

CK 2420-ANG

Document of

**The World Bank**

**FOR OFFICIAL USE ONLY**

MICROFICHE COPY

Report No.: P-5676 ANG Type: (PM)  
Title: TRANSPORT RECOVERY PROJECT  
Author: RAOUL, JJ  
Ext.: 34313 Room: J 7141 Dept.: AF3IN

**Report No. P-5676-ANG**

**MEMORANDUM AND RECOMMENDATION**

**OF THE**

**PRESIDENT OF THE**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**TO THE**

**EXECUTIVE DIRECTORS**

**ON A**

**PROPOSED CREDIT**

**IN THE AMOUNT EQUIVALENT TO SDR 30 MILLION**

**TO**

**THE PEOPLE'S REPUBLIC OF ANGOLA**

**FOR THE**

**TRANSPORT RECOVERY PROJECT**

**August 10, 1992**

**This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.**

## CURRENCY AND EXCHANGE RATES

<u>Date</u>	<u>Currency Unit</u>	<u>New Kwanza</u>
As of April 16, 92	US\$1.00	= NKz550 Base Rate 1/

1/ Applicable to imports and exports, official financial transactions and calculations of custom duties since April 1992. Other transactions may be conducted through the commercial banks at market rates. In July 1992, the prevailing market rate was about NKzs 1,800 = US\$1.

## WEIGHTS AND MEASURES

1 hectare (ha)	=	2.47 acres
1 kilometer (km)	=	0.624 miles
1 kilogram (kg)	=	2.2 pounds (lb.)
1 meter (m)	=	3.28 feet
1 metric ton (m ton)	=	2.204 (lb.)
1 square kilometer (km <sup>2</sup> )	=	0.386 square mile (sq.m.)

## ABBREVIATIONS AND ACRONYMS

CCCE	-	French Aid Agency (Caisse Centrale de Coopération Economique)
CFL	-	Luanda Railway (Caminho de Ferro de Luanda)
CG	-	Consultative Group
DANIDA	-	Danish International Development Agency
ESW	-	Economic and Sector Work
IDA	-	International Development Association
INEA	-	Angola Highway Institute (Instituto de Estradas de Angola)
IRE	-	Infrastructure Rehabilitation Engineering Project
LPT	-	Labor Promotion and Training
MINPLAN	-	Ministry of Planning
ODA	-	Official development Assistance
PIP	-	Public Investment Program
SDR	-	Special Drawing Rights
SIDA	-	Swedish International Development Agency
SPA	-	Special Program of Assistance

## FISCAL YEAR

January 1 - December 31

ANGOLA  
TRANSPORT RECOVERY PROJECT  
CREDIT AND PROJECT SUMMARY

Borrower People's Republic of Angola

Beneficiaries Ministry of Planning, Ministry of Public Works and Urban Development, Angola Highway Institute, Port of Lobito, Luanda Railway, Ministry of Transport and Communications

Amount SDR 30 million

Terms Standard IDA terms, with 40 years maturity

Financing Plan:

(US\$ million)

	Local	Foreign	Total	Percent	
				Foreign	Total
IDA Credit	0.2	40.8	41.0	99%	63%
SIDA	0.0	3.3	3.3	100%	5%
CCCE	0.0	3.0	3.0	100%	5%
DANIDA	0.0	3.0	3.0	100%	5%
Government of Angola	14.6	0.0	14.6	0%	22%
<b>Total Project</b>	<b>14.8</b>	<b>50.1</b>	<b>64.9</b>	<b>77%</b>	<b>100%</b>

Economic Rate of Return: 30% for components totalling about 90 percent of the project cost.

Staff Appraisal Report: Angola - Transport Recovery Project, Report No. 10520-ANG

Maps IBRD No. 23568 - R

**MEMORANDUM AND RECOMMENDATION  
OF THE PRESIDENT OF THE  
INTERNATIONAL DEVELOPMENT ASSOCIATION  
TO THE EXECUTIVE DIRECTORS ON A PROPOSED CREDIT  
TO THE PEOPLE'S REPUBLIC OF ANGOLA  
FOR THE  
TRANSPORT RECOVERY PROJECT**

1. I submit for your approval the following report and recommendation on a proposed development credit to The People's Republic of Angola for SDR 30 million, equivalent to US\$41 million on standard IDA terms with a maturity of 40 years to help finance a transport recovery project. The project would be co-financed by a grant from the Swedish International Development Authority (SIDA), and would receive parallel financing from France's Caisse Centrale pour la Cooperation Economique (CCCE), and the Danish International Development Agency (DANIDA) totalling US\$9.3 million equivalent.<sup>1</sup>

2. Country/Sector Background. Angola, one of the largest countries south of the Sahara with an area of 1.2 million sq.km., a population of 10.6 million (growing at 2.8% per year), and a GNP per capita estimated at \$620 (1989), has excellent long-term development potential due to its fertile land and abundant mineral resources, oil in particular. Since Independence in 1975, however, the economy has become highly distorted because of inadequate economic policies, a mass exodus of skilled manpower, and civil war. Agricultural production and distribution have been disrupted by war. Prior to Independence, Angola was an important net exporter of agricultural products, but in recent years has become increasingly dependent on food imports, and food aid, to supply urban populations which have burgeoned in part because of insecurity in the countryside.

3. The Angolan infrastructure sector was a major casualty of the long lasting civil strife and poor economic management. Transport infrastructure is severely deteriorated as a result of war destruction, and lack of adequate maintenance, in turn due to insufficient funding and weak institutional capacity. Consequently, inadequate infrastructure has become a major bottleneck to the resumption of economic activity. Existing assets are in urgent need of maintenance and rehabilitation to avoid their loss. The country needs a sizable assistance program for rehabilitation investments, organizational restructuring, human resource development, and managerial and operations improvement, and a large part of this is urgent.

4. Project Objectives. Consistent with the Bank's strategy for Angola and as a complement to the Infrastructure Rehabilitation Engineering (IRE) project approved on July 16, 1991, the objectives of the proposed project would be to: (i) restore and preserve surface access to large portions of the country by addressing the most urgent infrastructure rehabilitation and maintenance needs; (ii) promote employment in the private sector through the development of small and medium enterprises using labor intensive technologies in road maintenance activities;

---

<sup>1</sup>The country assistance strategy for Angola was discussed during the Board meeting of January 6, 1992. The region will review the strategy following general elections to be held on September 28-29, 1992. It will present a revised strategy to the Board later in the fiscal year together with the Health project under preparation.

(iii) assist in improving and developing an adequate institutional framework for the sector, especially for the management of main roads and the operations of the Luanda railway and the port of Lobito; and (iv) introduce appropriate sectoral policies, especially with regard to cost recovery and transport facilitation.

5. Project Description. The proposed project—as described in Schedule A and in the SAR—would support the following high priority components of an emergency Transport Recovery Program including the rehabilitation of roads and bridges, the port of Lobito and the Luanda Railway and institutional development.

6. The road and bridge rehabilitation component provides for the rehabilitation and preservation of 700 km of the paved highway network and the repair of about 25 war-damaged bridges, in strategic locations on the main road network with the objective of early reopening of the primary road network. Support would be provided to a labor promotion and training (LPT) sub-component through the creation and operation within the Angola Highway Institute (INEA) of a training unit for contract management for the execution of labor intensive road maintenance works. Initially, the tasks will include clearing of vegetation along the roads rehabilitated under the project, and along the main roads within the city of Luanda. The objectives are to train and promote small and medium enterprises for road works and generate employment in road maintenance activities.

7. The Lobito Port operations component aims to improve port operations and transport services for a region with a high potential for agriculture. It consists of institutional assistance for the port's operations and management to help with the implementation of an action plan with appropriate performance targets; procurement of spare parts and equipment; and minor structural repairs.

8. The railway rehabilitation component provides the minimum assistance required to enable the Luanda Railway (CFL) to sustain and increase commercial traffic between Luanda and Malange. The project would include an action plan based on performance targets, including institutional assistance, track and structure rehabilitation, and overhaul of equipment and rolling stock.

9. Besides assistance to relevant transport entities described above, the project would include studies on (i) privatization and liberalization in road transport, and (ii) intermodal transport facilitation, including the regulatory framework of maritime transport, port institutions, customs operations and documentation, and the freight-forwarding and insurance industries. Lastly, technical assistance will be provided to assist the Ministry of Planning (MINPLAN) with overall project coordination.

10. Project Implementation. The project would be implemented under the coordination and monitoring of the existing project coordination unit of MINPLAN—under the same arrangements as for the IRE project. Each project component will be the responsibility of a component coordinator. The responsible ministries will (i) give individual component coordinators ample authority to manage, monitor, arrange for audit, and report on the execution of their respective component, and (ii) delegate to the agencies concerned the responsibility for technical management of their component. These agencies: INEA for the road and bridge component, Port of Lobito for the port component, and CFL for the rail component will be given

responsibility by their respective ministries for the management of their component (bidding preparation and processing, contract monitoring) and will report to the project coordination unit.

11. Project Sustainability. Overall, the project would contribute to the sustainable recovery of the country's economy by reconnecting its various regions and allowing resettlement of war-displaced populations in areas with high agricultural potential. It also would contribute substantially to the development of the transport sector, and especially of the commercial transport agencies--Port of Lobito and CFL--by improving their performance, especially cost recovery. In the road sector, the project would promote maintenance, labor-intensive techniques under contract, and resource mobilization which in turn are indispensable first steps toward long-term sustainability.

12. Lessons Learned from Previous IDA Involvement. The proposed project is the second investment in physical infrastructure supported by the Bank Group in Angola, after the Lobito Benguela Urban Infrastructure Rehabilitation Project approved on January 7, 1992. Therefore, there are no direct lessons to draw from prior Bank experience in this country. However, lessons have been drawn from other experiences elsewhere: with regard to implementation, existing institutional structures will be strengthened instead of relying on ad hoc project implementation units; it is also proposed that the role of the implementing agencies be limited to that of contract management for civil works, with supervision through technical assistance, rather than attempting to perform implementation tasks directly.

13. Rationale for IDA Involvement. The proposed project addresses one of Angola's highest priority needs -- the rehabilitation of the country's battered infrastructure base -- and is a prerequisite to the economy's recovery. It fits well into the Bank Group's strategy for the country, which stresses reconstruction. This project would complement the on-going IRE project which was conceived prior to the peace agreement in 1991, and was not intended to start the actual rehabilitation of infrastructure in the interior of the country. It would strengthen existing institutions in the infrastructure sector and introduce basic principles of cost recovery. The Bank has a unique catalytic role to play in assisting the government in the design, financing and implementation of this high priority recovery program. The project would enable the Bank to play an important coordinating role in the transport sector where donor interest is strong, but so far not well coordinated.

14. Actions Agreed upon. During negotiations, agreements were reached on the following matters: (i) submission to IDA of INEA's annual road work program and budget, each year by November 1; and of a three-year Public Investment Program for the transport sector by November 1, 1993, and yearly by November 1, thereafter for review, comments and agreement; (ii) organization of a first-year review no later than twelve months after credit effectiveness to monitor project implementation and performance of the agencies concerned, (iii) proposals to control truck axle loads; (iv) plans of action concerning the CFL railway and the Port of Lobito, including tariff measures; (v) action plan for fuel taxation to improve cost recovery; and (vi) implementation of a program for removal of land mines on the project work sites.

15. Conditions of Effectiveness would be: (i) implementation of fuel taxation measures to ensure collection of the equivalent of at least \$US15 million per year, of an action plan to control truck axle loads and vehicle control at selected locations, and of action plans for the operation of Port of Lobito and CFL, including performance objectives and tariff measures; (ii) signing of

implementation agreements with the various agencies and ministries involved in project implementation; (iii) signing of a letter of Transport Sector Policy; and (iv) opening of a project account and initial deposit of US\$1 million equivalent. Conditions of Disbursement for the civil works would be the hiring of consultants for work supervision, and certification of legal ownership of land for the training unit.

16. Environmental Aspects. An environmental analysis was carried out with the assistance of a consultant for the road component during project preparation. Its findings were that : the project would have a substantial positive social and environmental impact by (a) improving road drainage, which in turn would limit the erosion risks, and (b) removing war-caused wrecks and scrap metal left alongside the roads and on the sites of destroyed bridges. However, the study recommended that attention be paid to the design and execution of civil works to alleviate the potential risk of disturbances caused to people and/or the natural environment as a result of these works; this concern has been duly reflected in the project detailed design.

17. Program Objective Categories. The project would contribute to the following categories: (i) public sector reform would be supported through improved management and cost recovery; (ii) employment generation would contribute to poverty alleviation; (iii) privatization and private sector promotion would be achieved by training in management and labor-intensive techniques in road rehabilitation and maintenance; (iv) food security would be improved by encouraging agricultural pursuits and improving transport conditions; and (v) environmental conditions would be improved by repairs to road drainage, and removal of war-caused wrecks and scrap metal alongside roads, and also by the removal of mines along the roads and on bridge sites which is necessary prior to undertaking the project civil works.

18. Project Benefits. The rehabilitation of the transport sector is a prerequisite to economic recovery of Angola. Direct economic benefits would be sharply reduced operating costs in road transport, and reestablishment of traffic to the interior of the country. The overall project beneficiaries would be a large proportion of the Angolan people who would have restored access to large areas of the country, the agriculture sector, and the inhabitants of major cities and semi-urban rural centers throughout the country who would enjoy the benefits of enhanced food security and cheaper food prices. Immediate direct beneficiaries of the project would be the people (mostly unskilled workers) who would be hired to execute project works: (i) about 4-5,000 workers would be employed by contractors over two years, and (ii) over the medium/long term, an additional 4,000 workers could be employed by small and medium enterprises trained under the project (LPT sub-component). The overall project Economic Rate of Return is 30%. A risk analysis was carried out for individual project components to test the rate of return's sensitivity to construction costs, traffic growth rate and induced traffic. Test results show that under worst case assumptions, the rate of return of individual sub-components would generally remain well above the opportunity cost of capital estimated at 10%.

19. Risks. The risks inherent in the project result from (i) government's limited capacity to ensure adequate local financing for the project, and (ii) weak institutional capacity to manage the project, both of which may cause delays in project implementation and thus permit further deterioration of transport infrastructure and services. Unfamiliarity of project staff with Bank procedures, and a potentially unstable political environment could also lead to significant delays. The project design reduces the potential consequences related to these risks. As for the counterpart funding issue, government would provide for the local costs only, the larger part

being for road maintenance activities, and cost recovery mechanisms would be developed to help generate the resources needed. As for the weak institutional capacity, the bulk of project-financed road works would be carried out under contract and supervised by consultants, which would limit the risk associated with INEA's current institutional weakness.

20. **Recommendation.** I am satisfied that the proposed credit would comply with the Articles of Agreement of the Association and recommend that the Executive Directors approve it.

Lewis T. Preston  
President

**Attachments**

Washington, D.C.  
August 10, 1992

**ANGOLA**  
**TRANSPORT RECOVERY PROJECT**

	Project Cost Estimates (US\$ million)			Foreign Percent	
	Local	Foreign	Total	of Total	Total
<b>I ROADS</b>					
Road civil work	5.6	22.4	28.0	80%	43.1%
Bridge structures	0.6	2.4	3.0	80%	4.6%
Bridge work	2.2	0.5	2.7	17%	4.2%
Supervision of work	0.8	2.5	3.4	75%	5.2%
Road studies	0.2	0.9	1.1	77%	1.7%
Labor promotion	1.2	1.0	2.2	46%	3.4%
Subtotal	10.7	29.6	40.4	73%	62.1%
<b>II LUANDA RAILWAY</b>					
- Track rehabilitation	0.1	1.5	1.6	64%	2.5%
- Other civil works	0.2	0.2	0.4	38%	0.6%
- Equipmt & spr. parts	0.3	2.7	3.0	91%	4.6%
- Technical Assistance	0.2	0.5	0.7	76%	1.1%
Subtotal	0.8	4.9	5.7	87%	8.8%
<b>III PORT OF LOBITO</b>					
- civil/electr. Works	0.4	1.8	2.2	84%	3.4%
- Equipmt & spr. parts	0.0	2.2	2.2	100%	3.4%
- design/supervision	0.0	0.4	0.4	96%	0.6%
- Technical Assistance	0.3	1.3	1.6	80%	2.5%
Subtotal	0.7	5.7	6.4	89%	9.9%
<b>IV STUDIES &amp; COORDINATION</b>					
Transport studies	0.3	0.8	1.1	73%	1.7%
Technical Assistance	0.1	0.2	0.3	80%	
Project					
Coordination	0.0	0.7	0.7	100%	1.1%
Subtotal	0.4	1.7	2.1	83%	3.2%
V PPF	0.0	0.3	0.3	100%	0.5%
VI Total Base Cost	12.5	42.3	54.9	77%	84.5%
Physical contingencies	0.7	2.4	3.1	78%	4.8%
Price contingencies(a)	1.6	5.4	7.0	77%	10.8%
<b>Total project cost</b>	<b>14.8</b>	<b>50.1</b>	<b>64.9</b>	<b>77%</b>	<b>100.0%</b>

(a) Price contingencies are based on estimated international inflation over the life of the project, averaging 3.9% p.a. as per recent IDA guidelines. Base costs include taxes on locally procured goods estimated at US\$1.3 million equivalent, financed entirely by Government.

	Financing Plan (US\$ million)			Percent	
	Local	Foreign	Total	Foreign	Total
IDA Credit	0.2	40.8	41.0	99%	63%
SIDA	0.0	3.3	3.3	100%	5%
CCCE	0.0	3.0	3.0	100%	5%
DANIDA	0.0	3.0	3.0	100%	5%
Government of Angola	14.6	0.0	14.6	0%	22%
<b>Total Project</b>	<b>14.8</b>	<b>50.1</b>	<b>64.9</b>	<b>77%</b>	<b>100%</b>

**ANGOLA**  
**TRANSPORT RECOVERY PROJECT**

Project Elements	Procurement Arrangements (US\$ million)				M.B.F	Total	Percent of Total
	ICB	LCB	Other				
<b>1. Works</b>							
1.1 Road & bridges component	36.9 (27.9)				0.0	36.9 (27.9)	62.9%
1.2a Track rehabilitation	1.9 (1.2)				0.0	1.9 (1.2)	2.8%
1.2b Other civil work for railway component		0.5 (0.2)(b)			0.0	0.5 (0.2)	0.4%
1.3 Port component					2.5	2.5	
<b>2. Labor Promotion</b>							
2.1 Buildings		0.6 (0.6)				0.6 (0.6)	1.3%
2.2 Equipments		0.2 (0.1)	0.2 (c) (0.1)			0.4 (0.2)	0.5%
2.3 Technical assistance			0.8 (a) (0.6)			0.8 (0.6)	1.4%
2.4 Operating expenditures (salaries)					1.0	1.0	
<b>3. Materials</b>							
3.1 Bridges struct. for road	3.6 (2.9)					3.6 (2.9)	6.5%
3.2 Bridges struct. for rail	0.3 (0.3)					0.3 (0.3)	0.7%
3.3 Supplies, equip.& sp. parts for railway	2.3 (2.0)		1.0 (1.0)(d)			3.3 (3.0)	6.8%
3.4 Equip.& sp. parts for port					2.5	2.5	
4. Other consultancies			7.7 (a) (7.2)		2.8	10.5 (7.2)	16.2%
5. PPF			0.3 (a) (0.3)			0.3 (0.3)	0.7%
<b>Total</b>	<b>45.0 (34.3)</b>	<b>1.2 (0.8)</b>	<b>10.0 (9.2)</b>		<b>8.7</b>	<b>64.9 (44.3)</b>	<b>100.0%</b>

ICB : International Competitive Bidding

LCB : Local Competitive Bidding

M.B.F. : Not Bank Financed

Note : Figures in parentheses are the amounts financed by the IDA Credit and by the SIDA grant to be administered by the Bank.

(a) Services to be procured in accordance with World Bank Guidelines :

Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency

(b) Reconstruction of small bridges, embankment and station building.

(c) Local shopping

(d) Limited international bidding for locomotive, spare parts, as there are only a few well known suppliers

Rem: due to rounding, figures may not total exactly

**ANGOLA**  
**TRANSPORT RECOVERY PROJECT**

**Disbursements under IDA Credit**  
(US\$ million)

Category	Amount Allocated	Expenditures to be Financed
<b>Road and Bridge Rehabilitation</b>		
Civil works	21.17	80%
Goods	2.87	100% of foreign expenditures and 70% of local expenditures
Consultants' services	3.41	100%
	<u>27.45</u>	
<b>Lobito Port Operations Rehabilitation</b>		
Goods	0.14	100% of foreign expenditures and 70% of local expenditures
Consultants' services	0.55	100%
	<u>0.69</u>	
<b>Railway Rehabilitation</b>		
Civil works	1.23	80%
Goods	2.73	100% of foreign expenditures 70% of local expenditures
Consultants' services	0.55	100%
	<u>4.51</u>	
<b>Institutional Support</b>		
Consultants' services	0.82	100%
Studies	1.37	100%
	<u>2.19</u>	
PPF Unallocated	0.30 5.86	
<b>Total</b>	<b>41.00</b>	

All disbursements will be fully documented.

**Estimated Disbursements**  
(US\$ million)

	FY93	FY94	FY95	FY96	Total
Co-financing	2.2	4.7	2.1	0.4	9.3
IDA	9.3	20.8	9.3	1.6	41.0
Government	3.3	7.4	3.3	0.6	14.6
Total	14.7	33.0	14.6	2.6	64.9
Percent	23%	51%	23%	4%	100%
IDA Cumulative	9.3	30.1	39.4	41.0	
Percent of Total	23%	73%	96%	100%	

ANGOLA

TRANSPORT RECOVERY PROJECT

Timetable of Key Project Processing Events

1. Time taken to prepare: 7 months
  2. Prepared by: Government with assistance from the Bank, SIDA, CCCE, France and Portugal.
  3. First IDA mission: Identification, October 1991
  4. Appraisal mission: February 1992
  5. Negotiations: May 1992
  6. Planned Effectiveness: December 1992
- 

Bank Project appraisal team included: Messrs J.J. Raoul (Task Manager/Sr. Highway Engineer), B. Bostrom (Sr. Economist), A. Garaud (Engineer, Consultant), A. Jouron (Research Assistant), S. Karlsson (Port Engineer), Y.P. Kedia (Railway Engineer), Ph. de Naurois (Financial Analyst), P. Taborga (Sr. Economist), P. Vandenheede (Disbursement Officer) and Mme T. Genta-Fons (Lawyer).

Peer Reviewers were: Messrs. B. Chatelin (Sr. Economist), C. Alvarez (Transport Engineer), and Louis Thompson (Railway Advisor).

Division Chief: Mr. Marc Blanc.

Department Director: Mr. F. Aguirre-Sacasa.

**ANGOLA**

**TRANSPORT RECOVERY PROJECT**

**STATUS OF BANK GROUP OPERATIONS**

**IN ANGOLA**

**A. STATEMENT OF BANK LOANS AND IDA CREDITS**  
June 30, 1992

Loan or Credit Number	Fiscal Year	Borrower	Purpose	Amount in US\$ million (less cancellation)		
				Bank	IDA (1)	Undisbursed
Cr. 2274	91	ANGOLA	Economic Mgmt.Cap.Bldg.	23.00		23.73
Cr. 2289	92	ANGOLA	Infrastructure Rehab.Eng.	37.70		38.24
Cr. 2326	92	ANGOLA	Lobito Benguela Urb. Env. Rehab.(2)	45.58		47.91
Cr. 2375	92	ANGOLA	Education I. (2)	27.10		28.37
Cr. 2385	93	ANGOLA	Angola Power Sector Rehab. (2)	33.50		34.93
Sub-Total active projects:					166.88	173.18
Total less cancellations:				0.00	166.88	
of which has been repaid				<u>0.00</u>	<u>0.00</u>	
Total held by Bank and IDA:				0.00	166.88 (1)	
Total undisbursed:				0.00	173.18	

(1) The sum of total undisbursed is higher than total due Bank and IDA because of depreciation of the US\$.

(2) Became effective on February 20, 1992.

(3) Not yet effective.

**B. STATEMENT OF IFC INVESTMENTS**

No IFC investments to date.

**C. BANK GROUP'S INITIAL EXPERIENCE**

1. Angola joined the Bank, IFC and MIGA in September 1989. The Bank's initial approach has been to nurture trust between Angola and the Bank so as to develop the type of mature partnership that the Bank has with other Borrowers; to help strengthen the country's weak institutions; to assist in the rehabilitation and reconstruction of infrastructure by carrying out pre-investment studies aimed at addressing evident, high-priority bottlenecks; and, finally, to initiate a dialogue on policy reform priorities and reconstruction needs. IDA lending to Angola in FY91-92 was planned before the political and economic policy breakthroughs of 1991 and 1992, and in the context of a "start-up" IDA assistance program of limited scope, with emphasis on capacity building, along with preparation work for high-priority projects for rehabilitation of physical and social infrastructure. Concurrently, the Bank began an active economic and sector work program to build knowledge of the economy and identify the main policy reform priorities. The projects approved in FY91-92 consist of a Credit for Economic Management and Capacity Building, an Infrastructure Rehabilitation Engineering Project, an Urban Environment Project for the Lobito-Benguela area (the second largest urban area in Angola), an Education Project, and a Power Rehabilitation Project.

2. The Economic Management and Capacity Building Credit became effective in December 1992. It was off to a slow start, partly because of inexperience and lack of familiarity with Bank procedures and partly because of objective difficulties in the working environment and logistic supports. The project is now staffed with a good team of competent and dedicated professionals; the office is reasonably well organized; satisfactory work procedures have been established; and implementation is underway. Some key components, notably human resource development, are on target, while others, such as the studies on economic liberalization, are just starting. Credit disbursements are about five months behind appraisal projections, but are expected to accelerate in the first half of 1993 after several large contracts are signed. The Infrastructure Rehabilitation Engineering Credit became effective in February 1992, and implementation has been satisfactory though disbursements are about three months behind schedule because of delays in processing payments and disbursement applications.

3. Project implementation will receive the attention that the Borrower's relative inexperience and institutional weakness require. Consequently, in order to build the implementation capacity of this Borrower who is relatively unfamiliar with Bank procedures, and to help ensure that operations get off to a good start, the allocation of resources for supervision planned for FY93-95 is about 30% higher than the regional average. Country procurement assessment and training will be given high priority. The first Country Implementation Review (CIR) is planned for 1993. The Bank's Resident Mission, which is in the process of being established, is expected to make a major contribution in project implementation and supervision.

**MAP SECTION**

