



<b>1. Project Data:</b>		<b>Date Posted :</b> 05/28/2003	
<b>PROJ ID:</b> P000943		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Non-bank Fin Ins Assistance.	<b>Project Costs (US\$M)</b>	24.9	15.1
<b>Country:</b> Ghana	<b>Loan/Credit (US\$M)</b>	23.9	15.1
<b>Sector(s):</b> Board: FSP - General finance sector (63%), Central government administration (28%), Compulsory pension and unemployment insurance (6%), Tertiary education (3%)	<b>Cofinancing (US\$M)</b>	1	0
<b>L/C Number:</b> C2792			
	<b>Board Approval (FY)</b>		95
<b>Partners involved :</b> Government of Ghana; Beneficiaries	<b>Closing Date</b>	06/30/2000	06/30/2002
<b>Prepared by:</b>	<b>Reviewed by:</b>	<b>Group Manager:</b>	<b>Group:</b>
S. Ramachandran	John H. Johnson	Kyle Peters	OEDCR

**2. Project Objectives and Components**

**a. Objectives**

The Ghana Non-bank Financial Institutions Project (NBFi) followed two earlier Financial Sector Adjustment Credits (1988 & 1991) and the Rural Financial Project (1989). The NBFi project's two objectives were to:

(1) Promote an efficient, well regulated non-bank financial sector and payments system that would (a) mobilize domestic savings from formal and informal sectors; (b) facilitate international capital inflows; and (c) supply financial services competitively.

(2) Create a more conducive environment for the private sector and to support the divestiture of state owned enterprises and three banks.

The ICR mentions that divestiture (the project's second objective) was never "seriously pursued" and was later abandoned. The project components underwent major revisions between 1996 and 2000.

**b. Components**

The project had fourteen components (and 45 sub-components) with eleven beneficiaries. The program for each beneficiary was independent of the other and the Ministry of Finance was the implementing agency.

The divestiture objective was abandoned early and appears to have been picked up by a different Bank credit (Public Enterprise & Privatization Technical Assistance Project, approved in 1996),

At the mid-term review in November 1998, less than a fifth of the loan had been disbursed or committed. So the micro finance and rural component were reallocated to the central bank (BoG) to improve its banking supervision and other departments.

Later, between January and June 2000 when the Financial Sector Assessment Program (FSAP) was conducted, three non-performing components (the State Insurance Company, the Ghana Reinsurance Company and the Privatization Trust) were cancelled and three other components were extended. The new government elected in December 2000 also reviewed the project components leading to additional delays. Four other components were extended for two additional years provided they prepared business plans. An HIV/AIDS awareness component was also added to the project in November 2001.

**c. Comments on Project Cost, Financing and Dates**

The project's objectives were consistent with the 1995 CAS which stated that the Bank's strategy was to build capacity and develop the private sector. The project was designed to meet the needs identified by the Ghana Financial Sector Report and other ESW, but its numerous components were only loosely linked and could not assure achieving the project objectives.

The 1998 mid-term review and a different task manager resulted in dropping many of the disjointed components, and further changes that ensued in 2000-2001 following the FSAP sought to improve the project's focus. Nevertheless, it

was difficult to make the project well focussed and effective and it does not seem to have commanded the authorities attention and commitment.

The HIV/AIDs awareness component that was added was unrelated to the project objectives . While these activities may well have been desirable, it was attached to the NBF1 project (and apparently to other ongoing projects ) simply because undisbursed funds were available . Such haste makes waste and the ICR points out that the AIDs targets were defined before a baseline survey was conducted, suggesting that even this component was poorly and hastily put together.

It took 13 months to prepare the project and eleven missions to supervise it .

### 3. Achievement of Relevant Objectives:

The ICR does not present any clear evidence that many of the project's objectives were achieved . While the ICR describes modest improvements in some of the project's many components ( e.g. inspection manuals being prepared), few of them were measures of outcomes .

The project does not appear to have increased savings or non -bank intermediation. The banks were not privatized and M2/GDP fell (from 38% to 24% in September 2002, after having fallen to 20%).

### 4. Significant Outcomes/Impacts:

In the instances when outcomes were described, they were modest at best .

For the payments system, for example, check clearing within Accra barely changed (from 4 to 3-8 days depending on the zone) as the BoG decided not to computerize payments outside the capital . For the stock exchange, listed firms rose from 18 to 23, not the targeted 40 with no indication that trading increased . The clearing and settlement system was not automated.

The ICR rated the social security reform component as unsatisfactory and the state insurance company was neither privatized nor restructured . The improvements in the social security system fell far short of the objectives : only 5,000 were covered instead of the 40,000 envisioned as the project's objectives .

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

The project was complicated in its design and QAG determined its quality at entry as unsatisfactory both for this reason and because its components were inconsistent with its objectives ( e.g. nothing to support enterprise and state banks' privatization's). Bank efforts to improve the project's focus, while commendable, were not very successful .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome :</b>	Satisfactory	Unsatisfactory	The project's original flawed and complex design was revised twice, but one of its two original objectives (viz. divestiture) was dropped. The ICR guidelines require outcome to be judged against the original (not revised) objectives. While OED is not bound by this guideline, we deemed the project's divestiture objective relevant and appropriate, especially since the project followed hard on the heels of three financial sector projects in Ghana. Its abandonment and the partial achievement of the project's other objective (financial) therefore makes the outcome unsatisfactory.
<b>Institutional Dev .:</b>	Substantial	Modest	While the project had many technical assistance and training components, there is no evidence that improvements have taken hold. The ICR mentions the need for the agencies to have the "willpower" to enforce regulations.
<b>Sustainability :</b>	Likely	Unlikely	The enabling laws for regulatory agencies were not passed, and the ICR states that regulators were reluctant to enforce new rules.
<b>Bank Performance :</b>	Satisfactory	Unsatisfactory	The project was poorly designed and supervised (initially); and while later task managers sought to rectify these flaws and made many improvements, the project remained ineffective in attaining its objectives. The Government observed

			that the task manager changed frequently and that there were also delays in approving procurement requests; but the region explains that this was to prevent the misuse of funds. The Bank's performance improved after the mid-term review and in incorporating the FSAP's findings (which enabled a partial attainment of objectives); but when Bank performance is viewed over the entire project cycle (design, supervision and convincing counterparts), it was not satisfactory.
<b>Borrower Perf .:</b>	Satisfactory	Unsatisfactory	The Borrower seemed uninvolved in the design of the project or committed to its objectives. The region explained that even when procurement rules were followed, the expenditures were not always used towards the project's objectives. The PIU was not properly staffed and managed during the early years of implementation and regulators are not enforcing the rules.
<b>Quality of ICR :</b>		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. It seems inadvisable to try and promote a nonexistent industry through capacity building technical assistance and creating regulatory institutions.
2. Stringing disparate elements together into a project makes it complex and more difficult to achieve a coherent objective.
3. Continuity in task management (four different task managers over six years ) may have helped, but probably cannot correct flawed project design.

**8. Assessment Recommended?**  Yes  No

**9. Comments on Quality of ICR:**

The ICR describes the developments well enough but the ratings are inconsistent with the description . For example, the unrelated HIV/AIDs component was rated satisfactory although it mentions that "Unfortunately, BoG defined its targets before doing the baseline survey . Therefore an assessment of targets against outcomes is difficult . Outcome indicators were not defined and were not measured."