



1. Project Data:		Date Posted : 01/27/2005	
PROJ ID: P034092		Appraisal	Actual
Project Name: Technical Assistance	Project Costs (US\$M)	26.00	11.65
Country: Turkmenistan	Loan/Credit (US\$M)	25.00	10.65
Sector(s): Board: PS - Central government administration (48%), Payment systems securities clearance and settleme (32%), Oil and gas (9%), Banking (6%), Law and justice (5%)	Cofinancing (US\$M)	1.00	1.00
L/C Number: L3791			
	Board Approval (FY)		95
Partners involved :	Closing Date	06/30/1998	12/31/2003

Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives

There were two objectives:

- 1) to provide support to the Government in the policy formulation process by helping to overcome the critical human resource gap that was slowing the preparation of a reform program and to develop policy options for implementing and managing reforms, including strategies for removing energy sector constraints; and
- 2) to provide support for institutional building and strengthen domestic capacity to ensure that Turkmenistan had the capability to implement and sustain reforms over the medium term .

b. Components

Technical assistance was to be provided under six components, :

- 1) Privatization and private sector development (PSD): (i) planning and policy work for privatization and PSD, and development of implementation plans; and (ii) formulation and enforcement of enterprise reform policies to improve governance and restructuring of enterprises, and training of managers;
- 2) Financial sector: (i) development of a payments system; (ii) development of commercial bank accounting and auditing guidelines, and training; (iii) strengthening of central bank supervision capability and prudential regulations; and (iv) training for professional staff of banks;
- 3) Institutional support and development: (i) development of a legal framework for PSD and strengthening implementation capacity; (ii) development of public investment project analysis and training; and (iii) feasibility studies of priority investment projects in industry, infrastructure, and agriculture;
- 4) Social sector: (i) conducting a Living Standards Measurement Survey (LSMS) as the basis for designing social protection policies; and (ii) developing a policy framework for designing a national and contributory pension scheme;
- 5) Energy sector: (i) design of a regulatory framework and development of policies and institutional strengthening for supervision of petroleum operations; and (ii) transfer of technology and training for staff in the Oil and Gas Ministry; and
- 6) Project implementation: support to a PMU and training.

c. Comments on Project Cost, Financing and Dates

From the outset, the project was plagued by fraud, corruption and mis -procurement leading to suspension of all Bank disbursements in March 1998 and to the cancellation in 1999 of US\$19.38 million of the Loan, of which US\$ 15 million (60 percent) at the request of the Government. After a 15 month-hiatus in disbursement, the Bank lifted the country-wide suspension in August 1999, and, in late 1999, the Government requested a reactivation of the project focusing only on the modernization of the treasury, a reinstatement of a portion of the cancelled funds (US\$9.2

million) and a postponement of the closing date to 12/31/2001. The Bank agreed to such a request in June 2000. The closing date was extended twice more, to 12/31/2002 and to 12/31/2003 to implement the modernization of the treasury. Delays, poor decision-making and non-compliance with agreed benchmarks led the Bank to decline a request for a fourth extension to 12/31/2004, leaving the sole remaining component incomplete by Loan closing. Eventually, disbursements amounted to US\$ 10.7 million.

3. Achievement of Relevant Objectives:

The objectives were not met because of a total lack of commitment on the part of the authorities and the absence of a reform program agreed between the Government and the Bank. There was minimal implementation of some sub-components (treasury modernization, LSMS, and pensions) with no lasting impact.

4. Significant Outcomes/Impacts:

The only output is the establishment of a banking school, taken over subsequently by the EU.

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

- 1) None of the sub-components was fully achieved.
- 2) The Government did not cooperate with investigations of fraud and corruption.
- 3) The procurement expert recruited under the project failed to monitor procurement processes.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Highly Unsatisfactory	Highly Unsatisfactory	
Institutional Dev.:	Negligible	Negligible	
Sustainability:	Highly Unlikely	Highly Unlikely	
Bank Performance:	Unsatisfactory	Highly Unsatisfactory	The Bank failed in several respects: (i) at preparation/appraisal, it misjudged considerably the commitment and the implementation capacity of the Government; (ii) the project was much too broad and too complex for a country barely emerging from a command economy; (iii) it overlooked the fact that kickbacks were already reported before effectiveness; and (iv) given the experience gained over the first five years of the project, the Bank management made a crucial mistake in 2000, in accepting a redesign of the project and the reinstatement of funds, thereby sending an inappropriate signal to the borrower.
Borrower Perf.:	Highly Unsatisfactory	Highly Unsatisfactory	
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:

- 1) In cases of fraud, corruption or mis-procurement, the Bank should act quickly and decisively. The Turkmenistan case reflects badly on the Bank and on the policies it promotes.
- 2) TA projects for countries initiating a transition to a market economy should be designed with the borrower, be simple and well focused on a few priority areas.

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The ICR is well written. Table 4 is very useful.