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# IFC SmartLessons

*real experiences, real development*

## ABOUT THE AUTHORS

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## Two Are Better Than One: Leveraging Resources across Advisory Business Lines

*In 2008, Uzbekistan significantly improved its rank in the Doing Business "Getting credit" indicator, moving up 38 positions from the previous year, and by July a draft law titled, "On Sharing Credit Information," which meets best international standards, was developed by a six-member working group, including IFC staff and two regulators from the Central Bank of Uzbekistan (CBU). Pending the draft law's passage by the Parliament of Uzbekistan, this major achievement will significantly improve the still-developing regulatory environment in this sphere. These results were achieved thanks to a common approach and efforts of two IFC Advisory Services projects: the Uzbekistan Business Enabling Environment Project (UzBEE) and the Azerbaijan Central Asia Leasing Facility (ACALF) Project. In this SmartLesson, we describe our experience in carrying out joint activities between two different IFC projects and the lessons learned for how to assure successful cross-project collaboration by building an enthusiastic team and assigning clear objectives to individuals.*

### Background

In November 2007, at a regular semi-annual meeting in Tashkent, Uzbekistan, IFC Advisory Services projects presented their progress reports to their donors. At this meeting, the ACALF Project, which was launched in 2005, submitted its exit strategy and requested that its donor—the State Secretariat for Economic Affairs of the Swiss Confederation (SECO)—approve the use of available funds for further enhancement of the still nascent Uzbekistan credit information-sharing system (CISS). The donor agreed with the proposal.

The development of a credit information-sharing system involves scrupulous regulatory work that is normally done by a policy advisor experienced in this sphere. Although the ACALF Project did not have a policy advisor in Uzbekistan because the initial ACALF Project objectives did not require the presence of such a specialist, ACALF was able to obtain the donor's consent to channel some of the available funds into the development of a CISS. On the other side, UzBEE had the required expertise and resources but the project was dedicated to particular project-specific objectives related to improving the business enabling environment. As both projects were

interested in the development of a sound CISS in Uzbekistan, UzBEE and ACALF decided to do this job jointly.

At the same time, by the end of 2007 the CBU had already developed its own version of a draft law related to sharing credit information that seemed anti-market and that did not reflect some key aspects critical for the development of a sound CISS. As none of IFC's projects in Uzbekistan had good relations with the CBU, which did not like to work with international organizations, and ACALF Project would soon end, we faced some challenges in our goal of developing a sound CISS in the country.

The following are the lessons learned in our joint work to assist with the drafting of the new law, which serves as the foundation for a sound CISS.

### Lessons Learned

**1) Focus on aspects that unite your projects instead of those that may divide.**

ACALF is a regional project that contributes to the economic growth of the private sector, increases access to finance, and creates

employment through the development of leasing. It has been particularly successful in Uzbekistan.<sup>1</sup> In turn, UzBEE is a country-based project with the main goal to improve the business enabling environment for small and medium enterprises (SME) in Uzbekistan. Both projects have different objectives, different counterparts, and different team members. However, we have cast aside those insignificant differences and concentrated on the aspects that bring us together, namely:

- **We have had a common goal.** Both projects intended to develop the CISS in Uzbekistan. Although each project had different reasons (ACALF considered that a viable CISS would support leasing companies, while UzBEE hoped that the system would make SME's access to finance easier), the final goal was the same.
- **We are one organization.** All of us work in IFC, in one country, in one office. Although we work in different directions, we all pursue one mission: to support private-sector growth in developing countries.

During preliminary discussion between the two projects, we agreed on these two points, which was reinforced at a subsequent ACALF-UzBEE working group meeting. Based on these points, we then created a strong platform for our working relationship and work plan, which let us use ACALF and UzBEE resources, such as counterparts, specialists, materials, etc., with no restrictions. For example, when we were preparing for the first meeting with the CBU, the regulator of the credit bureau sector responsible for developing the draft law "On Sharing Credit Information," we visited ACALF counterparts from financial institutions to obtain first-hand information on how financial institutions in Uzbekistan share credit information among themselves. Afterwards, with the support of UzBEE specialists, we held negotiations with the Ministry of Justice on the prepared draft law.

## 2) Assign objectives to individuals, not to projects or groups.

When carrying out joint efforts with other projects, it is better to assign necessary objectives to each individual separately. One should keep in mind that, regardless of the similarities between the two IFC projects, there are different managers, different tasks, and different lines of reporting and responsibilities. Because it was impossible to officially appoint a person who would be responsible for the joint efforts, we found that assigning objectives individually to each team member let us achieve our targets in critical areas.

In particular, at our first meeting we agreed on three possible strategic directions to assist in the development of CISS:

<sup>1</sup> The ACALF Project has enabled two local participating financial institutions to attract \$19 million in additional investment. Also, since 2005 ACALF also has helped the Uzbek Government to draft four legislative acts aimed at leasing development, including amendments to the "Law on Leasing," changes to the new Tax Codex, and other acts. These initiatives led to a sevenfold increase in the volume of new leases from 2003 to 2008. To develop the institutional capacity of leasing institutions, IFC has developed 13 training modules and trained more than 162 leasing specialists in leasing basics, credit analysis in leasing, micro leasing, risk management, human resource management, financial analysis, and monitoring of leases through this project.

- *improving the regulatory framework;*
- *conducting a study tour for stakeholders from the CBU, Cabinet of Ministries; and*
- *organizing a seminar for regulators and future practitioners in CISS, including those at banks and nonbanking financial institutions.*

We assigned each of the activities to a different specialist. Additionally, working group members were to write articles to popularize CISS, explaining its benefits and work principles.

These tasks, especially the highly successful study tour to Prague, Czech Republic, resulted in the development of a better draft law "On Sharing Credit Information." Getting first-hand experience of how credit bureaus and credit information-sharing systems operate in market economies of Central Europe and understanding of IFC's global experience in CISS development greatly helped to further improve the Uzbek CISS regulatory framework. Specifically, after returning from the study tour, the CBU rejected its ideas on total control of the private credit bureaus' activities and agreed to make respective amendments to the draft law. In addition, the first ever workshop on the development of CISS in Uzbekistan was held under the auspices of IFC, the CBU, and the Association of Banks of Uzbekistan. More than 60 financiers, bankers and regulators attended, and one article was published.

## 3) In front of a counterpart, act as one team.

It is vital to establish good relations with our counterparts and clients, and we should develop such comfortable working relations with them by acting as one IFC team. Often it does not matter for our counterparts and clients what kinds of projects or different business lines within IFC we represent. They should believe that we represent a working group formed to work specifically with them.

In our initial meeting with counterparts, we presented ourselves as members of different advisory services projects



Sharing IFC global credit bureau development experience at the workshop held by IFC in Tashkent, November 2008.

giving our business cards with the different project names on them. This confused our counterparts as they did not realize who specifically within the IFC office they should approach on certain issues. We fixed this awkward situation by asking them to forget about the names of the projects we represented and suggesting that they contact any of us when needed.

**4) Last, but not least, encourage people by a knockout dose of enthusiasm.**

Cross-project activities within IFC are driven by enthusiastic people, especially as complex joint efforts or cross-project activities are often not rewarded in contrast to a person's regular job. Surprisingly, while IFC welcomes cross-project collaboration, the Corporation does not provide either special processes or pecuniary assistance to encourage staff to participate in cross-project activities. IFC gives various awards such as the "spot awards" or CEO Gender Award, but there are no special awards for cross-project efforts. Additionally, we have plenty of templates for procurement contracts and advisory services contracts, but none of them are designed to match cross-project activities.

Despite this, we were fortunate to have supportive managers that understood the necessity of the development of a sound CISS in Uzbekistan and recognized that cross-project collaboration was the way to go. Our managers helped us navigate sometimes tricky waters to ensure that our cross-project efforts were a success and, importantly, tried to do their best to recognize such actions. However, the most important feature of our successful cross-project collaboration was the enthusiasm of the project teams. Despite

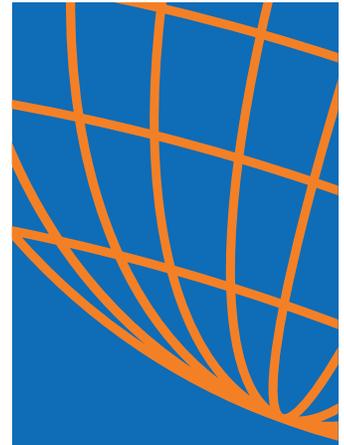
differing motives, our enthusiasm and commitment to assisting in the development of the private sector was the great engine of our work.

### Conclusion

Our cross-project collaboration helped us to convince the partner regulators to amend the draft law "On Sharing Credit Information" and transform it into a far more pro-market document that incorporated principles of best international practice on CISS. The new draft law quickly went through the interagency clearance process and was successfully presented to the Cabinet of Ministries for higher-level approval. (The next step is to secure passage in the Parliament of Uzbekistan.)

The ACALF project ended April 30, 2009, but its exit strategy was successfully fulfilled. At the present time, there is a newly approved Azerbaijan Central Asia Financial Markets Infrastructure project that will help to expand secure access to finance for individual consumers and micro, small, and medium enterprises in Azerbaijan and, the Kyrgyz Republic, Tajikistan, and Uzbekistan by improving the financial infrastructure and regulatory environment that would enable the efficient functioning of credit bureaus.

In addition to the good results of the joint work done by ACALF and UzBEE, our counterpart, the CBU, highly appreciates our efforts and is now happy cooperating with IFC. Our experience helped us to earn the central bank regulators' trust and to recruit them as important respondents for the *Doing Business* reports.



IFC team and Uzbekistan financial market regulators studying the Czech experience, Prague, May 2008.

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