



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 02-Dec-2021 | Report No: PIDC32898

**BASIC INFORMATION****A. Basic Project Data**

Country Angola	Project ID P178040	Parent Project ID (if any)	Project Name Angola Strengthening Governance for Enhanced Service Delivery (P178040)
Region AFRICA EAST	Estimated Appraisal Date Mar 14, 2022	Estimated Board Date May 19, 2022	Practice Area (Lead) Governance
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Ministry Of Finance, Ministry of Territorial Administration, Ministry of Justice	

Proposed Development Objective(s)

To increase the amount and reliability of fiscal transfers, strengthen institutional capacity for urban and public financial management, and improve access to civil registration.

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	250.00
Total Financing	250.00
of which IBRD/IDA	250.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	250.00
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Environmental and Social Risk Classification
Moderate

Concept Review Decision
Track II-The review did authorize the preparation to continue



Other Decision (as needed)

B. Introduction and Context

Country Context

- 1. Angola is a large, resource-rich country undergoing economic and political transition.** Home to an estimated 32.9 million people, Angola is the third largest economy in Africa with a gross domestic product (GDP) per capita of US\$1,787. However, it is also characterized by high income inequality and a poverty rate of 50 percent. While its oil sector represents around 30 percent of GDP, 60 percent of fiscal revenues, and more than 90 percent of exports, Angola's government is committed to reducing its dependency on oil and diversifying the economy, including by boosting the agriculture sector. Politically, the country has been stable since the end of the 27-year-civil-war, in 2002. Although the ruling People's Movement for the Liberation of Angola (MPLA) has been in power since the country's independence from Portugal (in 1976), the 2017 elections ushered in a new MPLA president, greater political pluralism, and a commitment to decentralizing.
- 2. The COVID-19 pandemic and oil price shocks have taken a significant toll on Angola's public finances, but the government remains committed to fiscal consolidation to support economic growth and development.** Following overall fiscal surpluses in 2018 and 2019 (2.1 and 0.8 percent, respectively), Angola has been running a deficit since 2020. Fiscal revenues have suffered a sharp reduction since the beginning of the oil price decline in late 2014, falling from 30.7 percent of GDP in 2014 to 20 percent in 2019. In response, fiscal expenditures declined from 36.5 to 19.2 percent of GDP in the same period. Total public debt increased from 93 percent of GDP in 2018 to 137 percent in 2020. Oil prices started recovering in late 2020 and continue to rebound, providing a revenue windfall, the bulk of which is being saved. Fiscal consolidation efforts focus on measures to restrain expenditure growth and increase non-oil revenues. However, the Government has reinforced social and health-related expenditures to mitigate the impact of the pandemic. It has also adopted economic measures to support the recovery, including by rolling out Kwenda, a targeted cash transfer program. The Government also continues to prepare structural reforms such as the removal of fuel subsidies (which were estimated to amount to 1.6 percent of GDP in 2020), the implementation of a broad privatization program for certain state-owned enterprises (including, notably, Sonangol, the national oil company, and TAAG, the national airline), efforts to boost agricultural performance and the pursuit of anti-corruption initiatives.
- 3. Angola's highly centralized administrative structure together with weaknesses in its overall public financial management arrangements pose challenges to the achievement of the Government's sectoral development priorities and its intention to improve service delivery at the subnational level.** The highly centralized structure of Angola's administration has resulted in limited local level capacity, ineffective coordination mechanisms between levels of government, and, as a result, vast regional inequalities and a deep urban/rural divide. The weaknesses in PFM and in the ability to deliver public services effectively are reflected in the country's poor rankings in a number of internationally recognized indices that track governance performance. As an example, the country was ranked to 142 out of 180 countries in Transparency International's 2020 Corruption Perceptions Index; its score of 27 out of 100 was below the regional average of 32. The use of eGovernment facilities is increasingly perceived as essential for the effective delivery of public services, yet Angola has an index rating of 0.38 on the United Nation's E-Government Development Index, compared to an average of 0.39 for African countries. The impact of these shortcomings is evidenced by the country's Human Capital Index (HCI) of 0.36 in



2020 (0.37 for boys, 0.36 for girls), indicating weak education and health outcomes that are magnified in rural areas and less well-off provinces and municipalities.

- 4. Angola is taking concrete steps to advance decentralization as a way of bringing services closer to the people and delivering them in a more transparent and accountable way.** Decentralization is a core element of the 2018–2022 National Development Plan (PDN) as well as the 2015–2025 Strategic National Plan for the Administration of Territory (PLANEAT). Strengthening local government is seen by the current administration as critical to improving the efficiency of public services, strengthening state-building, and enhancing the effectiveness and legitimacy of the state. While the first round of direct local elections—scheduled for 2020—was temporarily postponed, (i) high-level political institutions and coordination mechanisms have been established to guide and monitor implementation of decentralization reforms—for instance, an Inter-ministerial Commission for the Reform of the State, the Local Governance Council, and the Fiscal Decentralization Working Group; (ii) the enactment of laws that define responsibilities for locally elected municipalities,¹ including the delivery of services, is proceeding apace; and (iii) the GoA continues to increase the level of services delivered through deconcentrated structures at the subnational level.

Sectoral and Institutional Context

- 5. Functional assignments for local administrations are set to increase the service delivery responsibilities of municipalities and future autarquias,² but a substantial overlapping of responsibilities exists.** The areas for which provinces³ are responsible include primary education, healthcare, environment protection, and provincial planning. Municipalities are responsible for agriculture and rural development, municipal and urban planning, sanitation, and primary healthcare. Law 22/20 (The Transfer of Attributes and Assignments of the State to Local Autarquias) transferred substantial responsibilities to autarquias for pre-primary and primary education, social welfare, primary health care, water, sanitation and local economic development to autarquias following their gradual establishment. However, exclusivity does not entirely apply to the specific competences attributed to autarquias, the wording used in the legislation is such that there are overlaps of several responsibilities of provinces and autarquias, and some of the current assignments to autarquias are questionable (for instance, while municipalities might be advantageously positioned to identify socially vulnerable individuals, those with the largest number of eligible individuals are also like to be the ones with the smallest resource base and least capacity to be able to provide for them).
- 6. Municipalities generate very little revenue from local taxes, fees, and charges, although recent efforts have been made to ensure that these revenues are actually received by the municipalities.** Municipalities have neither own revenue assigned to them nor authority over the bases or rates of fees and charges, as they are currently determined by central authorities; the new Financial Regime for Local Autarquias assigns future autarquias the ability to set these bases and rates. There is has been little transparency over the collection and management of

¹ GoA had planned to hold local elections for several municipalities in 2020 as part of its “gradual” decentralization process to introduce local self-governments, or “autarquias.” Once elections are held, democratically elected mayors and municipal assemblies will replace centrally appointed municipal administrators (Santos 2014; Orre 2013).

² Autarquias, or democratically elected local governments, were enshrined in Article 51 of the 1975 Constitution, adopted at independence. The Constitution (i) defined local government organization, including through the introduction of municipalities (Art. 55), and (ii) introduced a dual system of local government with the recognition of autarquias (Art. 146) established alongside decentralized local administrations appointed by the central government (Art. 147). The concept of autarquias dates back to colonial times, with the Portuguese granting the ability to centrally appointed provincial governments of establishing self-rule when they deemed it appropriate, although this never came to fruition (Felicio and Yilmaz, 2009).

³ Angola is composed of 18 provinces at the intermediate level and 164 municipalities at the local level. Provinces and municipalities are deconcentrated administrative units of the central government. Provincial administrations are headed by a Governor appointed by the President while municipal entities are led by a Municipality Administrator appointed by the Governor of the province in which the municipality is located.



these municipal fees, and nearly half of the 164 municipalities either do not collect or receive (back) those that they collect. To address this, Citizens' Portals have been installed in all municipalities to standardize the collection of local revenues (as well as make more transparent rates), thereby helping ensure that municipalities have direct access to these revenues (as opposed to the earlier system of having revenue from local taxes, fees, and charges being collected centrally and then returned back).

7. **Municipalities rely almost fully on transfers from the central government, but these transfers follow opaque and regressive procedures, and their timing is often unpredictable.** Ordinary transfers account for on average 65 percent of municipal revenue sources in 2015-2017 (the latest data currently available); followed by shared (centrally collected) taxes (34.5 percent); and the local fees, charges, and licenses mentioned above (0.5 percent). However, ordinary transfers are often incomplete and arrive late, which may disrupt service delivery. The share of these transfers may vary substantially across municipalities, amounting to as high as 100 percent in one third of the smallest municipalities. Likewise, there is also great disparity in shared taxes among municipalities, ranging from 90-95 percent in the municipalities in Luanda and two mining municipalities (Cabinda and Mbanza Congo) on the one hand, to none in 79 municipalities. In terms of equity, the poorest one fifth of municipalities receive about 22 percent of public resources whereas the richest one fifth of municipalities receive almost a similar share (20 percent). To address the issues of limited financial resources and availability, the government has created two equalization funds to finance local administrations, but these do not yet operate. The National Equilibrium Fund of Local Autarquias (FEAL⁴)—which was originally launched as the National Equilibrium Fund—and the Municipal Equilibrium Fund (FEM⁵) were created through the 2019 budget law. However, there are weaknesses in the design of these fiscal transfer funds and these provisions have not yet been translated into actual budget allocations. The FEM envisages the sharing of locally collected taxes which are currently at very low levels. However, its formula lacks clarity and transparency, and it could create disincentives for municipalities with respect to raising taxes.
8. **Despite substantial strengthening of the municipal planning tools and processes over the past decade, the local level budgeting process remains fragmented by dual budget systems weaknesses in public financial management (PFM) practices.** Municipalities prepare a draft budget based on indications of budget ceilings made by the provincial administration, which then consolidates a provincial budget and submits it to the Ministry of Finance (MINFIN). As budget negotiations take place only between provinces and the central government, any adjustments to the budget proposals may not fully reflect municipal priorities. Moreover, the practice of dual budgeting underestimates recurrent costs and leads to inadequate provisions for recurrent expenditures in subsequent budgets, impacting the sustainability of investments in the long term. Budget execution at the municipal level is undertaken with the facilitation of the integrated financial management information system (SIGFE),⁶ but about 40 percent of municipalities do not have consistent access to the internet, forcing public servants to travel to their provincial capitals in order to carry out transactions. Although SIGFE is linked with the Treasury Single Account (TSA) at the Central Bank, municipalities do not possess designated sub-accounts in the TSA and operate out of the provincial TSA subsidiary account managed by the provincial administration; the GoA

⁴ The fiscal resources for the FEAL come from 20 percent of revenue generated by the following taxes: Income Tax, Capital Investment Tax, and Industrial Tax (with the exception of diamonds and oil). 50 percent of the Fund will go towards vertical equilibrium among the municipalities (i.e., distributed evenly amongst all 164), 30 percent for horizontal equilibrium (to correct for the imbalances between municipalities, based on the combined weight of population, level of infrastructure development, and poverty index). The remaining 20 percent will go to conditional transfers to social sectors.

⁵ FEM will be financed by 30 percent of revenue from municipal taxes (the other 70 percent remain with the specific municipalities that collected them). The objective of the FEM is horizontal equalization within provinces. FEM resources will be distributed according to a formula comprising (a) 35 percent to those municipalities that collected less than one third of the revenue collection by the best performer municipality, (b) 40 percent allocated to projects with a transversal impact in the province, and (c) 25 percent kept as reserve to cover emergency situations and as contingency.

⁶ SIGFE is comprised of several subsystems, namely budget preparation; accounting; fixed assets; internal control; treasury; salaries; and reporting.



is planning to adapt the SIGFE and the capital investment planning and management system (SIPIP) for the use of future autarquias. There are also weak procedures for preparing financial reports on budget execution, particularly with respect to recurrent expenditure, thus constraining the monitoring responsibilities of the Central Government. The preparation of reports on capital expenditure is more effective given that these are necessary for relevant budget releases.

9. **Important progress has been made in public procurement following the approval of a new public procurement law⁷ that applies to municipalities, but municipal procurement capacity remains weak.** The new law provides for improved control for all public procurement contracts, enhanced transparency requirements, and an improved process to appeal award decisions; it also supports the use of competitive methods while making it mandatory to use the Electronic Public Procurement System (SNCP), which is currently being piloted.⁸ However, some municipal administrations do not have the capacity to undertake their own procurement⁹ and thus rely on provincial administrations. The Public Procurement Authority (SNCP) has undertaken capacity building initiatives targeting provinces and municipalities.
10. **In 2019, the Government launched a participatory budgeting initiative as a way of embracing a culture of openness, transparency, citizen engagement and accountability.** The introduction of Councils for Social Consultation and Dialogue (CACs) in 2009 had constituted an earlier first step to increasing citizen engagement; however, their effectiveness remained limited. In 2019, in a renewed effort to support citizen involvement in the municipal budget preparation process, the Government issued a decree institutionalizing the participatory budgeting process. However, that Angola's Civil Society Organizations' Group for Participatory Budgeting (GOSCOPE) notes that few to none of Angolan municipalities understand the process civil society and community organizations do not yet have the requisite capacity to ensure that participatory budgeting projects are successfully planned and executed of planning and executing the annual participatory budgets of roughly US\$44,000 to be allocated to each municipality (as per Presidential Decree 234/19) and organizations supporting this process are in need of capacity building.
11. **Increasing the ability of subnational entities to raise local revenues, stimulate local economic growth, and plan for the delivery of services depends on the effectiveness of their land management and planning and land tenure systems.** As part of broader decentralization efforts, municipalities became responsible for urban planning and land management within their administrative boundaries, managing the municipal cadasters and granting land use rights up to certain limits established by law. However, implementation capacity at the municipal level has remained weak. Few municipalities have been able to effectively carry out these critical functions and deliver land-related public services to citizens. Most municipalities do not have the required territorial planning instruments (i.e., Municipal Master Plans - PDM, and Urbanization Plans - PU) nor municipal cadasters or geospatial land management information systems that would allow them to grant and register land rights in compliance with land use plans and leverage land-related taxes and fees. There are also weaknesses in urban planning and land management, including limitations to local participation or ownership and thus to inclusive service delivery. Lastly, opportunities also exist to improve land titling and resolve land disputes, but the lack of functional land management information systems at municipal level make it difficult to take advantage of these.

⁷ Law n° 6/16 of 16 June 2016

⁸ Results from the pilot of the e-procurement system (SNCP) are encouraging and its expansion to additional entities and municipalities could lead to greater expenditure efficiency and considerable public savings. SNCP's expansion plan aims to reach 237 public procurement entities by 2022, including elected municipalities.

⁹ Municipalities are responsible for their own public contracting of up to Kz18 million (approximately US\$30,000) for goods and services and Kz89 million (approximately US\$149,000) for capital expenditures.



12. **A key constraint to service delivery is the low level of formal identification (particularly among vulnerable Angolans), as possession of a birth certificate is necessary to access services.** Angola's birth certificate is an essential prerequisite to receiving numerous public services. Such services include immunizations, studying past the sixth grade, specialized health services, municipal administrative services, paying municipal fees, registering properties and vehicles, applying for a formal job, opening a bank account, and requesting a bank loan. However, obtaining a birth certificate is a cumbersome and indirectly costly ordeal, making it a key constraint to service delivery access. Bureaucratic processes, paper-based systems, and limited resources generate wait times at birth certificate centers that extend over days, creating an unsurmountable obstacle to those unable to miss school or work. According to the 2014 Census, only about 53.5 percent of the population have their births registered, with this percentage varying widely across provinces, and only 29.6 percent of the rural population are registered. Under-registration is due to both proximate constraints (e.g., cost, physical access to registration sites, complexity of registration procedures, limited knowledge of the benefits of registration and of the procedures involved) and underlying factors (e.g., economic status, education, location, ethnicity, religion). These factors tend to present greater barriers to birth registration for women than men. At the national level, a greater proportion of men are registered than women (56.3 percent of men versus 50.8 percent of women), with a gender gap of 5 percentage points.
13. **Since 2002, Angola has made important strides in modernizing and rationalizing its civil registration and vital statistics (CRVS) system, but further support is needed to facilitate civil registration at the central and local level.** Various efforts have been made to simplify procedures and digitize certain services, including (i) the automation of the Civil Registration services in Luanda and provincial capitals, and (ii) introduction of a fully automated BI system, with biometric technology and interfacing with electorate data, social security numbers, and tax identification numbers (NIFs). However, serious challenges remain. The Civil Registry Code is outdated, and many common practices are not in compliance with the extant laws. The birth registration process remains mostly paper-based and there is still no centralized civil registry database. Finally, access to identification services is unevenly distributed throughout the country as 46 out of 164 municipalities currently do not have BI posts.
14. **GoA's recent efforts to jumpstart decentralization reforms, coupled with the demonstrated need for World Bank support to address key constraints to the realization of this agenda, present a critical opportunity to develop the operating environment necessary to incentivize improved service delivery.** This includes improving intergovernmental fiscal relations, strengthening local capacity, and rationalizing identification systems. As laid out above, the basic financial systems are in place, human resource management is in active transition, service delivery responsibilities are being transferred, and the flow of resources to municipalities is increasing. The potential lies in helping resolve existing incongruities and in providing incentives to undertake needed reforms and facilitate functional cooperation among the multiple stakeholders for improved service delivery.
15. **GoA's recent efforts to jumpstart decentralization reforms present a critical opportunity to develop the operating environment necessary to incentivize improved service delivery.** This includes improving intergovernmental fiscal relations, strengthening local capacity, and rationalizing identification systems. As laid out above, the basic financial systems are in place, human resource management is in active transition, service delivery responsibilities are being transferred, and the flow of resources to municipalities is increasing. The potential lies in helping resolve existing incongruities and in providing incentives to undertake needed reforms and facilitate functional cooperation among the multiple stakeholders for improved service delivery. The World Bank proposes to do so by targeting a select number of municipalities to pilot improved governance and PFM and surface lessons that can then be scaled up to the rest of Angola's 164 municipalities.



Relationship to CPF

16. **The proposed project is consistent with the priorities outlined in the World Bank Group’s 2018 Systematic Country Diagnostic (SCD) for the Republic of Angola (Report Number 135196-AO) and supports the forthcoming Country Partnership Framework (CPF) for 2022-2025, specifically the objective to: “strengthen capacity, transparency, and accountability in decentralized service delivery.”** The project addresses the third and fourth identified binding constraints to poverty reduction and shared prosperity: (iii) exclusion of the poor from growth benefits, and lack of human capital, and (iv) weak governance. The project’s support to boosting formal birth registration will help address the third constraint by increasing access to public services. Its support to improved PFM will ensure that limited resources in the health and education sectors are managed in a more efficient and effective manner. As a cross-cutting constraint, weak governance includes fragile institutions, corruption, and crony capitalism, as well as inadequate decentralization. To improve service delivery and thus address issues of poor social and economic outcomes, more autonomy and flexibility must be attributed to local government units which in turn would need to build their administrative and financial capacity to deliver upon decentralized competencies. The proposed project represents a key intervention under the CPF to improve government transparency and accountability by institutionalizing and operationalizing participatory mechanisms in local government decision-making, improving transparency of the fiscal transfer system, supporting the expansion of Angola’s e-procurement system, and improving civil registration for more efficient and transparent access to services.
17. **The proposed project aligns with GoA’s National Development Strategy (PDN, 2018-2022) and the Strategic National Plan for the Administration of Territory (PLANEAT 2015–2025).** Angola’s PDN reaffirms the commitment of the government to decentralization and sets concrete milestones for the election of municipal governments, such as transfers of service delivery responsibilities, resources allocated at local government level, and capacity building. While it is not yet completely rolled out, services at the local level will continue to be delivered through the existing deconcentrated local administrations for the foreseeable future. The project also responds to the PLANEAT, which MAT developed to help GoA bridge the transition from deconcentration to decentralization over the short-to-medium term. The PLANEAT defines the pathway of the decentralization process in Angola, focusing on (a) territorial reorganization with the creation of additional provinces and municipalities and regional ‘poles’; (b) political decentralization (setting up elected governments by developing the required legislation and defining the organogram, with defined competencies and skills); (c) citizen participation; and (d) administrative decentralization (simplification of the process and capacity building).

C. Proposed Development Objective(s)

18. To increase the amount and reliability of fiscal transfers, strengthen institutional capacity for urban and public financial management, and improve access to civil registration.
19. The following indicative indicators will track progress towards achievement of the PDO:
 - Outcome 1 – Improved fiscal allocation
 - Modalities for the repartition of State transfers to autarquias—including the establishment of a Municipal Grant Fund—reformed and applied in the timely allocation of resources to autarquias.
 - Outcome 2 – Strengthened urban and public financial management



- Percentage of municipalities that have met minimum conditions to access the Municipal Grant
- Outcome 3 – Increased formal identification
 - Number of Angolans with birth registration (including percentage of women).

D. Concept Description

20. **The overall intervention logic of the proposed project is that a combination of targeted incentives, increased financing for service delivery and technical assistance will contribute to improved capacity and performance of central government, and municipalities to deliver services.** The Project is organized in five components, which together comprehensively support the implementation of decentralization reforms through the strengthening of institutional structures and systems, capacity building, the reform of legal, regulatory and policy frameworks, and simplifying, standardizing, and modernizing processes for improved service delivery at the municipal level. The components are designed to: improve systems and capacity for institutional and financial management; reinforce mechanisms of oversight, participation and accountability; increase financing and incentives to improve municipal performance; and strengthen identification systems.

- **Component 1** will support a select number of municipalities to improve their institutional and financial management capacity for service delivery and set a firm foundation for the introduction of performance objectives. This support will be provided through the establishment of a Municipality Grant Fund to provide financing to municipalities in order to improve their performance and capacity for service delivery. Disbursements to the Fund and from the Fund to municipalities will be made upon the achievement of PBCs that are designed to encourage improved performance of municipal administrations and governments through continual monitoring, citizen engagement, and a focus on results. MAT, with its mandate to support sub-national entities, will provide overall project coordination.
- **Component 2** will strengthen PFM systems and capacity for decentralization both at the central and subnational levels. It will support the strengthening of the capacity of central government and municipal entities to implement decentralization reforms and to fulfill their mandate for decentralized service delivery. It will also support the strengthening of the institutional capacity for inclusive and resilient urban planning and land management at national and municipal level, including the elaboration and operationalization of territorial planning instruments and land management systems. The activities under this component will be implemented by MINFIN in close collaboration with the Court of Accounts, by MAT and by MINOPOT.
- **Component 3** will strengthen the institutional and operational capacity of the Civil Registry to ensure greater and more inclusive access to government services. MINJUSDH will implement this component.
- **Component 4** will support project management.
- **Component 5** is the Contingency Emergency Response Component (CERC).

21. **Components 1-3 will be delivered through a combination of technical assistance and PBCs.** The project will use PBCs to incentivize the central government and municipalities to adopt and implement policies and systems and to establish a financing framework that promotes and enhances institutional and service delivery performance of municipalities. The IPF modality will provide technical assistance and capacity-building support to central government to strengthen the core functions of municipalities. Such functions would include PFM, administrative processes, urban planning, and civil registry services, and territorial planning. The modality will also be used to provide support to municipal administrations and governments to enable them to carry out decentralized functions and to ensure they are held accountable by citizens and the national government. The blending of these two funding methods—IPF and PBC based financing—should create the necessary institutional incentives and support to accelerate the achievement of the Project’s objectives and more broadly of the government’s decentralization reform.



Component 1: Municipal Grants to Support Administrative Decentralization (US\$200.0M)

22. **Component 1 will support the establishment of a Municipality Grant (MG) as a way of piloting an intergovernmental transfer system in preparation for the comprehensive implementation of the FEAL and FEM and to establish a link between levels of fiscal transfers and performance.** In line with fiscal decentralization, the GoA is developing an intergovernmental transfer system to improve transparency, predictability, and equitable allocation of resources channelled to municipalities. Critically, the Government agrees that orienting the transfer system towards results-based approach and integrating participatory budgeting is crucial to ensuring effective, transparent, and responsive local level service delivery. In this context, the project will support the establishment of a MG to incentivize a select number of municipalities to improve their institutional and financial management capacity and set a firm foundation for the introduction of performance objectives. The Government intends to apply the lessons of this pilot in scaling up its own intergovernmental transfer system, particularly in the roll out of the FEAL and FEM. In making transfers from the Grant to municipalities, particular attention will be given to support municipal responses to COVID-19,¹⁰ thereby providing a vital financing vehicle for placing Angolan municipalities at the frontline of the COVID-19 response.

23. **Funds under this component will be disbursed by the Bank upon the achievement of PBCs.** Subsequently, transfers from the Grant to municipalities will be made in accordance with a transparent allocation formula. Access conditions for the Grant will reflect those PBCs whose achievement is the direct responsibility of the municipalities. The access conditions will measure both the extent to which basic administrative structures exist and the capacity in PFM, citizen engagement, and service delivery performance. The achievement of the PBCs will therefore be the result of a combined effort between the central government agencies and the municipalities. The central government agencies will be required to make regular fiscal transfers in a timely manner, and to adapt central-level PFM systems for them to the function at the newly autonomous subnational level and thus enable municipalities to maintain accounts and generate financial reports. They will also provide support to municipalities through supervision and monitoring. Municipalities will have direct responsibility for: (i) preparing and approving annual estimates of revenue and expenditure; (ii) producing annual financial reports; (iii) establishing mechanisms for citizen participation; (iv) increasing tax collection; and (v) increasing the number of birth registrations. By meeting the access conditions for the MG, the municipalities will have successfully contributed to the achievement of the PBCs.

Component 2: Strengthening Municipal Administration and Financial Management (US\$29M)

24. **The objective of this component is to strengthen PFM systems and the capacity for decentralization both at the central and subnational levels.** Parallel interventions at the national and municipal levels in the form of technical assistance will help to establish fundamental building blocks for efficient public financial management and sound urban planning and land management in beneficiary municipalities, contributing to improving municipal financial sustainability in the long run.

25. **At the central level, this component will strengthen the structures and capacity of MINFIN, MAT, and the Court of Accounts to respectively exercise oversight over the process of decentralization and local public finances.** This includes support to MINFIN departments, SNCP, and the Court of Accounts in the implementation of fiscal decentralization. It will support: the elaboration of a policy, legal and regulatory framework for fiscal decentralization; the establishment of a National Directorate of Local Finance, and the strengthening of the

¹⁰ Supporting the municipalities in their emergency response to the pandemic caused by COVID-19 could include: focusing on activities that slow down and reduce the risk of transmission of the disease (for instance by reorganizing the markets); targeting and protecting high risk groups and strengthening key municipal services, including basic health, sanitation and social assistance, and municipal police and; expanding community outreach and communication to create greater awareness amongst citizens.



organizational structure and functions of local financial management bodies; the reform of the intergovernmental fiscal framework; the revision of PFM processes and procedures; the reinforcement of the capacity to manage public procurement, including through the use of the SNCPE; and the development of the methodology, tools and capacity to perform financial audits. This also includes support to strengthen the capacity of MAT to strategically guide, manage, and coordinate the implementation of deconcentration and decentralization reforms and encourage improved performance of both appointed and elected municipal governments.

26. **At the local level, this component will directly support municipal administrations and governments to build their administrative capacity to deliver services and promote a more effective citizen engagement to better serve their constituents.** This includes support for fiscal decentralization, such as building the capacity of municipal employees in the following areas: planning and budgeting, public investment management, public procurement and asset management, financial management and debt management strategy, internal control, external audit, and revenue management; Municipal Services Management and Municipal Performance Evaluation Management, involving the development of a performance monitoring and evaluation (M&E) strategy, the establishment of an annual prize competition between municipalities and enactment of relevant laws for the M&E system; Participatory Budgeting and Social Accountability, including defining and developing the methodology, guidelines and platforms for the implementation of participatory budgeting and inclusive planning processes at the municipal level, and to build the capacity of communities to engage in them; Capacity Building at the Subnational Level, including support to the National School of Administration and Public Policy (ENAPP) to strengthen its ability to deliver training to subnational entities; and establishing an APA system to measure, monitor, and independently evaluate municipal performance.
27. **The project will also support the strengthening of the institutional capacity for inclusive and resilient urban planning and land management at national and municipal level, including the elaboration and operationalization of territorial planning instruments and land management systems.** At the national level, the subcomponent will strengthen the capacity of the Ministry of Public Works and Territorial Planning (MINOPOT), and, in particular, the Institute for Territorial and Urban Planning (INOTU), to provide strategic guidance and effective technical support to municipal administrations and governments on territorial/urban planning and land management. At the municipal level, it will strengthen the capacity of municipalities to fulfill their new responsibilities to plan and operationalize territorial management (notably through urban and land use plans), manage and update municipal land cadasters, and facilitate the provision of public services related to land (notably occupation certificates and licensing of land up to legally established thresholds). The project will support institutional capacity strengthening at national and municipality levels, the elaboration of territorial planning instruments and the modernization of land management information system.

Component 3: Increasing Formal Identity Coverage to Facilitate Inclusive Access to Services (US\$10M)

28. **The objective of this component is to increase access to services, particularly for the most vulnerable populations, through strengthening platforms for civil registration.** The project will support: revising the institutional set-up and legal framework for civil registration; simplifying and automating business processes; reinforcing interoperability of the national civil registration database with other governmental databases; streamlining the process for late birth registration by adults; strengthening the institutional and operational capacity of civil registration staff, and enhancing citizen engagement, with a particular focus on targeting the most vulnerable populations, including women, and addressing the barriers they face in civil registration.

Component 4: Project Management (US\$10M)

29. **This component aims to support implementing institutions to achieve project results while also providing just**



in time funds for future priorities. The key result of this component is enhanced capacity for project management and institutional coordination to achieve project results.

Component 5: Contingency Emergency Response Component (CERC) (US\$0.0 million)

30. **This component will facilitate access to rapid financing by reallocating uncommitted project funds in the event of a natural disaster, either by a formal declaration of a national or regional emergency or upon a formal request from the GoA.** This would help reduce damage to infrastructure, ensure business continuity, and enable early rehabilitation. This component will use the IDA Immediate Response Mechanism (IRM). Specific details around this component (including activation criteria, eligible expenditures, specific implementation arrangements as well as required staffing for the Coordinating Authority) are detailed in the IRM Operations Manual.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No
Summary of Screening of Environmental and Social Risks and Impacts	

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