EVALUATION REPORT
of
UZB/96/012 Improvement of Management Information
Services and Communications Facilities in
Uzbekistan
through the Establishment of an Economic Activities Network

Prepared for:

UNDP Uzbekistan
and
The Cabinet of Ministers, Republic of Uzbekistan

Prepared by:
Michael Lewis, International Consultant

On the basis of a mission conducted
July 1999

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Purpose of Evaluation

The project UZB/96/012/C was approved in 1996, and commenced its activities on July 23, 1996 with a duration of three years.

The project has now reached its termination date. An outside independent evaluation is a typical requirement of any UNDP project as it reaches its termination date. It is particularly relevant in this instance as no prior evaluation has been conducted.

This evaluation commenced on July 9, 1999, and over the course of the subsequent two weeks more than forty meetings and interviews were conducted with strategic partners, counterparts, project beneficiaries, and others active in this sector.

The findings of the evaluation will be reviewed by the UNDP and counterpart agencies, including in this case the World Bank and the Uzbek Cabinet of Ministers.

The evaluation and associated recommendations will then be used in the context of the Terminal Tripartite Review, wherein final decisions will be made regarding the status of project activities and the disposition of project resources.

These findings will also be used to help UNDP Uzbekistan establish general development priorities, contribute to the current Country Programme Review, and assist in the design and implementation of future projects.

The area of communications, and the Internet in particular, has been the focus of much development activity in Uzbekistan. The articulation of a clear UNDP development strategy for this sector will enable more effective coordination of related aid and development efforts and substantially improve their effectiveness.

Summary of Immediate Objectives and Outputs

The overall development objectives were quite ambitious, ranging from contributions to economic growth and a reduction in poverty to the strengthening of the communications infrastructure of the country.

The immediate objective was more narrowly defined: to strengthen the information management capability within the Cabinet of Ministers.

The project was organized in four (4) phases, which coincide precisely with the outputs defined in the project document:

Phase I / Output I : establishment of an intraministerial network (EANet / UzNet) linking key ministries and other government institutions and banks dealing with foreign economic activities.

`Phase` 2 / Output 2 : establishment of external connectivity for UzNet users via the global Internet, permitting access to external information resources, including UN statistical and economic data and other databases.

`Phase` 3 / Output 3 : to establish a document management, control, and distribution system for the Cabinet of Ministers and participating organizations.

`Phase` 4 / Output 4 : to extend connectivity to additional state and parastatal entities such as research centres and libraries. Activities in this phase were to include the provision of training and the elaboration of a strategy for project sustainability.

Background

The project was originally conceived as a communication infrastructure project with an emphasis on the themes of Management and Governance. The project was funded by the government, through a loan from the World Bank, and a grant from the UNDP. The government contribution was used primarily for the purposes of equipment acquisition and Internet channel costs, while the UNDP grant was applied towards personnel and operating costs.

The project had a declared first priority of establishing an intra-ministerial network (EANet) under the aegis of the Cabinet of Ministers. In this capacity it has been successful, so much so that the project has established the most comprehensive transport level data network in Tashkent.

The second output of the project was to provide Internet connectivity for the users of EANet. This, too, was successful, in that the project team acquired a satellite dish and established external Internet connectivity with access to its beneficiaries through EANet.

By all accounts the performance of the EANet system in the early stages was very good. Many organizations came to rely upon the services of the project. The project established a separate legal status, for purposes of contracts and account management, and subsequently became known as UzNet. UzNet quickly became a core component of the emerging Uzbek national data network, with significant implications for further development programs and commercial activities.

However, in recent months the situation has worsened. Performance has suffered.

This is attributed in part to an increase in the number of users and heavier demands per user, and in part to recent activities outside the control of the project.

For example, the UzNet project office was situated in the Cabinet of Ministers building, and the satellite dish installed on the roof. The bombing of February 16, 1999 damaged the location, and the dish was subsequently removed by order of the government. The project office was also forced to relocate. The removal of the dish was explained by the government at various times as necessary for renovation after the bombing, then as a matter of state security, and, alternately, as part of a program to assert government control of Internet connectivity.

As of July 1999, the dish has been inoperable for more than one month, and it is not clear when or even if the dish can be re-installed, and if so, where. Furthermore, it is the position of the government that any re-installation must take place under new licensing requirements.

The Uzbek political situation on the issue of Internet connectivity has become considerably more complicated than at the time of project inception. The government passed a decree on February 5, 1999 entitled "on the Establishment of the National Data Transfer Network and Regulation of the Access to Global Information Networks". The decree established a government monopoly on the provision of external Internet connectivity, via the entity UzPak, within the Uzbek Post and Telecommunication Agency.

The decree also announced the "affiliation" of UzNet with the UzPak entity, and established a policy of regulating Internet content with severe penalties for infractions.

The decree was passed with no further articulation of policy or procedure. For example, how is UzNet to be affiliated with UzPak? What is the policy regarding security and privacy of network transmissions?

The decree seems to hold Internet Service Providers (ISPs) accountable for the activities of their clients. What specifically constitutes "inappropriate material" on the Internet? Who decides? Is there a procedure by which ISPs would be notified of potential violations, and a time frame provided for subsequent "corrective" action? Or would the channel simply be turned off when a violation is detected? With what forms of redress for the ISP?

The decree had an immediate negative impact on development activities in this sector. Prominent donors and aid agencies with significant Internet-related projects froze their activities. The United States and European Union issued demarche statements seeking clarification of the decree.

Over forty meetings were held during this mission (see Appendix B) and the decree and the accompanying confusion was a major topic of concern in each of them. The prevailing sentiment within the aid and donor communities suggests that a likely outcome is a reassessment of development aid directives, and the active pursuit of alternative Internet strategies which avoid the most severe strictures of the decree.

Given all of this uproar in the first two project areas, it is easy to forget that the project document called for additional outputs. The third was to establish a document management system. While a prototype system was prepared by the project team, it was not actively used and has not been in service these past few months.

The fourth output involved the extension of project resources, including Internet connectivity, to such entities as libraries and parastatal organizations. This has not been actively developed by the project team. However, the general idea of broadening access to such resources has been identified by the UNDP and other major donors and aid agencies as an important objective, and is expected to become a component of subsequent development activities so long as it remains independent of UzPak and its associated regulatory environment.

Project Concepts and Designs

The UZB/96/012 project was conceived as a means to establish a modern information management system within the ministries of the government of Uzbekistan, and to use the system as the basis for an emerging national computer network.

The system was designed to facilitate the creation and distribution of official documents ranging from draft laws and regulations to economic and statistical data, particularly pertaining to external support of development and industrial activities. This explains the original project title EANet, an Economic Activity Network.

The emphasis of the project, and the main area of activity, was on the creation of a transport level network amongst the ministries. Other donor projects addressed the development of data bases and data management capabilities of individual ministries.

What made this design unusual is that it included clients beyond the government itself, such as banks and research centers. It led to the curious situation whereby a government internal network, which is ordinarily a very restricted and secure

system, was gradually expanded until such time as it became the single largest transport network and provider of Internet service in Tashkent.

These two goals are contradictory, and contributed to the development of an organization with structural conflict and split loyalties. The original goal of increasing government efficiency and cooperation in the development and distribution of economic data combined with the relative lack of data communications infrastructure in Tashkent led to this situation. It is difficult for such an organization to remain both public and private, open and closed, establishing national standards for clear and clean data transport while potentially used to protect national security interests through monitoring and censorship.

Difficult, that is, to do so and retain credibility, which is why the UzNet operation is now facing a crisis in credibility.

The Phase III document management system was a "non-starter". A document management system presumes the existence of a network infrastructure. The Terms of Reference (TOR) for constructing the network infrastructure are fairly technical, such that the team which undertakes this activity is unlikely to be comprised of the same individuals who evaluate the design and flow of documents through the ministerial processes. The skill sets are different. Also, the development of such a system would require extensive cooperation of all of the ministries. As it happened, individual ministries received such support through other donors, and were free then to utilize the data transport system for distribution.

Phase IV shares the structural contradictions of the first two phases, in that it essentially calls for the project to become both a private government network and a public-oriented Internet Service Provider simultaneously.

Project Implementation

The technical issues associated with the project were well-established in advance, articulated in the annexes of the project document and implemented in a fairly direct manner.

Thus, the technical issues were known, and managed accordingly.

One of the difficulties experienced in project implementation was the turnover of project personnel. The positions described in the original Terms of Reference required specialized skills which are at this time in very high demand. Several of the original staff members were lured away by better offers in other locations, such that there is at this time only one individual who has remained with the project from its

inception. This occurred in spite of the fact that project personnel were paid at a level well above that of the normal local scale.

Another difficulty was that of project re-location. Initially located in the Cabinet of Ministers building, the project office was moved for reasons of national security in the period following the bombing. Shortly thereafter the satellite dish which provided external Internet connectivity was dismantled and removed by the government, for reasons of site renovation and national security. These events had an immediate dampening effect on project activities, such that the health of the UzNet project has been described by donors and beneficiaries at various times in terms ranging from crippled to dead.

The UzNet organizational structure was at times not so effective, and this was exacerbated by the actions or lack thereof of the project manager, who was criticized from virtually all quarters. The lack of communication with project participants and beneficiaries was commented upon on many occasions during this evaluation.

The management structure, operational details, and budget of UzNet have been in a state of some confusion for several months, and are still very much in question at the moment. This can be attributed primarily to two major factors: the aftermath of the government decree establishing some affiliation with UzPak, and the pending closure of the UNDP project and the related funding. This situation has a negative effect on current project activities and diminishes the possibility for cooperation with any subsequent related project(s).

Project Results

As noted elsewhere in this report, the project was generally successful in its implementation of the first two outputs: the construction of the intra-ministerial network and the provision of Internet access to its beneficiaries. A significant configuration of equipment was acquired, installed, and subsequently maintained to reasonably high standards, and the related services provided to a large community of users.

While the success criteria for these first two outputs as listed in the project document were met - a system was created, Internet access provided - the ongoing success beyond the end of project and its associated budgetary support is not so obvious.

The third output was that of a document management system. By the

established success criteria, this output was not effectively implemented, and is not active at this time.

The fourth output involved the extension of connectivity to additional state and parastatal entities. This was not implemented on a wide-scale basis, nor was the associated training component fully developed. Substantial additional opportunities for development exist in this area.

The fourth output included the elaboration of a strategy for sustainability. The issue of project sustainability has not been adequately resolved. In the aftermath of the decree, the status of UzNet as an independent enterprise is in question (see recommendations). Current beneficiaries do not know whether the service will continue as of project termination, and if so, under what terms and at what cost.

It would an unfortunate result if the project were successful in creating a system which is heavily relied upon, but then failed in the end. Indeed, the entire exercise would have been for nought, a waste of time and money. It is likely that some variation of the project activities will proceed, but the circumstances are still uncertain.

The structural and operational issues could have been managed more effectively if the routine monitoring described in the project document had been followed. As described in the following "Observations and Lessons Learned" section, performance monitoring was not conducted in any rigorous manner, and in this capacity backstopping by the UNDP was not adequate.

Observations and Lessons Learned

1. There is some confusion about the project's activities. What is UzNet? An internal governmental network? The Tashkent city data transport system? One of the largest Internet Service Providers in Uzbekistan?

   It is all of these things. What may have been a convenient configuration at the time of project inception is now the cause of structural difficulty. These activities need to be separated, and managed according to their very different requirements.

2. Regular reporting and periodic evaluations are especially significant for a project in the rapidly changing environment of telecommunications. This was anticipated and specified within the project document.

However, the specified routine project monitoring was not performed. The structural issues and the current crisis in project sustainability would have been detected and addressed earlier if routine monitoring had taken place, thus enabling more timely opportunities for intervention and corrective action. Examples include:

- The preparation of monthly work plans and progress reports was done only sporadically.

- The project never received a formal evaluation.

- Annual in-depth project reviews were to be conducted during joint meetings of representatives of the government, the World Bank and the UN. No such formal reviews were conducted.

- Project Performance Reports (PPERs) were to be prepared and submitted to each review meeting. No such reports exist in the files, the closest example is an annual report for 1998.

- The Steering Committee, envisaged in the project document to provide more regular guidance to the project between the annual reviews, never formally met.

- The final project evaluation report, for consideration at the terminal tripartite review, has not yet been submitted.

3. Communication was noted as a problem by a wide range of participants, ranging from beneficiaries to potential development partners. Communication between the project team and the UNDP office was inadequate for substantial periods of time, improving only in the last months of the project.

It was also an issue between the project and its clients. For example, at times the network would be brought down with no advance warning, with adverse effects, for routine service which should have been previously announced.

Communication with the government, particularly pertaining to the effects of the February 5 decree, has been inadequate, though the project team in this instance was more a victim of these circumstances than the cause.

Opportunities for collaboration with other related Internet projects were not fully developed, with communication difficulties with project staff cited as a contributing factor

One representative example of the communication issue was the complete absence of the controversial Project Manager during the time of the evaluation.

4. The project required strong direction and leadership. The area of telecommunications changes rapidly, and the corresponding issues and policies change just as rapidly. This is especially true in a newly emergent nation such as Uzbekistan. Success in this environment is difficult, opportunities for problems and conflicts abound. It requires deft leadership to maneuver through these difficulties.

    However, the lack of effective project leadership was evident in numerous situations, recounted in a significant number of the meetings conducted during the mission. Examples range from late submissions of important planning documents and missed opportunities for cooperation to incomplete implementation of the original project objectives.

    The generally poor performance of the Project Manager contributed in significant measure to the current situation. Each of the `lessons learned' areas listed above would have benefited from stronger leadership. It is testament to the rest of the project team that they were able to stay focussed on their technical activities in the midst of conflict and confusion.

    In such a case, where the Project Manager does not have a strong technical background, it is recommended to include in the project document an international Chief Technical Advisor who would oversee the activities of the Project Manager and participate in the quarterly and annual review processes through a combination of electronic communication and site visits.

Conclusions & Recommendations

It is generally acknowledged that the project created an information infrastructure component which has become quite valuable. However, there are inherent difficulties for the project to serve simultaneously as a private government network, the Tashkent city data transport service, and an Internet Service Provider. UzNet, as the entity which was created through project activities and which could continue after project closure, should focus its activities.

It is the stated objective of the Agency of Posts and Telecommunications that UzNet

become the entity responsible for the intra-ministerial network. However, there is at this time no fully articulated plan for the transition of the project activities within the UzNet entity and their continued operation. This should become an immediate priority for articulation within the final project evaluation report, and a major topic at the upcoming terminal tripartite review meeting.

In the context of this plan for sustainability the actual legal framework for UzNet's operations should be finalized. The decree calls for an association with UzPak, with UzNet retaining operational independence, but the terms of this association are not yet legally established.

Clarification of this issue will then enable possible UzNet participation and/or collaboration with subsequent development projects, should the services be required.

There is a proposal prepared by the UzNet team that describes three possibilities for technical improvement of the core project resources. The proposal merits serious consideration as a means to maintain the network and improve its overall technical character and performance. A combination of existing project financial resources, anticipated revenue from services provided, and possible cooperation with other projects and/or agencies should establish a financial framework for the upgrade.

It is not feasible to finance these activities based upon a grant-in-perpetuity. An extension of the project, with or without funding, would not solve the underlying problems. A foundation for sustainability must be established, through appropriate budgeting by beneficiaries and the creation of a system of fees for services.

It is acknowledged by all parties that the UzNet resources represent a critical component of ongoing operations of government and the development of a national telecommunications infrastructure. Thus, it is particularly vexing that the project has reached its end with so many problems and so few answers.

It is evident that a transition period is required, to provide an opportunity for the organization issues to be clarified and the operational procedures established. After much discussion and negotiation of these issues, The UNDP is willing to authorize supplementary funding to facilitate this transition, provided that the following conditions are met:
- the project re-install the satellite dish (the original purpose for the additional request for funds) within forty-five days, and continue to provide Internet connectivity for the UNDP and UNDP Technical Assistance projects for a period of three months.;

 • the Terminal Project Report should be prepared at once, including a proposal

for project sustainability, as per the project document specifications;
- The Terminal TriPartite Review should be convened according to UNDP procedure within forty-five days of the official project closing date of July 23 to review the corresponding documents and formally resolve the final disposition of project resources.

The project has shown its viability and technical capacity, it must now make the difficult transition to self-sustainability.

This project represents a narrow level of engagement for the UNDP, with a relatively small range of beneficiaries for a development area with such vast potential. The original Phase IV of the project document called for the extension of project resources and Internet connectivity beyond the initial beneficiaries. However, the project failed to implement this activity.

Given the very limited availability of Internet accessibility in Uzbekistan, the objective of extending access to information resources and the provision of relevant training is one which merits further elaboration and coordinated development activity.

There are now numerous other projects either active or planned in this sector. Many of these activities have been surveyed as part of the evaluation mission, and will be taken into account in the further elaboration of UNDP development strategy. In particular, a strong opportunity exists for the UNDP to establish an umbrella approach which facilitates smaller projects and provides services which might otherwise be inaccessible.

The UNDP Uzbekistan office has also been a beneficiary of the current project, in that it has received Internet connectivity services through the project. It is advisable that now, upon project completion, the UNDP Uzbekistan office acquire an independent channel for its own uses and for use in various development programs. Several options for such connectivity have been circulated, including one from the RBEC central office, and are currently under consideration. The channel should be acquired as soon as is possible, as Internet connectivity has become an indispensable tool of UNDP operations.

Regarding the decree of February 5: after extensive consultation with the project team, the UNDP, representatives of the Agency for Posts and Telecommunications, other aid and donor organizations, and many UzNet project beneficiaries, I can share the following general observation: the decree asserted the priorities of the government for security, control, and censorship over those of the emerging private sector for transparency, efficiency, and reasonable assurances for the free flow of information. The decree generated a great deal of confusion and suspicion amongst the participants in this sector. It is a prevailing sentiment amongst the aid and

donor communities that their activities will be curtailed or stopped altogether until such time as the situation is stabilized.

List of Those Interviewed

Afanasiev, Andrey, Project Assistant, UZNET Project UZB/96/012