



<b>1. Project Data :</b>
<b>OEDID:</b> C2641
<b>Project ID:</b> P008413
<b>Project Name:</b> Institution Building Project
<b>Country:</b> Georgia
<b>Sector:</b> Economic Management
<b>L/C Number:</b> C2641
<b>Partners involved :</b> Government of Netherlands
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**2. Project Objectives, Financing, Costs and Components :**  
 The Institutional Building Credit (IBC) sought to build GOG capacity for (i) carrying out core functions of economic management required for a private market economy, (ii) diagnosing constraints in key sector to be remedied in the near term, and (iii) coordinating assistance provided by Georgia's aid consortia . This technical assistance credit committed \$10.1 million at approval in July 1994. It became effective in August 1994 and closed six months behind schedule, in June 1998, with a latest cost estimate of \$ 10.65 million. Co-financing of \$0.6 million was provided by the Government of the Netherlands along with non -monetized support from the IMF, UNDP, and USAID in the form of technical assistance. The IBC's three components comprised technical assistance and capacity building for (i) financial sector reform, (ii) economic management, and (iii) mass privatization/enterprise reform. The economic management component was the most extensive, covering eight sub -components including policymaking, tax and customs administration, aid coordination, debt management, and aid coordination . To facilitate implementation, a Project Implementation Unit (PIU) was established within the State Committee for Foreign Economic Relations .

**3. Achievement of Relevant Objectives :**  
 The IBC achieved most of its objectives including strengthening technical expertise in the MOF's Debt Management Unit, implementing the first voucher auctions for the privatization program, coordinating assistance for enterprise reform, and the establishment of modern procurement practices in the PIU . In terms of its impact, the IBC served to hasten implementation of the Government's economic stabilization and reform efforts . It also laid the institutional foundations within the GOG for more intensive reform efforts and therefore, continued assistance from the Bank .

**4. Significant Achievements :**  
 The project achieved most of its objectives (noted above) in an unpredictable environment, in which the Bank had no prior experience. Given the context, IBC's accomplishments laid the groundwork for future Bank support in three ways. First, given its limited knowledge of the Georgian environment, the Bank was wise to limit the objectives to short term infusions of skills and equipment. This provided time for the Bank to learn about the Georgian environment before more intensive institutional reform efforts were supported . Second, the Bank tailored its processes to Georgia's weak institutional environment, which served to reduce project risks . For instance, at appraisal, the IBC limited the number of contracts, initiated procurement activities early on, and pre -committed to heavier-than-average supervision effort. Finally, the IBC allowed for some flexibility in the use of project funds in order to support new and emerging priorities unforeseen at appraisal (e.g., computers and public information drives). It is worth noting that flexible financing was achieved by relying on local rather than foreign consultants for certain project activities.

**5. Significant Shortcomings :**  
 In some respects, the IBC was overly ambitious . As a result, two components, namely the computerization of the Customs Department and the installation of Public Sector Information Systems (ASYCUDA) failed. Even though the customs component was not canceled, both the ICR and Borrower contribution to the ICR acknowledge that the cultural/institutional environment of the Department (at the time of effectiveness) was not suited for capacity building . In such cases, it is advisable that the organizational environment be "rectified" prior to infusing it with scarce technical inputs. This lesson was in fact internalized in the follow-up SATAC project, also covered in this ICR .

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

**7. Lessons of Broad Applicability :**

The use of 'institution-light' options such as local consultants offers win-win situations in which 'freed up' funds can be channelled towards new priorities that emerge over the course of the project cycle . Moreover, selectivity in supplying capacity building inputs should be based on a prior assessment of the organization's incentive framework (i.e. , pay system and work environment).

**8. Audit Recommended?**  Yes  No

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

This is a well-written, candid piece of self-evaluation. It would be more convincing and meaningful if indicators on impact were made more explicit and focused . For instance, how have the timeliness and predictability of policy and budgeting processes changed since the completion of the project? Since the ICR covers both the IBC and SATAC projects, it should also have included an analysis of the incentive environment in core economic management systems (i.e., pay and personnel systems ) and its implication for absorptivity and sustainability of TA .