



1. Project Data:		Date Posted : 08/02/2001	
PROJ ID: P009123		Appraisal	Actual
Project Name: Institution Building Technical Assistance Project	Project Costs (US\$M)	25.0	24.97
Country: Uzbekistan	Loan/Credit (US\$M)	21.0	21.0
Sector(s): Board: PS - Central government administration (42%), Payment systems securities clearance and settleme (29%), Banking (17%), Law and justice (9%), Oil and gas (3%)	Cofinancing (US\$M)	4.0	3.97
L/C Number: L3650			
	Board Approval (FY)		95
Partners involved : EU, Government of Japan	Closing Date	10/31/1997	10/31/2000
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives
The objective of the loan was (a) in the short term to provide support to the GOU in formulating and elaborating reforms, and (b) in the medium term provide support for institution building and developing domestic capacity to ensure that the country has the capability to implement and sustain reforms . By providing support to the development and implementation of key reforms in a timely manner, it was envisioned that this first IBRD loan to the country would contribute to the gathering momentum of overall reforms .

b. Components
1. Privatization and enterprise reform (\$2.7m)--Expert advice and consulting assistance on privatization policy, methods, and information systems support; **2. Legal and regulatory framework (\$1.6m)**--Assistance in developing a long-term strategy for reform of laws and regulations in support of a market economy; drafting new laws and regulations; reviewing existing laws and regulations; training on legal issues in the context of the transition . **3. Financial sector (\$9.0m)**--Assistance to the CBU in strengthening the payments system; establishment of an external debt monitoring capability; introduction of international accounting standards . **4. Social safety net and employment issues (\$3.8m)**--Establish new household survey to support social protection policy and poverty alleviation; upgrade and computerize employment service functions . **5. Sector strategies and studies (\$1.3m)** --Studies were to be performed in support of future reforms in the energy and telecom sectors . (\$2.5m for project management)

c. Comments on Project Cost, Financing and Dates
The overall project comprised US\$24 million, of which the IBRD component was US\$21 million, the EU US\$2.6 million, the Government of Japan US\$ 1.0 million, and the GOU US\$0.4 million. The project was originally planned to last 4 years, but implementation delays led to three postponements and it closed after 7 years.

3. Achievement of Relevant Objectives:

1. Privatization and enterprise reform --The IBTA strengthened GOU capacity to privatize SOEs, providing assistance with implementation and search for foreign partners . GOU developed expertise in legal process for privatization. IBTA contributed to the sale of some medium-sized firms to Privatization Investment Funds . Staff training was limited because of the small number of privatizations carried out .

2. Legal and regulatory framework --During the period of the IBTA, a number of laws related to establishment of a market economy were prepared, including Law on Joint Stock Companies, law enabling Securities and the Stock Exchange, Civil Code, Competition Law, and the Bankruptcy Law . Some of the enhancement of the legal framework, however, was achieved under grant funds provided by other donors . Law that would pave the way for foreign participation in the petroleum sector was drafted, but not enacted .

3. Financial sector --All major aspects of this component were achieved . In particular, automated payment system

was implemented which dramatically reduced interbank clearance and settlement times . While the original expectation was that this system would connect only 13 regional offices, it eventually connected 900 district offices to the CBU payments system. A follow-on financial sector operation is planned to enhance this system . In addition, an external debt monitoring unit was established; bank supervision was strengthened; and a new accounting system was introduced, and over half the country's banks were audited according to IAS standards .

4. Social safety net and employment issues --An automated employment registry was successfully implemented, and computerization made possible a 20% reduction in ministry staff. After a long delay, a household survey was established, which will enable (after the end of the IBTA) activities such as a poverty assessment and the potential revision of the poverty threshold .

5. Sector strategies and studies --Studies were conducted that laid the foundation for the restructuring and (potential future) privatization of the telecom sector. Sector restructuring achieved included the separation of regulatory and operational functions. Energy TA paved the way for potential future foreign investment in energy resources, although that investment has not yet been realized . (There are legal barriers impeding foreign ownership) Achievement was satisfactory.

4. Significant Outcomes/Impacts:

- Privatization capacity was strengthened, and 300 medium-sized firms were sold to Privatization Investment Funds
- The legislative framework to support a market economy was strengthened
- A substantial improvement in the interbank payment system was achieved, which dramatically reduced settlement and clearance times
- New auditing and accounting standards (consistent with IAS) were adopted
- Reforms were achieved in the financial sector, including a new accounting system for banks, external debt management unit in the MOF, audits of more than half the nation's banks, and improved off-site bank supervision capacity
- A household survey was implemented that provides a statistical foundation for a poverty assessment and a potential revision of the poverty threshold
- Sector studies were undertaken in the telecom and energy sectors that provided a foundation for restructuring and potential future privatization in these sectors; the telecom sector was restructured .

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

- Although the framework to implement privatization was strengthened, capacity development in this area was somewhat limited because relatively few firms were privatized
- While new accounting standards were adopted, they were not fully operationalized
- IBTA impact on capacity to formulate new labor and employment policy was modest

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Moderately Satisfactory	OED had serious concerns about the development impact of the project, which might have led to a less than satisfactory rating of Outcome. We note that the Rehabilitation loan that followed the IBTA by one year was rated Unsatisfactory both by OED and ECA, and that no adjustment operation has been undertaken in the country.
Institutional Dev .:	Modest	Modest	
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:

- A technical assistance loan, without strong linkage to policy -based lending, is unlikely to have significant development impact
- In considering a TA loan, the Bank should make a realistic assessment of the Borrower's inclination to utilize grant funds, and the availability of those funds

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The ICR is detailed, clear, and well-presented. For an ILI, it should have presented more information on the development impact achieved by the project, context on the government's attitude toward reform, and the nature of

the Bank's dialog with the authorities . It should also have presented more substantiation of sustainability .