
Executive Summary

November 2021
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Executive Summary

Introduction and Background

This report presents a summary of the findings, conclusions and recommendations of the independent evaluation of the African Development Bank Group’s (the Bank, or the AfDB) country strategy and programs in the Republic of Angola covering the period 2011–2020. It is based on a series of working papers produced for the evaluation, including a portfolio review summary, sector summary notes and a detailed technical report. This evaluation fulfills the AfDB’s Independent Development Evaluation (IDEV) work program approved by the Bank’s Board of Directors.

This evaluation is the first independent review of the Bank’s interventions in Angola over the past decade. It provides useful lessons for the Bank’s consideration in completing the current program cycle and the subsequent development of a new Country Strategy Paper (CSP) due at the end of 2021. The evaluation has both a retrospective and a forward-looking dimension, with the main purpose being to assess the performance and results of the Bank’s program, and to provide useful lessons to inform decisions on future support.

The evaluation is particularly important as the Bank has supported Angola over two distinct periods, namely the pre-2014 era, before the sharp decline in oil prices and before Angola’s graduation from the African Development Fund (ADF) to the African Development Bank (ADB), and the post-2014 period, when a further drop in oil prices severely affected government revenues (from 2017 onwards), which led to a downgrading of Angola’s credit rating status. This period also covers the ongoing COVID-19 pandemic, which has had further adverse impacts on growth and government revenues. The evaluation period is framed across the two most recent CSPs, namely CSP 2011–2015 (extended to 2016) and CSP 2017–2021.

Country Context and Key Factors

Angola has a population of over 32 million (2021), the third-fastest population growth on the African continent (3.3 percent in 2018), and a Gross Domestic Product (GDP) per capita of US$2,021 (International Monetary Fund [IMF] data 2020). The country has experienced decades of economic hardship. Since the 1990s, Angola has been undertaking a process of development in the framework of a market economy. However, despite solid economic growth recorded in the pre-2015 era, Angola continues to face numerous economic development challenges. These include the following:

- **Macroeconomic challenges and limited fiscal space.** Angola is suffering from high inflation, falling foreign exchange reserves and an unstable exchange rate. Although now on a downward trend, the budget deficit, the public debt-to-GDP ratio, and the current account deficit remain worryingly high. The country currently has no headroom for ADB sovereign operations due to the downgrading of its internal country risk rating to the ‘High Risk’ rating cluster. In addition, it has limited headroom for ADB non-sovereign operations.

- **Weak enabling environment for private sector development.** The business enabling environment in Angola is unconducive to private sector development. There is a lack of skilled labor to meet market needs, particularly among the youth, and limited entrepreneurship development.
in rural areas, particularly in the agriculture sector. According to the 2020 Mo Ibrahim index, governance is weak and corruption remains problematic (Corruption Perception Index 2020).

Furthermore, the ongoing COVID-19 pandemic has adversely affected the implementation of Bank operations, while also further eroding the country’s fiscal space.

Methodology, Scope and Limitations

The evaluation adopted a theory-based approach, which involved assessing overall program performance against a reconstructed Theory of Change (ToC). This approach allows a focus on assessing actual against planned results, while identifying where issues occurred along the results chain, as well as the assumptions and risks underlying the theory behind the Bank’s approach and its expectations from the two most recent CSPs. In assessing the Bank’s performance against five criteria: Relevance, Coherence, Effectiveness, Efficiency and Sustainability, a four-point rating scale was used: Highly Satisfactory - 4, Satisfactory - 3, Partly Unsatisfactory - 2, and Unsatisfactory - 1. Details of the judgement criteria for the ratings are presented in Technical Annex 3. The evaluation also assessed the Bank’s mainstreaming of crosscutting issues (gender, green growth/climate change and capacity building) into its interventions, as well as the management of its operations.

The evaluation was designed taking into account the travel restrictions put in place to prevent the spread of the COVID-19 virus. Extensive use was made of phone and video interviews, and local consultants were engaged to conduct field work. This made it possible to obtain sufficient information to address the key areas. Some factors that adversely affected the implementation of the evaluation included: (i) difficulties in accessing (virtually) some former national stakeholders who had been involved in the Bank’s operations, due to the high staff turnover in some sector ministries and the reorganization of some other ministries; (ii) unavailability or limited access to some national data; and (iii) limited project site visits due to the COVID-19 restrictions. However, these issues were mitigated by: reaching out to additional stakeholders through a perception survey (55 of 64 targeted respondents) facilitated by the ministries’ focal points; engaging two locally based experts to carry out project visits in mapped and accessible areas; and redefining the scope of the study to address important issues for which data were not accessible.

The evaluation matrix presents the evaluation criteria and evaluation questions, including defining relevant indicators and sources of information (presented in Technical Annex 2). The evaluation carried out data analysis at three levels: the project level (Project Completion Report [PCR] analysis, project results assessments, Implementation Progress and Results [IPR] reviews); the sector level (or pillar focus, namely the extent of the achievement of the CSPs’ pillar objectives and contributions to sector development); and the program strategy level (overall success of the Bank’s focus, portfolio build and implementation performance) to assemble and assess the contribution of the Bank’s support to Angola. To guarantee an evidence-based assessment, the evaluation adopted a mixed-methods approach to guide the evaluation. The methodology relied on a combination of quantitative data (surveys) and qualitative methods (interviews, literature reviews, focus group consultations and project site visits), thereby allowing for triangulation across different data sources.

The Bank’s Program in Angola

The portfolio of approved operations in Angola during the period 2011–2020 covers two CSPs, namely CSP 2011–2015 and CSP 2017–2021, with 27 projects valued at about UA* 1.9 billion, equivalent to US$ 2.7 billion, as of 31 December 2020. These 27 approved operations include only two private sector operations under finance, accounting for a total of UA 125 million. The 27 operations in the two CSPs focused on supporting the Government of Angola (GoA) to meet its development needs as stipulated in

*Unit of Account (UA) = 1.44 United States Dollars (USD) as on 31st December 2020
its strategic National Development Plan (NDP 2018–2022) for the period. The Bank’s two CSPs reviewed under the evaluation focused on infrastructure development, macroeconomic stabilization through support of capacity enhancements in managing investment programs, and inclusive growth.

The 2011–2015 CSP had two pillars with total approvals of about UA 1.1 billion (excluding about UA 81 million in uncompleted projects from previous CSPs). Pillar 1 sought to foster entrepreneurship and Small and Medium Enterprise (SME) development. It supported the GoA in planning and managing its public investment program, and strengthening its capacity to develop public private partnerships. Pillar 2 focused on finance, infrastructure development and infrastructure maintenance.

The 2017–2021 CSP has an estimated envelope of about UA 2 billion available for lending, with about UA 1.42 billion from ADB financing and the rest from Trust Funds. This was used to fund two pillars: Pillar 1 for inclusive growth through agricultural transformation; and Pillar 2 to support sustainable infrastructure development. The bulk of this CSP’s resources, namely UA 1.5 billion (76 percent), was envisaged for Pillar 2, while Pillar 1 had an estimated envelope of about UA 483 million (24 percent). The total value of the projects approved under this CSP as of 31 December 2020 was UA 682 million, accounting for only about 48 percent of the potential lending resources. Since early 2020, Angola has not had headroom for new sovereign borrowing from the ADB due to the downgrading of its internal country risk rating into the Bank’s High Risk rating cluster.

The evaluation noted a discrepancy between what was planned and what was ultimately implemented. Out of the 46 planned operations in the Indicative Operational Programs of the two CSPs (IOP 2011–2020), only 23 led to approved operations, with no implementation of the foreseen private sector operations.

### Findings

The findings below cover the overall assessments by evaluation criteria.

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<th>Criteria</th>
<th>Rating</th>
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<tr>
<td>Relevance</td>
<td>Satisfactory</td>
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<td>Coherence</td>
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<td>Effectiveness</td>
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<tr>
<td>Efficiency</td>
<td>Unsatisfactory</td>
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<tr>
<td>Sustainability</td>
<td>Partly Unsatisfactory</td>
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#### Relevance

The relevance of the Bank’s strategies and programs over the period under review is assessed as satisfactory. The Bank’s strategies were seen as being broadly relevant to Angola’s development challenges. Under the CSP pillars’ twin focus of infrastructure development and supporting inclusive growth, there was satisfactory alignment of the Bank’s interventions with: (i) Angola’s long-term strategy ELP 2025; (ii) Angola’s NDP 2018–2022, which defines operational priorities and specific action plans with national, sectoral and provincial coverage (at the time of design and at the time of the evaluation); and (iii) the beneficiaries’ needs. The Bank’s interventions and strategies were also harmonized with those of other Development Partners (DPs), addressing important areas within its capacity.

The Bank was selective in prioritizing its support and applying a mix of financing instruments. It also focused on its comparative advantage in infrastructure development covering the water, power and agriculture sectors, given Angola’s priorities to address non-oil sectors within its two NDPs (2010–2011 and 2018–2022), toward its Vision 2025 targets. The Bank’s program design and portfolio, however, were unable to extend adequate attention to parts of the program through dialogue and technical assistance instruments that would have been conducive in helping to address issues such as (debt management and business-friendly environment to encourage private investment) affecting the evolving economic challenges facing the country. These challenges were partly caused
by the impacts of the COVID-19 pandemic and the country’s fiscal constraints. The Bank’s program also recorded design issues, cancellations and a lack of private sector operations. Another emerging issue was the limited visibility of the Bank within beneficiary groups.

Coherence

The overall coherence of the Bank’s interventions in Angola is considered satisfactory. With regard to infrastructure support interventions in water and sanitation, and energy programs, its strategies were well coordinated and harmonized with other DPs, mainly the World Bank (WB), the Government of China (water sector) and the Japan International Cooperation Agency (JICA) (energy operations). In the absence of a standardized and functional aid coordination framework, the Bank actively participated in DP coordination meetings, and also led specific working groups (energy). The energy sector showed satisfactory external and internal coherence by maximizing synergies in project implementation. For example, the Bank introduced JICA and the WB as new program partners for specific activities in the Power Sector Reform Support Program (PSRSP) at a time when there were few players in Angola and no formal mechanism to coordinate DPs’ interventions. These activities were successfully implemented. Similarly, with internal coherence, the Energy Sector Efficiency and Expansion Program-I (ESEEP-I) project activities partly addressed constraints that were affecting the financial and technical sustainability of the PSRSP project regarding revenue collection and energy losses. However, the Bank’s proposed Thermal Power Station of Cazenga, under its focus of supporting green growth, was noted as being inconsistent with the Bank’s Climate Change Action Plan 2016–2020, even though it did not receive any funding request from the Government.

The evaluation also noted satisfactory interlinkages between the Bank’s investment operations and its non-lending activities, where the interventions benefited from support through the Bank’s capacity-building and the institutional-strengthening focus of non-lending activities in energy, governance and water operations.

Effectiveness

Effectiveness was assessed at output and outcome levels, based on results achieved in both the overall program and the projects, including non-lending activities. While the levels of achievement varied by sector, the overall effectiveness is assessed as satisfactory. While there were gaps between the Bank’s strategic ambitions as defined in its CSPs and what it was able to deliver in the portfolio, overall the interventions: (i) mostly achieved their intended results at the output level, particularly in terms of infrastructure development and supporting business environment improvement; and (ii) met most of the expected outcomes for completed operations in the energy, water supply and agriculture sectors. The Bank is contributing to support Angola’s focus on non-oil sectors, while also contributing to paving the way for increased engagement of other DPs in the energy, water and finance sectors, all being key priority areas for the Government, as noted from interviews and project reviews. Energy operations achieved outputs and outcomes to support sector reforms to boost generation, distribution and profitability through the PSRSP, the ongoing ESEEP-I, and the Angola Renewable Energy Program (AREP) operations. However, these results were limited by the Bank’s inability to adequately develop a program to support private sector development priorities and to catalyze the types of country-level outcomes that were desired. The overall program had only two approved private sector operations. These were a line of credit to Banco Poupanc and a credit line and trade finance facility to Banco Bai, designed to support SMEs’ access to finance and boost their capacities, respectively. However, these two operations were eventually canceled due to the weak capacity of the two commercial banks and the relevant institutions in meeting the requirements for lending. The reasons noted for the overall lending program divergence include: (i) changes in government priorities; (ii)
a limited absorption capacity; and (iii) headroom constraints. This suggests that the plans were overly ambitious, and the evidence suggests that the GoA was not fully committed to what had been agreed upon in the CSP with respect to the required conditions for the successful implementation of the proposed Bank program.

Concerning the limited private sector portfolio, both internal and external interviews highlighted the Bank’s inadequate dedicated support and the lack of agile processes compared with other DPs among the factors hampering the Bank’s ability to boost policy dialogue and to maintain a critical build of private sector business.

**Efficiency**

The evaluation assessed efficiency as unsatisfactory overall, notably in terms of portfolio implementation quality, project returns to investment in some agriculture and energy operations, implementation progress, disbursement rates, and the level of monitoring and supervision over the period. The evaluation found some positive evidence in individual projects but there was insufficient information to assess the cost-effectiveness of the program. Timeliness was problematic in most of the completed projects that were examined. The evaluation noted a high rate of delays in project start-ups, as well as in the overall implementation of the main sectors (agriculture, water and energy) due to: (i) procurement bottlenecks; (ii) difficulties in alignment with the Bank’s procedures; (iii) weak capacity of the implementing institutions; and (iv) language limitations, among others. On average, the closed projects exceeded their planned completion dates by four years from their time of approval and two and a half years from the time of effective first disbursement. Due to a lack of adequate monitoring data and limited Monitoring and Evaluation (M&E) capacity of the operations, the evaluation could only assess the Economic Internal Rate of Return (EIRR) for two of the seven completed projects (one each in the agriculture and water sectors), which were satisfactory despite considerable delays and implementation inefficiencies.

**Sustainability**

The sustainability of the Bank’s interventions in Angola during the evaluation period is found to be partly unsatisfactory. Mechanisms for mobilizing local revenue to ensure the upkeep and maintenance of project works/services post-completion were unclear due to the country’s fragile fiscal situation. The sustainability of some key projects (in the water, agriculture, and finance sectors) may have been adversely affected by the challenging fiscal situation, especially in the water sector given the lack of institutional support provided to the water companies. The agriculture sector was also adversely affected by the weak fiscal state of the GoA reflected in the absence of government commitment in the form of budget support to maintain the fish landing sites and build capacity for the implementing institutions.

**Crosscutting Issues**

The mainstreaming of crosscutting issues remained challenging. The evaluation found that the Bank’s program set ambitious and relevant objectives regarding crosscutting issues at the strategy level, but that it was unable to deliver on all of them. For example, the CSPs attached increasing relevance to gender from the first to the second CSP. The Bank highlights the importance of gender equality and mainstreaming gender in all its operations in the current CSP (2017–2021), which was not the case in the design of the previous CSP (2011–2015). The current CSP specifically highlights gender disaggregated output and outcome indicators as part of its results framework, requiring all new operations under the strategy to report their impacts on gender by defining gender indicators for the sectors. However, the increased importance attached to gender did not always result in systematic planning or implementation of specific measures in the programs funded. Nonetheless, there were some gender training components, especially in the water program.
In terms of green growth/climate change, the CSP considers the need for a sustainable diversified economy through non-oil investment and recognizes the dangers resulting from the unsustainable use of natural resources. The Bank identified various sustainable interventions aligned with its green growth agenda. However, at CSP completion there were no requests from the Government to finance these interventions. Overall, climate change was not mentioned or targeted in the CSP design, and the green growth strategy was not clearly defined. The ongoing energy project, ESSEEP-I, was noted as the only one with an explicit focus on clean energy.

In terms of capacity building, the CSP highlights significant challenges regarding the institutional capacity of government institutions. Several capacity-building programs were planned and implemented under the non-lending programs (2.37 percent of the total portfolio value). Technical assistance support operations accounted for 43 percent of the total non-lending programs, focusing on areas under economic infrastructure development, the social sector and multi-sector.

Managing the Bank’s Operations

Knowledge and policy advice

The analytical work conducted by the Bank contributed more toward meeting narrowly defined sectoral needs than toward strategic or policy dialogue. This was noted mainly in energy, agriculture, water, and social sector operations. The master study undertaken in the transport sector constitutes an exception, given that the GoA now has a well-defined plan—the National Transport Sector Master Plan—that facilitates the forward planning of investments in the transport sector.

The Bank’s performance

Overall, the Bank performed satisfactorily considering the portfolio growth (from UA 50 million in 2013 to UA 682 million in 2020), and increased engagement to improve portfolio performance, as shown in performance indicators over the period. These posted a positive trend in key performance areas, from an unsatisfactory rating in 2012 to a satisfactory rating in 2020, with a disbursement rate of 6 percent in 2017 to 29 percent in 2020. Despite a volatile and challenging context, performance was generally good. The Bank delivered a highly focused and selective program, although the two CSPs did promise to do more and in more areas than the Bank was able to deliver. The Bank continues to be further challenged by implementation issues, headroom constraints, the high-risk country rating, and the adverse impact of the ongoing COVID-19 pandemic on program implementation, as noted by the evaluation.

Conclusions and Lessons

The Bank’s program is considered relevant, it is clearly aligned with the GoA’s policies and priorities, and builds on long-term sector commitments and the Bank’s country engagement. However, the indicative lending program did not develop as planned, showing on average an effective implementation rate of 53 percent over the evaluation period, due to headroom constraints and other country limitations. The reasons for this divergence include: (i) changes in government priorities; (ii) a limited absorption capacity, including weaknesses in the readiness of local projects; and (iii) headroom constraints. This indicates an overly ambitious plan that the Government was not fully committed to in terms of the agreed conditions in the CSP requirements for the successful implementation of the proposed Bank program.

Effectiveness was found to be satisfactory, given that projects recorded important achievements in infrastructure development and Angola’s priority to boost diversification through the development of non-oil sectors. Nevertheless, the program was unable to adequately develop operations to
support the other strategic pillar objective, namely supporting SMEs through access to credit to boost private sector development. The evaluation noted the Bank’s activities through its non-lending operations to support government efforts to improve the business enabling environment and the capacity of the private sector. It is also important to broaden the focus of support to initiatives aimed at increasing the opportunities for access to credit for doing business through existing mechanisms, in addition to new mechanisms.

Insufficient attention was paid to crosscutting issues in the areas of gender and green growth in the design and implementation of projects, due to limited explicit commitment in the CSPs. The application of gender mainstreaming requires moving beyond simply planning at design or achieving gender parity concerning total project participants.

The program efficiency overall was rated as unsatisfactory due to the excessive delays (average across the program is up to four years from the time of approval and two and half years from the time of effective first disbursement). These delays were noted across the portfolio and in all the completed programs reviewed. This indicates limited benefits from the results expected in a defined timeframe. Evidence from interviews and project documents points to the limited Portuguese language capacities of Bank staff as one of the fundamental causes of the procurement bottlenecks and poor program management.

Disbursement performance was modest and several implementation challenges associated with the programs were noted as affecting overall portfolio performance despite the modest improvement over the years (from a rating of 2 to 2.9). Poor M&E capacity and a limited focus on M&E are noted as recurrent issues, and resulted in poor data and results reporting in programs.

The emergence of the COVID-19 pandemic compromised the implementation of the planned project activities in ongoing operations. This situation is likely to push project deadlines further out, and requires careful monitoring and adjustment to mitigate the impacts on current and future programs.

Sustainability was partly unsatisfactory, reflecting several challenges related to institutional capacity, and financial and economic sustainability limitations noted in the key sectors (energy, water and agriculture). Despite the involvement of governmental actors in operations at each stage, indicating ownership and commitment, mechanisms for mobilizing local revenue to ensure the upkeep and maintenance of project works/services post-completion were unclear due to the country’s fragile fiscal situation. The sustainability of some key projects may be directly affected by this ongoing fiscal situation, especially in the water sector, given the limited institutional support for the water companies. This is a growing concern, given the impact of the COVID-19 pandemic and the additional strain it has placed on the limited fiscal space. Capacity is a chronic challenge and, although training and capacity building were strong components of most interventions, results would have been optimized if they had been accompanied by suitable institutional reforms.

Important lessons from the evaluation highlight the following:

- Failure to systematically identify, adopt and monitor measures to mitigate sudden shocks in the country context (falling global oil prices, a credit rating downgrade, a snowballing debt overhang, and a pandemic resulting in fiscal constraints) can have a major adverse effect on public finance and, in turn, on the country’s ability to effectively use further external assistance.

- Efforts to improve the business enabling environment for private sector development and foster good governance may not have the desired supply response unless the adverse changes in the country context are adequately addressed by the Government.
Enhancing support and investments in capacity-building activities can achieve sustained benefits when they are accompanied by the relevant institutional arrangements and legal framework support.

Angola’s current limited headroom for ADB sovereign operations constrains the ongoing CSP and future CSP cycles. The country’s situation remains challenging and the near-term future is marred by serious uncertainties (caused by the pandemic, sensitivity to oil prices and recovery from reforms, and the extent to which the current debt overhang affects investor sentiment). Despite the IMF and DPs reporting a stable economic trajectory, return to debt sustainability hinges on the absence of any further economic shocks, as the country works toward improving its credit rating.

Recommendations

Based on the findings and conclusions above, the evaluation makes the following recommendations:

Recommendation 1: Enhance the dialogue with the GoA and Project Management Units to address the operational and implementation issues.

Clear steps should be taken to ensure that:

- The design of investment operations includes feasibility studies that consider the institutional capacity (including in procurement and financial management) needed for effective implementation;
- The Bank addresses the Portuguese language needs in a systematic way to ensure an effective dialogue with the GoA on project implementation and policy issues; and
- An adequate results-based M&E system is put in place to meet the data/information needs for program monitoring and strategic decision-making.

Recommendation 2: Explore options for strengthening the Bank’s support for private sector development.

Such support could include:

- Improved access to infrastructure services.
- Support for market-friendly reforms and enhanced access to finance.
- Non-sovereign operations going beyond lines of credit.
- Improved engagement to address upstream activity needs.

Recommendation 3: Strengthen the Bank’s non-lending operations in the country.

The following actions could be considered:

- Focus on knowledge products and capacity-building support pending the availability of new ADB sovereign financing. The Bank should carefully examine the country’s strategic knowledge gaps, and work in partnership with the Government and key DPs on generating knowledge to help address challenges inherent in economic diversification and poverty reduction efforts.
- Effectively use non-lending instruments, such as Technical Assistance through special funding, grants for strategic/priority areas, and Trust Funds to build a non-sovereign operations pipeline for the Bank.
Recommendation 4: Take measures to mitigate the impacts of the pandemic on program implementation and country engagement.

The following measures could be considered:

- Work with the Government to address the delays in implementation of the ongoing Bank projects due to the COVID-19 pandemic.
- Realign and reallocate resources from stalled operations to support the country’s COVID-19 relief efforts and economic reforms.
- Identify innovative options to assist the GoA in the management of, and safe exit from, the pandemic.
About this evaluation

This report summarizes the findings of an independent evaluation of the African Development Bank Group’s (AfDB) Country Strategy and Program in Angola for the period 2011-2020. It covers two Country Strategy Papers comprising a total of 27 operations - two private and 25 public, amounting to USD 2.7 billion. The evaluation has two main purposes of: i) assessing the performance and results of the Bank’s program, and ii) providing useful lessons to inform decisions on future support.

The evaluation concluded that the AfDB’s programs are clearly aligned with the Government’s policies and priorities, and are relevant in supporting the country. Program effectiveness was rated satisfactory, while overall efficiency was rated unsatisfactory and sustainability partly unsatisfactory. Despite important achievements in specific focus areas at the country level, the Bank’s interventions did not meet their desired outcomes. This was due to the development of only some parts of the Bank’s program focus, constraints from headroom limitations, and other country limitations. Other limiting factors included Angola’s institutional capacity challenges and the growing fiscal challenges of the country aggravated by the impact of the COVID-19 pandemic.

However, the Bank maintained its engagement with the Government through its knowledge work, capacity-building activities, and dialogue in the context of declining headroom, which helped to maintain sound collaboration with the Government and good coordination with Development Partners.

Finally, the evaluation made recommendations for consideration in future programming for the country. They include: enhancing dialogue between the AfDB and the Government to address operational and implementation challenges, strengthening non-lending operations and support for private sector development in the country, as well as taking measures to mitigate the impacts of the pandemic.