



# Tacis Interim Evaluation

## Synthesis Report

July 1997

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# Glossary

|      |  |
|------|--|
| AP   | Action Programme   |
| BET  | Belarus Economic Trends  |
| CIS  | Commonwealth of Independent States, an organisation established in December 1991 to deal with the legacies of the Soviet Union |
| CU   | Coordinating Unit  |
| DAC  | Development Assistance Committee of the OECD   |
| EBRD | European Bank for Reconstruction and Development   |
| EC   | European Commission  |
| ENE  | Non-nuclear Energy   |
| ERD  | Enterprise Restructuring and Development   |
| EU   | European Union   |
| F&A  | Food and Agricultural production, processing and distribution  |
| GDP  | Gross Domestic Product   |
| GNP  | Gross National Product   |
| HRD  | Human Resource Development   |
| IET  | Institute for the Economy in Transition  |
| IMF  | International Monetary Fund  |
| IP   | Indicative Programme   |
| ISTC | International Science and Technology Centre  |
| MECU | Million ECU  |
| NATO | North Atlantic Treaty Organisation   |
| NC   | the National Co-ordinator for the Tacis Programme in the NIS   |
| NIS  | New independent states (12 countries of the former Soviet Union)   |
| NPP  | Nuclear Power Plant  |
| NRA  | Nuclear Regulatory Administration  |
| NUC  | Nuclear Safety as a Tacis sector   |
| ODA  | Official Development Assistance  |
| OECD | Organisation for Economic Cooperation and Development  |
| PCA  | Partnership and Co-operation Agreement   |
| PER  | Public Expenditure Review  |
| PO   | Partner Organisation, used as a generic term for recipients or beneficiaries of Tacis support                                  |
| PSIP | Public Sector Investment Programme   |
| SEM  | Sound & Efficient Management Initiative  |
| SME  | Small and Medium-sized Enterprises   |
| T&T  | Transport and Telecommunications as a Tacis sector   |
| TA   | Technical Assistance   |
| TC   | Technical Cooperation  |
| TIE  | Tacis Interim Evaluation   |
| TM   | Task Manager   |

|     |                            |
|-----|----------------------------|
| TMC | Tacis Management Committee |
| TOR | Terms of Reference         |
| WB  | World Bank                 |
| WHO | World Health Organisation  |
| WTO | World Trade Organisation   |

# Foreword

The Evaluation Unit of the Directorate General for External Relations (DG 1A) of the European Commission was set up in response to the Commission's Sound and Effective Management initiative (SEM 2000) and has been operational since January 1997. It has the mandate of conducting, on a systematic, timely and rigorous basis, evaluations of the programmes for which this Directorate General is responsible.

One of the first tasks of the newly formed unit has been to undertake interim evaluations of both the Phare and Tacis programmes. These evaluations are part of the Commission's answer to the European Parliament's demand, put forward in its Resolution on the General Budget of the European Union for the 1996 Financial Year (A4-0235/95), that an interim evaluation of the programmes should be transmitted to the European Parliament before the end of June 1997.

The call for an interim evaluation issues a challenge which is daunting in terms of both the methodology to be followed and the amount of data to be processed. The methodology of evaluation of technical assistance programmes, more than any other form of assistance, is a disputed issue among specialists. The measurement of the impact of such programmes is more difficult in countries evolving as swiftly and variably as those of Central and Eastern Europe and Central Asia. And lastly, the Phare and Tacis programmes have since their genesis been so broad in scope that no single study can really hope to do justice to the subject.

on Tacis actions that have been prepared. It builds on the experience of the teams which have been monitoring the outputs of the Tacis Programme, but which have not until now had to consider its wider impact. The report finds that the Tacis Programme's contribution to the process of transition has been relevant, though less effective than it could have been for reasons that are explained; on balance, however, in terms of outputs delivered, the record is positive.

The two interim evaluations are intended to be benchmarks upon which the Evaluation Unit will conduct further sectoral and country evaluations, using different methodologies and focusing more closely on the individual issues involved. The Commission is bound to report on its work regularly to the European Parliament and the Member States. By means of this dialogue, the Commission hopes to contribute to a better understanding of the processes of transition in the countries of Central Europe as they face the challenge of accession, and in the countries of Eastern Europe and Central Asia as they develop their relationship with the European Union.

Michael Lake

Head of the Evaluation Unit

The evaluation of the Tacis Programme takes as its starting point the wealth of monitoring reports

# Introduction

## This Report

This report presents the findings, analyses and recommendations of the team which undertook the Tacis Interim Evaluation (TIE). The purpose of the report is to inform the European Parliament and the Member States about the activities, results, effects and impact of the Tacis Programme in the NIS.

## Activities and Outputs

The TIE took place over a period of nine weeks between 21 April and 26 June 1997. The Evaluation Team consisted of ten consultants, supported by staff of the Tacis Monitoring Teams in Moscow, Kiev, Tbilisi and Almaty. In total, more than 50 consultants made written contributions and over 100 people were interviewed. More than a thousand monitoring reports were reviewed and a database of these was prepared both for analytical purposes and for future use by the Commission. Over twenty sector reviews were prepared and then rationalised into seven NIS-wide sector reviews. Numerous reference documents were used. The final report consists of this synthesis report and more than 1,000 pages of supporting analysis in annexes.

## Interim Evaluation

The authors of this report recognise that, despite the effort described above, they have only presented a first review of Tacis achievements. The title of the exercise – the Tacis Interim Evaluation – is appropriate, the term “Interim” having certain connotations which should be kept in mind by the reader of this report:

- The report does not systematically cover preparatory programming and financial implementation. In other words, issues related to the Tacis management structure and management process and related to accountability are raised only insofar as these explain performance.
- The review has focused on the main delivery mechanisms developed by Tacis, namely the instruments, and thus may not do justice to the contributions of some of the smaller “facilities” (see paragraph 3.2. below).
- Data quality has been an issue no less than in most other evaluations of TA programmes. Systematically recorded data exist only on contract finance and on project

implementation and effectiveness through monitoring reports. No data of similar quality exist for project effects, sustainability and impact. The latter issue is, of course, common in most evaluations and means that the perceptions not only of the Evaluation Team, but also the key actors in the programme, form a central part of the overall analysis.

- In addition, the methodology needed to cope with the assignment had to be developed and implemented within an extremely limited time period. This is evident in a number of evaluation instruments which, while useful, are crude and need further development by the Evaluation Unit DG1A/F5 for future use in other more detailed evaluations.
- Finally, it is considered best practice if ex-post programme evaluations are undertaken jointly by a team of independent experts from the donor and partner countries. This was not the case here. The EU entrusted the assignment to the contractors supplying the Tacis Monitoring Teams who, though having an independent advisory role to play in the Tacis Programme, are, in fact, programme actors themselves and cannot, in principle, give an entirely objective view of Tacis.

The Evaluation Unit recognised the disadvantages of using monitors for this evaluation but this had to be offset against the advantage of mobilising expertise within a very short space of time. The monitoring contractors, NEI, IPS and SEMA, accordingly formed a consortium with the NEI as lead partner. A direct agreement contract was issued on 21 April 1997. Simultaneously, the staff of the Tacis monitoring teams in Moscow, Kiev, Tbilisi and Almaty were instructed to assist the evaluation team with data collection and analysis.

## Key Evaluation Questions

The principal evaluation questions are outlined below. These are the main propositions tested throughout the study. The relevance of Tacis, the ultimate reason for the evaluation, should be seen as the sum of the findings relative to the preceding research questions. As is the case of all evaluations, this cannot be measured quantitatively; a result is arrived at by the sum of the different parts and their relative tendencies towards an overall negative/positive or neutral judgement. In addition to the overall relevance question, two questions are posed relating to recommendations for the future. The answers to

the latter are drawn from the findings and are of course related to the final judgement of the evaluation.

- What lessons have been learned about technical assistance and Tacis as a TA provider?
- How does the Tacis Programme compare in size with the total volume of aid flows to the NIS and the total volume of grant aid in the form of TA for the NIS?
- What is Tacis spending its money on?
- Does Tacis address the priority needs of the recipient governments?
- Does Tacis have an impact on addressing these priority needs?
- What are the key factors which detract from the performance of Tacis?
- Is the Tacis Programme relevant?
- What suggestions can be made to increase the cost effectiveness and overall impact of Tacis in the coming years?
- What comments arise from this TIE on the future direction of Tacis?

## Methodology and Terminology used

To assess relevance, the evaluation team has tested Tacis Programme performance against the following criteria which are part of the standard methodology accepted for programme evaluations: appropriateness; impact, effectiveness and sustainability, efficiency, transparency and accountability.

During the TIE different sources and types of information were used including:

**Existing documents** including policy from the EU and programming documents from the Commission services relating to Tacis (IPs and APs); project files and monitoring reports and other Tacis evaluation material. **New documentation** prepared especially as sector background material for the TIE (country sector reviews and NIS wide sector reviews) and for obtaining insight into Tacis impact, cross cutting theme papers. **Proceedings on the four workshop** on Tacis performance, effectiveness and the impact themes which were held in Almaty on the 14th May, Yerevan, 24th May, Moscow 28th and 29th May and Kiev on the 2nd of June. **Formal questionnaires** were used to assess the views of the Tacis national co-ordinators in the NIS and the CU Directors on the performance and impact of Tacis and last but not least, **Interview notes**, prepared by the evaluation team after their interviews. The Commission has supplied

the **financial and administrative data** on overall Tacis budget allocations, contracting and payments. The quantitative analysis on programme performance, effectiveness, sustainability and efficiency are based on the **Tacis monitoring data base** prepared for this study.

## Evaluation criteria and Terminology

**Relevance:** Term reserved for the overall judgement by the evaluators on the performance of the programme against all evaluation criteria.

**Appropriateness:** The degree of success of the Commission in identifying and selecting those issues for Tacis support which can be considered to be the most urgent in terms of NIS priority needs for TA; and most suitable for TA from the Commission Services and the EU, given their mandate, the available know how in the EU member states, and taking into account the policies of the Commission and the Union towards the NIS.

**Impact:** The contributions from the Tacis Programme to the content and pace of market economic reforms and the reinforcement of democracy in the NIS and Mongolia. As mentioned before an authoritative conclusion on this criteria is beyond the scope of this TIE. Instead the term impact has been defined here in terms of Tacis contributions to: (i) attitude changes; (ii) policy changes;(iii) capacity development in public and private sector institutions; (iv) capacity development in the field of training and education; (v) welfare, enforcing democracy and civil society; and finally (vi) unintended positive and negative side effects from the programme.

**Effectiveness:** The extent to which the Tacis partner organisations (POs) who receive the assistance successfully utilise the project outputs to achieve the project objectives in such a way that the problems identified during project selection as priorities for Tacis assistance are either solved, or are brought better under control.

**Sustainability:** The durability of project achievements (effects) beyond the ending date of Tacis project support.

**Efficiency:** The degree to which the projects realise their planned outputs within the time, input and budget limitations set by the contract.

**Transparency:** The clarity of processes and information flows required for decision making.

**Accountability:** Implementation in accordance with the operational guidelines that have been adopted for Tacis.

## The Structure of the Report

The report starts with an Executive Summary followed by a Synthesis Report. These deal with the main evaluation questions and present the findings, explanations for the findings and the implications that can be drawn for the future. This information is extracted from seven annexes and five working files which are available for reference purposes on request.

**Annex 1** – Framework & Contexts provides a summary of the methodology and an associated methodology guide used in the evaluation. It also sets a context for Tacis as a technical co-operation programme and as such, provides the related information about Official Development Assistance (ODA) and the place of technical assistance (TA) in it, both generally and at the level of NIS. In addition, it contains a literature review which gives an insight into the peculiarities of Tacis in the context of other donor programmes and technical co-operation practices both generally and within the NIS.

**Annex 2** – Programme Description gives a factual description of Tacis programming information. The purpose of this annex is to show how Tacis funds have been allocated, committed and paid per country, per sector and per budget year.

**Annex 3** – Appropriateness of Tacis Programming focuses on whether Tacis programming was appropriate in view of the changing needs of NIS partners and EU policies, taking into account the geopolitical differences which have emerged since 1989 in the NIS group and given their different transition and development paths.

**Annex 4** – Review of Tacis Implementation is concerned with an assessment of Tacis efficiency and effectiveness. The assessment uses a Tacis monitoring database which was developed and used during this evaluation and covers more than 90 per cent of the Tacis project portfolio of monitorable projects, 1010 records in total. The assessment asks if the Tacis delivery mechanisms (instruments) are the right ones. Performance is revealed through seven NIS-wide sector reviews (based on more than 60 country level sector reviews).

**Annex 5** – Analysis of Tacis Impact defines the criteria for impact assessment and provides results from sector reviews and cross-cutting themes. The latter six themes, which cut across the Tacis sectors/indicative support areas, include NIS Policy and Strategy Development, Public Sector Institutional Development, Private Sector Institutional Development, Education/Managerial and Manpower Training, Reinforcing Democracy and Civil Society and Social Welfare. The first four themes give insight into the extent to which

Tacis has had an impact on its first programme goal, namely market reform, with the last two themes addressing the question as to the extent to which Tacis has had an impact on its second programme goal, namely reinforcing democracy. This annex is based on interviews and four workshops on the impact themes, which were held in Almaty on 14 May, Yerevan on 24 May, Moscow on 28 and 29 May and Kiev on 2 June.

**Annex 6** – The Monitoring Database explains the construction, content, structure and programming of the database, its content relative to total funding (and the use of funding not covered by it), reviews its use in this study and makes recommendations about future use and maintenance. It covers 78% of all projects with a budget of ECU 300,000 or higher and 85% of the value of these projects. The average project size in the database is 1.15 MECU. The total value of the projects in the database amounts to 1.16 bln ECU and this is equivalent to 55% of all contracts signed in the Tacis Programme in the period 1991-96.

**Annex 7** – Persons Interviewed and Attending Workshops, is a list showing participation.

**Working Files 1-5** cover the country and area sector reviews, Tacis Programme description on the basis of ten-liners (projects described in 10 lines), 64 case studies, and interview notes.

# Executive summary

This report presents the findings, analyses and recommendations of the team which undertook the Tacis Interim Evaluation (TIE). The purpose of the report is to inform the European Parliament and the EU Council of Ministers concerning the activities, results, effects and impact of the Tacis Programme in the NIS.

Through the Tacis Programme, the EU helps to bring about the transition to the market economy and the reinforcement of democracy in the NIS and Mongolia. Funding by way of grant, the programme provides predominantly technical assistance (hereinafter referred to as TA) for the transfer of know-how, with a minor component of investment.

In order to evaluate the overall relevance of the programme, the Evaluation Team has applied a number of criteria which are standard in programme evaluations: appropriateness, effectiveness, efficiency, transparency and accountability.

The Evaluation Team concludes that:

**Tacis is making a relevant contribution to its programme objectives,** notwithstanding progress in the NIS towards free and open democratic systems observing human rights and towards market-oriented economic systems which has been much slower than some expected and all hoped for;

**Relevance has been limited by shortcomings in terms of management efficiency, transparency and an over-emphasis by Commission services and EU institutions on financial and administrative procedures.** This by-product of the European Commission's corporate culture reflects a bias towards concern with financial procedure to the detriment of programme performance; in turn, this is a reflection of the pressures of the EU institutions which set the environment in which the Commission operates;

**The programme can be credited with a positive record on project effectiveness in achieving the intended objectives.** For the Evaluation Team, this was the decisive factor for the positive final assessment of the programme;

**Tacis has been praised and criticised from both the EU and NIS side.** This reflects partly the political environment in which Tacis placed, but it also indicates that there are serious concerns about the relevance of the programme and the lack of objective information in the NIS about what Tacis is doing.

In the remainder of this executive summary, the main findings are presented; recommendations

for further improving the relevance of the programme are contained in the main report.

## Programme background

The developments inside the Soviet Union during the period 1986-1991 brought hope to its population and to people in the western world that a historical opportunity was presenting itself to end the cold war, halt the arms race, break down the walls that separated East and West and make the world a better place generally.

In this historical setting, the European Union decided to launch Tacis as a large-scale TA programme and, later, to continue the assistance for the NIS and Mongolia after its break-up of the Soviet Union. In retrospect the Council's decision to provide support mainly in the form of technical assistance rather than investment was wise and prudent

In 1991, TA was – and in 1997 still is – the most important form of support which the EU can give its partners in the NIS and Mongolia. The financial investment needs in the former Soviet Union are huge, but the potential multiplier effect of TA on economic growth is, at this stage, still larger than the impact of similar amount of investment inflows.

Private investment flows to the NIS are still negligible (apart from investment in the strategic oil and gas sectors). This shows that there is still a need to work further to remove impediments to commercial and investment flows; Tacis TA has played a surprisingly small role in this context in the past. The 1996 Financial Regulation provides the framework to change this by foreseeing a supportive role for Tacis in the wider PCA context. In the 1996 and 1997 Action Programmes this is reflected in "WTO" projects which aim at supporting the integration of individual NIS in the wider economic and political systems.

Tacis is the largest TA programme for the former Soviet Union, accounting for 36.5 per cent of total TA flows over the period 1991-1996. Though Tacis is relatively big in TA terms, per capita grant assistance to the NIS is very low. For the EU, as donor, this amounts to 1.4 ECU of EU tax payers' money per capita per year; for the NIS population, this is equivalent to 1 ECU per capita per year.

When assessing the relevance of the programme, it should be borne in mind that the total budget is almost negligible when compared with total investment requirements in the NIS.

The Council Regulations of 1991 and 1993 have served their main purpose well. The framework thus set has been workable; the Tacis Programme has been able to evolve.

The Evaluation Team considers the 1996 Council Regulation adequate and sufficiently flexible for the period 1996-1999. The Regulation confirmed that TA provision remains the basic strategy of Tacis for achieving its twin objectives; it set some new accents which have an impact on the evolution, direction and transparency of the programme. The Regulation has, however, increased bureaucracy and influenced productivity.

## Appropriateness of Programming

A clear Tacis position on policy issues in the countries and in the priority sectors targeted for Tacis assistance has not evolved during the years 1991-1996. The Tacis Council Regulations identify indicative support areas but give little guidance on the policy goals which the programme wishes to pursue. The relatively high turnover of Tacis top management and the reorganisation of DG 1A/C from a sectoral to a country grouping can be mentioned as two factors which have not in the short-term been conducive to clear policy formulation. Although, over the last two years, policy statements on the future relations between the EU and the NIS have been drawn up by the European Union, these are not clearly reflected in Tacis programming documents. Likewise, the potential of Tacis as an instrument of support to the implementation of the Partnership and Cooperation Agreements (PCAs) between the European Union and the NIS has only recently become a factor in Tacis programming.

In the beginning, Tacis took the lead in what was in effect a situation of the blind leading the blind. In order to understand better the NIS needs, a relatively high proportion of the Tacis budget was utilised to fund sector studies/reviews. These were strong on sector description but less strong on understanding transition needs, priorities and the feasibility of change.

The initial studies were more useful for Tacis than for the Commission's NIS partners. This has sown the seeds of one of the persistent complaints about Tacis, that the benefits of the programme are greater for the EU than for its partner states in the NIS. In retrospect, the NIS partners had a point: the value of the insight generated by the studies proved in many cases to be limited; because the approach taken by the contractors was often not in line with what is now considered best practice. The studies (with some exceptions) failed to realise their potential value as tools for better understanding the transition problems

facing the sectors and facing key actors within the sectors.

A relatively high proportion of the Tacis budget and staff time has been spent on programming. In order to focus better on the priority needs of the NIS, a system of multi-annual Indicative Programmes has evolved (supplemented by annual programmes, in the case of Russia and Ukraine, and two yearly programmes for the remaining partner states). This involves a consultation process which starts with a summary paper on applications for support compiled by the NIS authority dealing with Tacis: the National Coordinators and the CU secretariat. This system serves its purpose but is time- and resource-intensive. Judgement of the appropriateness of the outcome of this planning process is impossible in the absence of an overall system for identifying priority needs.

In 1992, the basic pattern for the allocation of Tacis budget allocation per country was fixed, with some subsequent changes over time which can be considered sound. Due weight is given to an equitable distribution between the partner states, the track-record on reform, aid absorption capacity and geopolitical factors, including NIS political weight and the EU's own economic interests.

The changes in the sector allocations by and large reflect the evolution of new policy priorities in the NIS. In some cases, proactive policy from the EU side shaped the allocations for some sectors, such as that of support for small and medium-sized enterprises.

Between 1991 and 1996, Tacis funded and started up some 2000 projects. The main Tacis database – Desiree – records the contracts comprised within each project, rather than the project itself. The precise number of projects has not therefore been determined for the purpose of this evaluation.

## Effectiveness: the evidence from the Tacis monitoring database

The Tacis projects have performed well in terms of outputs and effectiveness. A Tacis monitoring database was constructed for the purpose of this evaluation. The database contains information on 481 completed and 530 ongoing projects. This sample represents some 50 per cent of all projects initiated by Tacis, covers 55 per cent of the total value of the Tacis budget and accounts for 75 per cent of all projects with budgets larger than 300,000 ECU. The database allows the Evaluation Team to draw conclusions which are representative of the total Tacis project portfolio.

80 per cent of Tacis projects are seen as having achieved their planned outputs. 20 per cent of

Tacis projects failed to achieve expected outputs, either in part or in full.

71 per cent of Tacis projects are seen as having performed in a manner termed "good" (30 per cent) or "positive" (41 per cent) in terms of achieving their targeted objectives. In 22 per cent of the cases, the effectiveness of the projects has been disappointing. A further 7 per cent must be considered outright failures when measured against these criteria.

87 per cent of Tacis projects are seen as having been well targeted at the needs of the selected partner organisations and/or beneficiaries. This is the main factor explaining the performance of the programme. In terms of sustainability of achievement, the data show that it is reasonable to expect that, in 75 per cent of Tacis projects, positive impact has been achieved in terms of PO capacity building, holding out the prospect of positive impact on economic performance in the future.

The Tacis experience of contractor performance has in general been positive. The performance of 16 per cent was found to be below standard or bad; the performance of 31 per cent was found to be generally positive; the performance of 53 per cent was assessed as good or excellent.

The commitment of the POs (defined here as NIS project partners and users of project outputs) to the project objectives and their actual participation in, and contribution to, implementation emerges from the evaluation as the single most important factor relating overall project performance to project effectiveness, and the single most important factor of failure.

Results vary per sector. The effectiveness of Tacis projects has been highest in the following sectors: financial services, non-nuclear energy, training and telecommunications. The level of effectiveness has been satisfactory but somewhat lower in the other sectors. In sectors dealing with new enterprise development (SME), restructuring of privatised former state owned companies (agriculture and industry) and public administration reform, it is proving to be more difficult than expected to achieve reform-oriented project objectives and to achieve impact in the short time-frame typical for Tacis projects.

Results also differ from country to country. Records indicate that Tacis achievements are on average highest in Armenia, Russia and Georgia, and lowest in Belarus, followed by Azerbaijan and Tajikistan.

These findings show that a positive relation exists between Tacis performance in the NIS and the NIS track record in terms of market-oriented reforms. This finding supports the Preamble in the Tacis Council Regulations which states that "such assistance will be fully effective only in the

context of progress towards free and open democratic systems that respect human rights, and towards market oriented economic systems".

Tacis assistance can also be useful in countries with a poor record on market reforms and democracy and civil rights. Tacis projects in the field of information and training can support the building of reform-oriented attitudes and can in due course have a positive impact on the re-emergence of democratic, reform-oriented politics and policies.

## Impact

The Evaluation Team cannot on the basis of the work done in this Tacis Interim Evaluation draw authoritative conclusions concerning the global impact of the Tacis Programme in terms of its contribution to the content and pace of market economy oriented reforms and support of democracy. The programme is still too young and indeed too dynamic to enable a full scale ex-post evaluation to be made; and it is widely recognised that no valid impact assessment methodology exists for know how transfer programmes.

To give content to the concept of impact, the Evaluation Team has defined impact in terms of: (i) attitude change; (ii) policy change; (iii) public and private sector institution building; (iv) training; (v) contributions to welfare, supporting democracy and civil society and (vi) side effects. Main insights gained are summarised below:

### **Attitude change.**

One main strength of Tacis lies in its people to people approach. Tens of thousands of NIS managers, experts, administrators (and some politicians) have met their EU counterparts. They work jointly on NIS problems that have arisen in the wake of the collapse of the former Soviet Union. These anticipate the restructuring demands which the transition to new market oriented forms makes on NIS public and private sector organisations, as well as on the individuals in top, middle and lower management levels. This joint work gives a wider view, leading to a better and in-depth understanding of the problems, which evidently makes it easier to find appropriate solutions to meet new demands.

### **Policy change.**

Throughout the NIS Tacis was in many sectors the first major donor to address policy change issues. In 1991-1992 Tacis had influence; TIE interviews in 1997 with senior government officials and policy makers confirm that without Tacis support the development of policy-making and implementation would have developed more slowly in a number of key sectors including new legislation, deregulation of markets, privatisation instruments, enterprise restructuring

methodologies, trade and customs; and nuclear safety. In recent years Tacis impact on the decision-making process by which policy is changed, and on budget allocations for implementation, has been less successful than was anticipated and planned. This is in part explained by the lack of a sustained high level policy dialogue between the Commission and the NIS Governments and the usually limited access of project staff and project policy papers to NIS decision-making.

### **Institution building.**

The large majority of the projects (87%) have generally been well targeted at the needs of the selected partner organisations and/or beneficiaries. The data indicate that in 75% of Tacis portfolio, NIS staff abilities increased and the POs developed new capacity for dealing with the problems addressed, to the extent that one may expect that this will have a positive impact on their future economic performance. Tacis impact was greatest when it targeted the needs of new private and public sector institutions and the new capabilities needed by existing institutions: migration policy, customs, taxation, small and medium enterprises centres, commercial and central banking, employment services, etc. In the field of restructuring of existing organisations, resistance to change has so far limited Tacis impact.

### **Training.**

The evidence shows that training can be considered the most important and most appreciated form of Tacis assistance. The impact from the range of training activities is large. Management training is found to be one of the more successful tools for policy support. Tacis contributed to the emergence of public and some viable private sector training centres. Experience of workshops and study tours proved highly valuable for supporting the attitude change processes.

The impact on education policies can not yet be assessed. Concrete results were also achieved in training of trainers, and curricula development.

### **Democracy, civil society, welfare and environment.**

The evaluators consider that so far the content of the Tacis Programme has not reflected the fact that reinforcing democracy is one of the two principal Tacis Programme objectives; nor does it present an adequate response to the practical importance of third pillar issues as defined in the Maastricht Treaty (justice and home affairs). A comprehensive strategy for dealing with democracy issues is conspicuously absent. Nevertheless the evaluation shows that the impact of Tacis on democracy in the NIS extends beyond that of the relatively few projects started

up under the Tacis democracy programme. The evaluators conclude that in most sectors Tacis projects contribute to attitude changes or institutional capacity development which has a positive significance in the support of democracy. On welfare issues, Tacis was one of the first donors dealing with the provision of services through NGOs, the transfer of social security responsibilities from the privatised industries to the public sector and the social consequences of sector- and enterprise-restructuring. Tacis impact in promoting environmental awareness among its project partners is found to be very low.

### **Side effects.**

Tacis has lowered the threshold for EU business and consultancy companies setting up offices in the NIS, and has provided a significant incentive for the development of domestic consultancy capacity in the NIS. In addition a rough estimate indicates that some 40% of overall Tacis finance are directly spent on NIS goods and services. The other 60% consist mainly of the fees for EU experts who provide their services in and for the benefit of the partner states.

### **The evaluators conclude that Tacis is more than the sum of its project results.**

On the basis of the available monitoring evidence, the workshops, and interviews one can conclude that Tacis has had an impact on a number of change processes which are important for the further evolution of market economy and democracy in the NIS and Mongolia.

## **Transparency**

The Tacis information programme is only partly successful. It has provided high quality information to EU business on Tacis programming and tendering opportunities. Translated into Russian, this information is available in the NIS only through the offices of the Tacis Co-ordination Units and the few Delegations. The general public in the NIS has little appreciation or understanding of Tacis. The news of failure spreads more easily than the news of success. The image of Tacis in the NIS is less positive than one would expect on the basis of the findings of this evaluation.

A seriously prepared and sustained information campaign presenting the positive side of Tacis to the general NIS public seems to be needed. It should show that Tacis is providing know-how free of charge and should explain why; it should provide Tacis with a clear profile compared with other multilateral and bilateral donors.

## Project cycle management and staffing issues

Tacis has established a well defined and transparent set of tools and procedures for project design and implementation management purposes in areas such as project identification, project formulation, tendering and contracting, project implementation and progress reporting by contractors, implementation monitoring and final reporting and invoicing. However, implementation efficiency can be improved by utilising the project management and implementation tools and procedures consistently and better.

Not enough staff resources have been allocated to Tacis to enable the operational units of DG1A, at headquarters and in the field, to utilise their project management tools and procedures to their full potential. This is a main cause for the inefficiencies outlined. This problem can only be solved by the allocation of additional posts to allow an extension of the Commission delegation network to cover all the NIS, and to ensure that staffing levels at headquarters are at least comparable to those of other national and international agencies.

The feedback of information and lessons learned concerning the appropriateness of programming and project implementation performance has been limited, both within the Commission services and the Tacis Management Committee. A systematic review of experience gained has been absent; thus the new programming rounds and the selection and design of new projects have benefited only to a limited extent from the considerable experience in transition issues developed within the Tacis Programme.

The establishment of the Tacis evaluation unit and its start of operations in January 1997 can be considered as positive; both evaluation and monitoring systems should be reviewed to ensure their development into an effective management tool.

## Legal basis and accountability

Criticism from the NIS and elsewhere points to the slowness of Tacis and questions its cost-effectiveness. This should be treated as a warning to the Commission and EU institutions which provide the Tacis institutional setting: a warning not to create an ever more mature bureaucratic system at the expense of cost effectiveness.

In response to that criticism, it should be noted that some NIS render the legal basis of Tacis operations in their country uncertain, undermining performance and forcing the contractors to protect themselves by high contract pricing. The

Commission's general rules and procedures as formulated in the Financing Memoranda on Tacis support measures are not formally agreed between the EU and certain NIS. As a result, the rights and obligations which are specified in the contracts between the Commission and its Tacis contractors are not recognised in some countries where national laws are increasingly being applied to Tacis contracts.

## Conclusion

The evaluation shows that the Tacis Programme can be credited with a moderate degree of success in terms of realised outputs and effectiveness in achieving the intended objectives and impact. The report contains some conclusions and recommendations which aim at further increasing the overall relevance of the programme; their implementation might also contribute to improving the public image of the Tacis Programme at home and abroad.

# Part 1 – The Tacis Programme

## Chapter 1 The Historical Setting

The period between 1989 and 1991 was a period of amazement and shock, combined with a feeling of relief and great hope of changing the world into a better place. After 40 years of building up an unprecedented nuclear strike capability, which absorbed huge amounts of funds from both the former USSR and NATO, the so-called Cold War came to an end.

During this momentous time, the European Council met in Dublin (July 1990) and Rome (December 1990) where it was decided to support the authorities of the former Soviet Union in their efforts to bring about economic reform and recovery. It paved the way for what is now known as the Tacis Programme. "The programme shall mainly take the form of technical assistance in support of the economic reform in progress in the partner States for measures aimed at bringing about the transition to a market economy and reinforcing democracy" (Tacis Financial Regulation 1996<sup>1</sup>, No 1279/96, of 25 June 1996).

With the collapse of the Soviet Union as a political entity in December 1991, the centrally planned economy, which had begun to falter in the Brezhnev era, broke down further. The resulting economic crisis deepened; inter-NIS trade volumes dropped dramatically.

In the period 1991-1996, the external environment in which the Tacis Programme is placed, deteriorated in many areas. Organized crime and problems of law and order emerged as serious in the NIS, acting as a disincentive to foreign investment and the emergence of new businesses. These issues are only now beginning to be addressed by the Commission in a systematic way.

Despite macro-economic stabilisation, the investment climate in the NIS countries has not improved significantly. Foreign investment flows to the NIS contrast strongly with those to the Phare countries. Other societal conditions, including those of health, social security, education and poverty, have deteriorated. Populations have become increasingly weary of supporting their governments and their reform programmes. These are factors which assistance programmes, amongst them Tacis, can do little to influence. The dynamics of macro-economic conditions are presented in Table 1.1 below. For

all of the indicators, the 1991 index of 100 is used. The table shows the severity of the economic depression in the NIS. In a few countries, including Georgia and Armenia, economic recovery seems to have started. For Russia, the deepest point of the depression might have been reached and the beginning of a recovery is predicted for 1997-98.

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<sup>1</sup> Over time, the Council has approved three Regulations pertaining to Tacis. The latest Regulation covers the period 1996-1999.

**Figure 1 Macroeconomic indicators of NIS countries in 1996 (1991=100)**

|              | GDP             | Industrial output | Gross agricultural output (all types of firms) | Fixed capital investment (all sources of financing) | Freight traffic volume (excluding pipelines) | Retail turnover of officially registered enterprises | Consumer prices index, times |
|--------------|-----------------|-------------------|--|---|--|--|------------------------------|
| Azerbaijan   | 43              | 42                | 55   | 97  | 14   | 11   | 13,465                       |
| Armenia      | 62              | 51                | 125  | 4 <sup>1</sup>                                      | 4  | 44   | 26,428                       |
| Belarus      | 65              | 62                | 79   | 33  | 20   | 49   | 39,624                       |
| Georgia      | 29              | 23                | 111  | 3 <sup>2</sup>                                      | 8 <sup>1</sup>                               | 15   | ...                          |
| Kazakhstan   | 56              | 49                | 60   | 11  | 20   | 21   | 21,610                       |
| Kyrgyzstan   | 58              | 36                | 68   | 56  | 5  | 41 <sup>3</sup>                                      | 941                          |
| Moldova      | 43              | 46                | 64   | 14  | 10   | 17   | 1,466                        |
| Russia       | 61              | 51                | 65   | 30  | 25   | 88 <sup>3</sup>                                      | 2,177 <sup>4</sup>           |
| Tadjikistan  | 53 <sup>5</sup> | 40                | 42   | 25 <sup>6</sup>                                     | 5  | 2  | 15,363                       |
| Turkmenistan |                 | 73                | 71   | 174 <sup>2</sup>                                    | 64   | 26 <sup>1</sup>                                      | 4,237 <sup>1</sup>           |
| Ukraine      | 47              | 52                | 69   | 23  | 21   | 35   | 42,464 <sup>4</sup>          |
| Uzbekistan   | 83              | 104               | 84   | 56  | 68   | 79 <sup>3</sup>                                      | 4,296 <sup>6</sup>           |

1 = 1994; 2 = 1993; 3 = Sold through all the channels; 4 = December 1991 to December 1996; 5 = In % to 1992; 6 = 1995

Source: *The Russian Economic Barometer, Vol VI, no 1/1997, Russian Academy of Sciences, Institute for World Economy and International Relations*

# Chapter 2 Tacis in the context of Official Development Assistance

## 2.1 Size

The Tacis Programme operates as one of the world's many Official Development Assistance (ODA) programmes. In recent years, ODA has been subjected to a number of forces, which have had their impact on the Tacis Programme. There are overall fiscal restraints, which result in budget pressures, there is a greater demand for accountability and transparency of programmes and many donors have shifted increasingly away from project to programme aid (budget assistance, balance of payments support or export credits). Finally, both governments and public opinion are demanding that aid contributions be used "more effectively", reflecting concern with the poor overall results of ODA in the 1970s and 1980s, especially in Africa.

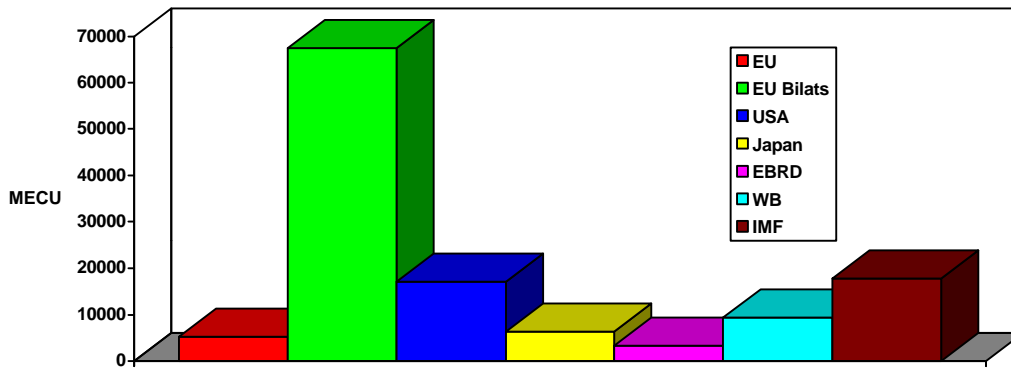
Figure 2.1 presents overall official aid flows to the NIS in the period 1990-95, including official credits. Technical assistance, hereafter referred to as TA<sup>2</sup>, represents only 4.9 per cent of these flows. The Tacis Programme is the largest provider of TA, representing 35 per cent of total TA or 1.7 per cent of total official aid to the NIS.

Within the NIS, Russia is by far the largest recipient of both ODA and technical assistance, receiving 16.4 per cent of the total EU-ODA and 43.4 per cent of the EU's TA.

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2 Technical assistance involves development aid in which transfer of knowledge and skills is the main goal. In OECD terminology, technical assistance is referred to as technical co-operation (TC). TA will be used as the abbreviation in the rest of the text.

**Figure 2.1. Total official aid to NIS, 1990-95**

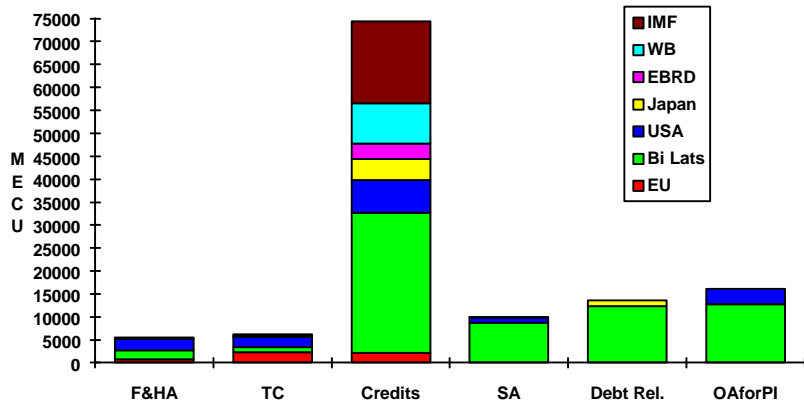


Source: EC, DG1A/C1

It should be noted that over the period September 1990 to end 1995, the EU is the largest donor to the NIS. The European Community provided ECU 5.1 billion. The Member States provided ECU 67.6 billion. Germany leads in this context. Following Reunification, Germany provided the

former Soviet Union with export credits (ECU 21 billion); it also finances the bulk of the strategic assistance for the withdrawal of Soviet forces and the destruction of strategic missiles. Tables 2.2 and 2.3. show the type of support by donor.

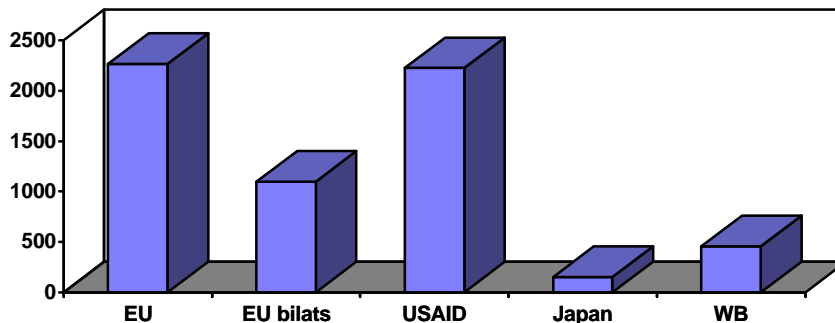
**Figure 2.2. Official aid to the NIS by Type of Support and Donor, 1990-95**



F&HA – Food & Humanitarian Assistance; TA – Technical Assistance; SA – Special Assistance; OAforPI – Official Assistance for Private Investment.

Source: EC, DG1A/C1

**Figure 2.3. Technical assistance by donor to the NIS, 1991-95 (MECU)**



## 2.2 The Importance of Technical Assistance

In recent years, technical assistance has been widely criticised by the donor community. In reaction to calls from many quarters, including the OECD, for more effective use of technical assistance funds, donors, including the EU, have engaged in extensive monitoring and self-evaluation of their activities.

Some of the lessons learned about TA in the NIS from Tacis country evaluations, the European Court of Auditors and the World Bank can be summarised as follows:

the need for long term TA support in nearly all NIS countries

the importance of country-specific attributes in technical assistance planning

the necessity of involving recipients in TA project planning from the start

the need for stricter conditionality of support

it is not advisable to directly finance government agencies under restructuring

the need for temporary budget support whilst tax and budget systems are being overhauled

the need for support to NGOs and the private sector.

Technical assistance is a complex field. It has become even more exacting in the light of evidence that institutional and capacity development are essential if the countries being supported are going to succeed in their development. It is hardly surprising that these themes are now seen by donors as being the main focus for their TA over the next decade. Neither area is without its pitfalls and it must be realised that successful TA in these areas has to be seen as a long-term rather than a short term undertaking.

In the NIS, the context of TA is even more complex than in the developing countries, because knowledge of both donors and recipients is limited both in time and substance. Most observers would argue, for example, that transition goes beyond traditional development and thus requires much more skills and time to be able to provide well-tailored support. This is why the World Bank specifically says that the scale and extent of change in transition economies makes problems of other reform programmes “pale into insignificance”.

## 2.3 The Rationale of Tacis

In 1990, the European Council acknowledged that the economic transformation of the former Soviet Union would, in the coming decades, require thousands of billions of ECU for investments in infrastructure, education and industrial restructuring. They also realised that the grant funds available for assisting the reform process in the former Soviet Union would represent no more than a drop in the ocean if used for financial assistance and/or direct investments in infrastructure or productive capacity. Investment requirements of this size can only come directly from private sector investors (NIS and foreign), from Public Sector Investment Programmes financed indirectly by the NIS private sector via tax revenues, or from a much larger – Marshall Plan scale – international development effort. Fully aware of this, the Council of Ministers of the EU opted for technical assistance as one of its first instruments for supporting the economic reform processes in the former Soviet Union.

When Tacis was set up, a choice was made for short-term interventions (18-24 month contracts) rather than long term development-type aid projects. At that time the Soviet Union was considered to be a developed economic giant which needed revitalisation and relatively short-term, transition-oriented interventions were considered more suitable than long-term, development aid-type interventions. With hindsight, it is clear that the complexity of change in the NIS was grossly underestimated.

# Chapter 3 Tacis Objectives and Programme Description

## 3.1 Objectives

In 1991, the Tacis Regulation mentioned one main objective: “the transition to a market economy”. In the 1993 Regulation, the phrase “and thereby reinforcing democracy” was added. In recognition of the fact that ugly forms of capitalism were developing which seemed to need stronger forms of democratic guidance and control, the 1996 Regulation put equal weight on both objectives which are now formulated as: “transition to a market economy and reinforcing democracy”.

“In those countries where the formal legal framework is a reality but, not respected or effectively upheld, then such monopolies belie the label ‘democratic and civil society’. More open and stable societies facilitate successful trade. Industry and commerce need security and stability as a basis for business. This requires an acceptance of rights and obligations within a legal framework that is part of a civil society.” (Quote from the NIS-wide paper on Democracy and Civil Society.)

Programming is based on the overall objectives as laid down in the Financial Regulations. However, the 1991 and 1993 Regulations do not provide an implementation strategy for achieving the Tacis objectives. Instead, they identify a number of indicative areas eligible for Tacis support – commonly referred to as the Tacis Priority Sectors – and mention that the programme should:

- enable the establishment of conditions favourable to private investment;
- encourage the development of (NIS) inter-state economic links and trade flows;
- encourage the dialogue between the social partners (in NIS states).

In the 1996 Regulation, two important changes were introduced to guide future programming. The Tacis Programme was given a supporting role in the context of the Partnership and Co-operation Agreements between the EU and the various NIS. Secondly, Tacis was given the flexibility to use part of its funds (10 per cent) for investment purposes. Democracy appeared in the

form of a conditional statement. The Council Regulation states that

a limited amount of the country financial allocation should be used for small-scale infrastructure projects in the context of cross-border cooperation;

the development of small and medium-size enterprises (SME) being a priority, equity funding for SMEs should be provided by means of support for establishing joint ventures;

“when an essential element for the continuation of co-operation through technical assistance is missing, in particular in the case of violation of democratic principles and human rights, the Council may, on a proposal from the Commission, acting on a qualified majority, decide upon appropriate measures concerning assistance to a partner state” (art. 3.11).

## 3.2 Description of the Tacis Programme

### Programming instruments

Tacis has three main delivery mechanisms for its assistance: the national programmes, the regional programmes and the framework programmes or facilities.

The national programmes absorb some 60 per cent of the funds. They are programmed on the basis of multi-annual Indicative Programmes (IPs) and annual or bi-annual Action Programme (APs). The Coordinating Unit (CU), established in each country for the purpose of liaison between the NIS government and the Commission, play a central role in this process. The CU forms the secretariat for the Tacis National Co-ordinator, who is often a government member at deputy minister level. It is the European Commission’s main negotiating partner for the purpose of programming Tacis financial resources. In those countries where there is no Delegation of the Commission, the CUs have a liaison or representative function for the Commission, with supportive tasks in project portfolio management. In addition, the CUs have supervisory tasks, not clearly defined, regarding the performance of partner organisations (POs) and contractors during project implementation. In CUs that have a national Director, EU experts are attached. Their purpose is to facilitate this intermediary function and keep the Commission informed concerning Tacis project performance and relevant external factors.

The European Commission has established Delegations in four out of the thirteen NIS countries: Russia, Ukraine, Kazakhstan and Georgia. In these countries, the role of the CU has become more limited and its significance for the Commission now lies mainly in negotiating the programming cycle with partners. The CUs have the specific task of co-ordinating the process of collecting the applications for Tacis support from public and private sector organisations and consolidating them into what the Commission Services refer to as “demand driven proposals” for the IPs and APs. These two documents are the main products of the programming process.

The identification and selection of regional programmes is conducted annually in a joint meeting of NIS Coordinating Unit representatives. This meeting is chaired by the Commission and, in principle, a unanimous decision on the project proposals is required. This decision process has proved to be increasingly difficult, because of the different interests and political weights of the NIS members.

Currently, the Commission operates some 20 different Tacis facilities. The facilities have in common that they were developed to meet a specific type of assistance need or to serve a specific target group. A number of them can meet the demands for assistance more quickly than in the case of the national and regional programmes. With only a few exceptions, the size of the project interventions financed under the umbrella of the facilities is substantially smaller than 300,000 ECU. The management of the facilities differs from the management of the national and regional programmes. For most of them, framework contracts have been awarded for their management. The main ones are EES (European Expertise Service), ESSN (European Senior Expert Service Network), LIEN, Democracy, Bistro, FTF, ACE, INTAS, ISTC, Productivity Initiative and Tempus.

Know-how transfer tools

The tools for transferring know-how have gradually changed over time. The original instruments were of four basic types: (i) policy advice; (ii) institution building; (iii) design of legal and regulatory frameworks; and (iv) training. Building on experience and aiming to establish a greater Partnership and Co-operation between the EU and the NIS, a number of new instruments were developed:

policy advice via advisory and consultancy teams, studies and training

developing and reforming legal and regulatory frameworks, institutions and organisations

setting up partnerships, networks, twinning and pilot projects.

Actors in the Programme

Apart from the Commission services, the main actors in the programme are:

- the National Co-ordinator: a representative of the national NIS government, usually the Minister or Deputy Minister of Economic or Foreign Affairs;
- the Coordinating Unit (CU): representative organisation of the national NIS government;
- the Partner Organisation or project partner: the organisation receiving assistance in the form of a project;
- the Contractor: a European firm implementing a project;
- the Task Manager: a permanent or fixed-term staff member of the European Commission, responsible for managing a number of contracts;
- the EC Delegation: representing the European Commission abroad;
- the Monitoring Team: consisting of a European and a local expert, responsible for monitoring projects in the field.

# Chapter 4 Tacis Funding

Since the start of the Tacis Programme in 1991, the European Union has allocated growing amounts of funds to the programme. The absolute level of allocations increased from 375 MECU in 1991 to 560 MECU in 1996/97. This

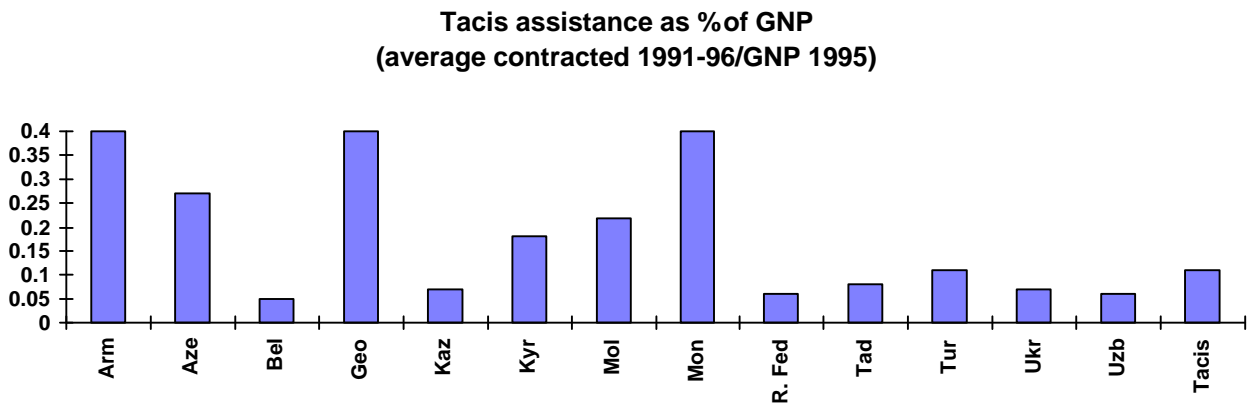
high growth also indicates an increase of Tacis funding in real terms (that is, corrected for inflation). During the period 1991-1996, the programme as a whole was allocated ECU 2.8 billion.

## 4.1. Size and distribution of funds

The importance of Tacis funding for the recipient countries, as a percentage of GNP, is shown in Figure 4.1. On average, funds allocated in the period 1991-96 represent an equivalent of 0.12 per cent of 1995 GNP. In GNP terms, Tacis funds

are unevenly allocated across the recipient countries. The highest allocations go to Armenia, Azerbaijan and Mongolia, amounting to some 0.4 per cent of GNP. On the other hand, Belarus, Kazakhstan, the Russian Federation, Ukraine and Uzbekistan, receive less than 0.05 per cent of GNP.

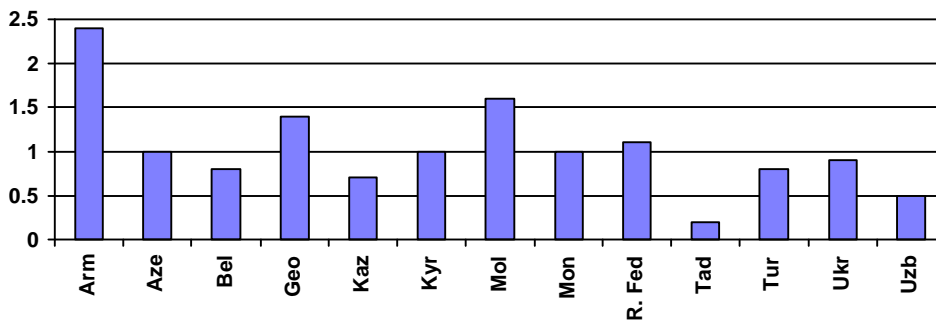
**Figure 4.1. Importance of Tacis funding for recipient countries**



On average, Tacis TA, excluding regional programmes, was equivalent to 1 ECU per capita per year. The highest allocations per capita can

be found in Armenia, Georgia and Moldova. Russia also receives just above the average, as shown in Figure 4.2. It shows that, in per capita terms, a fairly equitable distribution per country has been pursued.

**Figure 4.2. Tacis allocations per capita (excluding regional programme)**



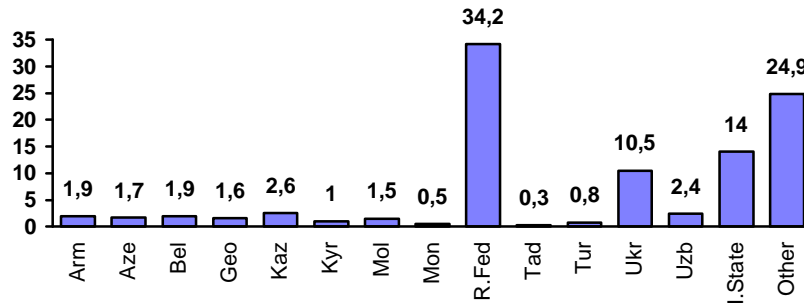
The original country allocations were determined in 1992. Since then, the allocations have been influenced by the following factors. Russia's share

has been maintained above average, which reflects its political weight and its relatively positive reform record. The last factor also

explains the high allocations to Armenia, Georgia and Moldova, which were considered to be 'good' Tacis partners. Belarus, Kazakhstan, Tadjikistan and Uzbekistan received relatively low allocations on account of their poor reform track record. Geopolitical influences have also played a role. When the EU will be enlarged, it will share

borders with Ukraine, Belarus and Moldova. The EU's economic interests in oil reserves in the Caspian Sea area are also an important consideration. In Tadjikistan, and recently in Belarus, the allocations were significantly reduced because of political considerations.

**Figure 4.3.: Tacis funding by country (% of total)**



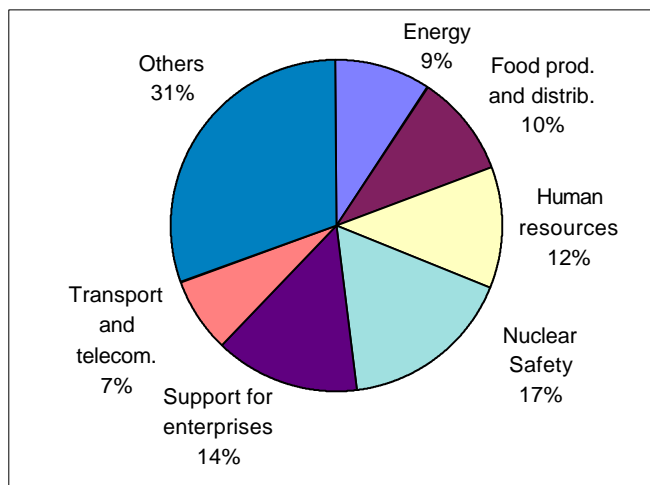
Both Inter-state and 'Other' projects receive a relatively high share of funds. These categories include such items as Nuclear safety (17 per cent), Facilities (4 per cent) and financing via the EBRD. Since a high proportion of Inter-state and Other projects is used, in practice, by the Russian Federation and Ukraine, the total share of these two countries in the total Tacis financing is higher than shown in Figure 4.3.

## 4.2. Tacis funding by sector

The sectoral allocation of Tacis funds is presented in Figure 4.4. It shows that, in the period 1991-96,

Nuclear Safety attracted the highest allocation (17 per cent), followed by Support for Enterprises (14 per cent), Human Resources (12 per cent) and Food Production and Distribution (10 per cent).

**Figure 4.4. Sectoral allocation of Tacis funds (1991-96)**



The item 'Other' attracted 31 per cent and included such activities as Humanitarian Aid, the EBRD Bangkok facility, democracy initiatives and other facilities.

Significant changes have occurred in the sectoral allocation since the start of Tacis. Allocations to

Energy, Food Production and Distribution, Support for Enterprises and Transport and Telecommunication, which used to attract about a half of all the funds in the years 1991-94, decreased to 18 per cent in 1995 and 5 per cent in 1996.

On the other hand, the share of Human Resources and Nuclear Safety together, increased from 14 per cent in 1991 to 27 per cent in 1992 and to 37 per cent in the period 1994-96. Also, the share of 'Other' is steadily increasing.

Human Resource Development is described in the Tacis Financial Regulations as including training, education, restructuring of public administration, employment and social security,

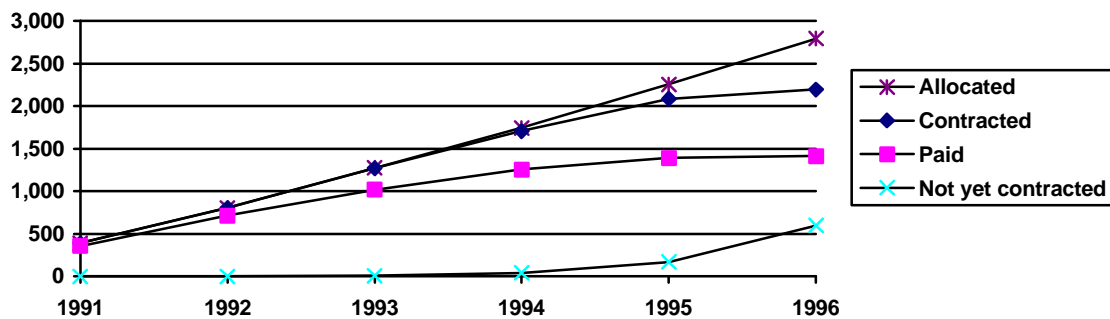
strengthening of civic society, as well as policy and legal advice.

Support for enterprises, or Enterprise Restructuring and Development, covers privatisation and restructuring of enterprises, conversion of defence-related industries and development of small and medium sized enterprises.

### 4.3. Total allocation, contracting and disbursement

Cumulative allocations, contracting and disbursement are depicted in Figure 4.5. Annual situations are shown in Table 4.1.

**Figure 4.5. Cumulative Tacis funding (in MECU), 1991-96**



**Table 4.1. Cumulative Tacis funding (in MECU), 1991-96**

|                    | 1991  | 1992 | 1993 | 1994 | 1995 | 1996 |
|--------------------|-------|------|------|------|------|------|
| Allocated          | 391   | 806  | 1276 | 1745 | 2256 | 2792 |
| Contracted         | 391   | 806  | 1269 | 1706 | 2088 | 2196 |
| Paid               | 357   | 716  | 1019 | 1256 | 1391 | 1412 |
| Not yet contracted | 0.005 | 0.3  | 7    | 40   | 168  | 597  |
| Not yet paid       | 34    | 90   | 250  | 450  | 697  | 784  |
| % contracted       | 100%  | 100% | 99%  | 98%  | 93%  | 79%  |
| % paid             | 91%   | 89%  | 80%  | 74%  | 67%  | 64%  |

Table 4.1 shows that Tacis performance on contracting has been satisfactory. The budget of the programming years 1991-1993 has been fully contracted. For programming year 1994, some 90

percent had been contracted by the end of 1996. For 1995, this percentage is roughly 70 per cent.

For 1996, a smaller proportion of the allocation had been contracted by the end of 1996. This

reflects the fact that the 1996 Annual Action Programmes for Russia and Ukraine, and the bi-annual Action Programmes for most of the other partner states, were finalised and approved by the Tacis Committee only in the third quarter of 1996. This delay in programming has been a problem of Tacis since the beginning. It has proved to be

very difficult to bring the programming cycle forward.

A backlog of payments compared to contracting is the normal state of affairs in the implementation of aid programmes. The extent of the backlog,

however, has increased in the 1995-1997 period. Disbursements for a Tacis Programme year now require more than five years to be realised. This appears excessively long, considering that most contracts have a duration of only 18 to 24 months. At the end of May 1997, disbursements from the 1996/97 allocations were still next to nil.

The impression of the Evaluation Team is that the backlog of contracts and payments (and with it the backlog of implementation of projects) has increased substantially in the 1995-1997 period. The delay in the approval of the new 1996 Financial Regulation, which superimposed another layer of financial and tendering rules, on top of those contained in the previous Financial Regulation, and the consequent tightening of contracting and payment procedures, seems to account for this.

**Table 4.2.: Contracts by size**

| Description       | Number of components |            | Total value (x 1,000 ECU) |            |
|-------------------|----------------------|------------|---------------------------|------------|
|                   | Number               | % of total | Amount                    | % of total |
| Value unknown     | 5                    | 0          |                           |            |
| < 10,000          | 567                  | 14         | 2.545                     | 0          |
| 10,000 – 100,000  | 1.168                | 30         | 51.652                    | 2          |
| 100,000 – 300,000 | 846                  | 22         | 170.255                   | 9          |
| >= 300,000        | 1.338                | 34         | 1.890.056                 | 89         |
| Total             | 3.924                | 100        | 2.114.508                 | 100        |

Table 4.2. shows contracts by size. More than 3,900 contracts have been prepared in the period under review. Two thirds of these – 2,600 – were small contracts constituting 11 per cent of the total value of all contracts. For these, the simplified procedure applied within the framework contracts are used. One third of the contracts concern service contracts for amounts of 300 000 ECU or more, for which formal tendering procedures are required<sup>3</sup>. In total these account for 89 per cent of the total value of all Tacis contracts. The average value of these larger contracts is 1.4 MECU.

<sup>3</sup> The 1996 Council Regulation has further decreased the limit for direct agreement contracts and restricted tendering procedures to ECU 150,000 and ECU 200,000 respectively.

# Part 2 - Findings on Tacis performance, effectiveness and impact

## Chapter 5 Appropriateness of Tacis programming and the Tacis instruments

### 5.1 Introduction

A concise description of the programme is presented in Chapters 2 and 3 of this report. In this chapter, the performance of the Tacis Programme is evaluated against the criteria of appropriateness.

#### Terminology

Appropriateness: The degree of success of the Commission in identifying and selecting those issues for Tacis support which can be considered to be the most urgent in terms of NIS priority needs for TA, and the most suitable for TA, given the Tacis mandate, the available know how in the EU member states, and taking into account the policies of the Commission and the EU towards the NIS.

The evaluation has reviewed Tacis programming performance and programming instruments at three levels.

- at the macro level, where coherence between the general NIS partner needs and EU policies is expected;
- at the meso level, where IPs need to focus on issues which are consistent with the Tacis objectives and on the NIS partner country needs for technical assistance (TA);
- at the micro level, where programming should succeed in identifying and formulating projects which are consistent with the Tacis objectives set at the sectoral level and appropriate for the organisations selected to be the project partners.

### 5.2 The Macro Level

Three Council Regulation have set the framework for the Tacis Programme. They have defined the Commission's objectives for the Tacis Programme, the relative changes in these objectives, and they have set the priority areas for Tacis support to the NIS. As shown in section 2, these Regulations gave little guidance on the specific policy objectives and strategies which the EU would like to pursue in the NIS.

The references made, in Council Regulations, to investment promotion, intra-CIS trade and small and medium enterprises are seen by the evaluators as aiming to remove the "transaction cost wall" that has become visible after the Iron Curtain was lifted. The term "transaction cost wall" stands for the many barriers that limit the emergence of new commercial, trade and investment relations between the NIS and the EU market, the development of markets within the NIS and the emergence of entrepreneurship inside the individual NIS partner states. These barriers are many.

Given the extensive nature of these barriers, the choice of the European Union for directing its grant aid funds towards the transfer of "know-how" aiming, amongst other things, at removing these transaction cost, rather than financial assistance, can be assessed as the appropriate choice.

The Indicative Programme for 1991 focused on a limited number of priority sectors; food distribution, energy, financial services, training and transport. In the absence of a basic field infrastructure for project identification and selection, Tacis simply invited applications for support from POs. Contractors were awarded contracts without tendering. This approach was very popular. Even today, some representatives from the CU in Russia voiced the opinion that this approach was better than the more elaborate, demand-driven process which was subsequently established. Their argument is that the quality of the projects was higher because there were more competing applications for support, compared to the relatively small amount of funding available in 1991. The validity of this argument is difficult to test. Monitoring data for projects in Russia for different programming years do indicate that the 1991 and 1992 portfolio had a relatively high rate of very good projects compared to projects from the 1994 and 1995 programming years. On the other hand, the number of projects that failed was also higher in the early years.

The Indicative Programme for 1992 saw some changes compared to 1991. The Baltic States moved from Tacis to Phare and the individual NIS countries became partner organisations for Tacis. Co-ordinating Units were established and

supported by EU experts. Simultaneously, a number of new initiatives emerged including Nuclear Safety, EBRD Bangkok facility, ISTC, and regional actions. The programming exercise itself was elaborated by the fielding of consultant teams who identified projects and wrote the draft Action Programmes. Problems tackled under the first two IPs included language barriers, legislative barriers, unclear ownership rights and administrative regulations concerning licensing and investments and the promotion of bankers training, to mention just a few.

During these years the programming was driven by the indicative support areas identified by the Council Regulations. These were used by the Commission to organise its operational units on a sector basis. A strong point in the first two years of the programme was that, especially in the smaller countries but also in Russia, the Commission did target strategic people in the reform process. In addition to a number of very good projects which gave rise to follow-up projects and continuity in programming in subsequent years, studies to understand how to transfer and what to transfer were dominant forms of TA. The actual transfer of know-how itself was secondary. Eager to learn how to meet the demands of transition, recipient governments became disillusioned with these “what to do” studies. This disillusionment seems to have taken root, and is often expressed by interviewees as “consultant fatigue”. These studies have since become part of the myths about Tacis.

### **Consultant Fatigue**

“EU experts came to study our problems, they asked us many questions, we provided many answers, then they reported back to us which problems we had and made some half-baked recommendations in a report written in English only and the projects were over. We hope the study was useful for Tacis, it was not so for us.”

*(Comment from a Belarussian interviewee on the initial rail transport studies)*

Clear market reform-oriented policy objectives for the various sectors did not emerge in this period. At the wider level of the European Union, a clear policy on the future relations between the NIS and the EU took time to develop. The assumption behind the early direction of the programme was that transition would be short-lived. When this proved not to be the case, the programme continued to expand in the second phase, post 1992, without review.

In the period covered by the 1993 Tacis Council Regulation (1993-1995), a whole range of changes took place in Tacis programming. These

included a widened scope of the programme with the addition of the second objective on democracy and the introduction of a number of priority sectors. Inter-state projects and geographical concentration areas were introduced, as well as increased modalities of TA delivery and a range of “facilities”, sub-programmes in different fields. Many of the latter, in fact, cut across various sectors. In the same period, new Partnership and Co-operation Agreements between the EU and individual NIS countries were negotiated.

Thus, in barely one IP cycle, Tacis became a very different programme from the one known to its originators. In reviewing the general directions and rapid changes at the macro level, the Evaluation Team is of the opinion that the programme moved from a relatively clear, early market-reform oriented philosophy to a technocratic machine. The present state of affairs is that concepts are unclear, well-argued philosophy is missing, rationalisations for changes remain unexplained (none of these are written down and fully justified) and the predominant EU policies could be better formulated in operational terms. As many interviewees have suggested, the Tacis Programme became “a consultant affair”, characterised by factors such as “many issues are long-term”, “Partnership and Co-operation agreements are central but need to be linked to Regulations” and “instruments are complete but there are too many of them”.

The latest Council Regulation covers the period 1996-1999. It further widens the scope of the programme, raises “reinforcing democracy” as the second programme objective, lists environment as a new indicative area for support, introduces the possibility to use an additional 10 per cent of Tacis funding for investment-type support measures and makes reference to the PCA agreements.

Reviewing the various developments mentioned above, the Evaluation Team concludes that there has been limited follow-through in programming activities and implementation of the two main Tacis objectives (assisting transition and reinforcing democracy). A comprehensive policy for reinforcing democracy has been largely absent and the content and level of Tacis support for measures in this field has been very small compared with, (a) the upsurge in uncivil society experienced between 1991 and 1996 in the NIS and (b) the importance of third pillar Home Affairs and Justice issues in the relations between the NIS and the EU. Likewise, a comprehensive policy from the Commission on the use of Tacis as an instrument for promoting market-oriented economic reforms has not emerged. The implicit objectives of removing the transaction costs, which some senior officials in the Commission perceive as the binding factor in Tacis

programming, have played a smaller role than might have been expected given the PCA context that was developed in 1994.

Another factor noted by the Evaluation Team is that the expected benefits from the reorganisation of the Commission directorate (DG1A/C) responsible for Tacis, from a sectoral to a geographic orientation, have not yet been fully realised. This is shown, for example, by the fact that policy papers, which were written during the last two years by the Commission on the future relations between the NIS and the EU have had little influence on the actual content of Tacis programming thus far.

Three factors may account for what appears to the evaluators to be a policy vacuum. First, there has been little continuity in the higher levels of Commission management which, in turn, has left plenty of scope for middle management to pursue their own ideas about priorities. Secondly, in the period after 1994, the delays in the ratification of the PCAs and in the adoption of the 1996 Tacis Financial Regulation have detracted from a clear positioning of Tacis in the NIS. This is also true for Tacis' positioning relative to other multilateral and bilateral donors working in the NIS. Thirdly, Tacis adopted a demand-driven approach to programming, which some senior officials argue is an appropriate way for identifying the priority needs of the Tacis Partner States. However, the Evaluation Team observes that strategic planning mechanisms which are required for an appropriate demand-driven approach are not in place in the NIS.

The evaluation team finds that, at the beginning of the programme, the absence of a clear policy framework was understandable. It could even be argued that its absence created the flexibility needed, at that time, to identify the priority needs for technical assistance. However, the fact that in 1997, the Commission services still programme Tacis in the absence of clear policies is considered a weakness by the NIS programming partners and by some senior staff members in the Commission services concerned.

### 5.3 The Meso Level

At this level, where IPs and APs are formulated under the guidance of the Tacis Country Co-ordinators, the programme has struggled to keep the number of priorities limited. Time and again, programming guidelines have emphasised the need for setting priorities, given limited Tacis resources. In this respect, Tacis has only partly succeeded. Despite the established objective of providing support to transition issues, in practice, the Tacis Programme also contains measures which are targeted at long-term development issues, measures for which resources are

categorically inadequate. Also, projects are, in practice, targeted at a wide range of sectors.

In the view of the Evaluation Team, the programme components at the meso level are mostly very relevant to NIS partner needs. In many cases it is not clear if programme components are indeed linked to the transition concept underlying the first Tacis Programme objective. There is an increasing focus on institutional development within projects, a focus which steps beyond the objectives of supporting transition and requiring resources which the Tacis Programme, in its present form, is unable to deliver. Similarly, the programme components do not seem to pay much attention to the longer term issue of democracy, which appears as a residual allocation in programming. Thus, while the programme components at this level are responsive to NIS partner needs, they do not sufficiently incorporate the objectives of the Tacis Programme set at the macro level.

On the other hand, the evaluation team has found consistency between APs and IPs. This indicates that the programming between meso and micro level is sufficiently co-ordinated.

The Tacis Programme is described as "demand-driven". However, the way in which Tacis identifies demand can be questioned. There is no doubt that needs outstrip supply of TA but how need and demand are matched is almost impossible to determine (in the absence of needs assessments) and how these needs are prioritised (in the absence of any government Public Sector Investment Programme – PSIP) also poses a problem. Intermingled with this issue is, of course, a common problem reported frequently in this evaluation, namely the lack of co-ordination of donors. In all NIS countries except Kyrgyzstan, where a PSIP has been introduced, this issue is not addressed. Consequently, programming at the AP level often results in overlaps with other donors. One ministry in the Russian Federation, for example, has 80 donor projects in the same general area. A PSIP, or an equivalent budgetary instrument, could ensure proper management of TA funds.

At the same time, by accepting the project selection choices made by the countries, without applying more stringent requirements for meeting Tacis' primary objectives, the meso programming level undermines macro level attempts at strategic policy formulation. By taking a purely reactive approach to the "demands" made by countries, Tacis significantly weakens its ability to deliver its own objectives.

Apart from the general weakness of IPs and APs in showing direct linkage to the Tacis objectives, the process of programming itself appears to be weak. The national Coordinating Units (CUs) are responsible for preparing the groundwork of

prioritisation. The CUs play a significant role in communicating programme “demands” to Tacis through their role in the project selection process. It is the CUs’ responsibility to make the first selection of project applications from those submitted, and to forward this selection to the Delegation. In many cases, it is not clear what criteria are being applied within what guidelines. The Delegation in Russia has developed a project appraisal sheet in an attempt to regularise the project selection process. Yet many questions remain about the extent to which the process reflects country priorities in a systematic way.

Although CUs carry significant responsibilities, they generally lack any of the necessary instruments to be able to carry them out. It is quite clear from the expenditures on short term contracts that consultants are used extensively to assist in this process (29.5 MECU over the 91-96 period). Many CUs have problems with the formalities of the process – as is the case with NGOs at the other end of the scale when tendering has to be done – and it would be wrong to expect otherwise given the number of changes they have had to accommodate in so short a time. In particular, IP programming cycles have been changed three times and AP cycles have been changed twice in only four years, in large part, a reflection of the long delay and uncertainty prior to approval of the 1996 Financial Regulations.

In interviews with the Evaluation Team, with the exception of Russia, the Tacis National Co-ordinators expressed their satisfaction with their country’s influence on the content and prioritisation of the Indicative and Annual Programmes. The programmes were, in their view, for a large part, demand-driven. Given their role in initial project selection, this influence is real. However, in Russia, the CU feels that this influence is not so real at the more strategic levels.

The programming for the Tacis inter-state programme is structured differently. For this programme, countries convene annually to review progress and come to a common understanding about resource allocations. The Commission chairs these meetings. Over the last two years, experience shows that it is becoming more difficult to reach consensus on priorities, due to the fact that different countries have different internal economic structures and thus different priorities for inter-state co-operation. If the outcome of these negotiations was linked to national programme budgeting then this might improve the chances for consensus.

A large share of the Tacis resources, 36 per cent between 1991-96, is spent on Regional Programmes and Facilities. As a delivery mechanism for Tacis, they share the feature that they are designed to meet the needs of, or reach,

a specific target group better than would be the case through a national or inter-state programme. As to the relevance of these specific programmes, this is often mentioned as being dependent on the quality, or lack of it, of the framework management arrangements. However, be that the case or not, a systematic evaluation of these sub-programmes is beyond the scope of this study and so no valid comments can be made here of individual framework programmes.

## 5.4 The Micro Level

Translating a Tacis Action Plan into operational projects takes a significant amount of time, often resulting in TOR which are inappropriate by the time they are implemented. The evaluation team has received a large amount of evidence supporting this conclusion. The problem of outdated TOR can be remedied at Inception Report time (written within two to three months of the start of the project) and the monitoring reports confirm this is happening. However, in practice, certain obstacles hinder a re-shaping of the TOR during the inception phase. A major obstacle is considerations regarding project duration. Given that project duration is fixed normally between 18 months and 24 months and that the inception phase lasts for the first 3 months of the project, project activities must start immediately on conclusion of the inception phase and any significant changes to the TOR would jeopardise this.

Standardised formulas for project length and inputs also create problems. TOR rarely take an unorthodox or innovative approach to problems, evidenced by the lack of implementation of longer-term solutions to longer-term problems, as noted by the Evaluation Team. On the contrary, many difficulties in contract extension are evident. For example, changing contractors for what seem to be phases of a larger project, are in fact often only interruptions of the same project. Not only is this change of contractors inefficient, it is not always cost-effective unless there have been severe problems with the contractors. The evaluation, however, found little evidence of that. Examined from another perspective, TOR which over-specify activities and tasks can, in fact, restrict flexibility in implementation. They can also limit the identification of new approaches or address issues which have become outdated.

### A View on Programming

“The procedures for programming and planning are far too long in Tacis. For example, projects are planned in 1994 and by budget year 1995, they are not yet started. This has serious consequences, recipients lose interest and the TOR become outdated.” (a CU Director)

In the programming at the micro level, the CU proposes certain parties as project partners (PO). These then need to be approved by Tacis. Tacis hires consultants to prepare the TOR and to advise the TMs on the most suitable partner organisation. The lack of partner involvement in the TOR formulation is regretted by the evaluation. This is the main activity which provides "ownership" of projects, and which contributes substantially to the development of project partner commitment.

In some projects, the presence of several local partners is considered by the evaluation to result in higher risks to achieving results. A last issue emerging from the evidence collected on partners is that there appears to be a very limited understanding by them of the different roles and responsibilities of the different parts of the Tacis administration.

Observations about the appropriateness of the projects for the project partners (the extent to which project partners judged the TA provided as meeting their needs) are based on the Tacis monitoring database (which will be described in more detail in Chapter 6). The opinions of project partners are available about completed projects. These can be split by country and by sector. At NIS-wide level, it can be noted that the appropriateness has been assessed between average and good. When looking at this level, it should be noted that in the Russian Federation, which accounts for 55 per cent of the projects, appropriateness has been assessed above the NIS-wide average. The Russian Federation thus pushes up the appropriateness score for the whole NIS population. On the other hand, Kazakhstan represents the only case where the score is substantially below the average NIS-wide level. However, since Kazakhstan only accounts for about 4 per cent of the completed projects, the bias introduced by this country is not significant.

## 5.5 Discussion and Conclusions

The main observations of the Evaluation Team are the following.

The Council Regulations of 1991 and 1993 set a workable framework for the evolution of the Tacis Programme. The 1996 Regulation is adequate and flexible enough for the period 1996-1999. The Regulation identifies indicative support areas, but is not an instrument which gives guidance on the policy objectives and strategies which the EU and the Commission wishes to pursue in the priority sectors. It has, however, superimposed a new layer of financial and procedural control.

Technical assistance in the form of transfer of know-how is very much needed in the NIS and Mongolia. The Evaluation Team concludes that, at the present time, the provision of technical assistance rather than financial assistance is appropriate.

The EU/Tacis Programme has lacked a clear identity with respect to the specific policy objectives in the countries and priority fields identified for support. In 1991, it was understandable that such an overall view on assistance needs and on the specific contribution which the EU could offer was not well developed. In 1997, this absence is perceived, by both the partner states and by Commission staff in the operational units of DG1A, to be a major weakness. Moreover the content of the policy documents which the Union and the Commission have prepared in recent years on the future relations between the NIS and the EU and on the integration of the NIS in the world economy, are not yet fully reflected in the IPs and APs for the NIS.

Considering that the PCAs are expected to be fully ratified by the end of 1997, and that the Interim Agreements on Trade are already in force, the evaluators would expect to see these documents providing more focus in Tacis programming.

A relatively high proportion of the Tacis budget, and staff time has been spent on programming to better understand the priority needs of the NIS. A system of multi-annual Indicative Programmes has evolved, supplemented by annual programmes in the case of Russia and Ukraine and bi-annual programmes for the remaining partner states. The Commission Services refer to this as "the Tacis demand-driven approach" because it involves a consultation process which starts with a summary paper on applications for support compiled by the Partner state authority dealing with Tacis, the National Co-ordinators and the CU secretariat. This system does serve its purpose, yet it is time- and resource-intensive. The appropriateness of the outcome of this planning process cannot be fully assessed, due to the absence of an overall system for identifying priority needs.

As the PCAs come into force, this might be the right time to replace the demand-drive approach by a dialogue-driven approach. Such a dialogue would need, first, a clear position from the Commission on the policy objectives it wants to pursue with the EU /Tacis Programme in the selected priority areas. Secondly, it would need an improved process on NIS side for identifying and setting the priorities for multilateral and bilateral assistance in general, and for Tacis assistance in particular. The current system of involving CUs as facilitators for mobilising the needs in partner states and for ensuring donor co-

ordination on the recipient side has practical merit, but falls short when compared with the practice of a Public Sector Investment Programme (PSIP) as applied by the Phare programme in the Baltic States, linked with Public Expenditure Reviews (PERs).

In 1992, the basic pattern for the allocation of Tacis budget allocation per country was fixed. Subsequent changes over time can be considered as having been based on sound decisions: the reform track record, aid absorption capacity and geopolitical factors including political weight and EU economic interests have influenced the allocations.

The changes in the sector allocations by and large reflect the evolution of new policy priorities in the NIS. In some cases such as SMEs, proactive policy from the EU side shaped the sector allocations.

At the micro level, the programming has functioned reasonably well in the sense that, in general, the projects are well targeted on issues which are considered appropriate by the partner organisations. Problems arise from the detailed planning level where it is found that TORs are often prepared without sufficient consultations with the PO, the PO selection process has weaknesses and the time gap between project identification and the arrival of the contractor in the field takes too long. The monitoring data

base, for projects which are in the inception phase, shows that, in a notable share of the projects, these weaknesses contribute to TORs being outdated (19%) and to the need for adjusting project strategies compared with the strategies proposed by the contractors in their technical proposals (35 per cent).

An issue the importance of which is not fully recognised yet is that the Tacis Programme is not sufficiently oriented towards visible results/outcomes. Rather, it is mainly oriented towards positively changing the abilities of POs. This is fine, but it is not enough. When asked what they consider the best Tacis projects, the CUs invariably point to those projects which show concrete visible, demonstrable outputs: for example, the food chain shops in Minsk, employment agencies and the Economic Trends publications, to mention just a few. These are needed to justify to the public and to the Parliament what has happened with the Tacis moneys. The evaluators suggest that the Commission ensures project choices which deliver visible results for all concerned. Finally, the evaluators recommend the promotion of PSIP, strategic planning mechanisms, in the NIS with the objective of creating an appropriate framework for the future of Tacis.

# Chapter 6 Effectiveness and Efficiency of Implementation Performance

## 6.1 Introduction

The analysis presented here draws on a variety of sources<sup>4</sup> and presents the findings on the effectiveness, efficiency and implementation performance of the Tacis Programme

The chapter is divided into three parts. The first part of the review focuses on the contributions which Tacis has made to the reform process in each of the main sectors of the NIS economies in which it operates. Findings here are primarily derived from sector reviews produced for this evaluation. The second part presents statistics from the Tacis monitoring data base on the overall programme performance, on the differences between the effectiveness of Tacis in the various Partner States and on the differences in effectiveness between the priority sectors on an NIS-wide basis. In the third part, the findings from the monitoring data base with respect to the implementation efficiency of the Tacis Programme (both as a whole and at the sector level) are presented.

### Terminology

**Outputs:** the planned deliverables/results described in the TOR which the project should produce before the end of the contract between the Commission and the contractor.

**Effectiveness:** The extent to which the Tacis partner organisations (POs) who receive the assistance successfully utilise the project outputs to achieve the project objectives. This implies that the problems identified during project selection as priorities for Tacis assistance are either solved or control of them is improved.

**Sustainability:** The durability of project achievements (effects) beyond the ending date of Tacis project support.

**Efficiency:** The degree to which the projects realise their planned outputs within the time, inputs and budget limitations set by the contract.

## 6.2 Review of the Tacis contribution to sectoral reforms in the NIS

### Human Resource Development

During the period under review (the 1991-1996 programmes), about 323 MECU was allocated for HRD<sup>5</sup>. The bulk of the support went to Education and Training, which is a NIS-wide priority field for Tacis. With respect to Education, the Tempus programme (52 MECU from 1993 to 1995) contributed to the introduction and adoption of western curricula for university education in a number of academic fields. General education policy and primary education, on the other hand, were not targeted for support. In the field of Training, most assistance went to managerial and manpower training programmes. To support scientific research and to promote contacts between scientists, separate framework programmes were established, such as ACE and INTAS. Within the framework programmes, special reference should be made to the International Science and Technology Centre (ISTC) in Moscow (45 MECU). This programme aims to provide weapons scientists and engineers in the NIS with research opportunities allowing them to redirect their knowledge towards non-military purposes. The centre has been jointly funded by the EU, the USA, Japan and the Russian Federation since 1993.

“Among the various programs in place to deal with the proliferation threat, the ISTC has been modest in costs, relatively non-controversial and successful ... while often described as an organisation to prevent the emigration of Russian weapons scientist to rogue states, the ISTC cannot by itself prevent determined espionage. Minimising the incentives for weapon scientists to engage in activities that result in proliferation of their knowledge and expertise is a realistic goal. The ISTC has been successful in pursuing this goal ... its grants have reached 12,000 scientists

<sup>4</sup> (i) Interviews and workshops; (ii) the Tacis monitoring database; and (iii) the six NIS-wide sector reviews prepared for the Tacis Interim Evaluation: Human resource development (HRD), Enterprise restructuring and development (ERD), Infrastructure, transport and telecommunications (T&T), Nuclear safety (NUC), Non-nuclear energy (ENE) and Food production, processing and distribution (F&A).

<sup>5</sup> In each of the following sector discussions, the figures used for allocations at the start of each, do not include inter-state and facilities allocations.

and engineers in five countries" (Quote from: An assessment of the ISTC, by the National Research Council (USA), 1996)

In the field of Public Administration Reform, Tacis started with projects in Armenia, Belarus, Moldova, Russia and Ukraine. At present, similar projects are being implemented in all NIS. Many projects are focused on general administrative reform, the strengthening of public administration schools, local government (Russia), statistics and customs. Examples include the Federal Migration Service in Russia and employment services in both Belarus and Russia. Macroeconomic policy and legal advice have been provided through the European Expertise Service (EES) framework contracts (36 MECU) since 1992. This was set up as a quick response channel – avoiding Tacis tendering procedures for individual interventions – to handle requests from partner state governments for high-level, short-term advice on economic policy and institutional (re)design. In Russia and Ukraine, social security/safety nets and the transfer of social assets from privatised companies to local governments are two relatively new fields of attention for Tacis.

**The evaluation finds** that Tacis influence in Education and Training has been positive. The general public administration restructuring efforts of NIS has been limited, although projects have been influential in specific areas of this field. In particular, the development of public administration skills and the training of trainers has been largely successful, although on a limited scale. Given the difficulty of changing the strong hierarchical structures and the management style of the key decision-makers which remain firmly rooted in the past, and until such officials are retired and/or replaced, reform of the government will prove to be very difficult and time-consuming.

The bulk of the money used in macro-economic policy and legal advice is for funding teams of resident advisors, and not for short term advisory work. Elements of the programme are found to be very useful. However, the contractors have not succeeded in mobilising the demand from member states at a high enough level of government. The potential value of the instrument thus remains under-utilised.

Consistent with other evaluations in the HRD sector, this evaluation also finds that clearer, more focused support with a realistic time-frame and funding will yield more significant results than broad scope interventions.

### **Strengthening primary health care and health management in Moldova**

The specific objectives of the project are to develop nationally agreed action plans suitable for (1) the actual development of primary health care (PHC) during the next 3-5 years, (2) strengthening health management during the next 3-5 years, and (3) developing an appropriate nation-wide organisation of health services. Apart from these action plans, the main outputs include training needs assessments for undergraduates and polyclinic specialists so that they qualify as family doctors, revised curricula for a university degree in PHC, and an assessment of the needs and existing capacity for health management training and organisation. The Ministry of Health is committed to these reforms and was the main driving force behind this project.

The project has both strong and weak elements. The timing of the project was not ideal, considering the presidential elections in early 1997 and the uncertainty of the outcome. This has caused delays in the implementation of activities. The new government of Moldova supports the aims of the project. On the positive side, two complementary projects are currently being implemented (one WHO and one World Bank project), providing for some continuity after the end of the Tacis project. After an ineffectual start in the inception phase, the contractor made the appropriate decision to concentrate efforts on a limited, specifically defined number of issues. For the development of the action plans, two Task Forces were established. Thereafter, an increased number of people working in the health sector became involved in the project. A recent contract addendum provides an additional budget for local experts, including those on the Task Force, which will have a positive effect on commitment.

Provided the specific objectives of the project are achieved, this project can have a positive impact on the implementation of measures to reform the health care system, contributing to an enhanced quality of health services and a higher cost-effectiveness of their provision. The project is behind schedule, and much remains to be done. However, it might well be possible to catch up in the remaining project period.

### **Staff Development and Training, Institute for the Economy in Transition (IET-Russian Federation)**

The specific objective was to provide technical assistance for the IET to enable it to undertake high quality economic research in the context of transition, informing government policy makers on relevant economic policies and develop a

diversified publication programme (reports, academic papers).

The project was amongst the first to be launched by Tacis. It was timely in coinciding with IET's formative years, during which it developed an international reputation for economic research capability. At the start of the project, there was a relatively long period of adaptation for the project partners and adjustment of implementation strategy. During the second year of the project, the partners came to the conclusion that the best method of developing research capacity is through joint research. Although outside the TOR, joint research was implemented. In order to achieve radical changes in the IET, an Addendum to the TOR was approved in mid-project, providing additional resources and aimed mainly at supporting a group of young senior researchers. In the third year of the project, an institutional restructuring of the IET took place. At the end of the original project, a nine month extension, without budget increase, was granted and successfully used by the project partners.

The project has consistently met its objectives and produced above average results. IET has moved from the traditional descriptive approach to economic problems towards an analytical approach. The project has enabled IET to gain prestige and international standing for its research and faculty. There are no problems on sustainability of the project's results, as they are already integrated into IET research. This case is an example of a highly needed, well targeted and timely technical assistance contribution.

### **Enterprise Restructuring and Development**

Tacis has allocated about 387 MECU to this sector in the period under review. It comprises support for the development of small and medium enterprises, conversion of defence-related industries, privatisation and restructuring and financial services. In 1991, Tacis started with a financial services programme for the then Soviet Union. In 1993, SME support and privatisation were organised as separate programme components within Tacis. In 1994 and 1995, Military Conversion and Enterprise Restructuring emerged as priorities. In 1996, POst-Privatisation Centres were being established.

In the area of financial services, Tacis has made a sizeable contribution to the development of advisory services, vocational training centres for staff of commercial banks and for the savings banks in Russia, Ukraine and Belarus. These initiatives sowed the seeds for what is now "the bank twinning facility". In addition, Tacis was the first donor to develop business plans with the NIS head offices of the state banks and former state banks, projects which have provided help in their restructuring problems. In some countries, using

food aid counterpart funds, Tacis has helped to establish agricultural credit banks such as ACBA in Armenia.

SME support centres, new organisations which bypass existing organisations such as Chambers of Commerce, have been established in each NIS partner state with Tacis funds. They have provided training and advice for new entrepreneurs. In the largest cities of Russia, the centres are now being supported by either local governments and/or donors other than Tacis and are managing to survive financially.

In co-operation with the World Bank and USAID, Tacis has provided methodological and operational support for the mass privatisation process.

In enterprise restructuring, Tacis is the only significant donor focusing on the industry group of medium and large sized (former) state enterprises, where many of the problems are most prominent. Substantial emphasis has been placed on a coaching model for managers aimed at changing their management attitudes, style and practices. This coaching model was carried out within individual companies. The work entailed a number of phases, including diagnostics, initiative development and initiative implementation, and some limited revitalising measures. Revitalisation measures which do not need the support of additional finance are an important feature of the model.

Tacis support for the conversion of defence industries has mainly focused on promoting joint ventures and on technical product advice.

**The evaluation finds that**, with respect to central banks, Tacis has in a number of cases contributed positively to the design and implementation of modern payment and clearing systems (Armenia, Georgia, Moldova, Belarus and Russia). Less success, however, has been achieved with the introduction of international accounting standards. In the field of capital markets and insurance, Tacis has had some influence as the first donor, but any follow-up in these areas has been taken over by other donors.

The influence of the SME centres in promoting an SME-enabling environment has been limited. With the exception of some of the centres in the larger Russian cities, most of these centres face a bleak future without Tacis funding. Their managers and shareholders are observed to be redirecting the core activities towards the commercial consultancy market. Except in large Russian cities, however, the private market for enterprise support services is still too under-developed to expect a substantial degree of sustainability.

Initiatives with respect to the mass privatisation process have had noticeable success in

increasing the speed, transparency and accountability of privatisation in Ukraine, Armenia, Georgia and Moldova. By contrast, in Belarus and Azerbaijan, the same approach was adopted but with either no political support (Azerbaijan) or gradually disappearing support (Belarus).

In Ukraine, where the enterprise restructuring process is beginning to show positive results, the state privatisation centres and newly established post-privatisation centres are co-operating with Tacis in promoting the creation of local consultancy companies for continuation of this work on a larger scale.

Whilst some successes in conversion of the defence industry are evident, mainly in Russia, vested interests and security aspects have reduced effectiveness.

#### **TA to Mutual and Investment Funds in Armenia**

The overall objective of the project was to promote the privatisation process, the restructuring of enterprise and the development of capital markets. The specific objective was to promote the creation of a legal framework for investment funds and capital markets. In addition, a pilot investment fund was established.

Strengths and weaknesses: the contractor gave priority to the more administrative results of the project (such as fund registration). Consequently, the Fund's sustainability was given less attention. The contractor followed a specific approach which emphasised specific local circumstances and vested interests. This was seen as being much more important for the sound functioning of institutions than the skills of its staff. As a result, while it was fairly efficient in negotiations with the Fund's shareholders and in making up a strong, influential Board of Directors, it was fairly inefficient in transferring professional skills to the Fund's Management Company.

The first established Investment Fund in Armenia has not yet started to invest in corporate securities and lacks proper professionals. In spite of the contractor's efforts, the legal framework still remains unsatisfactory and no other investment fund has been established in Armenia at the moment. Capital markets in Armenia remain rudimentary, their development substantially lagging behind the development of other sectors in Armenia and behind capital markets in most other post-socialist countries.

The case shows that Tacis projects should be appropriate to the state of economic and institutional development of the country concerned. An unfavourable environment is in general a major hindrance for project implementation. Low adaptability requires a

certain flexibility from the project management to amend the TOR or even to stop the project. Part and parcel of each Tacis project is the transfer of know-how, meaning that the establishment of an institution should imply that Task managers and monitors are able to ensure the realisation of this principle. If the principle proves to be irrelevant under local circumstances, implementation of the project should be reconsidered.

#### **TA for implementation of the privatisation strategy in Georgia.**

##### **The right people at the right place and the right time**

The overall objective of the project was to ensure the success of the privatisation programme of the government of Georgia in support of economic reform objectives.

The specific objective was to develop and strengthen the institutional, legal and methodological bases of the Ministry of State Property Management (MoSPM), to build capacity to implement the mass privatisation programme and to carry out a number of pilot privatisations with foreign participation.

A decisive project asset was the resident Team Leader, who was always available and well informed. The individual characteristics of the Team Leader enabled him to become a leading figure in Georgian privatisation and to influence the decision making process convincingly. Finally, excellent personal working relationships of the consultants and MoSPM staff, as well as the co-operative effort, characterised this project. In addition, the project also distinguished itself by good co-operation with the World Bank project, which can be explained by the fact that the resident Team Leader was also involved in a World Bank privatisation project.

It is recognised by MoSPM that without the project, speed of privatisation and quality of its implementation would have been lower. Although the project produced palpable impact at the initial stage of the privatisation process, its long lasting impact appeared to be rather modest. The project shows that the right people in the right place at the right time results in impressive progress. It also shows that follow-up project strategies should be considered thoroughly to ensure sustainability of the results achieved. In Georgia, as in some other countries, Tacis seems to have switched too early to post-privatisation support while assistance to the privatisation process was still badly needed.

#### **The Transport & Telecommunication Sector**

A total of 202 MECU was allocated to this sector. The NIS partners see the Telecommunication

sector in Europe as an example to follow in terms of technology development, restructuring and privatisation and new regulation of the market. In the Transport sector, a key objective of the Tacis Programme has been to provide support to ensure that a viable transport capability is available to cope with increased industrial volumes as they develop. Tacis started with a large number of feasibility studies and master plans. Since 1994/95, support has been provided mainly to inter-state programmes such as Traceca and the Caucasus/Central Asia pipeline projects, both of which have geopolitical significance.

**The evaluation finds that**, for Transport, the feasibility studies and master plans provided considerable insight but have had little impact on the capacities of the transport organisations involved. At the same time, the partner organisations were sometimes not involved in the planning process and were restricted to only delivering information needed by the consultants to do their work. However, it is clear that the creation of the regulatory framework supported by Tacis has contributed to the beginning of dialogue between EU and NIS partners on investment. The reorientation of the sector towards inter-state programmes in 1994/95 has been a positive step.

#### **Traceca – Transport Management Training**

The objectives of the project were: (a) to provide training through seminars and study tours to Europe of two groups of local officials (Senior and Middle to Lower Level) in market oriented transport systems and procedures; (b) to foster regional co-operation within NIS transport and trade sectors.

The project was among the first TRACECA projects to be implemented. The local environment was still characterised by weak regional co-operation and limited awareness on TRACECA and Tacis. It included the local training of 100 and 150 officials in two groups and two study tours each for 35 persons.

Three months were spent on project preparation. The definition of the basic needs (with a certain degree of flexibility) was carried out in co-operation with the recipients and the Task Manager. The flexibility of the training programme and its adaptability to the local situation led to increased acceptance by the participants. The trainers' preparation, the quality of training material, adequate administrative support and the inclusion in the programme of the most attractive issues, contributed to the trainees' enthusiasm. The press and TV coverage increased the project's acceptance by the governmental and wider environments. The well-organised study tours provided good examples of

practices and produced promising business contacts.

The project was implemented successfully and on time and it was positively evaluated by the recipients. It also had important positive effects on the trainees' colleagues at home.

#### **Nuclear Safety**

It must be pointed out that the Nuclear Safety programme has a different structure, and therefore presented certain difficulties for the evaluation. The overriding justification for Tacis activities in this sector is the concern for safety. The nuclear safety programme has a total funding to date of 468 MECU. Tacis rules allow a 50 per cent contribution towards investment in equipment for projects in this sector. Tacis has been instrumental in the development of new nuclear safety legislation and in the establishment of regulatory authorities in Russia and Ukraine. These are independent of the bodies responsible for constructing and/or operating nuclear power plants (NPPs). On-site safety improvements in NPPs (with equipment delivery) have been promoted, as well as the introduction of a new safety-oriented business culture. The latter is based on the integrated chain concept which encompasses design, management, and waste treatment.

**The evaluation finds that** the absence of a Joint Management Unit in Russia presents problems for contractors in the practical implementation of their projects. Similar problems did not arise in Ukraine, where the Co-ordinating Unit also has a role in the nuclear field. The establishment of independent regulatory bodies is seen as a considerable achievement. In nuclear legislation, some important steps have been taken towards adopting internationally recognised practices. However, it is regretted that there is no consistent national policy or nuclear programme in Ukraine, though some recent developments are encouraging in these respects. The economic viability of the sector in all countries is poor, with problems including non-payment by end-users for the energy produced. This, in turn, leaves insufficient funds, even to pay wages. Also, the whole issue of nuclear liability is affecting the sector's performance. There is a vast potential for synergy in the assistance programmes, especially in the dissemination of the project results, but this has not yet been exploited fully.

#### **Transfer of Western European regulatory methodology and practices to the nuclear safety authorities of Ukraine**

The specific objective of this project was to approve and introduce nuclear safety regulations.

During the project period, several positive steps were taken to strengthen the nuclear safety regime in Ukraine: the law on nuclear power utilisation and radiation safety and the law on radioactive waste management in Ukraine as well as some other regulations were introduced. This development has created a pertinent framework for the utilisation of nuclear energy in Ukraine. A group of technical safety organisations to support the activities of the Nuclear Regulatory Administration (NRA) has been established.

The cuts in the budget of the Ministry of Environmental Protection and Nuclear Safety (MEPNS) in 1996, combined with the increase of duties in relation to the licensing process, limited the abilities of MEPNS to achieve the specific objective.

The case shows that the achievement of the objective depends crucially on the performance of the Partner Organisation. That is why a certain flexibility was built into the project to adjust the timing and content of the workplan to meet the actual needs and possibilities of the Partner Organisation. Flexibility in distribution of resources between the tasks was, however, insufficient.

The state budget allocations are not sufficient to meet the current needs of the NRA to perform its regulatory tasks. The availability of finance for the recipient needs to be assured in some way. The proposals and agreements made for this purpose during the project period did not lead to any solution.

### **Non-nuclear Energy**

The Non-nuclear Energy sector, in the regular Tacis Programme, has been allocated 259 MECU. Recent years have seen the number of projects decline significantly as their size increases, and some soft conditionality enforced before new projects start. Pilot demonstration projects have been limited in number. In the field of general energy sector management and energy policy development, advice has concentrated on the establishment of new and more consolidated forms of sector co-ordination. In Georgia, for example, Tacis advice was a factor in the establishment of the new Ministry of Energy. The EU experience of privatisation has had a direct influence on policy formulation. It has also had an influence on decisions and implementation related to the restructuring and regulation of an energy market with privatised generators and suppliers (for example, in Ukraine and Armenia). With respect to oil and gas, where vested interests are very strong, regulation of the market and the operating companies is now being looked at seriously. Restructuring studies and management training have featured prominently in coal mining. A series of energy saving centres

were established which have promoted awareness of good energy saving practices and have had a policy advisory role.

**The evaluation finds that** in the Non-nuclear Energy sector, the economic effects of geography, trade and redevelopment are unequal amongst the NIS countries. At the same time, all countries are handicapped by their common heritage of central planning. Most countries have addressed the problem of energy efficiency in the domestic sector but relatively little attention has been paid to renewable energy, perhaps with good reason, since these are not yet very relevant to the transition of the NIS economies. Management training in coal mining proved to be highly useful. Policy work, however, has proved to be of less value.

The future of the energy saving centres is doubtful, due to the lack of market demand for their services. In some countries, governments are now creating their own energy saving committees as replacements. Tacis has not always been able to present a clear message to recipients and, from early monitoring reports at least, there is evidence that the POs expected large investment funds or the provision of more equipment. In general, focus in Russia has been on technical projects, which have had considerable success. There appear to be fewer problems with local partners in Russia compared with, for example, Central Asia. In Ukraine there have been more restructuring projects which, given the slow pace of reform, have – not surprisingly – been less successful. There is too little sharing of information and experience within and between countries. For example, there was no attempt to learn from the different experiences of the energy centres before setting up a new generation of them.

### **Strategic Coal Audit**

The project was initiated under the 1993 Tacis Programme, together with two other projects aimed at assisting the coal mining industry in the Kuzbass region of Western Siberia (Training of Coal Mine Managers and Improvement of Health and Safety Standards). Facing severe problems in terms of productivity and profitability in an emerging market economy, the local association Kuznetskugol, incorporating 18 mines, was chosen to be the project partner.

The contractor was expected to analyse the project partner and the current position of every mine relative to organisational, operational aspects as well as economic performance. An assessment of the market potential was to be performed resulting in recommendations on how to improve the economic performance of the mines and the development of a business and strategic plan. Experience and knowledge was to

be gained by project partners through study tours to Western Europe and training. Advanced Western equipment was to be provided.

The project's TOR had been well designed to suit the project partner's needs, particularly if seen in conjunction with the other two projects. The project partner has expressed satisfaction with the contractor's performance emerging from numerous discussions, extensive and professionally prepared reports containing an analysis and evaluation of options, and well prepared and executed study tours. Generic guidelines on developing a business plan for coal-mining associations were an important contribution, in co-ordination with WB activities in this sector. The project partner has already started to implement some of the contractor's recommendations.

Much appropriate and professional information has been provided. Drastic changes requiring extensive funding are unlikely to take place in the near future because of the absence of major macroeconomic and policy related decisions regarding the future role of coal as compared with oil and gas. However, the project has certainly contributed to creating awareness of the problems which exist and which need to be solved to ensure viability in a market driven economy.

## **Food & Agriculture**

For the Food & Agriculture sector, Tacis has allocated 277 MECU. In most countries, it has fielded support teams for agricultural policy reforms. Much of the Tacis funding has been focused on studies and master plans, directed by the recipients towards state-controlled institutions and ministries, who wish to maintain some degree of control over the content of the programmes. More recently, focus has shifted to the grass roots, with pilot projects aimed at demonstrating the value of reforms. Unfortunately, the Evaluation Team concludes that the privatisation actions undertaken in this sector would have had greater impact if each specific action had been linked with the enterprise restructuring and development sector, or if all these actions had been put under the ERD sector. The evolution of policy within the sector has been influenced by the experience of key policy makers of the economic concepts governing policy formulation and implementation, and by their ability to manage the strategies required to achieve the objectives of the policy.

**The evaluation finds that** the effect of the support for policy reforms, when measured against observed policy change and actual implementation of new policies, has been negligible. There has, however, been some influence on the awareness of policy makers to the need for changes, but there is no other sector

where the resistance to change is as strong. Workers and managers also resist change and, at the political level, support for reform-oriented legislation is still weak and fiercely debated. Where support from Tacis coincided with government's wish to reform, for example in Georgia and later in Azerbaijan and Armenia, important policy assistance has proved effective and appreciated. The impact of the pilot projects, generally considered as a suitable direction for future activities, has been limited because of the absence of financial resources and an enabling environment. A new development is the positive response at local administrative levels to the new co-operative integrated food chain approaches which have been run as an experiment in Ukraine. Average project duration is either 12 or 24 months. There is evidence in the sector of growing concern that project duration is currently not sufficient to achieve all the TOR objectives and create project sustainability.

## **Regional Agricultural Reform Project 2 (Kyrgyzstan and Tadjikistan)**

The overall project objectives are to: strengthen the agricultural sectors in Kyrgyzstan and Tadjikistan and increase production of staple crops, secure domestic food supply, reduce the current dependency on food aid and develop policies promoting agricultural reform and the private sector in agriculture.

The specific objectives are to: alleviate the current constraints to agricultural food production through the rehabilitation of irrigation systems, the establishment of water management organisations, the development of a local commercial seed industry; increase the supply of essential agricultural inputs; establish rural credit schemes; develop agricultural advisory services, and; identify and fund selected pilot projects in agro-processing trade and marketing.

In Tadjikistan, about one third of the proceeds from food aid were 'lost' and were not paid into the CPF account managed jointly by the Government and Project. Subsequently, however, in May 1997, the whole amount has been transferred to the fund. Also in Tadjikistan, the counterpart funds proved too large for the Ministry of Agriculture since there were no appropriate budget lines for assisting agricultural production. The Project suffered because of the lost revenue but also because of the difficulty in obtaining foreign exchange for purchasing irrigation and agricultural inputs. In Kyrgyzstan, most of the objectives were achieved with the exception of the rural credit component. The opinion of the Kyrgyzstan MoA is that RARP2 project is the best Tacis project in the country because the benefits are tangible and there will be an actual visible impact, particularly with irrigation and seed development. The

development of rural credit in Kyrgyzstan has not been so successful because the credit line was established using an existing MoA line and not, which would have been far better, new revolving credit centres at local level using existing NGOs or structures set up by Tacis projects.

Sustainability for a food aid programme is greatly enhanced if the food aid can firstly be sold, and then the proceeds administered under the auspices of Tacis technical assistance through grants and credits. The partner in Kyrgyzstan has also clearly benefited in the areas of seed production and irrigation development policy. The project has assisted public and private institutions, for example the MoAs and farmer associations, and will have an impact, albeit small, on the welfare of the country. The picture has not been nearly as good in Tadjikistan because of political instability and the very weak institutional framework.

### 6.3 Database statistics and analysis

The Evaluation Team has constructed a database on the latest monitoring reports of Tacis projects. Systematic monitoring of Tacis projects started in 1993. The database contains information on 1010 projects, 481 completed projects, 461 projects which are on record as ongoing, and 68 projects which were last monitored in their inception phase. Together, these projects represent 85% of all Tacis projects started up in the period 1991-1996 with budgets larger than 300,000 ECU. This coverage is extensive allowing the Evaluation Team to draw conclusions for the Tacis project portfolio as a whole, as well as providing results at country and NIS-wide sector levels<sup>6</sup>. In this report only some of the main findings are presented.

To provide the reader with a better understanding of the results presented here, the basic structure of the data collected by the Tacis monitoring programme is summarised.

Monitors assess project performance on the basis of the following main criteria:

- the appropriateness of the TOR and project strategy chosen to achieve the project objectives;
- contractor performance in terms of the timely and comprehensive implementation of the project workplan;

- the contribution of the PO to the achievement of project outputs;
- the achievement of planned outputs;
- the appropriateness of the planned outputs and project objectives for the PO;
- the achievement of the targeted objectives; and finally the sustainability of the achievements.

#### Scores for project performance

The monitors report on their findings and use a scoring system to summarise their conclusions. The scores comprise 5 grades; an "A" stands for excellent, a "B" stands for good, a "C" signifies an adequate with good aspects, "D" signals adequate with poor aspects and "E" stands for poor. For this study, the scores have been regrouped and simplified to three categories: Good which comprises the A and B grades; Positive for the C grade; and Bad for the D and E grades. Bad thus comprises disappointing performance as well as complete failures.

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<sup>6</sup> Full details of the data base, statistical tests and a complete set of results are provided in Annex 6 of this study.

## Review of Tacis overall performance

Table 6.1. below shows a number of performance indicators for the completed projects in the monitoring portfolio.

Table 6.1. Performance of completed projects (481 projects)

| Indicators                     | Indicator values |          |     | Total |
|--------------------------------|------------------|----------|-----|-------|
|                                | Good             | Positive | Bad |       |
| Contractor performance         | 53%              | 31%      | 16% | 100%  |
| Partner contribution           | 33%              | 47%      | 20% | 100%  |
| Results/Outputs                | 38%              | 42%      | 20% | 100%  |
| Appropriateness for the PO     | 55%              | 32%      | 13% | 100%  |
| Achievement of objectives      | 30%              | 41%      | 29% | 100%  |
| Sustainability of achievements | 27%              | 48%      | 25% | 100%  |
| Sum of all indicators          | 41%              | 39%      | 20% | 100%  |

Note: The classification 'Good' covers excellent, outstanding projects and projects performing well; 'Positive' means that project performance is according to plan or according to what could reasonably be expected; and 'Bad' means that the project performance has been disappointing or poor.

Contractor performance has so far been satisfactory but .....

"In the early years we could not judge the quality of western experts, even poor experts could open our eyes to our own situation and give insight in the issues that we would face in the coming years. Our demands are higher now, we can only learn from real experts". (State Property Agency, Ukraine)

It can be observed that 30 per cent of the projects have fully achieved their objectives, 41 per cent are assessed as positive which means that they performed adequately and as planned, while 29 per cent have been disappointing or a failure.

It is interesting to note that the scores on sustainability are slightly better. This reflects the fact that, in quite a number of cases, the project objectives were set too high or wrongly, and could not be achieved but, nevertheless, the projects transferred know-how and increased the abilities of the partner organisation. This is a frequent problem and it is part of the monitors' regular job to alert project management on such matters. They are also obliged to ensure that the PO and the contractor set commonly shared, realistic immediate objectives for the project. Central in this is the pursuance of feasible project implementation targets which can be achieved in the external environment in which the project is placed.

The highest performance score concerns the appropriateness of the project for the partner organisation. Across all sectors, 55 per cent of the projects are perceived by the PO and monitors as

having addressed the right issues for increasing PO abilities. For a further 32 per cent of the projects, the targeting was adequate. In 13 per cent of the cases, the projects are assessed as poor on this score.

The data confirm that a well-designed project (appropriateness: 55 per cent is good) and a highly qualified contractor (performance: 53 per cent is good) are not sufficient to ensure that a project fully achieves its objectives (here only 30 per cent). It is the commitment of the PO which is the most crucial factor for project success or failure.

Finally, it is interesting to note that 13 per cent of the projects have failed to be found appropriate at the completion stage. Such projects might have been expected to have been terminated during implementation.

### Review of programme performance against the criterion of effectiveness.

#### Effectiveness

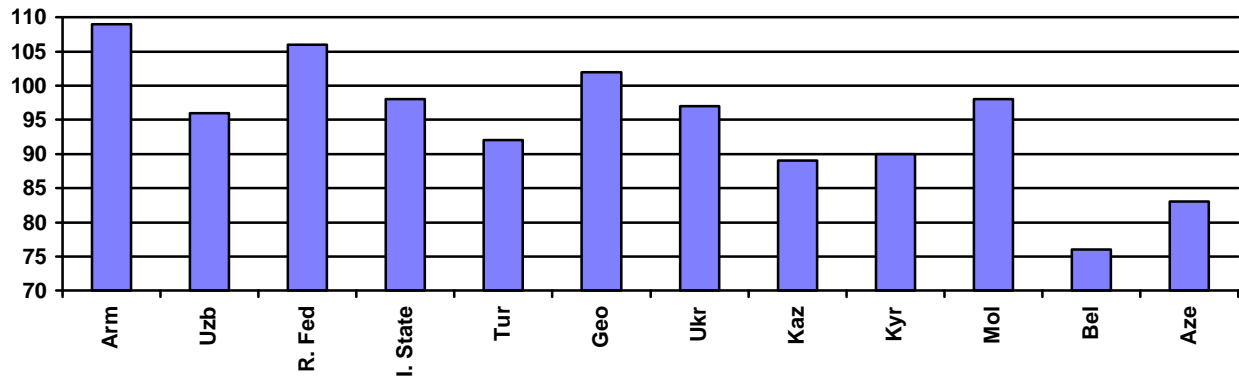
The indicator used for measuring effectiveness is the monitoring score on the extent to which completed and ongoing projects have achieved, or are expected to achieve, their objectives.

To measure differences per country the compound score for the Tacis portfolio as a whole was given an index value of 100. Higher scores show above average performers, lower scores show below average performance (see table....)

To measure the differences per sector the maximum score was set as 100%. The average

scores per sector are calculated as a fraction of this.

**Figure 6.1. Tacis project effectiveness differs per country (100 = the average performance)**



Note: Mongolia and Tadjikistan are excluded from the figure, because of too few completed projects.

Figure 6.1. shows differences in project effectiveness by countries. It indicates that there is a positive correlation between Tacis performance at project level and the extent to which market oriented economic reforms are implemented in the

various NIS countries. Tacis effectiveness is seen to be highest in Armenia, Georgia and the Russian Federation. On the other end of the scale feature Belarus, Azerbaijan and Tadjikistan.

**Table 6.2. Tacis project effectiveness differs by sector**

|  | Effectiveness     |                 |               |
|--|-------------------|-----------------|---------------|
|  | completed<br>in % | ongoing<br>in % | Total<br>in % |
| Energy                                 | 63                | 64              | 63            |
| Enterprise Restructuring & Development | 60                | 61              | 60            |
| Food & Agriculture                     | 55                | 59              | 56            |
| Facilities                             | 50                | 62              | 60            |
| Human Resource Development             | 58                | 62              | 61            |
| Nuclear Safety                         | 65                | 56              | 60            |
| Transport & Telecommunications         | 57                | 67              | 61            |
| Tacis                                  | 59                | 62              | 60            |

Source: Tacis Monitoring database

On the scale of 1-100, the overall effectiveness is 60 per cent. This percentage is an average for both completed and ongoing projects. The result is positive and can be interpreted in two ways. First, it confirms that Tacis as a programme is performing well. Secondly, it shows that there is still considerable scope for improvement.

the best performing sectors like Nuclear Safety (on the completed portfolio of projects) and Energy do not reach beyond 65 per cent effectiveness. At the lower end of the scale, the data would indicate an improvement in the effectiveness of the F&A sector comparing completed and ongoing projects, but the overall performance at 56 per cent is the only score below average. In the NIS-wide sector paper on Agriculture this is commented on:

The differences per sector on the effectiveness score are significant, but relatively small. Even

### From the NIS-wide Agriculture Sector Review

“Complete successes have been relatively few in the F&A sector, but the mutual learning problems have been overcome. Tacis assistance is actively pursued by the beneficiaries, and programmes and projects are now being targeted to more pragmatic and practical objectives, including emphasis on financial viability. Beneficiaries and national partners, through exposure to western free market concepts and attitudes, are beginning to understand the objectives of Tacis, to nominate appropriate partners and to play a fuller part in the identification and preparation of projects. It is still, nonetheless a common observation by national partners that Tacis should involve them more, and make fuller use of local experts and counterparts.”

## 6.4 Implementation efficiency

### Efficiency

Project implementation efficiency can be illustrated by two indicators

**Output performance** i.e, the extent to which Tacis projects have succeeded in delivering their planned outputs. From the data base the weighted average scores are used on outputs for completed and ongoing projects (see Table 6.3); and

**Project intervention requirements.** The percentage of ongoing projects in the different countries in which Tacis operates and for which the monitoring reports indicate that action from the TM or project parties is needed to improve cost-effectiveness (see Figures 6.2 and 6.3).

The table below is based on the output performance indicator and shows that there are only limited variations in implementation efficiency between sectors. The overall efficiency is estimated at 63 per cent, calculated on the basis of outputs achieved against outputs planned. This shows that there is substantial room for improvement in efficiency performance through tightening project implementation management practices and promoting more cost-effectiveness in project implementation.

**Table 6.3. Tacis implementation efficiency**

|  | Implementation efficiency |                 |               |
|--|---------------------------|-----------------|---------------|
|  | completed<br>in %         | ongoing<br>in % | Total<br>in % |
| Energy                                 | 69                        | 63              | 67            |
| Enterprise Restructuring & Development | 66                        | 62              | 64            |
| Food & Agriculture                     | 60                        | 62              | 61            |
| Facilities                             | 60                        | 62              | 62            |
| Human Resource Development             | 65                        | 62              | 63            |
| Nuclear Safety                         | 65                        | 56              | 60            |
| Transport & Telecommunications         | 59                        | 62              | 61            |
| Tacis                                  | 64                        | 62              | 63            |

Source: Tacis Monitoring database

Across all sectors, the following factors are those considered by the monitoring teams to be instrumental in delivering positive or good project performance results:

- collaboration of the project partner in formulating the TOR from the start;
- the use of the inception phase for amendment of the TOR if required;
- the selection of contractors with in-depth project experience in the NIS environment, knowledge of Tacis procedures, and strong

project management and backstopping skills (this is, however, inconsistent with the 1996 regulation);

- a good working relationship between the contractor and the project partner;
- the use of a substantial input of qualified local experts in project delivery.

Figure 6.2. below shows an analysis of the degree of intervention required during the implementation

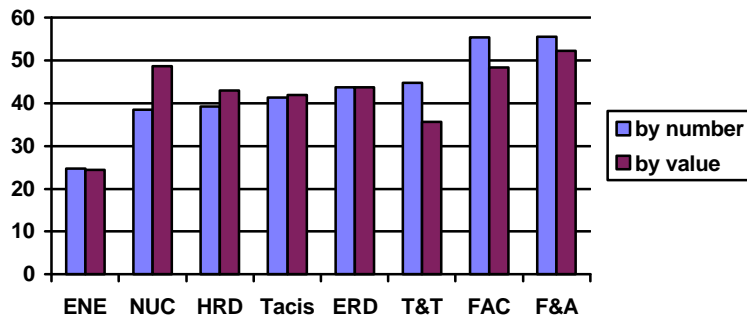
of projects to ensure good performance. The data for this analysis come from the monitoring grading system, which identifies those projects which have “need for action” (Grade D) , and those projects with one or more Grade E scores which signals to the TM that an “urgent review to assess continuation” is required.

On average, 40 per cent of the projects have implementation problems. This means that considerable management effort is required to ensure that these projects produce their results. Much of this effort is to come from the Task Managers, as they have a contractual “stick” to ensure better performance of the contractor and

the partner organisation. However, Task Managers frequently do not have the time or resources to properly address “problem” projects, due to their overloaded project portfolios. In addition, travel budgets and travel authorisation procedures restrict the ability of the Task Manager to make the necessary visits to the project in order to assess the situation.

CUs frequently intervene effectively when project implementation issues arise, particularly if difficulties for project performance originate from the project partner. The intervention role of the Delegation in project implementation could be effectively increased.

**Figure 6.2. Percentages of projects per sector needing intervention (by number and by value)**



**Figure 6.3. Percentages of projects per country needing intervention (by number and by value)**

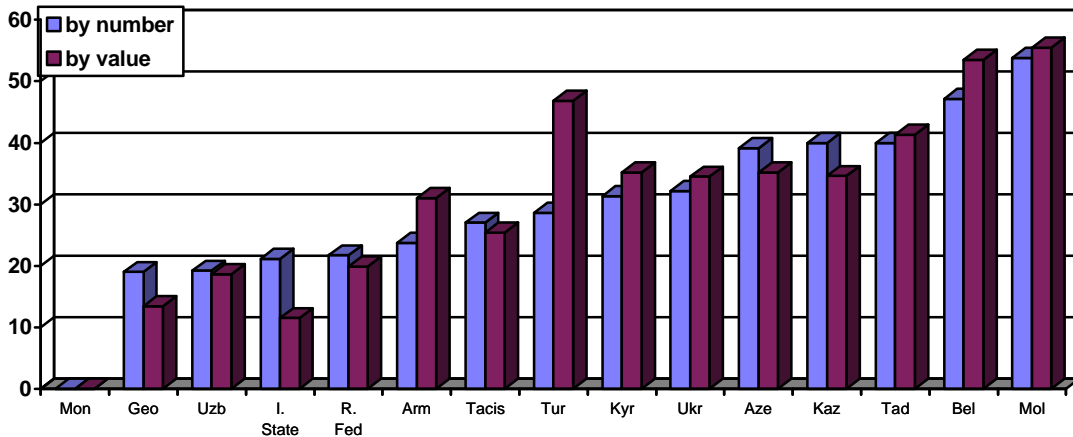


Figure 6.3. above shows the need for project intervention broken down by country. Together, the two tables suggest that the requirement for intervention is linked to two factors: (i) peculiarities of the sector, as explained above and (ii) the extent to which countries differ in their

commitment to the reform process. An interesting case in point is Moldova, where the portfolio consists of sectors requiring high levels of interventions (military conversion and agriculture).

# Chapter 7 Analysis of effectiveness and impact

## 7.1. Introduction

This part of the evaluation is to present the findings of the evaluation on the impact of Tacis on the reform process in the NIS and Mongolia in the period 1991-1996.

### Impact

Impact is normally defined as the contributions to the content and pace of market economic reforms and the reinforcement of democracy in the NIS and Mongolia. An authoritative conclusion on this criterion is beyond the scope of this report. Instead, the term impact has been defined for the purpose of this report in terms of Tacis contributions to: (i) attitude changes, (ii) policy changes and the pace of reforms, (iii) capacity development in public and private sector institutions, (iv) capacity development in the field of training and education, (v) welfare reinforcing democracy and civil society, and finally (vi) unintended side effects from the programme.

As explained in the introduction to the report, various methods of data collection were used for impact analysis, but the analysis can do no more than provide a first insight into the impact of Tacis. The findings presented here are mainly based on “soft” information, primarily views and perceptions of key actors, and the evaluators do not claim that they provide more than indications on the likely impact of Tacis in the NIS.

The chapter starts with a discussion on the importance of attitude changes and the type of contributions which Tacis is making in this respect. This is followed by information from questionnaires used to obtain the views from the NCs and/or CU Directors on the significance of Tacis contributions to policy changes and the pace of sector reforms. Subsequently the findings of the cross-cutting theme papers are summarised. These parts give some insight into the type of Tacis contribution to capacity developments in:

- Public sector institutions;
- Private sector institutions;
- Training and education; and
- Welfare, support of democracy and civil society

Following a discussion on side-effects of the Tacis programme, the chapter concludes with a summary of the main findings.

## 7.2. Attitude change

A change in attitudes is very difficult to measure without a proper survey before and after a Tacis project intervention. To the knowledge of the Evaluation Team, there is no such survey readily available. In the absence of such, perceptions of some key-actors who have worked with Tacis projects for the last four years are presented below.

“We were isolated in our own world. Joint work of our experts with EU experts on problems in Ukraine gave us a wider view and this allowed us to understand the problems of debt and this facilitated the process of finding the ways to solve the problems.”

From the workshops’ transcripts and the interview notes there is one dominant finding. The strength of Tacis lies in its people-to-people approach. Tens of thousands of NIS experts, administrators and managers have met and co-operated with their EU counterparts. This has started an ongoing process by which different cultures, norms and values have met, to the enrichment of both sides. The interview notes confirm that the NIS partners especially appreciated the positive aspects of the EU business culture, the principles of openness, team work, information sharing and the constructive approach to identifying and solving problems. These norms and values are foreign to their personal experiences hitherto.

The lessons from Tacis monitoring show that western methods and techniques of economic management cannot be transferred directly. Only in rare cases is the problem-solving, western approach to economic management perceived as having relevance for developments in the NIS. However, at the very least, it does provide a reference point.

“We had no idea about the working of a market economy; we just started privatising early until we found out – through a Tacis project – that what we really needed was first a European type regulatory framework to set up a market in which privatised suppliers can function efficiently.”

More than anything else, the experts of Tacis have contributed to the development of a more realistic, pragmatic view and a better understanding of the type of economy and the

type of pluralistic society which the EU represents. This is essential because it has become clear in the period 1991-1997 that the initial understanding in most of the NIS states of the "western market economy model" has been a very dogmatic one, originating in Soviet and western (US) propaganda. Looking back, it has become clear that the commitment to and understanding of the reform process, as existed in the Phare countries bordering Europe, did not exist in any of the partner countries of Tacis.

"The restructuring process in the sector goes faster thanks to Tacis. The number of Ukrainian experts has increased by working jointly with EU experts and we are now approaching a critical mass in the organisation of people who have started to communicate and who think in the same way about the strategy of reform."

The predictions made in 1991 about the possible high speed of the transition process have proved to be too optimistic for some sectors and simply wrong and naïve for others. The problems involved have been grossly underestimated. For a new market economy, in sectors such as banking and macro-economic policy, the transition scenarios proved not to be entirely unrealistic but still too optimistic. For sectors which required real restructuring such as agriculture, industry and public administration, experience has shown the assumptions to be unrealistic and naïve. Vested interests often block reforms, while the majority of the workforce employed have no faith in the benefits of reform, nor might they be expected to. More especially, over the past five years, they have seen their standard of living decline. In addition, their salaries are paid infrequently and they see many people enriching themselves on the strength of widespread corruption. In short, the willingness of the population to support the reform programmes of the current governments is, at least in most NIS states, substantially less than in 1991. Faith in a quick process of transition has died. In turn, a restructuring and development process has started in the NIS, the outcome of which is unknown, as is its duration.

### 7.3. Tacis contribution to the direction and pace of reforms

To obtain the views from the NIS on the contributions from Tacis to the reform processes,

the Evaluation Team designed a formal eight-page questionnaire in English and Russian for the

### Belarus Economic Trends (EES-3) – an example of changing peoples attitudes –

The overall objective of the project is to design a sophisticated economic information system required to explain the economic reform process.

The specific objective is to provide regularly updated economic and statistical information on economic developments in Belarus through publishing the Belarus Economic Trends (BET).

By the end of the project 12 monthly editions and four quarterly ones were issued. The circulation was 300 copies in English, 500 in Russian, and 300-500 electronic copies via Internet.

**Strengths and weaknesses:** The project was implemented in a political environment resembling the old regime where information distortions were the rule. BET responded to the specific circumstances by commenting on information distortions, revising official statistics, filling information gaps, activities which have been highly appreciated by the project beneficiaries in both private and public sectors. The project was run by an exceptionally active and enthusiastic team leader.

**Effect:** BET appeared to be a unique economic and statistical publication in Belarus, the only source of information that is regularly updated, based on a wide range of time series data, which are consistent, reliable and provide comprehensive analysis of economic conditions.

**Impact:** BET produced palpable impact on the improvement of official statistics, it contributed substantially to a better understanding of the economic situation in Belarus by its residents. In the language of dry statistics, BET made the economic situation transparent and argued in favour of economic reforms.

**Lessons to be learned:** Often, when the political regime is unfavourable and the reform process is stagnating or reversible, the question about cost-effectiveness of TA arises. The BET experience proves that a project can have impact even in a reform-handicapped country if the personal will to succeed is strong enough.

Tacis NCs and the Directors of the CUs. Nine of the thirteen questionnaires were completed, some during interviews, other directly by the NCs. Unfortunately the questionnaires from Russia and three other countries were not returned to the evaluators in time for inclusion in this report

**Table 7.1. In which fields did Tacis have a major influence in your country?**

|                             | Armenia | Belarus | Kazakhstan | Azerbaijan | Georgia | Kyrgyzstan | Tadjikistan | Ukraine | Turkmenistan |
|-----------------------------|---------|---------|------------|------------|---------|------------|-------------|---------|--------------|
| Sector:                     |         |         |            |            |         |            |             |         |              |
| Nuclear safety              | H       | M       | L          |            |         |            |             | M       |              |
| Energy                      | H       | L       | M          | M          |         | H          |             | M       | M            |
| HRD                         | M       | L       | H          | M          | M       | H          | H           | L       | M            |
| Food & Agriculture          | L       | 0       | M          | M          | L       | M          | H           | M       | H            |
| Transport and Telecoms      | M       | 0       |            | M          | M       |            | M           | L       | M            |
| ERD-Financial Services      | M       | L       | M          | L          | M       |            | M           | L       | M            |
| ERD- Restructuring          | 0/L     | 0       | M          | L          | M       |            | M           | L       | M            |
| ERD – SME support           | M       | 0/L     | M          | L          | M       |            | M           | L       | M            |
| Cross cutting themes        |         |         |            |            |         |            |             |         |              |
| Policy formulation          | M       | L       |            | M          | M       |            | M           | L       | M            |
| Public sector development   | 0/L     | 0       |            | M          |         | L          |             |         | L            |
| Private sector development  | M       | L       |            | M          | M       |            | H           | L       | L            |
| Education and Training      | M       | M       | M          | M          | M       |            | H           | M       | M            |
| Social welfare/well-being   | M       | M       |            | M          | L       | M          |             |         | L            |
| Technology transfer         | 0/L     | 0/L     | M          | L          | M       | L          |             |         | M            |
| Investment promotion        | 0/L     | 0/L     |            | L          | L       |            |             | L       | M            |
| Environmental protection    |         |         | M          | L          | M       |            |             | L       | L            |
| Democracy and civil society | L       |         | M          | L          | L       |            |             | L       |              |

Legend: H = high impact; M = medium impact; L = low impact; 0 = zero impact.

Source: TIE, CU questionnaires

The results of the questionnaire for the Tacis National Co-ordinators have, by and large, been confirmed in subsequent interviews and in workshops. In most countries, Tacis has been the first donor in a number of important fields of the economic reform process including on-site nuclear safety, energy sector restructuring, agricultural policy, transport corridor planning, bank training

and the development of enterprise restructuring approaches and SME promotion centres. In a number of these fields, Tacis has contributed positively to the reform of policy development and implementation. The questionnaires indicate that, without Tacis support, in the areas listed above, the pace of policy reforms and the pace of reform implementation might have been noticeably slower.

#### 7.4. Findings from cross-cutting theme case studies

The evaluation methodology in the TOR required the assessment of impact on issues which were common across sectors. These issues were termed “cross-cutting themes”. As explained above, the majority of evidence underlying the following summaries of findings is qualitative and focuses on impact at the micro level. The following are the main points arising from the research.

Although the evidence for the following sections is primarily qualitative, it is substantiated by an extensive number of interviews and 64 documented case studies. The Evaluation Team has focused on the effects of Tacis activities and indications of influence in the various environments in which the programme is working. This has led to the following conclusions.

**Public Sector Institutional Development**

|   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• high impact in major public administration reform has been achieved in a small number of cases where governments have demonstrated real commitment to change</li> <li>• high impact has been achieved with a significant number of senior officials having been exposed to modern practice in public administration through training programmes</li> <li>• the development of new management procedures in regional and local government with the simultaneous development of relevant training capacity has resulted in impact in a number of specific localities</li> <li>• limited impact has been achieved thus far through the dissemination of the lessons learnt from public reform projects</li> <li>• improved organisational and personnel capacity in ministries associated with sector specific projects demonstrates positive impact</li> <li>• medium impact has been achieved through the development of new legislation and there is scope for long term impact through the development of legislative drafting capacity.</li> </ul> | <p>Training for Russian Public Administrators in a Market Economy</p> <p>The aim of this project is to develop a faculty at the Russian Academy for Public Service capable of training senior public officials, using modern teaching methods and curricula, through a process of upgrading the professional qualifications of senior faculty members and top administrators from key ministries. It is considered that the Academy is now at the forefront of western trends in public administration and is capable of adapting them to the Russian situation.</p> |
|---|--|

## Private Sector Institutional Development

- impact of restructuring agencies varies greatly across countries;
- the success or failure of initiatives in financial institutions depends on the specific characteristics of the general institutional environment;
- the creation of the first bank training centres in Russia, Ukraine and Georgia have had a positive effect in their becoming the leading centres in their fields in their countries;
- many initiatives in this sector, such as credit unions, agricultural co-operative banks and investment banks, were originally put in place by Tacis;
- positive influence is evident in the Agricultural Bank of Armenia, Sberbank in Russia and the banking association in Kazakhstan;
- less success is evident in the Sberbank and Investment Fund in Armenia;
- Tacis support to the Regional Joint Ventures scheme within the context of the Bangkok facility is resulting in effective impact in the transfer of know-how in areas of venture capital and investment finance.

### Tacis Support to EBRD Regional Venture Funds

The Regional Venture Funds (RVFs) are part of the EBRD structure, established with the objectives of reinforcing and strengthening enterprises selected on the basis of their effective potential and fulfilling a larger synergetic role, through the demonstration value of the Funds' experience and through dissemination at the regional level. Each RVF has 24 MECU in equity funds from EBRD, with the exception of Smolensk.

Each RVF is supported by Tacis pre- and post-investment technical assistance, as part of the agreement reached between Tacis and the EBRD, called the Bangkok facility. The Tacis contribution to the Bangkok facility is 20 MECU per year.

A recent in-depth monitoring exercise of the RVFs in Russia indicates that the ratio of enterprises screened against the ratio of enterprises receiving RVF equity is comparable with ratios seen in private sector investment funds. In addition, the monitoring exercise has determined that considerable added value is being achieved through the dissemination of know-how to enterprises and regional authorities in the field of investment analysis, joint ventures, and investment finance.

## Policy development

- there are few signs of influence at the top decision-making level
- in EES the signs of any impact are mixed
- policy studies relative to master-plans and related instruments seem to have worked well at the company level
- pilot projects are a good idea, but in practice do not work in the policy field
- operational policy projects at middle-management level have had reasonable influence
- management training has shown to have potential as a useful vehicle to reach top-management levels
- Delegations' accessibility to the top decision-making levels is somewhat limited
- policy advice is readily accepted by both new and existing public and private sector institutions in those cases where they are faced with a real demand for new service which they are not yet providing
- There is little evidence of impact of policy advice related to restructuring of the state administrations at central government levels. Vested interests and has so far been limited on which have new here there is no vested interest.

### Federal Migration Service in Russia

The recognition of minority rights, refugees in this case, and the formulation of appropriate legislation was a direct result of a Tacis project to help the Federal Migration Service in Russia with problems in the field of migration. Technical assistance for the Service, set up in 1992, enabled it to frame federal legislation that the Duma finally approved. Experiences from visits to EU countries, such as Germany and the UK, were used to show Russian legislators how to tackle the problems of refugees and asylum seekers and how to meet their needs in a positive way. Changing opinion and tangible results in the legislation are a positive contribution to the objective of civil society development.

## Training and Education

- impact is highest at the level of specific projects/institutions and lower at national level
- impact is low but positive on the governments' capacity for policy development within the sector
- greatest impact has been achieved through the delivery of training and the establishment of self-sustainable training programmes
- impact on curriculum development has also been high
- medium positive impact has been achieved in changing the attitudes and approach of a critical mass of individuals who will in the future impact on reform programmes
- impact on the match between workforce skills and market needs is reasonably positive.

### National Training System, Ukraine

Tacis has had considerable impact at the level of specific training institutions, in improving their organisational and management capacity to enable them to respond to external changes. In Ukraine, Tacis participated in the creation of a National Training System for nuclear power plant personnel based on international standards, in the development of the Sevastopol Institute for nuclear specialists and the creation of a regional training centre for maintenance at Zaporozhye nuclear power plant. Simulator training is now mandatory for licensing of nuclear power plant operators.

### Primary Health Care, Russia

Training has had an impact on NIS appreciation of economic, social and political aspects of life in W. Europe and its relevance for East-West relations. Impact is most noticeable as an outcome of study tours or EU based training. The deepest impressions are created by seeing procedures and activities in person. It leads to a much clearer understanding of what Tacis is trying to achieve, a fuller appreciation of the severity of the NIS national situation, the differences between NIS practices and outputs compared to those in W. Europe and the options available if harmonisation is required. Medium to positive impact against this performance indicator is most evident in Russia in western patterns of primary health care and GP based practice.

## Social Welfare

- positive impact on the social welfare of the populations of the NIS has been achieved by the Tacis programme
- within the human resources sector, impact has been greatest in mainstream projects in the area of employment support
- significant positive impact for the welfare of the individual in terms of basic physical necessities has been achieved by projects in the sectors of food and agriculture, energy, and nuclear energy
- the LIEN facility has been effective in achieving impact in the areas of social services support and support to disadvantaged groups
- Tacis projects in the sector of enterprise restructuring and development have had an inevitable negative impact on social welfare which was inadequately addressed within the same projects
- less impact has been achieved in the area of social policy development than in the area of social policy implementation, due to the highly political nature of social policy and subsequent factors beyond the control of the project.

### Support to Employment Services, Ukraine

This project has made a significant contribution to social welfare in the country through assisting approximately 138,255 registered unemployed to find work through re-training and counselling activities over the period January 1994 to April 1997.

No information is available to determine how many of these individuals are still in employment.

The same project has also assisted in developing an improved system for registering the unemployed; on the basis of this new system, the ILO forecasts that 80 per cent of the unemployed will be registered. This project will have a sustained impact on social welfare because it has developed an improved benefits payment

system, which has more effective methods for registering the unemployed.

### Improved Residential Electricity Services, Armenia

This project included a sub-component called "Co-operative venture for a new billing system". At the time of implementation, a large number of apartment blocks were receiving electricity for no more than three hours a day. This sub-component worked closely with residents to identify a new metered payment system for electrical usage. As a directly attributable result of this, residents are now receiving twenty-four hours of electricity daily. The difference to personal living standards is considerable.

## Democracy

|  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• low impact has been achieved in sectoral projects, for example in the sectors of nuclear safety, telecommunications and defence conversion</li> <li>• limited but positive impact can be found in the area of minority rights, particularly through the LIEN and Democracy programmes</li> <li>• positive impact in the sectoral projects has been achieved in raising awareness of the different elements of a civil society in a market-oriented economy</li> <li>• impact of projects attempting to institutionalise this awareness has been limited, due to the time frames needed to influence deep-rooted attitudes towards social and political models of interaction</li> <li>• the Democracy programme, part of the Tacis facilities programme until 1996, has made a significant contribution to building democratic structures and the elements of a civil society</li> <li>• mainstream projects aimed at strengthening the capacity of NGOs has had mixed impact.</li> </ul> | <p>Facilities</p> <p>Overall, framework programmes such as Democracy (now independent of Tacis) and LIEN make a positive contribution to the fostering of a civil society and citizen participation which is a significant element towards building democracy in the NIS. However, impact varies from country to country, often reflecting the degree of enabling and political environment for non-governmental based activities.</p> <p>Voluntary Action Support Unit, Russia</p> <p>Tacis has had mixed impact on the development of the voluntary sector. This is in part due to the general lack of legislative and tax frameworks in the NIS conducive to the development of a philanthropic basis for sustaining a voluntary sector. These aspects were tackled with some success by the Voluntary Action Support Unit project in Moscow. This project continues to support NGOs, legislative change and increased awareness of such funding concepts as corporate good citizenship.</p> |
|--|---|

### 7.5. Side Effects

“So it happened that all Tacis programmes are supervised now by foreign specialists, whose work is paid at the expense of funds allocated for our country. Thus Tacis pays (and rather well!) for the work of its own employees. In fact, Tacis solves the problem of unemployment in the European Union by helping us.” Member of the Federation Council on Economic Policy, Russia

“The ratio between money spent for the programme itself and for the payment of the European specialist is 20 to 80; as for us we would like this money to work for the Russian economy, especially as we have good specialists and we could pay them better.” Member of the Federation Council on Economic Policy, Russia, quoted in a Russian journal

These quotations above illustrate the kind of criticisms of the Tacis programme which are voiced by highly placed public figures in the NIS. They signal that there are serious misgivings in the NIS about the benefits of Tacis for the Tacis

partner states. The argument is that the EU rules on Tacis grant aid ensure that most of the funds stay in the EU and that therefore the NIS barely benefits. This argument is appealing but misleading and false and it is worthwhile to make that clear in this evaluation.

One hundred percent of Tacis money is paid for by European tax payers. The analysis in the next section below indicates that it is true that some 67 per cent of Tacis money is spent in the EU and thus reverts back, in the year of expenditure, to GDP in the EU member states. However, the advice of the EU experts is not given in the EU states and therefore does not have the potential to benefit the EU. The advice is given in the NIS and, unless it proves useless, will increase the capabilities of the partner organisations and contribute to productivity/value added in the NIS countries in subsequent years. In other words, Tacis assistance, whether in the form of advice or in the form of equipment, represents a direct investment for the NIS.

To put a price on the value of this advice is difficult. In principle, the opportunity cost concept could be used. This would imply that the value of EU TA for a country equals the price that the country would have to pay for EU or local experts who can deliver the same advice and have the same impact. In those areas where NIS experts are available to replace EU experts, Tacis has evidently no further purpose. What Tacis is however doing is transferring know-how which is not available or not accessible in the NIS. If the contribution of these experts is effective in providing solutions to problems, then the value of the expert's contribution is considerably higher than the market price for the expert.

A related issue, which is highly relevant to this evaluation, is the question of whether the cost-effectiveness and impact of the Tacis programme can be increased by reducing the total inputs from EU experts and increasing the inputs of NIS experts for project management purposes and for the purpose of streamlining the transfer of know-how. This issue was raised in all four workshops as well as in many of the interviews. The general view was that this would be an improvement for the future.

Side effects that have been observed by the Evaluation Team include direct contributions to GDP in the NIS, market entry for European Consultants, and the promotion of NIS consultancy abilities.

An unintended but substantial contribution of Tacis to GDP in the NIS is represented by the expenditures of Tacis contractors on NIS goods and services. The Evaluation Team conducted a small investigation based on a small sample of 17 contract budgets. The objective was to estimate the proportion of funds spent in the NIS on goods and services. Such expenditures represent the direct value added to NIS economies. This sample is not representative but it gives an indication.

The finding is that some 40 per cent of total Tacis allocations contribute to GDP in the NIS. For the period 1991-1996, this would amount to some 960 MECU. This sum would be the equivalent of an annual 0.53 ECU per capita.

**Table 7.2. Cost items**

| Budget item    | Cost share highest | Cost share lowest | Cost share average | Guestimated share of NIS value added <sup>7</sup> |
|----------------|--------------------|-------------------|--------------------|---|
| EU expert fees | 60%                | 45%               | 55%                | 10%   |
| NIS staff fees | 20%                | 5%                | 10%                | 9%  |
| Direct costs   | 17%                | 15%               | 16%                | 12%   |
| Reimbursables  | 8%                 | 5%                | 7%                 | 3%  |
| Equipment      | 15%                | 6%                | 12%                | 6%  |
|                |                    | Total             | 100%               | 40%   |

<sup>7</sup> Corrected for the estimated import share in the spending pattern

As indicated in Part 1, more than 3,900 contract components<sup>8</sup> were awarded during the period 1991-1996. Of these, 3,000 were separate contracts. A sizeable share of these contracts was won by well known accountancy firms and by banks who have a long-term strategy for expansion in the NIS. There is no doubt that these contracts have lowered the "transaction cost wall" for these companies. Tacis contracts enabled them to become acquainted with the market at low risk. This has promoted their establishment in the main regions and countries in the NIS. The absence of accountancy companies or western banks in some NIS countries, such as Georgia and Armenia, is an indication of the poor investment climate which still exists in the NIS. Unfortunately, the precise number of smaller western companies<sup>9</sup> which have established a representative office or an equity investment in a Russian consultancy company in Russia or Ukraine is not known.

The Tacis programme has provided thousands of academics in the NIS with the chance to continue working as academics and to supplement their income with Tacis consultancy or research assignments. A select number of them have taken the initiative to set up local consultancy companies. In 1991-1993, these companies or individual experts were mainly engaged in Tacis or other donor projects. Increasingly, people who gained experience in Tacis projects are now finding highly paid employment in banks and industries. Due to the current Tacis guidelines, which restrict the fee levels which Tacis can pay for local experts, Tacis no longer has access to the best of these. For this group, the Tacis experience has given them the attitudes and skills which are needed for consultancy work in industry. Their sound academic training complements these skills and this has the potential to create highly qualified consultants. Without a doubt, these consultants have an added value to offer to Tacis. More use of them might increase the efficiency and therefore the impact of Tacis projects. The evaluators believe that Tacis should consider paying the local market price for highly qualified experts, even if it is more than the current upper limit approved in the current Tacis guidelines for tenders.

## 7.6. Conclusions

It is no surprise to find that, in common with most macro-level evaluations of other aid programmes,

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<sup>8</sup> As defined in the database - Annex 6.

<sup>9</sup> In May 1997, a total of 389 British companies were registered with the British Embassy in Russia. This is only an indication of the total number of British companies with permanent offices in Russia.

this evaluation is able neither to quantify impact nor categorise it neatly. However, what this chapter demonstrates is that positive impact is being achieved at various levels, albeit in varying degrees.

At sectoral level, Tacis impact can be demonstrated in some cases, especially where Tacis has supported the introduction of new concepts. In both the public and the private sector, the introduction of new methods and abilities for meeting new market demand for private and public sector services has proved successful.

The Evaluation Team cannot, on the basis of the work done in this evaluation, draw authoritative conclusions concerning the global impact of the Tacis programme in terms of its contribution to the content and pace of market economy-oriented reforms and support to democracy in the NIS and Mongolia. The programme is still too young, and is on-going, thus preventing a full-scale ex-post evaluation. Moreover, and this is a more basic problem, it is widely recognized that a valid assessment methodology for measuring the impact of know-how transfer programmes does not yet exist.

**Attitude change:** One main strength of Tacis lies in its people-to-people approach. Tens of thousands of NIS managers, experts, administrators (and some politicians) have met their EU counterparts. They work together on NIS problems that have arisen in the wake of the collapse of the former Soviet Union. Especially, they anticipate they restructuring demands which the transition to new market-oriented forms make on NIS public and private organizations as well as on individuals in top, middle and lower management levels. This common effort gives a wider view, leading to a better understanding of the problems, and facilitating the ways to find appropriate solutions to new demands.

**Policy change:** Throughout the NIS, Tacis was, for a number of sectors, the first major donor to address policy change issues. In 1991-1992 Tacis had a degree of influence. TIE interviews in 1997 with senior government officials and policy makers confirm that, without Tacis support, the development of policy-making and implementation would have developed more slowly in a number of key sectors, including new legislation; deregulation of the markets, privatisation instruments, enterprise restructuring methodologies, trade and customs and nuclear safety. In recent years, Tacis impact on actual policy-change decision-making and on budget allocations for implementation has been less successful than anticipated and targeted. The explanation may be sought in the virtual absence of a sustained high-level policy dialogue between the Commission and the NIS Governments, and, generally, the limited access of project staff and

project policy documents to high-level decision-makers.

**Institution-building:** The large majority of projects (87%) have been well targeted at the needs of the selected POs and/or beneficiaries. The data indicate that in 75% of the Tacis portfolio, NIS staff capabilities increased and the POs developed new capacity for dealing with problems addressed. It can be expected that this will have a positive impact on the future economic performance of the partners. Tacis impact in this field was greatest when it targeted the needs of new private and public sector institution and the new capabilities needed by existing institutions in areas such as migration policy, customs, taxation, small and medium size enterprise centres, commercial and central banking and employment services. In the field of restructuring of existing organizations, the resistance to change has so far limited Tacis' impact.

**Training:** The evidence shows that training can be considered the most important and most appreciated form of assistance. The impact from the range of training activities is large. Management training is found to be one of the more successful tools for policy support. Tacis contributed to the emergence of public and some viable private sector training centres and the experience with workshops and study tours proved highly valuable in supporting the attitude change processes. The impact on education policies, however, cannot be assessed yet. Concrete results were also achieved in training of trainers, and curricula development.

**Democracy, civil society, welfare and environment:** The evaluators consider that the content of the Tacis programme has so far not reflected the fact that reinforcing democracy is one of the two Tacis programme objectives and does not present an adequate response to the practical importance of Third Pillar issues of the Maastricht Treaty (Justice and Home Affairs) in the EU/NIS relationship. A comprehensive policy

for dealing with democratic issues is conspicuously absent. Nevertheless, the evaluation shows that the impact of Tacis on democracy in the NIS extends beyond the impact of the relatively few projects started up under the Tacis democracy programme. The evaluators conclude that in most sectors, Tacis projects contribute to attitude changes to institutional capacity developments which have a positive democracy-reinforcing significance.

On welfare issues, Tacis was one of the first donors dealing with the provision of services through NGOs, the transfer of social security responsibilities from the privatised industries back to the public sector and the social consequences of sector and enterprise restructuring. Tacis impact in promoting environmental awareness in its project partners is found to be virtually non-existent.

**Side-effects:** Tacis has lowered the threshold for EU business and consultancy companies to set up offices in the NIS, and has provided a substantial incentive for the development of domestic consultancy capacity in the NIS. In addition, a rough estimate indicates that some 40% of overall Tacis finance are spent directly on NIS goods and services. The other 60% consist mainly of the fees for EU experts who provide their services in and for the benefit of the partner states.

The evaluators conclude that Tacis is more than the sum of its project results. On the basis of the available monitoring evidence, the workshops and the interviews, it can be concluded that Tacis has had an impact on a number of change processes which are important for the further evolution of the market economy and democracy in the NIS and Mongolia.

# Chapter 8 Project Cycle Management and Tacis staffing

## 8.1 Introduction

From the beginning, staffing for the Tacis Programme within the Commission has been minimal for a Technical Assistance programme of this size. Despite this, Tacis management has succeeded in mounting an operational programme which has evolved over time and can now be considered relatively mature in terms of procedures and its ability to generate satisfactory project results. Management and staff deserve recognition for this achievement.

At the same time, Tacis has attracted not only praise but also a notable amount of criticism, for a programme with a positive mandate and a relatively short history. In some cases, the criticism is not well founded, but in many cases it is. The criticism comes both from ill-informed and well-informed sources, including the European Court of Auditors, NIS partners, partner organisations, contractors, the media and sources within the European Parliament, the Commission, DG1A itself and the Member States through the Tacis Committee.

It would be unprofessional if this evaluation did not examine these criticisms, both positive and negative. This chapter reviews the successes and weaknesses of Tacis Project Cycle Management. The material was distilled, on the one hand, from the Evaluation Team's investigation of the performance of some 64 case studies and, on the other, from suggestions for improving implementation efficiency made to the Evaluation Team by interviewees in the NIS and in the Commission. Although the organisation and administration of Tacis per se falls outside the scope of this evaluation, these issues are pertinent to the overall implementation efficiency of the Tacis Programme. Thus, improvements in this field can make a positive contribution to Tacis' overall effectiveness and impact.

## 8.2 Strengths and weaknesses

The following strengths of the Project Management Cycle will be discussed:

- a well-defined project cycle and clear procedures;
- project budgets are linked to objectives rather than to tasks;
- the inception phase provides the necessary flexibility;

- the monitoring programme promotes effectiveness and efficiency.

The following weaknesses have been identified:

- backlogs in programming make the project preparation phase too lengthy;
- the project partners are not sufficiently involved in project preparation, implementation and management;
- Task Managers do not respond to signals from the field in a timely manner;
- delays in project start-up are a regular feature;
- equipment purchase and delivery are often associated with friction and delays;
- there are difficulties in the final phase of projects implementation;
- different delivery mechanisms at times pursue similar project objectives;
- there is insufficient feedback of experience to programming and dissemination of outputs.

### Strengths

Tacis has established a well-defined project cycle management system with reasonably clear tools and procedures for project identification, project formulation, tendering and contracting, project implementation and progress reporting by contractors, implementation monitoring and final reporting and invoicing. Nevertheless, implementation efficiency could be improved by utilising better the project management mechanisms and procedures created by Tacis.

In most cases, the Terms of Reference in Tacis tenders do not provide instructions on how to implement a project. The TOR usually only clarify the project context, the function of the identified partner organisation, the main project purpose (immediate objective), the expected outputs from the contractor and the available maximum budget. It is the job of the tenderer to propose a feasible approach for realising the planned outputs and for promoting the achievement of the stated objective within the available budget amount. The practice in more standard development aid programmes relies more on a process approach, or PPPPP (proper planning prevents poor performance). Projects and budgets in these cases are prepared on the basis of detailed TORs and phased workplans which specify the tasks and required activities before

financing is approved. Funds are then released in separate phases depending on the progress made. The focus on objectives has made Tacis projects flexible in changing work methods and activities in response to changing circumstances and country needs.

To compensate for its relatively unstructured programming and project formulation procedures, Tacis introduced two new aspects to project cycle management: the inception phase of projects and the Tacis monitoring programme. The inception phase enables contractors and project partners to respond to changes in the project environment which, as Tacis practice shows, very often occur between project formulation and project start-up. The Tacis start-up phase ends with an Inception Report which brings the project up-to-date, outlines the project strategy in the project synopsis and provides the plan of operations for the whole project period and the workplan for the coming six months.

A project monitoring programme was set up and implemented from 1993 onwards. This programme ensures that each project amounting to more than 300.000 ECU is visited two or three times a year by a team of two monitors (one EU and one national monitor). Their task is to assess project performance and to make recommendations on actions by the key-actors in the project in order to increase cost-effectiveness.

In August 1996, the monitoring programme was reviewed and it was shown to be a useful tool for: (i) controlling and disciplining contractors; (ii) providing Task Managers with timely information on project implementation problems; and (iii) for providing on-site project facilitating services (solving problems on the ground) for all key actors. The last point was an unintended result which proved valuable in compensating for the light management structure which had been developed on the ground in the NIS. The programme has drawn criticism, however, concerning the limited time available for monitoring visits on-site (two days). A second criticism is that it is mainly a management tool for Task Managers and is not fully used by the Heads of Units and top management of Tacis. While it is not suggested that higher levels should become involved at the level of detail of monitoring reports, the structure and content of the Monthly Management Reports should be reviewed to make the information more useful for the hierarchy for project portfolio management purposes and for feedback of lessons learned from monitoring into the programming cycle.

### **Weaknesses**

The approach to TOR formulation and budgeting was chosen in 1992 with the intention of reducing the two-year time lags between project

identification and the start of implementation, a time-scale viewed as the norm for some multilateral and bilateral donors. Tacis was to be given the ability to mobilise support quickly. In practice, this advantage was largely lost after 1992 because of the lengthy Indicative and Action Programme approval procedures and the backlog in annual programming with which Commission staff implementing Tacis have struggled for years. Most TOR are outdated even before the tenderers make their bids and strategy proposals. Nonetheless, contracts are signed, confirming the technical proposal of the consultant. As a result of this, when the contractor and the project partner finally meet, it is not uncommon to discover that their approaches to project strategy differ considerably. Reports on the inception phase of projects prepared by the monitoring teams have shown that this is a serious problem. Some Task Managers have taken notice of the problem and have taken appropriate action. However, a systematic improvement has not been observed.

The evaluators note from the monitoring reports, workshops and interviews that there is wide agreement that Project partners are not sufficiently involved in the formulation of the TOR and have very little rights vis-à-vis the contractor in the management of the project. As in other grant funded TA programmes, the POs are not informed about the financial details of the budget. In addition, in many cases, they have had little insight into the use of budget resources and on balances remaining in respect of physical inputs from the contractor, equipment and training. Formally their rights are limited to endorsement of the Inception Report. These practices limit the "ownership" of the project by the partner organisations, their commitment to the project and their contribution to the project objectives. In this connection, the Evaluation Team notes that there is a weakness in the relations between the three main project parties. A statement of endorsement links the PO with the TM. A contract regulates the relations between the TM and the contractor. However, there is no formal agreement between contractors and POs on project implementation. In some projects, the POs or contractors have insisted on such a "Joint Project Management" between themselves and this is on record as having had a positive influence on the transparency of co-operation within the project.

Contractors and monitors often signal a lack of adequate response from the Commission services in their reports. This is considered to be one of the main reasons for delays in progress, for inefficient use of the budget and contractual time and for time extension problems.

The period between the mobilisation of contractors and the submission of the first workplan in the Inception Report generally

exceeds the two-month period prescribed in the “Tacis guidelines on administrative reporting”. To compensate for this time loss, contracts are usually extended by a side letter for, on average, an additional three months. While this practice does not increase the budget costs, it reduces the resources available for the implementation and completion phases of the Tacis project cycle and is therefore detrimental to the quality of the project results.

The tendering regulations on equipment are difficult to implement in the NIS, especially because the legal basis for Tacis operations in the NIS is not well regulated (see also Chapter 9). Moreover the system lacks flexibility which, at times, creates insurmountable problems. For the Nuclear safety sector in particular, where there is a big equipment supply component, the number of suppliers is sometimes very limited or only one supplier exists. The Commission services do not have a suitable procedure for handling this issue and this results sometimes in endless delays.

Monitoring experience shows that, in a large percentage of the projects, effectiveness could have been higher if more attention had been given to disseminating the results of the project to a wider audience and/or extending the project to allow for a better utilisation of the results by the project partners. In other instances, projects are observed to have ended prematurely in the sense that a project extension would have allowed for a better utilisation of the results by the project partners.

In this context, the evaluators would like to signal that the duration of Tacis contracts is short and, for a considerable share of the contracts, extension requests for time and additional budgets are processed each year. In a number of cases, contracting procedures do not allow further budget extensions. Projects come to an abrupt stop although, objectively speaking, continuation would make sense and would be cost-effective.

There are a number of cases on record where projects, initiated or co-financed by LIEN, ESSN, PCP or FFTF, have had similar or more significant effects on their partner organisations than the much larger, regular Tacis projects. This seems to support an argument which was put forward in different monitoring reports namely that contractors’ workplans are sometimes more determined by available budget resources than by the objective needs of the project for inputs from the contractor. This touches on an old issue in technical co-operation: payment to contractors is not linked to objectively verifiable performance, but to presence in the field and ill-defined deliverables. It would make more sense if the POs were formally consulted by the TM at the time of project approval and were accorded the right and obligation to express their views on project reports and outputs delivered by

contractors. This could, for example, have a positive disciplining influence on the performance of contractors.

Although the Commission has gained substantial field experience in the NIS and insight into the bottlenecks in the transition and the development process that are ongoing in the NIS, they have not fully capitalised on this. A systematic review of performance with the purpose of drawing lessons for the future and feedback into programming has not been undertaken. In this respect, the sector reviews which are regularly prepared by the monitoring service do provide some insight but this is mainly restricted to the project preparation and implementation process itself. Insight into policy issues and the appropriateness of programming have not been analysed nor has there been a systematic review of the projects with the purpose of identifying suitable project approaches, methodologies and outputs for replication and dissemination.

The establishment of the Evaluation Unit, which has been operational since January 1997, is a positive step towards overcoming this weakness. Without feedback, the Tacis Programme and project management cycles are not complete. If programme and project design is not able to build on previous experience, then the programme remains, at best, static in terms of effectiveness.

### 8.3 Tacis staffing issues

#### An example of Tacis-staff time pressures

A good Task Manager is dedicated. He/she feels and is a Tacis veteran after one year on the job, works 10 hours a day, mainly on programming, tendering and contracting issues. He/she can meet with you briefly between 6 and 8 p.m. in the office and has virtually no time to discuss the substance of the projects. The worst that can happen to him/her is the receipt of a monitoring report that shows that one of his/her projects should be stopped to prevent more money being wasted. His/her reaction: “Please, do you know what this means. My Head of Unit will ask me what I am going to do with the remaining money and I will have to start up another project. I have no time for that. I will find a solution within the context of the existing contract”.

According to senior Commission officials, staff turnover is very high by Commission standards. Although the example above shows that this is understandable, it nevertheless results in a significant loss of experience and it limits the development of a corporate memory.

New Tacis staff would benefit from more training in best practices for project implementation. The majority of staff in the operational units are young, intelligent and prepared to work very hard, but have virtually no relevant previous experience with project management and no practical project implementation experience. This limits their abilities. The Evaluation Team signals the need for introducing training in project management.

Poor projects are rarely terminated. Exact data are not available but the monitoring teams estimate that, in total, approximately 10 projects were terminated on account of poor performance. This compares with some 80 projects which continued their life until the end of the formal contract duration and which were assessed by the monitors as having failed (4 per cent of the total portfolio).

A large proportion of the weaknesses outlined above are, in one way or another, related to the limited staff resources available in the operational units of Tacis. The Evaluation Team therefore concludes that, in hindsight, it would have been wiser if, right from the start of the programme, the Commission had created more staff posts for the Tacis Programme or had shifted posts from other parts of the Commission to DG1A. The limited number of permanent officials in the programme can be seen as one of the main reasons for the relatively low implementation efficiency and this, again, is one of the causes for the criticism of Tacis.

The strategy of the Commission for overcoming the manpower problem has been to recruit experts on fixed-term contracts, within strict budget limitations, for project portfolio management tasks and for supporting programming and project management tasks. This has caused difficulties with other Commission services such as Financial Control, and with the Court of Auditors and the European Parliament where these practices are viewed as a dilution of the role of permanent officials. Some measures have been introduced to increase staffing at headquarters and in the field, but these have been difficult and slow to implement, and not of a scope likely to bring substantial improvement.

Although the manpower strategy has been understandable for a new programme and has, subsequently, alleviated part of the manpower shortages, it cannot and should not be considered a normal state of affairs. Bringing in new staff with new expertise can be an advantage but this advantage can be outweighed by the short contract durations for these staff. An issue in this context is that the proper introduction and supervision of new staff in the Tacis operational units implies an extra burden for the permanent staff on the Tacis Programme. This may explain why initial training is not done very systematically.

In general, the lack of staff resources is acute in the operational units and this is a factor, in part, explaining the limited attention to content and to supervision of project quality.

## 8.4 Conclusions

The first conclusion is that DG1A/C has an insufficient staff to carry out the functions expected of it. The second conclusion is that Tacis management would benefit from reducing the use of hired consultants as Task Managers, functions which require generalist/managers rather than specialised expertise. To solve the problems of staffing, any attempts to reallocate existing staff resources would not appear to be an appropriate course of action. In essence, it would seem that the issue can only be handled by the creation of new staff posts.

Project cycle management procedures are adequate but are not utilised to their full potential. The procedures are not consistently applied. Training in this area is of critical importance. Overall programme efficiency can be increased by more training for members of the professional staff in the operational units in project management skills. This would also contribute to creating a greater appreciation of the vital link between partner organisation performance and commitment and project effectiveness and impact.

There is a need for a new manual on management procedures, guidelines and best practices aimed at increasing the POs' sense of responsibility for their projects. In particular, these responsibilities should cover:

- reinforcement of the role of the statement of endorsement as an instrument for clarifying the rights and obligations of the partner organisations;
- joint drafting of the project terms of reference with the PO;
- updating the TOR in the weeks prior to the tender with information from the PO and the Co-ordinating Unit;
- signing of the inception reports, progress reports and endorsement of the final report by the PO.

The evaluators consider that the Commission through its Tacis and Phare programmes has gained considerable expertise over the past six years, and it is the right time systematically to review successes and weakness and to identify, in both the Tacis and Phare programmes, the projects and outputs which can be used for replication and dissemination. Given the

differences in the pace of reform in the different sectors and countries, initiatives which can promote the exchange of experience and learning

from experience between the NIS partners deserve priority in the coming years.

# Chapter 9 Transparency and accountability

## 9.1 Introduction

The Tacis Programme operates within the general frameworks for administration, financial control, accounting and auditing set by the Commission for DG1 and the Council Regulations on Tacis.

In this chapter, the performance of the programme with respect to transparency and accountability is reviewed. Transparency refers here to the clarity of processes and information flows required for decision-making. Accountability refers to the extent to which implementation is in accordance with operational guidelines that have been adopted.

## 9.2 Transparency

Transparency issues are important for the many different stakeholders in the programme, in particular the NCs, the POs, who are the main users of the project outputs, the contractors and the public at large.

### **Tacis National Co-ordinators and Directors of Co-ordinating Units**

Tacis provides no information on the process and factors which determine the global allocation of the annual Tacis funds across the different countries nor across the different delivery mechanisms (such as national programmes, interstate/regional programmes and facilities).

Once the global allocations are known, the NCs and Directors of the CUs of the partner states are informed and the annual programming cycle starts. The programming process is co-ordinated by Task Managers who are assigned as Tacis Country Co-ordinators. They organise the consultation process with the Tacis National Country Co-ordinators in the partner states (who are often positioned at the deputy ministerial level). The latter are supported by CUs in the NIS to which a number of EU experts are seconded to provide assistance.

For this evaluation, a number of NCs and/or their national CU staff directors were interviewed on a range of issues, including their views on the transparency of Tacis. As could be expected, the answers were similar. These are summarised below.

With the exception of Russia, the NCs and/or the Directors of the CUs are satisfied with the amount of influence their countries or their organisation have had on:

- the selection of priority fields for indicative programming and annual programming;
- the identification and selection of projects for Tacis funding;
- the formulation of the first draft of the TOR for national programme projects;
- the selection of the project partner organisations, even if the final selection is often done by the Task Manager on the basis of information from experts engaged to finalise the TOR.

The view is held in Russia that Tacis project selection does not sufficiently reflect the priorities of the country. The formal response to this is that any programme requires the signature of the NC, normally a First Deputy Prime Minister, following intense discussion with the Russian side at working level. If the Russian government is dissatisfied with the results of the selection, then the obligation to take corrective action rests first with them.

They are fairly satisfied with the quality of the information flows from Brussels and between Brussels and themselves on:

- general Tacis Programme information;
- decisions taken in Brussels on project closure, extension or follow up;
- information exchange on project management issues;
- tendering status and contracting.

They consider that they are not sufficiently consulted on:

- the TOR for interstate projects;
- the menu of the Tacis facilities offered to their countries.

The question of transparent procedures followed by the CUs in project selection arises here. While it is agreed that the CUs will make the first selection from project applications in keeping with the objectives and aims of the IPs, there is generally no clear process or set criteria by which this initial selection is made. Considering that this initial selection typically reduces project applications by three-quarters, the question is of some importance. In response to this issue, the Delegation and the CU in Russia have introduced the use of a project appraisal sheet, in order to

regularise the process, increase transparency and ensure that project selection is in line with IP objectives.

### **Partner organisations and contractors**

The Commission services have developed a transparent set of project cycle management instruments for use by Tacis, including:

- the Statement of Endorsement which the partner organisations prepare and which serves to confirm their rights and obligations in the context of the project;
- the Tendering bidding and tender evaluation procedures including interviews with the potential contractors to which the PO representatives participate as voting members;
- the administrative guidelines for progress reporting by contractors and monitoring which provide information on the implementation of most Tacis projects.

POs participating in the workshops during this evaluation have indicated a number of areas where they see scope for further improvements in Tacis Programme transparency. The project formulation process is not very transparent to the POs. In the past, they were often consulted mainly with respect to the first drafts of the TOR. Although formally they expressed their agreement by signing the Statement of Endorsement, they felt that their views were not sufficiently reflected. The POs have little insight into the budget of the contractor, which complicates their ability to play the role of equal partners in the management of the project. During implementation, the feedback from the Commission about programme issues raised in progress reports is considered satisfactory but slow. Reasons given for decisions about requests for project extensions are not always well communicated or produced in a timely manner. Such delays and misunderstandings have been known to cause confusion and controversy in the final stages of projects.

Contractors present at the workshops raised some issues. In particular, information on the results of the evaluation process is not systematically provided and recourse for settling disagreements with the Commission is weak, and, in general, presents such a barrier that complaints can be pursued only at very high costs (in terms of efforts).

### **The Public at large**

The public information documentation produced by Tacis on its programming, tendering, content of the programme, budget allocations and the like

is of the highest quality.<sup>10</sup> However, while EU industry has a clear picture of Tacis activities, the EU public is not generally acquainted with what Tacis does. At the same time, there is no clear image of Tacis objectives and activities in the NIS countries. In addition, the rumours about bad project performance are not countered by the dissemination of information about successful project performance. Neither is there evidence of any effective public relations strategy to respond to negative criticisms.

## **9.3 Accountability**

The key question when assessing accountability is whether the Tacis Programme is implemented in accordance with the guidelines which govern its operations. In this respect, the Commission and Tacis management are accountable to different organisations for different aspects of their operations. The main ones are:

- EU organisations controlling the Commission – the Court of Auditors, the European Parliament and the Council of Ministers;
- internal services of the Commission – including Financial Control;
- the “Tacis Management Committee” which is composed of representatives of the Member States and is chaired by a Commission representative. According to the Council Regulations, the Committee delivers an opinion of which the Commission has to take account before adopting financing decisions.

These organisations play a role of “corporate governance” similar to that of shareholders in companies, but with one noticeable difference: shareholders tend to pursue a common “profit” goal while, in the case of Tacis, the above listed organisations have their own mandates, interests and tasks which are linked to accountability rather than to efficiency.

The Evaluation Team has noted that these organisations monitor the activities of Tacis closely and critically and have had an important influence on the modifications which have been made over time to the Council Regulations on Tacis.

It is not surprising that the Tacis units responsible for programming, contracting and financial procedures have responded to this disciplinary scrutiny by introducing procedures to further tighten the operational framework in which the

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<sup>10</sup> During interviews with the CU in Russia, it was observed that the Russian translation of information documents was poor. This would need to be professionally verified.

programme has to be implemented. The Evaluation Team makes the observation that some of the complaints directed at Tacis originate from the NIS and focus on the lack of concern in the Commission on cost-effectiveness issues. The Evaluation Team shares these concerns.

Issues of accountability appear to be more important to the Commission than effectiveness and efficiency. This is understandable since the Commission uses tax payers' money for which it is accountable. On the other hand, accountability should not become a constraint on effectiveness and efficiency. The Evaluation Team concludes that, in the last two years, this is exactly what has happened.

Increasingly slow contracting and payment procedures are an important element in this adverse development and are creating serious problems for contractors. It is not unusual for contractors, who have agreed in principle with the Commission to an extension of a project, to be faced with the question of whether to stay on at personal cost to avoid the wasteful expense of demobilising and then remobilising. Slow payment procedures are commonly known to close down the operations of smaller companies which cannot sustain the cash flow demands.

## 9.4 Legal issues

Tacis operations are currently subject to local national law, which means that in strict legal terms, the Commission's conditions for contractors do not apply for contractors operating in certain NIS. In some NIS, the general rules and regulations referred to in the Financing Memoranda, which were developed and negotiated during the start-up phase of the programme, are now outdated and cannot be enforced. In Russia, Armenia and some other countries, governments have decided that the approval process for international agreements has to be followed. Ratification by parliament is part of the process but this may take years to accomplish. In the intervening period, the validity of the latest Action Programmes is placed in doubt.

The contractors are the victims of this unclear situation. As long as Tacis has no recognised legal status in the NIS, contractors cannot legally register their project operations. This complicates project-related imports, the operation of bank accounts and personal tax liability, to mention just a few of the difficulties. This has had a negative effect on the working conditions of EU experts and on the process of equipment imports. The EU stipulation that Tacis cannot pay VAT and import taxes conflicts with the absence of tax exemption status for Tacis in the NIS and creates import clearing problems throughout the programme.

The evaluation indicates that this issue requires a solution which can only be reached by high level negotiations between the Commission and its NIS partners. Such negotiations would need to result in special presidential decrees as well as parliamentary ratification.

## 9.5 Conclusions

The Tacis Programme performs well on some transparency issues. The quality of public information material on annual programming, budget allocations for countries and projects and tendering reached a high standard early on in the programme. Likewise, the tendering process is transparent and accountable. The publications from the Tacis information service are useful but somehow Tacis still has an image problem. A weak point is that the POs in the NIS are not adequately informed about project budgets and about the reasons for project contract management decisions.

Tacis performance providing information on achievements and feedback to the Tacis Management Committee can be assessed as relatively weak. Negative comments from the Committee are on record concerning the information content of reports submitted to them as reviews of Tacis performance. As a response to the Commission's Sound and Effective Management Initiative (SEM 2000), which stipulates the needs for annual progress reviews, a new Evaluation Unit became operational in early 1997. SEM 2000 mandates the conduct of systematic, timely and rigorous evaluations of the programmes for which DG1A is responsible. This can be considered as a positive step towards a more systematic approach to the provision of evaluation information about the programme.

Tacis has been put under pressure from different quarters to further improve accountability and raise it to acceptable standards. The Evaluation Team cannot assess the performance of the programme on this issue since this falls within the competence of the Court of Auditors. It is observed, however, that the increasing emphasis on accountability and financial control has created working conditions/procedures which, in practice, contradict with the flexibility needed for the effectiveness and efficiency of project implementation.

The mounting criticism of Tacis should be treated as a warning to Tacis management. The programme has evolved and become more mature but, at the same time, it has become more bureaucratic, with tighter procedures leading to more attention and concern for accountability than for efficiency. Here, the evaluation signals a problem with the 1996 Financial Regulation. The latter includes articles

which aim to guarantee equal opportunity access to tendering. However, the effect is to prohibit the Commission from treating "working experience" as a positive factor in the tendering process. This regulation, if applied rigorously, may become a further factor contributing to implementation inefficiencies. A typical example relates to projects in which institution-building objectives are of importance, a field where there has been and will be increasingly more projects.

In this field, contractors have to make substantial additional efforts to understand and become familiar with the contexts of institutions in which they work. In these circumstances, it is usual to envisage long- rather than short-term contracts. The Tacis obligation to re-tender every year or two years is, in itself, inefficient and not cost-effective. The tendency to exclude highly performing contractors even from shortlisting further undermines cost-ineffectiveness.

# Part 3 – Relevance, Conclusions and Recommendations

## Chapter 10 Overall Relevance

### 10.1 Introduction

The Tacis Programme is the largest single programme for know-how transfer to the NIS in the territory of the former Soviet Union. In assessing the relevance of the programme, the evaluation has taken a number of factors into account.

- world-wide know-how transfer is recognised as being difficult to carry out and often experiences a low rate of success;
- the complexity and diversity of the programme environment in the NIS partner countries were virtually unknown when the programme started in 1991;
- the structural and systemic problems resulting from the collapse of the Soviet Union and the collapse of its internal market were not understood, nor was the complexity of the transition process involved.

The chapter starts with a summary of the main findings of the criteria used in this evaluation for assessing relevance and concludes with the overall assessment of the Evaluation Team.

### 10.2 Performance against the evaluation criteria

#### Appropriateness of programming

The idea behind Tacis is good. Technical assistance in the form of know-how transfer is very much needed in the NIS and Mongolia. The evaluation team concludes that, in 1991 as well as in 1997, it is appropriate for the EU to provide technical assistance rather than financial assistance.

The EU/Tacis Programme lacks a clear identity with respect to the specific policy objectives for which it stands in the countries and priority fields identified for support. Moreover, coherent strategies for promoting the two Tacis Programme

objectives, market oriented reforms and the reinforcement of democracy, are largely absent.

On the NIS side, there is also room for improving the process of identifying and setting the priorities for multilateral and bilateral assistance in general and for Tacis assistance in particular.

For the country national programmes, the indicative programming process generates programme components in the priority fields which meet the apparent needs of the Tacis partner states in the NIS. However, in the absence of a systematic PSIP process in the NIS and in the absence of clear EU Tacis policy reflecting EU interests, it is not possible to assess the quality of the outcome of the programming process. Tacis has made various attempts to focus its programme on a limited number of priorities and issues. The effect of programming guidelines issued by DG1A/C1 on the subject has been largely cosmetic. As a result, Tacis activities are spread very widely.

Tacis performs relatively well in translating these IP priorities into Action Programme projects. These are found to be generally appropriate in the sense that they target important issues for the POs and users of the project outputs.

#### Effectiveness and Impact

The programme can be credited with a positive record on project effectiveness. The large majority of the projects are on record as having achieved their planned outputs and as being likely to achieve the targeted objectives. The latter is a necessary but not conclusive indicator for the tentative conclusion drawn by the Evaluation Team that Tacis is likely to have a positive impact in terms of contributing to market-oriented reform.

There are also indications of some positive impact in terms of reinforcing democracy, as evidenced in the theme paper on the impact of democracy prepared for this evaluation. A separate, full evaluation of the Democracy Programme is currently underway.

#### Implementation Efficiency

Tacis has established a well defined project cycle management system with reasonably clear procedures for project identification, project

formulation, tendering and contracting, project implementation and progress reporting by contractors, implementation monitoring, final reporting and invoicing. Nevertheless, implementation efficiency can be improved by utilising these procedures better.

The Commission does not have enough staff resources to utilise existing tools to their full potential and thereby ensure efficiency in accordance with increasingly tight financial and management requirements.

### **Transparency**

The Tacis Programme performs well on most transparency issues and has developed a transparent set of project cycle management instruments. The quality of public information material on annual programming, budget allocations for countries and projects and tendering reached high standards early on in the programme. Likewise the tendering process itself is transparent and accountable in its set up.

The publications from the Tacis information service are useful. A weak point is that the POs in the NIS are not adequately informed about project budgets and about the reasons for project contract management decisions.

Tacis performance in providing information on achievements and feedback to the 'Committee' can be assessed as relatively weak. Negative comments from the 'Committee' are on record concerning the information content of reports submitted to them as reviews of Tacis performance. However, the new Evaluation Unit, which became operational in early 1997, is considered a positive step towards a more systematic approach to the provision of evaluation information on the achievements of the programme.

### **Accountability**

The Tacis Regulations of 1991 and 1993 served their main purposes well. The 1996 Regulation seems adequate and flexible enough to accommodate the further evolution of the programme for the period 1996-1999, though it has added a further layer of financial and procedural control which affects productivity. The

regulations have set a workable framework for the evolution of the Tacis Programme.

The EC context in which Tacis operates has been exerting increasing pressure on Tacis to further improve accountability to acceptable standards. The Evaluation Team cannot assess the programme's performance on this issue, which is in the competence of the Court of Auditors.

The tightening of financial procedures and contracting procedures creates tension between concerns over accountability against concerns over cost-effectiveness.

The mounting criticism of Tacis from the NIS side on its performance relative to cost-effectiveness should be treated as a warning to Tacis management not to create an even more mature bureaucratic system which shows little concern for cost-effectiveness.

## **10.3 Overall conclusion**

Taking the above findings into account, the Evaluation Team concludes that:

- Tacis is making a relevant contribution to its programme objectives. This has occurred despite the slower than expected and less than desired progress in the NIS towards free and open democratic systems and market-oriented economic systems;
- the relevance of Tacis is limited by shortcomings in terms of implementation efficiency, some aspects of transparency and an increasing emphasis on accountability and financial control. Some of these shortcomings stem from the corporate culture within the European Commission, in which Tacis is embedded. Other EU institutions have required changes in direction or additional controls but the Commission has lacked the resources to respond promptly and efficiently;
- the programme can be credited with a positive record on project effectiveness in achieving the intended objectives. For the Evaluation Team, this tips the balance of the final assessment on the Tacis Programme to the positive side.

# Chapter 11 Recommendations

The evaluation shows that the Tacis Programme can be credited with a moderate degree of success in terms of realised outputs and effectiveness in achieving the intended objectives and impact. This report, however, contains some conclusions and recommendations which aim at increasing the effectiveness, impact and overall relevance of the programme. Most of the recommendations here are derived from the findings of the evaluation; others draw on the experience and reactions of the Evaluation Team to the findings.

## 11.1 Programming

The demand-driven principle underlying the Tacis Programme, however, justified in the early years, has weakened the impact of Tacis. Neither the beneficiaries in the NIS formulating the demand, nor the Commission responding to the demand, were able clearly to define strategies placing such demands in the wider context of transition. As the PCAs come into force, the opportunity exists to replace the demand-driven principle by the dialogue-driven principle which is enshrined in the PCA approach.

**Recommendation 1: To capitalise on entry into force of the PCAs to give the Tacis Programme political guidance and greater effectiveness. The PCA machinery could be used to elaborate strategy in the sectors in which Tacis operates. This would raise the profile of Tacis, and ensure a higher level of NIS ownership of Tacis actions. This is vital for successful and lasting impact. Tacis should also be used to support NIS involvement in the dialogue thus instituted under the PCA.**

The Evaluation Team believes that Tacis programming can be better targeted to reflect the mutual interests of the NIS and the EU as defined through the policy dialogue instituted under the PCA. This can be streamlined and co-ordinated with other donors by further policy development and support for building up Public Investment Planning capability in the NIS.

**Recommendation 2: The Commission should develop a clear – and for the partner states – recognisable EU/Tacis position on the policy objectives it wishes to pursue in selected priority areas.**

On the NIS side, there is room for improving the process of identifying and setting the priorities for multilateral and bilateral assistance in general, and for Tacis assistance in particular. The current system of involving Co-ordinating Units as facilitators for mobilising needs in the partner states has practical merit. However, this falls short when compared with the practice of Public Sector Investment Programmes (PSIP) linked with public expenditure reviews, as recommended by the IMF and the World Bank, and as implemented with EU Phare support in various countries seeking accession to the EU.

**Recommendation 3: To give priority to developing in the NIS the ability to programme donor resources, and Tacis, in accordance with the Public Investment Programme approach. This includes: i) the perspective of utilising PSIP priorities as the basis for Tacis programming as soon as feasible, thus simplifying the Tacis programming cycle and reducing the share of Tacis budget and staff time resources utilised for this purpose and ii) progressively shift Tacis coordination from the CU to a PSIP-based approach.**

The 1996 Regulation raised the reinforcement of democracy as the second objective of the Tacis Programme. However, neither the 1993 nor the 1996 Regulation gives concrete guidance on this issue. The Evaluation team considers that, so far, Tacis has failed to reflect the fact that reinforcement of democracy is a programme objective, nor has its level of support been appropriate, considering how important third pillar issues (justice and home affairs) are becoming in the relations between the EU and the NIS.

**Recommendation 4: to formulate the EU/Tacis policy goals for reinforcing democracy, and to design a comprehensive Tacis implementation strategy with practical programming guidelines to promote democracy.**

The Evaluation Team believes that the quality of Tacis actions suffers from a failure to draw on best Tacis practice and the experience of other actors in the TA field. A more coherent use of Tacis monitoring and evaluation findings, and a

systematic exchange of experience, would ensure more effective programme implementation.

**Recommendation 5: Enhance policy and quality assurance, drawing on the experience of those implementing both Phare and Tacis actions:**

(i) to further clarify Tacis implementation strategy and to update it regularly;

(ii) to develop criteria to be used in Tacis programming for assessing the appropriateness of NIS proposals for funding in the light of Tacis Programme objectives and EU policies towards the NIS;

(iii) to develop guidelines on how to integrate market reform, democracy and environmental concerns in Tacis programming; and

(iv) to review the guidelines for the selection of public and private sector partner organisations.

## 11.2 Effectiveness and impact

The Evaluation Team considers that the impact of the Tacis policy advice component has been relatively weak, taking account of the quality and appropriateness of some of the projects for NIS policy and decision makers in the public sector. Factors undermining impact are ineffective dissemination strategies, unclear responsibilities for follow-up after project completion, as well as the gap between NIS middle management level, where Tacis projects intervene, and NIS top management, where decisions are made. As a priority, the Evaluation Team identifies the need for stronger political presence in the main partner countries and a regular policy dialogue as envisaged in the PCA agreements.

**Recommendation 6: to ensure that the full weight of the EU is felt in the NIS through a network of Commission delegations extended to ensure full NIS coverage; empower the delegations to become more effective channels for promoting EU policy and Tacis Programme objectives.**

Tacis faces the challenge of finding ways to bridge the gap between the middle management level in the NIS who work with Tacis, and the decision making levels in the NIS. Too often, Tacis policy advice does not find its way into NIS official policy papers.

**Recommendation 7: to implement a strategy for increasing Tacis policy advice impact by the following:**

(i) Link the role of the Delegations in the policy dialogue to an active role in promotion and dissemination of project results;

(ii) Implement special reviews with top government officials and parliamentarians, to assess the appropriateness of Tacis policy advice;

(iii) Strengthen the coordination role of the Delegation in order to target project activities more directly to ensure improved impact of project results;

(iv) Select the POs for policy and state machinery reform work for their abilities to have access to top decision making levels; and

(v) Actively support the development of a "Godfather" network for the individual projects;

(vi) Select team leaders for their proven abilities to network and champion the results of the projects.

The Evaluation Team has identified ways in which Tacis could further increase the overall effectiveness and impact of its project portfolio:

**Recommendation 8: to use part of the Tacis investment share authorised by the 1996 Council Regulation as a fund for making investments to follow up Tacis TA projects. Such investments are needed to start the implementation phase, perhaps as a pilot scheme, in support of the TA advice provided, thus giving a concrete demonstration of its value.**

**Recommendation 9: to enforce the internal Tacis programming guidelines which link the approval of feasibility studies with clear interest for such investment, as demonstrated by identification/promotion studies of the EBRD, and World Bank etc.**

**Recommendation 10: to increase funding for co-financing facilities (PCP, LIEN, Democracy). These instruments can be highly cost-effective provided they are managed efficiently. Moreover, Tacis experience also shows that NGOs can play an important role in**

the NIS in the provision of social security and health services.

The Evaluation Team agrees with the views expressed by their interview partners: Tacis efficiency, effectiveness and ultimately impact can be reinforced by increasing the use of NIS staff and experts in Tacis projects. The value of NIS personnel involvement lies in their appreciation of the national environment in which the projects are placed, their ability to liaise between contractor, PO and government apparatus and in their in-depth knowledge of local conditions.

**Recommendation 11: to actively promote development of the consultancy market in the NIS by encouraging the involvement of local consultants in Tacis projects, by ensuring equal opportunity of access to participation in tendering, by shortlisting as lead consultants and by emphasising in the tender instructions the importance of working through and with local consultancy companies rather than with individual experts.**

### 11.3 Management efficiency

The Evaluation Team observes that Tacis has been understaffed from the beginning of the programme and believes that the best investment which the Commission could make to improve the functioning of the Tacis Programme would be to allocate a sizeable number of new staff posts to Tacis; better use should also be made of the staff available.

**Recommendation 12: to increase staff resources and training. Tacis staffing levels should be increased, to reduce individual workloads and size of project portfolios to reasonable proportions. Administrative and financial procedures should be simplified to reduce staff workload. Resources for travel should be increased to allow senior officials and Task Managers to build up familiarity with the field status of projects. New staff members should be given more training, e.g. to ensure consistent application of Tacis project cycle management procedures and to increase their professional ability to handle project implementation.**

The Evaluation Team considers that the involvement of project partners should be

increased at every level of project preparation and project implementation. Project partners should be more fully involved in the definition of the TOR and in the preparation on the ground for project start-up. Participation of the project partner at this stage and in the management of project implementation should be made obligatory. This would ensure the selection of project partners who are committed, a major factor in achieving impact.

**Recommendation 13: to increase project partner involvement and issue guidelines. Such guidelines could usefully establish best practice aimed at increasing the PO sense of ownership for its Tacis projects.**

The duration of Tacis contracts is often shorter than circumstances in the NIS require. Many requests for the extension of time and/or budget are reasonable and should be allowed. Too often, contracting procedures do not allow further budget extensions and projects come to an abrupt halt when continuation would make sense and would be cost-effective.

**Recommendation 14: to create a contract bridging fund as a new instrument available in all NIS, administered by the Delegations or CUs in consultation with the TMs. Its purpose would be to increase flexibility and continuity in the project management cycle. It should be able to award small direct continuation contracts for national programme projects which are good, but which come to a premature end or will be discontinued for a period because of contracting and tendering procedures.**

### 11.4 Transparency, accountability and image

The mounting criticism of Tacis should be treated as a warning by Tacis management. The programme has evolved and become more mature. At the same time, it has become more bureaucratic, with procedures which reflect concerns over accountability, to the detriment of efficiency. The NIS partners (CUs and POs) and EU contractors all comment on the slowness and inflexibility of Tacis operations. At the moment, 18 signatories are necessary for the approval of new contracts, and transfers between budget lines, which are neutral in terms of financial incidence, still require a formal amendment to the contract.

**Recommendation 15: the Commission should review its administrative and financial procedures in order to create a leaner and more flexible administration needed to implement projects efficiently in the NIS environment.**

The Evaluation Team observes that the distribution of rights and responsibilities of the various actors in the Tacis Programme is not very well defined. The different situations in each country, in part explain this. Nevertheless, the Evaluation Team believes that a further clarification would increase the transparency of the programme.

**Recommendation 16: Tacis management should clarify further the distribution of tasks between Task Managers in Brussels, Delegation staff and the Co-ordinating Units. Responsibilities should be assigned on the basis that the Task Manager is formally accountable for the project objective and the budget. Responsibility for issues of project strategy and implementation which do not conflict with the approved objective and budget could be decentralised to the country level. In this context, the partner organisation should be recognised as a full partner in management discussions.**

The Evaluation Team observes that the Tacis Programme's image, both in the EU and the NIS, is less positive than the findings of this evaluation justify. This unfavourable image undermines the programme's effectiveness and detracts from the programme's achievements in many areas.

**Recommendation 17: to improve communication strategies through the dissemination of previous Tacis project outputs and processes, improve communication between Tacis projects and those of other donors and improve the image of Tacis in the EU and the NIS.**