



1. Project Data:		Date Posted : 07/25/2001	
PROJ ID: P047438		Appraisal	Actual
Project Name: Sac I	Project Costs (US\$M)	50	58.17
Country: Tajikistan	Loan/Credit (US\$M)	50	56.20
Sector(s): Board: EP - General finance sector (47%), General industry and trade sector (29%), Central government administration (12%), Other social services (6%), Health (6%)	Cofinancing (US\$M)		1.97
L/C Number: C3122			
	Board Approval (FY)		99
Partners involved : Government of Switzerland	Closing Date	12/31/1999	12/31/2000

Prepared by :	Reviewed by :	Group Manager :	Group:
Elliott Hurwitz	Anwar M. Shah	Ruben Lamdany	OEDCR

2. Project Objectives and Components

a. Objectives
The objectives were to support Government efforts to : 1) restore macroeconomic stability by providing foreign exchange; (2) implement a transparent privatization program; (3) reform the financial system; (4) enhance budgetary provisions for health, education, and the social safety net .

b. Components
1. Privatize state -owned enterprises : privatization plan and legal framework; accelerate privatization of small, medium, and large enterprises; restructure cotton marketing agency; privatize cotton ginneries; prepare plan for privatization and restructuring of aluminum plant .
2. Facilitate development of efficient banking system : prepare new banking law and submit to parliament; strengthen prudential regulations and NBT bank supervision capacity; introduce IAS and internationally -accepted auditing standards; improve payment systems; restructure largest banks .
3. Protect social expenditures and social safety net : allocate budgetary amounts for health and education acceptable to IDA; ensure no outstanding arrears; complete plan to restructure social protection system .

c. Comments on Project Cost, Financing and Dates
Financing : The project was initially appraised at SDR37.1 million, or US\$50 million equivalent. IDA provided SDR5 million additional prior to second tranche release to help the country cope with the effects of the Russian financial crisis, and the Government of Switzerland added US\$ 1.97 million for a total project cost of US\$58.17 million (at current exchange rates).

Disbursement : The project originally had 2 tranches, but because of delays in meeting some conditions, the second tranche was restructured into two, for a total of three tranches .

Dates : The project became effective on 8/21/1998, and closed on 12/31/2000, one year later than planned.

3. Achievement of Relevant Objectives:

1. Privatize state -owned enterprises : The GOT privatized small enterprises on a cash basis, rather than using a voucher-based program as in most FSU countries; all project goals for small enterprises were met by SAC close (which was one year later than envisioned), with 95% of small firms privatized. Among medium and large firms, 120 additional firms were privatized under the credit and 600 corporatized, also meeting SAC goals. The sale of assets including trucks and unfinished construction sites was completed, but with delays . Twenty-two cotton ginneries were sold, but later than envisioned. Two conditions were not met, but were granted waivers : the sale of the cotton marketing agency, and preparation of a study (to be used for subsequent restructuring) of the TADAZ aluminum plant (the country's largest with 30% of the nation's export earnings). Delays in the TADAZ study were caused to some extent by delays on the part of IFC .

2. Banking system reforms : Legal reforms, including Law on Collateral, built on progress achieved under the IBTA Credit. The NBT issued new prudential regulations, and worked with the three largest banks to comply with these

regulations. Audits of major banks in accordance with international standards, a SAC condition, were achieved under the IBTA. SAC reforms in this sector were complemented by the IMF banking program .

3. Social expenditures and social safety net --Conditions in this sector were met: health and education expenditures comprised 22% of the budget, which was acceptable to IDA; social safety net and salary arrears were cleared, and none were incurred in the 1998 budget (though they reappeared later); and a plan was developed for social protection reform, and draft reform legislation was submitted to the legislature .

4. Significant Outcomes/Impacts:

- The financial sector was significantly strengthened, with government and bank capacity enhanced, and stronger bank regulations and a new law on collateral in place
- A significant portion of the economy was placed in private hands
- SAC budgetary support and conditionality sustained social sector expenditures, and the project also introduced reforms in the sector (see Section 3, above)

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

- Less progress than envisioned was made on moving toward restructuring the country's largest enterprise, TADAZ aluminum
- Enterprise privatization was achieved in accordance with SAC conditions, but more slowly than expected
- Sale of cotton ginneries and business assets was achieved later than anticipated

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	
Institutional Dev .:	High	High	
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 program of rapid privatization paid off; privatization was achieved while reform sentiment was strong, and before the quality of enterprise assets could deteriorate
- Financial sector reforms were greatly helped by the presence of strong "champions" in the NBT

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The well-organized ICR lucidly presents abundant evidence of the achievements and shortcomings of the credit . Particularly useful is a matrix of key performance indicators, organized by the original and restructured tranches, which is presented in addition to the original log frame matrix . These strengths outweigh the ICR's overly positive characterization of macroeconomic performance .