DOCUMENT OF THE WORLD BANK

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

SOCIAL PROTECTION & JOBS
AFRICA

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Country Director: Abdoulaye Seck
Regional Director: Amit Dar
Practice Manager/Manager: Iffath Anwar Sharif
Task Team Leader(s): Philippe Auffret
I. BASIC DATA

Product Information

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Financing Instrument</th>
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<tr>
<td>P105101</td>
<td>Investment Project Financing</td>
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<th>Approval Date</th>
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<td>28-Feb-2020</td>
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Organizations

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<th>Borrower</th>
<th>Responsible Agency</th>
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<tr>
<td>The Republic of Angola</td>
<td>Social Action Fund</td>
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Project Development Objective (PDO)

Original PDO

The LDP Development Objectives are: (a) to improve access of poor households to basic services and economic opportunities, and (b) to enhance local institutional capacities among Angola's municipalities.

Summary Status of Financing

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<td>30-Mar-2018</td>
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Policy Waiver(s)

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

No

I. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES
This Restructuring Paper seeks the approval of RVP to extend the closing date of IBRD Loan 87730 by 2 years until February 28, 2022 in response to Angola Ministry of Finance’s request dated January 7, 2020 asking for a 2-year extension of the project. The Country Director has concurred with the request to extend. No further extensions will be requested. RVP’s approval is sought because the cumulative extensions exceed two years. Since the extension would take the Project beyond ten years, an Interim ICR (attached as a supporting document) has been prepared (see below). With the two-year extension the project will be 11 years and 11 months old at closing.

On January 7, 2020, Angola’s Minister of Finance sent a request to the Bank (attached as a supporting document) to extend the Project by two years until February 28, 2022 to: (i) respond to the emergency situation created by a drought in the South of Angola (a request was made from the President of Angola to the President of the World Bank made at the National Assembly of the UN held in New York on September 25, 2019), and (ii) continue the preparation of a critically important cash transfer program aiming at mitigating the impact of the upcoming energy subsidy reform on poor segments of the population. Importantly, the cash transfer program which is being piloted under the Project will inform the implementation of the Strengthening the National Social Protection System Project (P169779, US$320 million IBRD Loan 9002) Project which became effective on January 30, 2020.

A. Project status:

The Angola Local Development Project is funded by IDA Credit 46890 ($81.7 million) which closed on March 30, 2018 and an Additional Financing (IBRD Loan 87730) in the amount of $70 million which was approved on July 25, 2017 and is scheduled to close on February 28, 2020. The Project Development Objectives are to: (a) improve access of poor households to basic services and economic opportunities, and (b) enhance local institutional capacities among Angola's municipalities. The Additional Financing scaled up activities under the three original components of the Project, and also started to implement and test the building blocks of a safety net system. In particular, it introduced a cash for work program on a pilot basis (as part of Component 1) to provide temporary additional income to poor and vulnerable households with the objective of building a system to mitigate the impact of increases in domestic energy prices on poor and vulnerable households. The Project was further restructured on December 16, 2019 to scale up the number of households to benefit from cash transfers under Component 1 of the Project while eliminating an activity (productive inclusion grants) under Component 2 to free up resources. The cash transfers are expected to mitigate the potential adverse impacts from a subsidy reform on poor segments of the population.

Last Implementation Supervision Report (ISR): The latest implementation support mission carried out in January 2020 confirmed that the project development objectives (PDO) remains relevant and achievable. The last ISR dated February 14, 2020 rated both the overall progress toward achievement of PDO and the overall Implementation Progress (IP) progress as Moderately Satisfactory.

As of December 31, 2019, the status of the PDO indicators is as follows:

- 13,251 daily beneficiaries have attended health centers constructed or refurbished by the Project (above the end-of-project target of 11,550)
- 264,000 additional people have access to improved water sources as a result of the Project (in line with the end-of-project target of 264,000)
- 92,216 children are enrolled in primary schools constructed or refurbished by the Project (above the end-of-project target of 79,400)
- 78% of participating producer groups/business providers in municipalities supported by Component 2 have improved their business management capacity (slightly below the target of 80%)
• all participating municipalities integrate their Municipal Investment Plans into provincial annual plans (above the end-of-project target of 80%).

Disbursement: The original financing ($81.7 million) is fully disbursed while the Additional Financing is disbursed at 43% (US$30 million out of US$70 million).

Progress on the different components is as follows:

Component 1 (Local Social and Economic Infrastructure): Under the Project, the Social Support Fund (Fundo de Apoio Social or FAS) has built or rehabilitated 844 additional classrooms, 80 health facilities and 12 water points while another 119 small infrastructures are currently under implementation. All infrastructures were fully functional 12 months after implementation. The newly added pilot cash transfer sub-component is at early stages of implementation. The authorities have selected five municipalities. The first cash transfers are expected to take place in May 2020 to 5,000 households located in these five municipalities.

Component 2 (Local Economic Development): The Project has financed 811 matching grants. Approximately 80 percent of participating producer groups and business providers in supported municipalities have improved their business management capacities. About 72 percent of producer groups that received matching grants achieved their objectives. All producer groups who have received advisory business support services have reported to be satisfied with the services provided. Also, all producer groups trained in business improvement skills were utilizing these skills one year after receiving a matching grant.

Component 3 (Local Institutional Strengthening): With support from the Project, all participating municipalities were able to complete a municipal economic development plan which have been aggregated into provincial annual plans. These plans are expected to guide future Government investments at the municipal level. With support from the Project, 97 percent of participating municipalities have established municipal councils to assess, plan and implement municipal investment plans. FAS has recruited and trained Community Development Agents (ADECOS) to support the decentralization process and the provision of intermediation services. The Project has also contributed to the development of information systems in 32 municipalities.

Interim Implementation Completion Report (ICR): the project has been under implementation for 10 years and its current closing date is February 28, 2020. An Interim ICR (attached as a supporting document) was prepared to be used a key input to respond to the Government’s request for an extension of the Project closing date. The Interim ICR assessed the relevance of PDOs to be high and fully consistent with the current Country Partnership Strategy (CPS).

The overall efficacy (achievement of the PDO) of the Project is rated as Substantial due to the substantial achievements accomplished with respect to access to basic services (Component 1) and economic opportunities (Component 2) as well as, to a lesser degree, improving the institutional capacity of the municipalities (Component 3). More specifically, achievement of the intermediate indicators related to access to basic services was rated as Substantial and so was the achievement of the outcome indicators related to economic opportunities. Achievement under the intermediate indicators concerning enhancing local institutional capacity was rated as Modest.

The Interim ICR rated the efficiency in the management of resources for the Project a s Modest. The interim ICR notes that the costs involved in achieving the project objectives were reasonable in comparison with their benefits. FAS has proven to be cost effective in providing basic infrastructures, improving service delivery, boosting local economic development and increasing institutional capacity. However, FAS’ efficiency has slowed down since the
implementation of Additional Financing due in part to challenges related to the implementation of cash transfers which has increased operational costs as a ratio of disbursement.

B. Rationale for Restructuring:

The closing date extension would allow FAS to: (i) reallocate resources to finance community-driven development projects towards the areas most affected by the drought to mitigate its impacts on the population (this will be done in close collaboration with other Bank-financed project to maximize synergies and impact on the ground); and (ii) continue the preparation and implementation of the critically important cash transfer project to mitigate the impacts on the population of future adjustments in domestic oil prices.

If the extension is granted, the team will update the milestones and corresponding work plan.

II. DETAILED CHANGES

<table>
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<th>LOAN CLOSING DATE(S)</th>
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