

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: ECGF

TA No. and Name TA 4071-UZB: Developing a Management Information System for Uzbek Telecom			Amount Approved: \$400,000	
			Revised Amount: \$400,000	
Executing Agency: Committee for Economic Insolvency of Enterprises		Source of Funding: TASF	TA Amount Undisbursed \$20,095.67	TA Amount Utilized \$379,904.33
Date			Completion Date	
Approval 19 Dec 2002	Signing 20 Feb 2003	Fielding of Consultants 1 Sep 2003	Original: 30 Jun 2004	Actual: 28 Jul 2004
			Closing Date	
			Original: 30 Jun 2004	Actual: 14 Sep 2004

Description: The Asian Development Bank (ADB), in association with European Bank for Reconstruction and Development (EBRD), and International Finance Corporation (IFC), supported the Government of Uzbekistan and Uzbek Telecom (UT) to strengthen the telecommunications regulatory environment and identified opportunities to improve the profitability of UT in preparation for privatization. In early August 2002, a joint mission of ADB, IFC, and EBRD agreed to collaborate to provide technical assistance (TA) to assist UT restructure its operations along commercial lines. This understanding has been confirmed with the Government in a letter jointly issued by EBRD, IFC, and ADB on 8 November 2002. As per the understanding reached, EBRD provided support to review the regulatory framework of UT, IFC helped develop a business plan, and ADB supported the development of a management information system (MIS) for UT. ADB's proposed TA helped UT develop cost-based tariffs and enabled accurate monitoring of financial performance against business plan projections.

Objectives and Scope: The TA's objective was to provide UT with a modern MIS based on an IAS accounting system that would allow it to (i) improve understanding of its cost structure and key profitability drivers; (ii) derive cost-based tariffs, which in turn will help the telecommunications regulatory body establish an appropriate tariff framework for the sector; (iii) monitor its budgeted versus actual financial performance; and (iv) make appropriate operational and strategic business decisions.

The TA was carried out in four stages: stage 1—development of the accounting, budgeting, investment planning, and reporting framework; stage 2—detailed design of accounting, budgeting, investment planning, and reporting procedures; stage 3—development of customized accounting and MIS designed to accommodate the framework and procedures; and stage 4—preparation and implementation of a training program for management and staff.

Evaluation of Inputs: The formulation of the TA design was adequate, with appropriate objectives and terms of reference (TOR). The project completion date was slightly delayed by one month as the project team leader experienced ill health. The consultants established a good relationship with the staff at UT, and the Deputy Director General was appointed to co-ordinate the project on behalf of UT. The consultants were provided accommodation and transport by UT. The consulting team consisted of six individuals that formed three joint teams with UT staff to work on: IAS; financial planning and management reporting; and the MIS. The consultants provided 8 person-months of domestic and 8 person-months of international consulting services. The project team obtained inputs from the EBRD regulatory consultants and provided information to the IFC consultants working on the business plan for UT. The EBRD project is still being implemented. The various teams worked efficiently and effectively, and UT management was satisfied with implementation. The performance of ADB and the executing agency, UT, were satisfactory.

Evaluation of Outputs: The output of the project was an automated accounting system and MIS, and procedures that quantify economic planning, financial and accounting data in UT. In accordance with this requirement, the TA consultant, Corporate Solutions, reviewed business operations and procedures, and reporting arrangements. Procedures were designed and implemented to improve existing financial planning and management reporting arrangements, including defining key performance indicators, designing a set of standard management reports and developing a computerized budgeting tool. Assistance was provided to implement a computerized accounting system at the head office and the main regional centers. These activities were supported by the design and delivery of training programs for management and staff in each of the foregoing areas. These activities were documented in an inception report, three interim reports and a final report that were prepared for ADB and UT. The reports clearly identified requirements for the implementation of IAS and the associated accounting and reporting systems. The reports and assistance were of a high standard and complied with the TOR.

Overall Assessment and Rating: Successful. The weak investment climate has not been conducive to the privatization of UT. Nevertheless, the TA, and associated assistance from EBRD and IFC has helped provide the enabling environment that will allow improvements in the efficiency and effectiveness in the telecom sector, and create the necessary conditions for privatization of UT once the Government decides to liberalize the economy.

Major Lessons Learned The joint activities of ADB, EBRD and IFC provided an important means of mitigating project risks in terms of defraying the costs of creating an enabling environment and introducing reforms to enhance UT's profitability, and thereby make privatization feasible. This is a model that could usefully be adopted in other projects.

Recommendations and Follow-Up Actions ADB should continue to support the Government's efforts to liberalize the economy, and promote privatization in sectors such as telecommunications where there is a high level of private sector interest, and divestment can help catalyze further reforms to free up the economy.

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