



1. Project Data:		Date Posted : 02/13/2003	
PROJ ID: P000044		Appraisal	Actual
Project Name: Financial Institutions Modernization Project	Project Costs (US\$M)	23.6	23.8
Country: Angola	Loan/Credit (US\$M)	20.6	20.1
Sector(s): Board: FSP - Banking (75%), Law and justice (10%), General finance sector (8%), Central government administration (7%)	Cofinancing (US\$M)	3	3.7
L/C Number: C2421			
	Board Approval (FY)		92
Partners involved : Govt. of Angola	Closing Date	04/30/2000	04/30/2002
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components			
a. Objectives			
The project's objectives were to build capacity, institutions and legal infrastructure in the financial system .			
b. Components			
The project's four components were :			
1. Strengthening the central bank (BNA) by improving its (a) information system, (b) accounting capabilities, (c) staff's banking skills, and (d) building rehabilitation for consultants .			
2. Building banking infrastructure by establishing (a) cheque clearing (extended in 1996 to the payments system), (b) banker training institutions, and (c) a core of professionally skilled bankers .			
3. Establishing laws and regulations including (a) enforcement of prudential banking requirements, (b) deposit insurance laws and (c) accounting and auditing standards			
4. Setting up mechanisms for private investment by (a) restructuring and operating the agricultural and fisheries credit fund (CAP) and (b) improving banking and private sector financing capabilities .			
In March 2000, the Board approved the addition of a new component (to finance an oil sector study) to help the country work on a program with the IMF			
c. Comments on Project Cost, Financing and Dates			
The FIMP was the third Bank loan to Angola following the initial (and short-lived) peace that followed a 15 year civil war. The project supported some of the financial institutions needed to transform the economy along market lines . The civil war continued to simmer and boiled over again in 1992 (before finally ending in 2002) bringing the project to a near standstill in 1995-96. The FIMP was initially expected to be disbursed over seven years (typical for TA projects), but was extended by two years.			
3. Achievement of Relevant Objectives:			
The achievement by components were :			
1. (a) BNA established a bank-wide internal computer network with associated software, and linked it with commercial banks. (b) BNA's accounting system was improved, and in 1999 its accounts were audited by an international firm. Even so, there are substantial delays. (c) Several staff were trained, both in the country and through courses abroad. (d) A building was refurbished to house 19 consultants to reduce the costs of housing them in hotels that were in short supply .			
2. Banking infrastructure was improved. (a) The civil war scaled back the payment system to the capital and 3 (out of 18) provinces and 37 automated tellers have been installed. (b) Some 58 percent of the 3,000 staff in banks have been trained. (c) A core of skilled professionals could not be trained because the local University could not find a twinning partner.			

3. (a) Banking laws and regulations were enacted, and local banks have begun lending against mortgages . (b) Insurance laws were passed and a supervision commission set up but highly profitable segments (oil, diamonds and aviation) are still reserved for the state-owned insurance company . (c) The National Assembly approved an accounting plan similar to international standards in 2001.

4. (a) The CAP was prohibited from accepting public deposits in 1992, but as it could not be restructured, the Government decided to liquidate it in 2000 and expects that it will take some 18 months (it has some 1,125 employees). The government intends to pursue the recovery of loans . (b) The microfinance initiative did not succeed because people left after being send on study tours abroad that the project financed .

5. The oil sector study produced forecasts of oil revenues that the government may find useful .

4. Significant Outcomes/Impacts:

Angola had split its monobank (creating two state banks) when the project began, and 7 private banks (5 with foreign equity participation) were started since then. Parts of the project helped in creating this .

5. Significant Shortcomings (including non-compliance with safeguard policies):

The ICR deems the \$2m spent on core professional development and \$ 1.5m on financing private investment as unsatisfactory.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	
Institutional Dev .:	Substantial	Substantial	
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

1. Lasting peace does not immediately follow long conflicts, and projects must accommodate resurgence of fighting and its implications (loss of security, budget deficits, inflation etc.)
2. Long gestation/duration projects need a stable local anchor (in this case, the implementing agency) which provides continuity.

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The ICR explains the project clearly, and the difficulties that were encountered .