GoA achieve its target of improving its HDI by 30 places, from 143 to 113, by the year 2025, thus placing it among the best performing African nations in socio-economic issues⁸.

IV – IMPLEMENTATION

4.1. Implementation arrangements

4.1.1 The project will not have a standalone PIU but, rather, a PMT will be set-up comprising public officials nominated by the government and supported by consultants (international and local). The PMT will be hosted by MINPLAN. The Director of NDPI will serve as the Project Director and be supported by a Project Coordinator (a technical person with comprehensive knowledge of project cycle management) to manage day-to-day affairs of the Unit. Qualified consultants will be recruited to cover the following areas of expertise: financial management, accounting, procurement, M&E, and ICT. Each of these consultants will

⁶Angola Country Report September 2010, Economist Intelligence Unit.

⁷ *Inquérito sobre o Bem-Estar da População, INE 2010*: A survey of the levels of poverty, health and employment of 12,200 Angolan families between May 2008 and May 2009.

⁸As per the the long-term Strategy entitled *Angola Visão 2025*

be supported by counterparts drawn from NDPI/MINPLAN to facilitate knowledge and skills transfer into the institutional environment. The PMT will be supported by an administrative assistant and a driver. The project will also include development of an M&E framework to track implementation and results of the PIP and donor projects.

4.1.2 The Project Coordinator and head of the PMT will report to the NDPI Director, who will in turn report to the (Vice-) Minister for Planning responsible for the national investments portfolio. NDPI will then coordinate all MDAs in implementing the project, through its existing network of 55 GEPs located in 27 ministries, 18 provincial governments and 11 other government budget units that are methodologically dependent on the MINPLAN. Presidential Decree 94/10 provides NDPI/MINPLAN with the legal and institutional mandate to interface with various ministries and sectors through GEPs.

4.1.3 Technical oversight will be reinforced by the Annual Stakeholders Forum (ASF), a yearly event involving all the relevant parties to this project (NPDI staff, GEP staff, senior officials from the various MDAs, MINPLAN management, donors, etc.) to: (i) review progress in implementation and lessons learnt; (ii) share experiences and get feedback from direct beneficiaries; (iii) discuss options and propose improvements. The issues and recommendations arising from this event will form a report to be submitted from the PMT to the Minister of MINPLAN and AfDB. MINPLAN will then ensure that such recommendations are fully incorporated in project implementation. Following project completion, it is expected that the ASF becomes a permanent event for sharing knowledge on the PIP exercise (i.e., review implementation, streamline procedures, disseminate lessons, etc.)

4.1.4 In order to overcome the usual bottlenecks in project start-up observed in Angola, the GoA has agreed to get additional support from a service provider whose tasks will focus on helping NDPI/MINPLAN undertake initial project activities, such as the fulfillment of grant conditions and recruitment of PMT. This support is envisaged to be over a period of no more than three (3) calendar months. In addition, a tripartite arrangement involving AfDB, GoA and the Microsoft Africa Initiative (MsAI) (a non-profit organization) will be established for “free of charge” technical support in developing the knowledge and results management framework. The MsAI is one of many Microsoft citizenship programs and is specifically aimed at utilizing Microsoft’s core competencies in information technology in its contribution to social and economic development in sub-Saharan Africa. While leveraging its experience with various African governments in sectors such as Education, Health and E-government, MsAI will also be developing innovative solutions for GoA, which may later be scaled-up to other African countries.

4.1.5 The PMT will also identify and build partnerships and collaborations with relevant organizations and ongoing projects in order to strengthen overall coordination of capacity building and development projects. These include the following: (i) the National School of Administration for continuous development of skills among NDPI and project staff; (ii) the National Strategy for the Development of Statistics (NSDS) toward a national statistical system to track poverty alleviation indicators and in undertaking M&E of projects; (iii) Ernst & Young’s ongoing technical support to institutional reforms in the public sector and; (iv) the MINFAMU on gender mainstreaming support in the PIP.

4.1.6 *Financing Arrangements:* The total cost of the project is estimated at UA 5.17 million (see Detailed Cost in Annex E). The ADF grant of UA 4.92 million will finance services of consultants (international and local), training activities and purchase of equipment and their maintenance. The counterpart funds of UA 0.25 million will finance functioning of the PMT exclusively. Project accounts will be kept separately so as to facilitate monitoring of expenditures by components, expenditure categories and source of finance. The project will submit to the Bank quarterly progress and financial reports within 30 days following close of the quarter reported on.

4.1.7 *Financial management arrangements:* Given weaknesses raised in the 2005 Public Expenditure Management and Financial Accountability Review (PEMFAR) and more recent updates by the Bank (CSP and CPIA) Angola Public Financial Management (PFM) system will not be used in the administrative,

financial and accounting management of the project. The project's financial management transactions will be managed by the PMT. The PMT will be equipped with appropriate accounting software and trained to maintain accounts in accordance with international accounting standards and ensure that accounting and financial management systems include internal controls and procedures, and a set of records acceptable to ADF. The PMT will be staffed with an experienced and qualified Accountant in charge of record keeping, accounts and disbursements preparation and who will report to the Financial Management expert to be recruited as a consultant; both the Accountant and the Financial Management expert will report to the Project Coordinator. The PMT will maintain separate accounts for the project, in accordance with generally accepted accounting procedures. Detailed accounts concerning expenditure financed by the ADF and the Government should facilitate the identification of expenditure by project component, category of expenditure and source of finance.

4.1.8 Audit arrangements: Annual financial statement and related internal control system shall be audited by an external and independent private auditor to be competitively recruited and financed from project funds. The project audit will be carried out in accordance with a Terms of Reference (TOR) that has been approved by the Bank. In addition to the audit report, the auditors will also submit a management letter. Audit reports shall be submitted to the Bank within six (6) months of the end of the respective fiscal year. The first audited project financial statements and audit report is expected for the year ending 31 December 2011. Furthermore, the Inspectorate of Finance (INF) and the Tribunal of Accounts in Angola have the right to perform internal or external audit of the project as per their mandate. Such financial management arrangements for implementation of the project will mitigate the fiduciary risk and ensure that the funds made available for the financing of the project are used economically and efficiently and for the intended purposes.

4.1.9 Disbursements arrangements: The disbursement methods that can be used for the Bank funded components of the project include: (i) the Direct Payment, and (ii) Special Account (Annex C). The Direct Payment method will be used to pay contractors/suppliers' contracts whereas the Special Account method will be used for financing the PMT operating costs. Disbursements under the grant would be made in accordance with the list of goods and services and Bank's rules and procedures as laid-out in the Disbursement Handbook as applicable. A Special Account in convertible foreign currency will be opened at a commercial bank acceptable to the ADF, aimed at financing eligible expenditure. The commercial bank will issue an irrevocable undertaking, as laid-out in the Disbursement Handbook. An initial advance will be deposited in the Special Account based on approved work plans and budgets for a period of six (6) months of activities, acceptable to the ADF. Subsequent replenishments will be based on justification of at least 50% of the previous payment actual utilization, and the requirements for the future six (6) months periods.

4.1.10 Procurement Arrangements: The procurement of goods, and acquisition of consulting services will be done in accordance with the Bank's "Rules and Procedures for Procurement of Goods and Works" (Annex D) or, as appropriate, "Rules and Procedures for the Use of Consultants", using the relevant Bank Standard Bidding Documents (SBD).

Consultancy Services: Procurement of service contracts financed from ADF resources will be carried out in accordance with the Bank's Rules and Procedures for Use of Consultants. Consultancy services for Economic Diversification Study (UA 0.80 million) shall be carried out through international short-listing under Quality and Cost Based Selection (QCBS). The Human Resources Training Team (UA 0.77 million), composed of eight individuals, and the Project Implementation team (UA 1.61 million), composed of five individuals, will be recruited using the procedures for selection individual consultants. Consultants financial audit (UA 0.10 million) shall be carried out through Least-Cost Selection (LCS). Support to the start-up activities (UA 0.02 million) will be carried out through direct recruitment by the selected institutions, taking into consideration the small amounts involved and the need for support in the recruitment process of the Project Implementation Team.

Goods: Procurement of goods financed by ADF will be carried out in accordance to the Bank’s Rules and Procedures for Procurement of Goods and Works. Contracts for the supply of ICT Equipment (UA 0.0.27 million) and for supply of vehicles, equipment and furniture (UA 0.18 million) shall be procured under shopping procedures.

Operating Costs: Expenditure relating to management of the project, such as office supplies, translation and interpretation, office rental and maintenance, communications, and vehicle maintenance, among others, will be financed through the Special Account.

Procurement Plan: The procurement plan for the entire period of the project has been prepared. The Executing Agency will update the said plan annually or as required, but over the following 18 months of duration of the project implementation. All proposals to revise the Procurement Plan shall be submitted to the Bank for prior approval.

Review Procedures: The following documents are subject to review and approval by the Bank before promulgation: (i) Procurement Plan; (ii) Specific Procurement Notices; (iii) Tender Documents or Requests for Proposals from Consultants; (iv) Tender Evaluation Reports or Reports on Evaluation of Consultants’ Proposals, including recommendations for Contract Award; and (v) Draft contracts, if these have been amended from drafts included in the tender invitation documents.

Executing Agency: Due to the weaknesses identified in the Executing Agency, Technical Assistance has been proposed to strengthen implementation. A Project Coordinator with comprehensive knowledge of project cycle management will recruited to manage day-to-day affairs of the project. In addition qualified Financial Management Specialist, Procurement Specialist, M&E Specialist and ICT Specialist will be recruited on consultancy basis to support with implementation.

4.2. Monitoring

4.2.1 The project will be implemented over a 30-month period (Annex F). Both the PMT and the Bank have responsibilities for M&E, some of which would be conducted jointly. The PMT will have a dedicated M&E expert for implementation monitoring who will also be working closely with NSDS for improving the underlying statistical framework. The Bank will do periodic monitoring through half-yearly project supervision missions and review of project reports. The PMT will also organize Annual Stakeholder Forum to review implementation progress, discuss challenges and offer solutions to emerging challenges and bottlenecks. Preparation of the Project Completion Report (PCR) will be done through a participatory process. Table 4.2 shows the detail sequence of monitoring activities.

Table 4.2 Monitoring schedule

Timeframe	Milestone	Responsibility
December 2010	Board Approval	Fund
January 2011	Establishment of PMT	GoA
February 2011	Signing of Grant Protocol	Fund and GoA
March 2011	Project Launching	GoA and Fund
March 2011	Grant Effectiveness	GoA and Fund
August 2011	Project supervision ⁹	GoA and Fund
January 2012	Stakeholder Review meeting ¹⁰	PMT
February 2012	Submission of first Audit report	PMT
July 2012	Submission of Mid-term Report	GoA
December 2013	Submission of 2 nd Audit Report	GoA
January 2014	Submission of PCR	MINPLAN
February 2014	Preparation of PCR.Final Audit Report	GoA and Fund

⁹ Two times a year

¹⁰ Once every year

4.3. Governance

The 2009 Ibrahim Index of African Governance (IIAG) gave 41.0 out of 100 points, ranking Angola in 41st place on the continent. This score is a reflection of the limited political accountability, as well as the weak administrative capacity and inability of the state to deliver essential public services. Given that the project itself is aimed at improving economic and financial governance, it will start by putting in place a PMT of qualified professionals, including financial and procurement experts, to assure compliance with Bank’s fiduciary safeguards as well as to develop such know-how at NDPI and its GEP network at large. The project will also introduce knowledge management tools and KPI reporting which, ultimately, may lead to more transparent and accountable institutions. The PMT will produce quarterly and annual narrative and financial reports which will be audited by a specialized firm on an annual basis.

4.4. Sustainability

4.4.1 GoA commitment to the project is strong since: (i) the ICBPR project will be one of the criteria for assessing the country’s performance under the SBA with IMF; and; (ii) the Presidential decree 31/10 which stipulates that all MDAs ensure speedy reforms in management of the PIP process by adopting procedures to enhance portfolio performance.

4.4.2 Sustainability is assured because there is no new PIU. Instead, project activities will be integrated into existing institutional frameworks and will aim at improving the sustainability of public investment projects which are largely financed by government’s own resources. Indeed, given NDPI’s mandate as the lead agency for PIP coordination (as per PD 94/10), there are currently plans to increase professional staff to ensure that the government’s development budget is more wisely spent. There is thus a strong indication that the operational budget of NDPI will be expanded to accommodate the enlarged organizational structure that will emerge at project completion.

4.4.3 Sustainability elements are also built into the training and knowledge transfer activities to retain institutional memory and mitigate the risk of high trained staff turnover rate. These include: (i) the production of learning manuals on procurement, accounting, financial management, project design, etc.; (ii) the partnering with the National School of Administration for continuous NDPI staff development; (iii) succession planning; and (iv) knowledge management tools and applications.

4.5. Risk management

4.5.1 The main assumption made about the likelihood of attaining the development objectives of the project is continued focus of GoA on strengthening institutional capacity across MDAs. The potential risks which could prevent realization of expected outcomes and outputs of the project are summarized in the table below:

Risks	Mitigation measures
Low Government ownership	An early activity is establishment of a stakeholder forum at project launching; annual stakeholder forums will provide additional inputs and guidance to ensure that MDAs take remedial actions on any lagging implementation activities to meet key performance targets. The project is strongly linked to the IMF SBA with GoA that includes improved oversight of publicly-financed programs.
Weak project implementation capacity, especially at start-up phase	A service provider will be on standby to provide assistance to NDPI on fulfilling the grant conditions and getting the PMT constituted.
Trained staff may leave for more competitive jobs in the country or abroad	Government is currently improving salary and benefits framework for attracting talented professionals; and succession planning mechanisms will be put in place.
Weak capacity for data collection and statistical analysis	Implementation will be in collaboration with relevant AfDB-supported projects such as the National Strategy for the Development of Statistics (NSDS).
Difficulty in finding appropriate expertise to develop ICT network geared towards development outcomes	Microsoft Africa Initiative will be brought in as strategic partner in providing tailored solution based on their experience in other African countries

4.6. Knowledge building

4.6.1 The project will capture pertinent knowledge during implementation through periodic reports (Quarterly, Annual and Supervisory Reports), reviews, M&E reports and participatory evaluations of implementation and impact. The project's M&E process will promote lesson learning and knowledge gathering. Knowledge dissemination mechanisms will include the Bank website, MINPLAN website, project review reports and OPEV Evaluation reports. Standard Bank information and knowledge dissemination instruments will be used to share lessons and experiences emanating from implementing this project, including Quarterly and Annual Reports, Mid-Term and Project Completion Reports, in addition to workshops, feature stories on Bank in Action, etc. Knowledge from the project implementation would also be shared through participation of the PMT in sub-regional peer-peer networks that are included as training activities as part of building good expert practices in the Africa region.

V – LEGAL INSTRUMENTS AND AUTHORITY

5.1. Legal instrument

The proposed financing instrument is a grant of UA 4.92 million to the Republic of Angola.

5.2. Conditions associated with Bank's intervention

Conditions precedent to grant effectiveness: The grant protocol of agreement will become effective on the date of signature by the beneficiary and the Fund.

Conditions precedent to the first disbursement: The Fund's obligations to make the first disbursement will be subject to fulfillment of the following conditions to the Bank's satisfaction:

- I. The opening of two (2) special (foreign exchange and local currency) accounts in the name of the Recipient at a bank acceptable to the Fund, to receive the Grant resources.
- II. Appointment of the Director of the National Directorate of Public Investments as Project Director, and the submission to the Fund, and in terms acceptable to the Fund, of the terms of reference for recruitment of the international and national consultants required for the implementation of the Project.

5.3. Compliance with Bank Policies

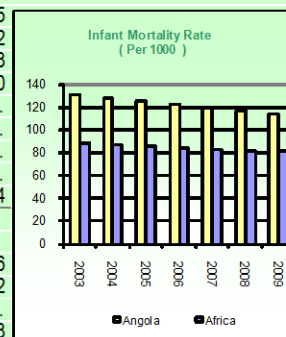
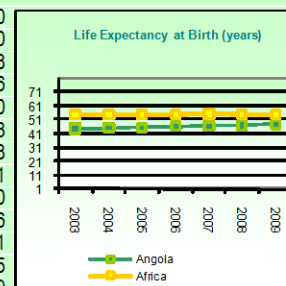
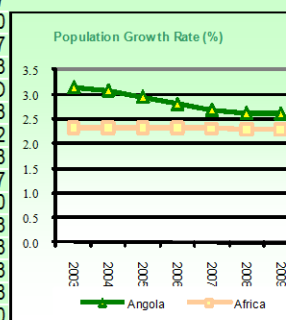
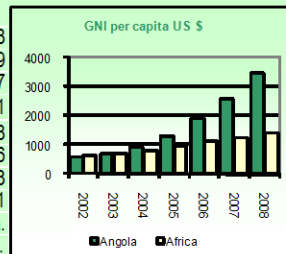
(X) This project complies with all applicable Bank policies, and in particular the Governance Action Plan, the Capacity Building Strategy and the Poverty Reduction Strategy.

VI – RECOMMENDATION

Management recommends that the Board of Directors approve the proposed grant of UA 4.92 million to the Government of Angola for the purposes and subject to the conditions stipulated in this report.

Appendix I. Angola: Comparative Socio-Economic Indicators

	Year	Angola	Africa	Develo- ping Country	Develo- ped Country
Basic Indicators					
Area ('000 Km ²)		1 247	30 323	80 976	54 658
Total Population (millions)	2009	18.5	1,008	5,629	1,069
Urban Population (% of Total)	2009	57.6	39.6	44.8	77.7
Population Density (per Km ²)	2009	14.8	3.3	66.6	23.1
GNI per Capita (US \$)	2008	3 450	1 428	2 780	39 688
Labor Force Participation - Total (%)	2009	44.3	41.2	45.6	54.6
Labor Force Participation - Female (%)	2009	47.1	41.2	39.8	43.3
Gender -Related Development Index Value	2005	0.439	0.525	0.694	0.911
Human Develop. Index (Rank among 182 countries)	2007	143	0.514	n.a.	n.a.
Popul. Living Below \$ 1 a Day (% of Population)	2006	...	50.8	25.0	...
Demographic Indicators					
Population Growth Rate - Total (%)	2009	2.6	2.3	1.3	0.7
Population Growth Rate - Urban (%)	2009	4.2	3.4	2.4	1.0
Population < 15 years (%)	2009	45.0	56.0	29.2	17.7
Population ≥ 65 years (%)	2009	2.5	4.5	6.0	15.3
Dependency Ratio (%)	2009	90.2	78.0	52.8	49.0
Sex Ratio (per 100 female)	2009	97.2	100.7	93.5	94.8
Female Population 15-49 years (% of total populati	2009	23.5	48.5	53.3	47.2
Life Expectancy at Birth - Total (years)	2009	47.6	55.7	66.9	79.8
Life Expectancy at Birth - Female (years)	2009	49.6	56.8	68.9	82.7
Crude Birth Rate (per 1,000)	2009	42.3	35.4	21.5	12.0
Crude Death Rate (per 1,000)	2009	16.5	12.2	8.2	8.3
Infant Mortality Rate (per 1,000)	2009	113.5	80.0	49.9	5.8
Child Mortality Rate (per 1,000)	2009	197.5	83.9	51.4	6.3
Total Fertility Rate (per woman)	2009	5.6	4.5	2.7	1.8
Maternal Mortality Rate (per 100,000)	2005	1400.0	683.0	440.0	10.0
Women Using Contraception (%)	2006	61.0	75.0
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2005	16.5	42.9	78.0	287.0
Nurses (per 100,000 people)*	2005	245.4	120.4	98.0	782.0
Births attended by Trained Health Personnel (%)	2007	47.3	50.5	63.4	99.3
Access to Safe Water (% of Population)	2008	50.0	64.0	84.0	99.6
Access to Health Services (% of Population)	2006	...	61.7	80.0	100.0
Access to Sanitation (% of Population)	2008	57.0	38.5	54.6	99.8
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2007	2.1	4.5	1.3	0.3
Incidence of Tuberculosis (per 100,000)	2007	287.0	313.7	161.9	14.1
Child Immunization Against Tuberculosis (%)	2007	88.0	83.0	89.0	99.0
Child Immunization Against Measles (%)	2007	88.0	74.0	81.7	92.6
Underweight Children (% of children under 5 years)	2005	...	25.6	27.0	0.1
Daily Calorie Supply per Capita	2005	1 902	2 324	2 675	3 285
Public Expenditure on Health (as % of GDP)	2006	2.3	5.5	4.0	6.9
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2006	...	100.2	106.8	101.5
Primary School - Female	2006	...	91.7	104.6	101.2
Secondary School - Total	2005	...	35.1	62.3	100.3
Secondary School - Female	2005	...	30.5	60.7	100.0
Primary School Female Teaching Staff (% of Total)*	2006	...	47.5
Adult Illiteracy Rate - Total (%)	2006	...	59.4	19.0	...
Adult Illiteracy Rate - Male (%)	2006	...	69.8	13.4	...
Adult Illiteracy Rate - Female (%)	2006	...	57.4	24.4	...
Percentage of GDP Spent on Education	2006	2.6	4.5	...	5.4
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2007	2.6	6.0	9.9	11.6
Annual Rate of Deforestation (%)	2006	...	0.7	0.4	-0.2
Annual Rate of Reforestation (%)	2006	...	10.9
Per Capita CO2 Emissions (metric tons)	2008	1.3	1.1	1.9	12.3



Sources : ADB Statistics Department Databases; World Bank: World Development Indicators;

last update : September 2010

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

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

Appendix II: Selected Economic and Financial Indicators

Indicator	2007 Est.	2008 Prel.	2009 Proj.	2010	2011	2012	2013	2014
National income and prices								
Real GDP	20.3	13.2	-0.4	7.1	8.3	6.3	6.3	5.8
Oil sector	20.4	11.9	-5.8	6.1	6.1	2.6	2.7	1.4
Non-oil sector	20.1	14.8	6.7	7.7	10	9	8.7	8.5
GDP/capita (US\$)	3,629	5,054	3,964	4,688	5,293	5,747	6,327	6,675
GNDI/capita (US\$)	3,078	4,179	3,377	4,162	4,637	5,286	5,919	6,360
Consumer price index (ann. average)	12.2	12.5	14	15	9.8	8.7	7.5	6
Consumer price index (end of period)	11.8	13.2	14	13	9.5	8	7	7
External sector								
Exports, f.o.b. (US\$ value)	39.3	44	-43.6	34.9	11	5	2.2	-1.1
Oil	41.1	45.2	-44.9	35.9	10.9	4.9	2	-1.7
Non-oil	1	4.6	10.4	13.7	13.1	7	8.7	11.9
Imports, f.o.b. (US\$ value)	55.6	53.6	-21.3	25.2	5.5	3.8	1.9	3.1
Terms of trade	4.8	26.5	-41.1	25.2	2.8	1.6	1.4	1.4
Nominal effective exch. rate (ave.)	-0.1	12	-	-	-	-	-	-
Real effective exch. Rate ¹	8.1	22	-	-	-	-	-	-
Money and credit (end of period)								
Net domestic assets ²	35	50	40	10	4	-	-	-
Broad money ²	49	93	20	20	20	18	17	17
Interest rate (90-day central bank bills; %)	15	15	-	-	-	-	-	-
M2 velocity (non-oil GDP/ave. M2)	2.7	2.4	1.9	1.8	1.8	1.8	1.8	1.8
Base money in real terms (% change)	44.1	42.6	33	10.6	10.4	9.9	9.9	9.9
Fiscal accounts								
Total revenues	46.7	50.5	35.5	36.6	37.6	41.1	41.8	40.9
Of which: oil	37.9	40.8	26.5	29.6	28.1	30.9	30.9	29.4
Grants	0	0	0	0	0.1	0.1	0.1	0.1
Total expenditures	35.2	41.6	43	37.1	34.4	34.1	32.3	31.4
Overall balance (accrual basis)	11.5	8.8	-7.5	1.5	3.2	7	9.5	9.6

Indicator	2007 Est.	2008 Prel.	2009 Proj.	2010	2011	2012	2013	2014
Non-oil fiscal balance (accrual basis)	-26.4	-33.3	-34	-28	-25.1	-24	-21.5	-19.9
Non-oil fiscal balance (% of non-oil GDP)	-57.2	-70.8	-53	-46.8	-40.7	-37.6	-33.3	-30.2
Overall balance (cash basis)	14.5	14.2	-4.7	-1.7	2.6	7	9.5	9.6
External sector								
Current account bal. (incl. transf.; deficit -)	15.9	7.5	-3.5	2	1.7	5.1	5.1	5.1
External debt (US\$ billions)	9.6	13.5	15.6	16.7	17.8	20.6	23.7	26.8
External debt-to-GDP ratio	16.2	15.9	22.8	20	18.3	18.9	20.2	22
Debt service-to-net-export ratio ³	9.5	4.3	12.3	12	11.9	8.4	8.6	9.6
Gross international reserves (end of period) ⁴	11,330	17,878	11,940	14,259	16,289	22,330	29,057	36,228
Memorandum items								
GDP (US\$ millions)	59,263	84,945	68,632	83,590	97,218	108,710	123,271	133,963
Official exch. Rate (Kwz/US\$; end of year)	75	75.1	-	-	-	-	-	-
Oil production ('000 bpd)	1,717	1,900	1,790	1,900	2,016	2,069	2,069	1,994
Price of Angola's oil (US\$/barrel)	67	89.9	53.5	68.5	71.5	73	75	76.8
Non-oil fiscal balance/GNDI	-31	-38.7	-39.9	-31.6	-28.5	-26	-22.9	-20.8

Sources: Angolan authorities and IMF staff estimates and projections.

¹ End of period. A positive sign denotes appreciation.

² As percentage of beginning-of-period M3.

³ Percent of export of goods and services.

⁴ Includes government deposits in overseas accounts and less liquid assets.

Appendix III: Table of AfDB's Portfolio in Angola

On-Going Portfolio In Angola (UA millions)							
Project	SECTOR	APPROVAL DATE	EFFECTIVE DATE	CLOSING DATE	TOTAL COST	TOTAL DISBURSED	DISBURSEMENT
Artisanal Fisheries Development Project P-AO.A00-002	Agriculture and Rural Development	30/10/2002	11/05/2004	31/12/2010	7.00	4.30	61.33%
Bom Jesus Calenga Rural Development Project P-AO-A00-001	Agriculture and Rural Development	24/11/2005	14/09/2006	31/12/2012	17.20	3.50	20.24%
Basic Education And Job Skills Project – EDU II P-AO-IAO-004	Social	5/12/2001	27/11/2002	31/12/2010	9.63	2.48	28.42%
Uige Health Project P-AO-IBO-002	Social	13/11/2002	12/09/2003	31/12/2010	6.50	0.86	13.27%
Huambo Vulnerable Groups Project P-AO-IAE-001	Social	12/11/2003	13/01/2005	31/12/2010	3.78	0.51	13.58%
Environmental Sector Support Project P-AO-CZO-001	Environment	11/03/2009	17/12/2009	31/12/2015	12.00	0.3	2.44%
Financial Support Management Project P-AO-KFO-002	Finance	14/11/2007	NA	31/12/2012	5.90	–	–
Sumbe Water Supply Sanitation And Institutional Support Project P-AO-E00-003	Water and Sanitation	28/11/2007	NA	30/06/2013	12.00	–	–
GRAND TOTAL COMMITMENT					74.01	10.77	15.22%

Source: CPPR 2010 Angola (ORSB)

Appendix IV: Map of the Project



Disclaimer: This map has been prepared by the ADB Group's staff exclusively for the convenience of the readers of the report to which it is attached. The denominations used and the boundaries shown on this map do not imply, on the part of the Group and its affiliates, any judgement on the legal suits of any territory or any endorsement or acceptance of such boundaries.

OUTCOME OF NEGOTIATIONS

The ADF Grant for UA 4.92 million was negotiated on 25th November 2010, with the official delegation from the Government of the Republic of Angola. The negotiations were successfully concluded and the terms and conditions of the ADF Grant have been accepted by the delegation of the Government of the Republic of Angola.