

Project Name Angola-Economic Management TA

Region Africa Regional Office

Sector Macro/Non-Trade

Project ID AOPF72205

Borrower(s) GOVERNMENT OF ANGOLA

Implementing Agency

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Environment Category C

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1. Country and Sector Background

One of the key difficulties in designing sectoral support activities in Angola is that the Government still lacks an overall multiyear strategy from which global and sectoral priorities could be pinpointed. However, the latest available draft of the I-PRSP (dated May 25, 2002) focuses on five priority areas, which provides a glimpse into the Government's current thinking in this subject:

Pillar 1: Strengthening Systems and Instruments of Support to the Formulation of Economic Policies, with two sub-areas: Planning and programming system. Budget reform.

Pillar 2: Strengthening and Organizing the Institutional Tissue, with three sub-areas: Restructuring, deconcentration, reorganization and capacity building of public administration. Reforming the judicial system. Strengthening the private sector.

Pillar 3: Strengthening Human Capital, with three sub-areas: Restructuring and strengthening of professional training system. Rehabilitation of education system. Rehabilitation of health system.

Pillar 4: Rehabilitation of Social and Economic Infrastructures, with five sub-areas: Improvement of electricity generation and distribution systems. Improvement of water provision and basic sanitation. Development of transport and communication systems. Implementation of housing programs. Acceleration of demining programs.

Pillar 5: Promoting Pro-Poor Growth Through a Better Integrated

Production Structure, with three sub-areas: Implementation of a rural development strategy. Implementation of a strategy for the development of artisanal fishing. Development of small and microenterprises. EMTA is geared towards supporting the Government in the areas comprised by Pillar 1 above, as well as the relevant sector plans discussed in A.1 above.

2. Objectives

The key objective of the project is to strengthen the Government's capacity to formulate sound analysis and to implement sound policies in areas which are critical to the design and implementation of a Poverty Reduction Strategy Paper (PRSP), as well as to medium-term planning more generally, including: poverty analysis; the setting-up of a monitoring and evaluation (M&E) system; the formulation and monitoring of a sound Public Investment Program (PIP); and the establishment of a more transparent and efficient public finance framework. In addition, EMTA will follow-up on the successful FINSEC project by helping complete work on the establishment of Angola's payment system at BNA, another key area for greater transparency and for greater efficiency in the conduct of monetary policy. As such, the project will focus on the key economic policy implementation agencies (MINPLAN, MINFIN, BNA). The project is expected to last up to four years from the date of effectiveness, and as such it is expected to parallel the preparation and implementation of the measures described in a Full Poverty Reduction Strategy Paper (F-PRSP). More specifically, each of the four project components will support efforts by the Government which are either ongoing or about to start, and which are expected to have a positive impact in the design and implementation of a more solid PRSP: The Planning component (MINPLAN) will support the continuation previous efforts at establishing methodologies for the preparation, execution and monitoring of sectoral and provincial plans and the PIP. The Statistics component (INE/MINPLAN) will support the implementation of the recently-prepared Five-Year Plan for Statistics. The Public Finance component (MINFIN) will support MINFIN's Program for the Modernization of the Public Finance Management Process. The Payment Systems component (BNA) will continue supporting the full implementation of Angola's payment system. The ultimate development objective of this project is to facilitate the establishment of the appropriate policy and governance framework for sustained medium-term growth, in the wake of the transition from civil war to peace.

3. Rationale for Bank's Involvement

Bank support will help bring to Angola the lessons of some of the most relevant, recent international experiences in the areas considered, as well as the specific lessons learned with the two predecessor projects. More importantly, Bank support, particularly if articulated with the IMF, will help this project be placed into the core of the Government's economic reform program - something more difficult to be attained should it be financed solely by bilateral assistance, or even by a pool of bilateral donors.

4. Description

Objectives The project will assist in four areas discussed below by providing assistance in five specific types of activities: (a) consultancy for technical assistance and studies; (b) dissemination of information through publications and workshops; (c) equipment; (d) local training and (e) training on-the-job. Each of the four project components will support

efforts by the Government which are either ongoing or about to start, and which are expected to have a positive impact in the design and implementation of a more solid PRSP. Project Component 1 - PLANNING (MINPLAN): the principal goal of this component is to strengthen the process of public investment formulation, execution and monitoring in Angola, following-up on work underway at MINPLAN. This component will provide assistance in the preparation of methodologies for harmonization of sectoral and provincial strategies, in monitoring the implementation of the Public Investment Management and Programming System (SIGIP, the Portuguese acronym), in monitoring and auditing the execution of the Public Investment Program (PIP). Specifically, the MINPLAN would be assisted in: (i) Preparation of Methodologies for Harmonization of Sectoral/Provincial Strategies - will assist on the development of methodologies to harmonize sectoral and provincial strategies with the overall Government's Medium-Term Program, and to support training on PIP methodologies for staff at sector ministries and provincial governments. (ii) Monitoring of Implementation of SIGIP - will support the implementation of the Public Investment Management and Programming System (SIGIP, the Portuguese acronym), developed by MINPLAN with technical assistance from other sources (or donors). The main objectives of the SIGIP are: (i) formulation and implementation of a public investment management and programming system, (ii) articulation of the PIP with the Government's program and annual State budget, (iii) articulation and coordination of public investment at sectoral and provincial level and (iv) improvement in the technical capacity for preparation and execution of public investment programs. This sub-component will assist the monitoring process of the SIGIP by adopting clearly identified and easily monitorable performance criteria and providing training to the staff in charge of the process. (iii) Monitoring and Auditing of the Execution of the Public Investment Program - will focus on the financial and operational execution of the Public Investment Program. Financial monitoring will be based on the quarterly budget execution reports prepared by MINFIN, with which close coordination should be sought. From an operational standpoint, such monitoring will need to be based on a clear set of performance criteria, that will need to be put together as part of this assistance. Activities should also involve subsequent training of the staff in charge of assessing the execution of the PIP. (iv) Other areas of support to SIGIP and PIP - Other activities are particularly relevant to the key project objective of strengthening the articulation between short and medium-term planning and financing instruments, and, from an institutional point of view, between MINPLAN and MINFIN, in particular: (a) Linking the PIP and the Medium-Term Fiscal Scenario - the PIP is intended to become a major component of a MTFS, and as such close coordination should take place between MINFIN and MINPLAN. Through the PIP, investment limits - on the basis of internal and external resources - over the medium term can be made known to MINFIN, and incorporated in the spending plan of a medium-term fiscal scenario. Support to this activity will be provided through the MTFS sub-component of the MINFIN component; (b) Linking the SIGIP and the SIGFE - Establishing the institutional and IT-related links between SIGIP and the SIGFE - Angola's Integrated Financial Management Information System - is essential for successful coordination between planning and financing instruments, and should be seen as the basis for integrating the PIP in a future MTFS. Support to this activity will be provided through the "Complementary Actions" sub-component of the MINFIN component. Project

Component 2 - STATISTICS (INE): Regular economic statistics play an important role in the statistical system, both in its own right and as an essential source for National Accounts. The component has been designed so as to finance a set of complementary actions in support of the national statistical system. It is expected that such actions will have the most impact in quickly generating the critical information base that is necessary for jump-starting the economy, while also addressing the problems characterizing the current statistical system. This component will assist in revamping statistics in Angola by financing a range of activities which are designed to strengthen the institutional, technical and financial framework for sustainable production and policy-use of key micro and macro level information by the Instituto Nacional de Estatística (INE). The main goals are: (a) the strengthening of INE by providing technical assistance for preparation and implementation of a strategic planning exercise and corporate plan for the Institute; provision of training, technical assistance, capacity building and incremental operating costs for the establishment of Regional Statistical Offices in the Provinces and short term training for improvement of the human resource base of INE and (b) Improvement of collection, analysis and dissemination of data by providing technical assistance to improve the production of Foreign Trade, Manpower and Labor, Balance of Payments and Price Statistics; a pre-agreed cycle of household surveys and related training to be conducted by INE; technical assistance to start work on preparing the census cartographic update and priority policy studies and analysis of welfare using quantitative and qualitative data. Specifically, INE would be assisted in: (i) National Accounts and Trade Statistics - this sub-component aims to assist in setting up modern systems of generating national accounts (the implementation of National Accounts statistics in Angola will be based on the international framework SNA93, System of National Accounts 1993) and to improve the exhaustiveness and quality of the information in external trade statistics, in particular the coverage and quality of statistics on imports. Other activities related to national accounts are covered in the surveys activities: production surveys, survey of establishments and quarterly industrial surveys. (see table 1- Annex 2) (ii) Sectoral Statistics - this sub-component will assist in developing the capacity to generate key sectoral statistics. Under the IDA credit, the following five sectors will be covered: (1) Education and Health; (2) Employment and Wages; (3) Social protection and justice; (4) Industry and industrial production; (5) construction; (6) population and demographic statistics. More specifically, INE will elaborate statistics on central and local government public finance needed to implement the SNA93 production accounts; it will establish a system for demographic and social statistics which will provide information to monitor and analyze both the provision of services by the social sectors in the society as well as the living conditions of the population; and it will improve the coverage, quality and timeliness of the information collected on education and health sectors as well as improve the analyses and dissemination of education and health statistics. (iii) Household Surveys and Sample Frame Update - this sub-component will update the sampling frame and cartographic base for some provinces in Angola. The updated base will be used to (a) create a sampling program in support of the judicial inquest for assessing family makeup and adjunct family members; (b) to support the creation of a future "General Census of the Population" and (c) to increase technology transfer and to provide state of the art in this field for INE. This sub-component will produce two main results: an Integrated

System of Household Surveys and Industrial and Establishment Surveys. On the first, the component will assist the statistical office in conducting the following surveys: production survey, a series of core welfare indicators monitoring surveys (CWIQ), harmonization of employment survey, and income and expenditure. On the second, the focus of the surveys will be to assess financial flows and assets of establishments, a key input into national accounts. (iv) Information and Technology - this sub-component will assist in setting up a modern information network as well as state of the art technology to generate accurate statistics; it will financing technical assistance and equipment for the establishment of (a) Geographic Information Systems (GIS) and (b) other information technology including live database. The GIS will generate information that is critical to urban development.(v) Poverty and PRSP Monitoring, Analysis and Studies - this sub-component will finance priority studies in the following areas: statistical notes, short-term economic indicators; demographic and social indicators; statistical reviews; and priority living conditions and poverty studies. During the project, the following issues are a priority: (a) to establish a program of annual monitoring of poverty and PRSP policy measures and indicators; (b) to build capacity to monitor statistical trends based upon time series analysis; (c) to provide data for external analysis and studies and towards the end of the period to build capacity for analysis of economic and social statistics.

Project Component 3 - PUBLIC FINANCE (MINFIN): This component will support MINFIN'S program for the Modernization of the Public Finance Management Process. A well-performing public finance management will promote better resource mobilization and allocation, better use of resources, an improvement in expenditure prioritization and in financial management. It will also strengthen the Government's ability to gear public finance instruments towards poverty reduction and growth, by means of preparing the ground for a medium-term fiscal scenario which would be a rolling and evolving financial counterpart of the Government's medium-term plan and the PRSP (a medium-term plan for 2003-2006, that will encompass the PRSP is currently under preparation). The selection of areas for Bank assistance through the EMTA project should be based on two criteria: comparative advantage and strategic focus. In terms of comparative advantage, in principle the Bank could assist the Government in most of the areas for which there are perceived gaps, as pointed out in the recent paper Angola's Public Finance Framework (World Bank, mimeo, 2002). In terms of strategic focus, the Bank should concentrate in areas more directly related to its corporate goal of helping client countries reduce poverty and unleash market-friendly economic growth processes. In practical terms, assistance to the Government in the area of public finances should minimally deal with the following themes: (a) Support the Government in the preparation of the public finance aspects of its PRSP, notably stressing the links between public expenditure management and prioritization, on the one hand, and poverty reduction, on the other; (b) Support the Government in strengthening the links between its planning and financing instruments, most notably between the State budget, the Economic and Social Plan, and the Public Investment Program and (c) Support the Government in gradually moving towards policy decision-making supported by a medium-term fiscal scenario exercise, one in which revenues (especially originated from the oil sector) would benefit from greater stability and predictability and expenditures would be geared towards facilitating the achievement of PRSP goals. Only with a broad, but not necessarily exhaustive coverage, could the EMTA credit appropriately impact on the

three wide themes outlined above. In light of this, MINFIN would be assisted in: (i) Internal Control (INF) - This sub-component will help the National Inspectorate of Finance to become an effective internal control agency, by supporting its legal and administrative reform process and strengthening its capacity to implement its work program. INF is the technical support agency within MINFIN in charge of carrying out financial control activities of all budget units across the public administration as well as of the State-owned enterprises. In collaboration with the National Tax Directorate (DNI), the INF can also conduct financial control activities (mostly restricted to tax issues) of private companies. INF was created in 1958, twenty seven years before Independence, and to a great extent its work program still reflects legislation passed during colonial times. According to the Budget Framework Law (Law 9/97 - Lei Quadro do OGE), the internal control function is to be "institutionalized" within MINFIN, requiring complementary regulation through a Council of Ministers Decree, which was never passed. The key legal document defining the responsibilities of the INF is MINFIN's own Charter (Estatuto Organico, Council of Ministers' Decree 4/98). On the basis of Decree 4/98, INF has initiated work in the preparation of draft regulations for itself, which represents the first major effort in conducting a legal and institutional reform of MINFIN's internal control agency since its creation in 1958. EMTA will support INF's fledgling reform process. (ii) The State Non-Financial Assets Management (DNPE) - The key objective of this subcomponent is to help the National Directorate for the Management of State Non-Financial Assets (DNPE) ensure that quality information on the non-financial assets of the State is generated in order to increase coverage and accuracy of the General State Accounts (Conta Geral do Estado, CGE). Indeed, lack of timely and accurate data on public debt and on State physical assets inventory prevents the production of reliable "assets and liabilities accounting (contabilidade patrimonial). The key inputs from DNPE to the CGE are information on the stock of State non-financial assets (balanço patrimonial) as well as on yearly changes in that stock (balanço das variações patrimoniais). (iii) Public Debt Management (DNT) - This sub-component will support the National Directorate of Treasury in improving public debt management, control and recording. Recent discussions between the Government and the IMF highlighted the urgent need to improve public (external and internal) debt management in Angola. In particular, the authorities were advised to establish without delay a Debt Management Unit in the Treasury, with authority to sign loan agreements for all public entities, including public companies and banks. Until recently, most external debt management work was done under the Direção de Capitais e Transacões Correntes (DTC) at the BNA. With support from another IDA credit (FINSEC), an UNCTAD-designed Debt Management System, the DFMAS, was installed at BNA, although it is still in experimental phase. The interface of DFMAS with MINFIN and BNA is yet to be established. In March 2001, the Government created a Public Debt Committee, headed by the Minister of Finance and having as additional members the Minister of Planning and the Governor of BNA. The day-to-day public debt management activities have been mostly assumed, since then, by the Executive Commission of the Public Debt Committee, led by the National Treasury Directorate (DNT). DTC/BNA still handles external debt recording and accounting. The Executive Commission is viewed as a transitional arrangement, as the Government is studying two options: either to transfer all public debt management activities to DNT, or to establish an autonomous public debt management agency that reports

directly to the Minister of Finance. As part of its efforts to rationalize public debt management, the Government has also started work on a draft Public Debt Framework Law.

(iv) Fiscal Revenues (DNI) - This sub-component will focus in increasing reliability of revenue projections, in the implementation of the Financial Model (currently under preparation in the context of the ongoing Oil Sector Diagnostic Study, commissioned by MINFIN to the consulting firm KPMG) and in strengthening aspects of tax legislation and administration. The National Tax Directorate (Direcção Nacional de Impostos, DNI) is responsible for the design and execution of the tax policy and to carry out administration, collection and control of revenue. In addition, the DNI prepares the revenue side of the budget, including oil taxes (based on estimated production and price per barrel) and non-oil taxes. IDA assistance to DNI through the EMTA credit will provide support to the ongoing tax reform process by focusing on two key policy objectives: (i) to help increase reliability of oil and non-oil revenue projections, thereby strengthening the Government's capacity to produce the revenue side of an eventual Medium-Term Fiscal Scenario; and (ii) to help reduce dependency on oil taxes by strengthening the Government's capacity to collect non-oil tax revenues, through punctual interventions geared towards improving tax legislation and administration. Assistance in these areas will be very closely coordinated with the Fiscal Affairs Department of the IMF. Specifically, this sub-component will finance consultancies to help improve the quality of projections and monitoring of tax revenues in general, and to help assess trends in revenue collection; it will support the implementation of the Financial Model and it will support revision of current legislation in light of the ongoing tax reform; it will help strengthen revenue assessment and taxpayers' compliance by reviewing existing routines in the conduct of tax inspections (including on-the-job training of tax inspectors).

(v) Intergovernmental Fiscal Relations (DNI) - This sub-component will finance the assessment of current conditions and analysis of policy options. With the peace process, it is unavoidable that Angola will need to face the issue of intergovernmental relations (including fiscal decentralization) in the near future. Therefore, it will be necessary to review and reformulate the existing intergovernmental relations system with a view at establishing a functional fiscal structure at the territorial level, clearly determining the responsibilities of local and provincial authorities over expenditure allocations and tax collection matters. Tax sharing, responsibilities over expenditures and provision of public services, intergovernmental fiscal transfers and the possibility of access to credit markets are essential themes, still in need of treatment under a consistent legal framework.

(vi) Medium-Term Fiscal Scenario - This sub-component will focus on an assessment of the conditions and steps required for the implementation of a MTFS. The MTFS can be a very useful instrument with which important development issues under the responsibility of MINFIN can be addressed. On the medium-term expenditure side, much can be done to gear the composition of public expenditures increasingly towards poverty reduction, by consistently improving social sector spending; to reduce the budgetary burden represented by debt service, by means of the design and adoption of a medium-term oriented public (external and internal) debt policy and strategy; and to ensure that a Public Investment Program consistent with Angola's medium-term reconstruction needs will be adequately funded and executed. On the medium-term revenue side, much progress can be made in devising mechanisms to protect the State revenues from oil-price

volatility, and in improving the efficiency and transparency in the management of oil tax revenues and one-off signature bonuses. This subcomponent will support the realization of analytical work to assess: (i) Angola's level of preparedness to move in the next few years to a medium-term approach to expenditure planning and revenue projection; and (ii) the practical actions required to design and implement a medium-term fiscal scenario consistent with the PRSP and the Medium-Term Plan. (vii) Training (INFORSEF) - This sub-component will help design and implement a training program for MINFIN, in conjunction with its various National Directorates and the National Inspectorate of Finance. It is expected to cover the costs of trainers, preferably foreign, as well as the costs of training activities to be conducted in the provinces. INFORSEF, MINFIN's training institute, will be the vehicle through which the Bank can deliver its support to MINFIN's request for strengthening the capacity of its human resources in terms of facilities; the institute is fully adequate to conduct in-house training, which shall be the focus of the Bank's assistance. (viii) Other Specific Areas - since many of the actions of the Modernization Program for the Management of Public Finance are still in the process of being more precisely delineated, timed and costed, IDA Bank proposed that funds be earmarked to activities to be defined under three broad areas: (a) complementary activities to assistance underway in the context of the SIGFE; (b) activities related to State procurement reform, to be decided in the context of the ongoing Country Procurement Assessment and (c) assistance in the implementation of recommendations emerging from the ongoing Integrated Fiduciary Assessment, and not contemplated either by EMTA or by the ongoing assistance directly hired by MINFIN. Project Component 4 - PAYMENT SYSTEM (BNA): Direct benefits from an efficient payment system are numerous and include inter alia, efficient use of the liquidity available, better definition of monetary policy via better data, more efficient monetary policy implementation, limitation of frauds, reduction of transaction costs, better management of risks, support of de-dollarization. This component will provide assistance in the implementation of the Real Time Gross Settlement System, by supporting the acquisition and installation of the RTGS equipment and software and by helping ensure the physical safety of BNA processing centers. This component will permit the adoption of adequate risk control measures, settlement mechanisms and processes, which will allow cross border links with other settlement systems namely with SADC countries; the provision of services and payment instruments adapted to important sectors of the Angolan economy, with an incentive to use electronic funds transfer from the payer; and provision of simple payment services to all, even in less economically attractive regions.

Planning

Statistics

Public Finance

Payment System/RTGS

PIU

5. Financing

Total (US\$m)

BORROWER \$0.00

IBRD

IDA \$15.00

Total Project Cost \$15.00

6. Implementation

The implementation period of the project would cover a period of approximately 4 years and the executing agency under the project would be the Ministry of Planning (MINPLAN). The overall coordination of the project will be responsibility of the Deputy Minister of Planning in charge of the Government's Medium-Term Program and in the preparation of the PRSP (the Project Coordinator). The Project Coordinator will be responsible for the local management of the project and will play a number of crucial roles: will oversee the project design and implementation; will ensure coordination between the Government entities in charge of the specific projects components; will supervise the work to be carried out by the Project Implementation Unit (PIU) in ensuring compliance with the Bank's procurement, disbursements and financial management standards and procedures. The Project Coordinator will be assisted by an Administrator specifically recruited to support the project management. A PIU will be established at the MINPLAN to support in managing the project, in coordinating and following-up activities under the different project components, to ensure a successful implementation as well as, in evaluating the performance of the implementing agencies. In brief, the PIU would carry out the basic administrative work, including financial management, reporting and auditing, management of the project's special account and disbursements, procurement, and providing assistance to the components coordinators (senior officials in charge of component implementation) in monitoring performance benchmarks. The Administrator will assist in preparing consultants contracts and in monitoring the work under the various projects components to ensure technical quality. The Administrator will work in close collaboration with the Project Coordinator in order to ensure an efficient project management and execution and, will report directly to the Project Coordinator (i.e., the Deputy Minister of Planning). The Administrator and specialized expertise would be financed for the PIU to handle the administrative procurement, audit and accounting needs of project execution. Senior officials from the implementing agencies, MINFIN, MINPLAN and INE would be responsible for the implementation and execution of specific EMTA components. More precisely, the Statistics component will be coordinated by the Director of INE, the Public Investment Program component will be coordinated by the Director of Studies and Planning of MINPLAN, the Public Finance component will be coordinated by the Director of International Relations of MINFIN and the Payment System component will be coordinated by the Director of of BNA. Component coordinators will deal with the substantive aspects of the component implementation and will be in charge of monitoring performance benchmarks for their respective components. In order to strengthen the synergies between the Government's overall strategy and the project implementation, it is recommended that the Deputy Minister of Finance in charge of monitoring the SMP (and possibly the PRGF) be responsible for the technical assistance monitoring in the Ministry of Finance and report to the Project Coordinator on a regular basis. The overall administrative arrangements are proposed to be as summarized in the "EMTA Credit - proposed functional diagram".

7. Sustainability

As with previous efforts at capacity building in Angola, the sustainability of EMTA's contributions will critically depend on the Government's commitment to the implementation of the project as well as of the reform program in which it is embedded. A high degree of ownership of

both the reform process and of the specific activities to be carried out in the project is also needed on the part of the authorities. At the reform program level, sustainability will require renewed commitment on the part of the Government to address urgent concerns on macroeconomic stability and transparency that would allow the country to return to a pro-poor, broad-based economic growth path. One material expression of such commitment would be the preparation and consistent implementation of a sound Interim PRSP. At the project component level, sustainability will require adherence to the sectoral action plans relevant to EMTA's components, namely: Timely implementation of the Five-Year Plan for Statistics. Completion of design and timely implementation of the Program for Modernization of the Public Finance Management Process. Completion of implementation of the Angolan Payments System Strategy.

8. Lessons learned from past operations in the country/sector

3.1 - EMCB (PREGE) Project: This credit, totaling SDR 17.1 million, was approved in July 1991, and made effective in December 1991. It was closed in December 31, 1998. An Implementation Completion Report (ICR) for the project was finalized in June 1999. This credit had the following components: (i) Human resources development: to provide training in economic management, project analysis, accounting and financial management, and procurement; (ii) Economic statistics: to strengthen the National Institute of Statistics (INE), and to improve data collection, analysis and dissemination; (iii) Legal assistance: to streamline the legal and regulatory framework; (iv) Public resources management: to improve public expenditure management, public investment planning, public enterprise financial monitoring, and public accounting and financial monitoring; (v) Liberalization policies: to design, implement and monitor trade liberalization; a rural markets study; an incomes policy reform package; an action plan to restore competitiveness in the industrial sector; a pilot privatization program, etc; (vi) Institutional support: to provide training and technical assistance mainly to the Ministries of Planning, Finance, and Geology and Mines. (Note: The sixth component was added during the Mid-Term Review) The EMCB (PREGE) project was rated unsatisfactory in terms of achieving its development objectives. Some of the main lessons learned, as per the ICR, which are relevant to the current project, are: Government's ownership and commitment to reform are vital to the success of the project (according to the ICR, this was the principal failing of the project); an initial period should be devoted to train the local staff responsible for project management; the Bank should commit more supervision results to a project of this nature than the usual; the Bank and the Government should minimize turnover of staff responsible for managing the project; and the Mid-Term Review should be seen as an opportunity to restructure or even close the project if a substantial number of its components are not performing satisfactorily. To these lessons it should be added that the Government, through the Minister of Planning, recently expressed the view that EMCB (PREGE) was too broad in its design, and that a successor project should focus on a smaller set of issues.

3.2 - FINSEC Project: This credit, totaling SDR 14.8 million, was approved in September, 1992, and is expected to close by April 2002. The main objective of FINSEC has been to support institution building and reforms in Angola's financial system, in order to help stimulate resource mobilization, private sector investment, and economic diversification. This credit has the following components: (i) Institutional development at the level of BNA: to strengthen BNA's capacity to carry out

its functions as monetary policy and regulatory authority; (ii) Banking infrastructure: to create a payments systems at the national level; to develop a Banking Training Institute; and to train technical staff in key areas; (iii) Legal and regulatory framework: to improve the legal and regulatory framework for the financial sector in Angola, including the banking system and the insurance system, as well as to define auditing and accounting standards for the corporate sector. FINSEC's project rating in terms of achieving its development objectives has recently been upgraded to satisfactory.

3.3 - Lessons reflected in proposed project design: To a great extent, this project is a follow-up both EMCB (PREGE) and FINSEC. Some of its components are directly related to components of the two predecessor projects, such as statistics, and in this sense it will start at the point its predecessors left. Both EMCB and FINSEC were affected by a variable largely exogenous to the projects themselves, namely, lack of commitment to economic reforms on the part of the Government. Thus some of the main lessons already reflected in the design of the Economic Management Technical Assistance credit include: ñ This project is being designed in the context of an ongoing economic reform process monitored by the staff of the IMF, which provides a monitorable indicator with which to assess the level of commitment to reforms on the part of the Government. ñ This project has a narrower focus than EMCB (PREGE), allowing for better monitoring and facilitating implementation. These issues have been selected in line with the Government's ongoing reform process, as agreed with the IMF. The use of a PPF advance as the first phase of the project will also produce two potentially positive effects: (i) the start of groundwork for a major components of the project, in the area of statistics, before actual commencement of the credit; and (ii) a possibility of testing the implementation process and identifying possible bottlenecks again before actual initiation of the project. ñ Therefore, this project will benefit from the synergies with and will be a source of support to the economic and institutional reform process currently underway in Angola.

3.4 - Lessons Learned from Experiences with Technical Assistance to Other Countries: Experience from World Bank-supported TA projects in other countries has shown that it is of critical importance to have an enabling institutional environment for technical assistance. It is also critical to assure borrower's commitment, which implies agreement among ministries and heads of agencies to ensure successful project implementation. During EMTA preparation, lessons learned from similar projects were incorporated. The main lessons one can withdraw from those experiences are: Technical assistance projects have a greater chance of success if they clearly define their development objectives (linked to a government reform program), set out monitorable indicators of development from the beginning, and focused on a few key institutions. They should also be embedded in a medium-term strategy for capacity building and should be guided by the commitment and capacity constraints of the implementing agencies involved, particularly the agency responsible for coordinating the project. When borrower agencies are weak or uncommitted, a flexible process approach can lead to weak accountability and learning. The choice between "blueprint" and "process" approach depends in how much the project defines the objectives and specific components, with the process approach allowing the project to finance studies, activities and other outputs as the need takes place. The process approach has proven more suitable for those projects involving institutional development, especially in the cases of troubled institutional environment. However, a flexible project design demands strong project management, regular

assessment of objectives, strict record-keeping, solid monitoring and supervision. In a country with limited capacity, a more narrowly-targeted operation is more likely to be successful. Capacity building and institutional development are slow processes that require up-front assessment of borrower's ownership of programs as well as administrative capabilities to implement the intended reforms. It is difficult to maintain program ownership in an environment characterized by fluctuating political support. Major policy reforms such as fiscal management and civil service, which require greater public sector implementation capacity and commitment, may have been more appropriately addressed through policy reform instruments (e.g., changes in institutional incentives) rather than technical assistance. The Bank should move quickly to support government reform initiatives, provided it is convinced of real ownership. The Government should actively participate in the definition of policy reform objectives and be committed to implement them. Government ownership and commitment of reforms is the most important key to a successful technical assistance and it is critical to sequence actions. Technical assistance projects have assisted governments in restoring fiscal discipline and improving fiscal management.

9. Program of Targeted Intervention (PTI) N

10. Environment Aspects (including any public consultation)
Issues : N/A

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Note: This is information on an evolving project. Certain components may not be necessarily included in the final project.

This PID was processed by the InfoShop during the week ending July 5, 2002.