

**Uzbekistan: Telecommunication Chirchik**

**Ex-post evaluation**

<b>OECD sector</b>	22020 – Telecommunication	
<b>BMZ project number</b>	a) Fixed-asset investment 1995 66 746 b) Training measure AF 1930 01 955	
<b>Project-executing agency</b>	Joint Venture "Chirkom"	
<b>Consultant</b>	Weidleplan GmbH	
<b>Year of evaluation</b>	<b>2002</b>	
	<b>Project appraisal (targeted)</b>	<b>Ex-post evaluation (actual)</b>
<b>Start of implementation</b>	a) Q 1 1996 b) Q 3 1996	a) Q 3 1996 b) Q 2 1999
<b>Period of implementation</b>	a) 15 months b) no information available	a) 13 months a) 10 months
<b>Investment costs</b>	EUR 14.83 million	EUR 14.45 million
<b>Counterpart contribution</b>	EUR 2.1 million by shareholders; EUR 0.08 million by the municipality	EUR 2.1 million by shareholders; EUR 0.08 million by the municipality
<b>Financing, of which FC funds</b>	EUR 14.83 million, of which EUR 12.782 million from FC	EUR 14.45 million, of which EUR 12.275 million from FC
<b>Other institutions/donors involved</b>	-	-
<b>Performance rating</b>	<b>4</b>	
• <b>Significance / relevance</b>	4	
• <b>Effectiveness</b>	3	
• <b>Efficiency</b>	6	

**Brief Description, Overall Objective and Project Purposes with Indicators**

The project involves the construction and operation of a digital telecommunications network in the industrial city of Chirchik including the connection to the national and international long-distance networks. The installation and operation of the network are performed on a BOO (built-operate-own) basis by the operator company Chirkom, which was set up as a joint venture by the state-owned Usbektelekom (previously the Mahallij Telekom), Alcatel and DeTeLine. After DeTeLine had left the joint venture Usbektelekom held 70% of the shares and Alcatel 30%. In addition, training and further training measures were financed from special training funds.

The overall objective of the project was to improve communication opportunities of industry and the administration by providing quantitatively and qualitatively adequate telecommunications services also involving private household. The aim was to contribute to improving the efficiency of industry, trade and the administration. The communication opportunities of private households were equally to be improved. The project purpose was the establishment of a modern and efficient telecommunication network in Chirchik and its connection to the national and international networks. The following indicators were defined to measure whether the objectives have been achieved:

- Income from fees and charges will increase in accordance with business plan of the joint venture, however, will at least be sufficient to reach an internal rate of return of 8% (overall objective and project purpose).
- Decline in the number of malfunctioning connections per year and per 100 subscribers to less than 40 (project purpose).
- More than 50% of disruptions are eliminated on the first day (project purpose).

### **Major Deviations from the original Project Planning and their main Causes**

The project was largely implemented in accordance with the project design determined upon project appraisal. As a result of the project a modern local network was established in Chirchik, was put into operation and fully integrated into the national network. The training measures were started with considerable delay which was due to the fact that originally the Uzbek partner in the joint venture was not convinced of the necessity of personnel support. But still, the training measures were fully performed.

The project risks identified in the appraisal report (among others lower income from charges, feasibility of increasing charges and acceptance of such increases) have indeed occurred. In addition, the exchange rate risk, which the executing agency has to bear, turned out to be a major cause of the executing agency's economic difficulties.

### **Key Results of the Impact Analysis and Performance Rating**

Though the facilities financed are indeed in utilization the intended project purpose was not achieved. The low profitability of the project and the high share of private users are an indication that the contribution to a sustainable increase in the efficiency of industry, trade and administration is inadequate. In a summarized assessment of all impacts and risks we have arrived at the following rating of the project's developmental effectiveness:

- As the actual utilization of the facilities is satisfactory, the project's effectiveness is also satisfactory (partial evaluation: rating 3).
- Considering that the overall objective was not reached (high inefficiency) and that share of productive users is declining the significance and relevance of the project are inadequate (partial evaluation: rating 4).
- In view of Chirkom's very difficult economic situation (acute liquidity crisis in 2000, internal rate of return of minus 36.5% and a net present value of minus EUR 36 million) the efficiency of the project is considered as totally inadequate (partial evaluation: rating 6).

Overall, the developmental effectiveness of the project is inadequate (rating 4).

### **General Conclusions applicable to all Projects**

None

### **Legend**

Developmentally successful: Ratings 1 to 3

Rating 1 Very high or high degree of developmental effectiveness

Rating 2 Satisfactory degree of developmental effectiveness

Rating 3 Overall adequate degree of developmental effectiveness

Developmental failures: Ratings 4 to 6

Rating 4 Overall inadequate degree of developmental effectiveness

Rating 5 Clearly insufficient degree of developmental effectiveness

Rating 6 The project is a total failure

### **Criteria for the Evaluation of Project Success**

The evaluation of a project's "developmental effectiveness" and its assignment during the final evaluation to one of the various success levels described below in more detail focus on the following fundamental questions:

- Are the project objectives reached to a sufficient degree (aspect of project effectiveness)?
- Does the project generate sufficient significant developmental effects (project relevance and significance measured by the achievement of the overall development-policy objective defined beforehand and its effects in political, institutional, socio-economic and socio-cultural as well as ecological terms)?
- Are the funds/expenses that were and are being employed/incurred to reach the objectives appropriate? How can the project's microeconomic and macroeconomic impact be measured (aspect of efficiency of the project concept)?
- To the extent that undesired (side) effects occur, are these tolerable?

We do not treat **sustainability**, a key aspect to consider for project evaluation, as a separate category of evaluation (as is the case at the World Bank) but instead as a cross-cutting element of all four fundamental questions on project success. A project is sustainable if the project-executing agency and/or the target group are able to continue to use the project facilities created over an economically reasonable period of time or to successfully continue the project activities on their own once the financial, organizational and/or technical support has come to an end.