

## TECHNICAL ASSISTANCE TO CIS COUNTRIES

by Roman Mogilevsky and Aziz Atamanov

During the last two decades the countries that make up the Commonwealth of Independent States (CIS) have received billions of dollars in development aid from a multitude of international development organizations and bilateral donors. Over \$1 billion per year has come in the form of technical assistance (TA). While technical assistance projects have played a positive and important role in the economic transformation of the CIS, there is growing concern that problems have accumulated in the area of technical cooperation (TC) between donors, providers and recipients in the host countries. In order to improve the effectiveness of technical cooperation in the CIS, an increase in communication and understanding, recognition and coordination of interests between all TC stakeholders, and a reduction in the substantial information gap that exists between the various participants, is called for. Addressing these issues could have a crucial impact on the success of future development assistance projects.

### DYNAMICS OF TECHNICAL COOPERATION FLOWS TO CIS COUNTRIES

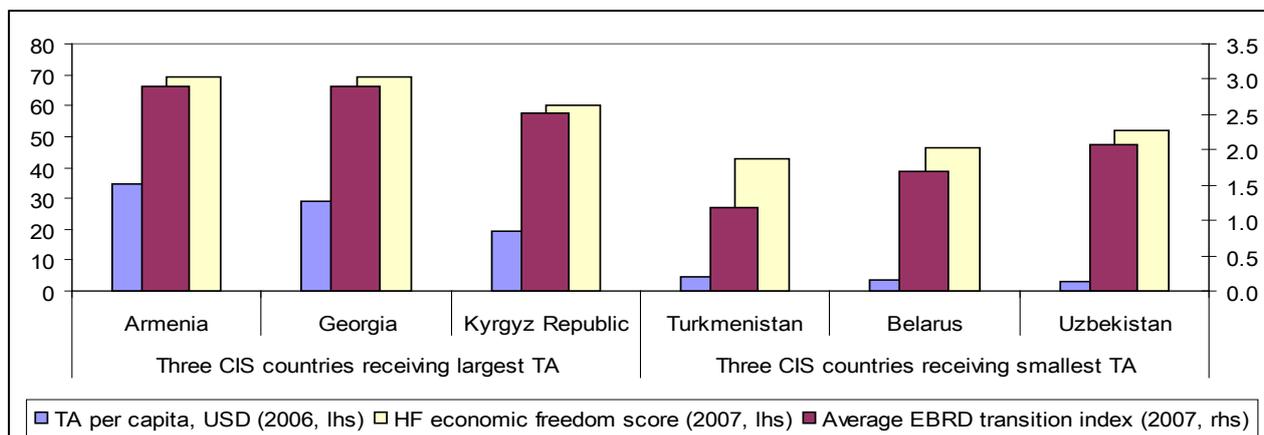
Technical assistance is provided by a variety of bilateral and multilateral donor agencies, includes recipients within both government entities and civil society, and contains multiple management models. As a result, it is very difficult to draw a comprehensive picture on the overall effectiveness of technical cooperation within the CIS. Nevertheless, available data does allow some insight into TC patterns in the region.

According to the Organization for Economic Co-operation and Development (OECD), between 1992 and 2004 CIS countries received as much as \$14.6 billion dollars in TC from all of its donors. The overall contribution of the European Commission and EU member states (on a bilateral basis) constituted \$5.6 billion, or almost 40% of total TC received. The peak of these flows came during the late 1990's, when donors began to fully understand the extent of the development problems facing CIS countries as well as target high priority areas. By the 2000's the need for TC in the CIS gradually diminished due to the completion of several transition projects and decrease in demand for TC flows into Russia.

Among donor countries, the United States tops the list of providers of TA resources for the CIS, contributing almost 60% of total TA supplied. Germany follows in second position, having provided more funding than all other European Union countries combined. This reflects Germany's continued interest in developing strong ties with the EU's "Eastern Neighborhood" and Central Asian countries. Turkey, although not a major global donor, is the third largest TA contributor to the CIS. Turkey has strategic interests in the region, specifically building stronger relations with Azerbaijan and other resource rich countries in Central Asia.

Analysis of sector distribution of TA to the CIS shows that the majority of TA (57%) has gone to support and develop CIS social sectors. Large inflows of TA into social sectors stem from

Figure 1: Differences in TA supply per capita between CIS countries in 2006



Sources: OECD, EBRD, Heritage Foundation, authors' calculations

the fact that as former Soviet republics, the CIS had already a well developed and resource-consuming social infrastructure. As a result, the CIS faced an acute necessity to reform and modernize their social systems in order to make them more manageable and affordable given the region's new economic and social environment.

Distribution of TA by recipient country is highly uneven. By far the two largest TA recipients have been Russia (50%) and Ukraine (24%). Among smaller CIS countries, in per capita terms, Armenia received 11 times more TA than Uzbekistan. Per capita TA amounts are thought to be correlated to various transition indicators including those identified by the European Bank for Reconstruction and Development (EBRD) and the Heritage Foundation's rankings on economic freedom. Based on these indicators, the willingness of recipient country governments to implement market-oriented and democratic reforms has been a key factor influencing the relative size of TA received by individual CIS countries. The amount of TA funds can be quite large. In some smaller CIS countries such as Armenia and Georgia the annual amount of TA is comparable to or even exceeds government budget allocations for the entire public administration system.

#### ***MAIN CRITICISMS OF TECHNICAL COOPERATION***

While there is little doubt that technical assistance from international donors has made a positive contribution to the political, economic, and social development of the CIS, many believe there is room for improvement. For one, several development experts think that technical assistance is imposed from the donors' side without conducting an adequate needs assessment of project design and implementation from the beneficiary's perspective. Second, many technical assistance projects have unrealistic timeframes and too often focus on short-term goals. These projects also tend to have an over-reliance on external consultants from donor country suppliers, thus limiting the development and weakening the capacity of domestic experts. It also results in the establishment of parallel pay structures within government bodies. Finally, some development professionals feel that many donors ignore cultural differences and social norms which lead to the breakdown of technical cooperation between them and aid recipients.

#### ***PERFORMANCE OF TECHNICAL COOPERATION WITH CIS COUNTRIES***

The assessment of TC performance and its impact on the development of CIS countries can be difficult, especially since it is not the only factor determining successful transition policies. According to the EBRD the progress of transition in CIS countries appears to be much more modest compared with new EU member states and other developing economies. Although there are numerous examples of TC supporting human capacity and institution building, developing legislation, and creating centers of excellence within various segments of government and civil society, serious problems and imperfections do exist. In particular, TC is exposed to several challenges with regards to project design, implementation, and outcome.

#### ***-DESIGN-***

One major TC challenge is project design. Too often the political interests of donor organizations or their consultants resulted in the implementation of projects that, from the beneficiary's point of view, were a low priority. Some examples are projects on e-governance where very basic issues in government effectiveness and accountability were yet to be resolved. Recently, however, there have been modest improvements, as stronger capacity on behalf of beneficiaries has enabled them to better identify existing knowledge gaps and articulate their preferences. TC beneficiaries also need to enhance their strategic planning process and strengthen the formulation of development priorities. Many times the TC that beneficiaries actually require (e.g., capacity building in engineering) is in short supply due to a lack of domestic capabilities.

#### ***-IMPLEMENTATION-***

Another TC challenge surrounds implementation, specifically ensuring a project's effectiveness. This entails developing the beneficiaries' capacity to absorb technical expertise, the donors' capacity to supply quality expertise and the management of TC implementation.

The capacity to absorb technical expertise in the CIS is hindered if the beneficiary government's staff is burdened with too many projects. In general, there is an over-concentration of TC at the central level of government at the expense of local governments and civil society. On the one hand, donors benefit from closer relations with top central policymakers and the capacity of staff to absorb sophisticated expertise. On the other hand, the success of a project's implementation rests within the local government, which many times has weak capacity and requires a lot of support. This uneven distribution reduces the capacity of local authorities and civil society to maintain informed dialogue with the central government and weakens the development of democratic decision-making processes.

Another problem consists of frequent attempts to push the experience of developed countries as models to be copied by recipient countries, without considering differences in the level of economic development, political economy, government infrastructure and culture. For example, introducing income based social benefit schemes in countries with large informal sectors or using complicated tax and customs administration systems without a well-trained and well-paid civil service. These mistakes demonstrate the benefits of having greater reliance on local experts. They not only improve TC effectiveness but also lower unnecessary operational costs, such as overseas travel and higher foreign consultant fees.

Finally, improved TC management is also critical to project implementation. Complicated and burdensome TC preparation procedures, implementation and reporting, lack of collaborative project planning, fragmentation of TC activities, overly formal M&E systems, and lack of transparent TC documents and outputs all hinder project effectiveness. Greater commu-

nication, transparency and publication of TC outputs serve as important quality checks for both donors and beneficiaries.

–OUTCOME–

A TC project's outcome is closely linked to its efficiency, specifically the ability of donors to coordinate and prevent duplication of projects. Although the situation in the CIS has been getting better, beneficiaries still encounter many problems. One is the oversupply of TC in relation to the absorption capacity of beneficiary countries, thus lowering the return on TC resources spent. Another is the undersupply of TC which leads to fragmentation and creates unsustainable capacity for beneficiaries. Both are caused when political considerations rather than host countries preferences dominate project funding and coordination. Insufficient flexibility of the TC process, rigid financial controls, and lack of resource optimization result in significant efficiency losses and contribute to inappropriate incentive structures among various stakeholders.

The success of TC in the CIS rests on the sustainability of government civil servants and their ability to retain training. Keeping qualified government employees has proved laborious due to low civil servant salaries and their frequent rotation on official positions. According to experts, the salary level of a beneficiary agency is considered a good predictor of long-term achievements in capacity building, although this problem can only really be solved by the beneficiary government. One solution is to encourage capacity building, both within government and NGO sectors, through the development of local consulting industries.

Finally, winning TC projects can be assessed on their development impact. Overall, TC's influence on the capacity building of CIS governments has had mixed results. Positive impressions are made when there is a commitment from the beneficiary agency's leadership to utilize provided advice and the agency's demand for specialized and politically neutral expertise (e.g. central banks). In contrast, TC's effect is substantially lowered in the absence of the above factors in addition to an exodus of trained professionals. The impact of TC and its influence on government policy is thought to be higher when it is linked to other forms of aid (e.g., budget support). In the CIS, TC has been a positive force on the capacity development of non-governmental stakeholders and local consulting industries. However, it is difficult to assess whether the impacts made on individual TC projects justify the enormous resources spent.

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**WAYS TO STRENGTHEN TC EFFECTIVENESS**

Policies that aim to bolster TC effectiveness in the CIS must center on improving the "principal-agent" relationship between donor government and donor society. In addition, both donors and CIS governments, despite varying methods and development values, should focus on achieving key development goals such as minimizing welfare loss, reducing information asymmetry between stakeholders, and establishing proper incentive structures. In order to achieve these goals, stakeholders' interests should be explicitly accounted for in the TC program design. This includes encouraging the co-financing of recipients in TC activities. Secondly, information asymmetry between stakeholders has to be reduced. The best way to accomplish this is to strengthen TC monitoring and performance systems by disclosing TC flow data and products to the public. Giving third parties the ability to view, monitor, and evaluate TC flows enables projects to gain legitimacy and reduces the chances for corruption. Finally, in order to establish healthy incentive structures both donors and recipients have to maintain competitive supplier selection through diversified TC delivery channels, provide greater support to local governments, and encourage stronger civil society and private sector participation in capacity building programs. Despite many positive accomplishments over the last decade, technical assistance to the CIS, especially in the form of technical cooperation, still has a way to go. By promoting stronger communication and understanding, encouraging better coordination, and increasing information dissemination among all stakeholders, the countries of the CIS will not only stand to advance the performance of TC projects, but will also build-up the long-term capacity of its entire development assistance programs.

*Roman Mogilevsky is Executive Director of the Center for Social and Economic Research, CASE-Kyrgyzstan. He has worked on several development topics in the CIS, including fiscal and social policy, international trade and foreign aid, macroeconomics, labor market and labor migration. He has extensive experience in providing advice and training to governments and civil society organizations in countries of the CIS.*

*Aziz Atamanov is an economist at CASE-Kyrgyzstan. His research interests are centered on public policy, including issues of social protection, fiscal decentralization, public expenditure management, macroeconomics, international trade, remittances and the financial sector. Currently, he is a Ph.D. student at the Maastricht Graduate School of Governance.*

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