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to CIS Countries

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SIXTH FRAMEWORK PROGRAMME



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## Abbreviations

ADB	Asian Development Bank
CEE	Central and Eastern Europe
CIS	Commonwealth of Independent States
DFID	Department for International Development
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EU	European Union
GDP	Gross Domestic Product
GTZ	German Technical Cooperation
HF	Heritage Foundation
HIPC	Highly Indebted Poor Countries
IMF	International Monetary Fund
LDC	Least Developed Countries
lhs	Left-hand side (axis)
M&E	Monitoring and Evaluation
MDG	Millennium Development Goals
NGO	Non-Governmental Organization
OECD	Organization for Economic Cooperation and Development
PPP	Purchasing Power Parity
PRSP	Poverty Reduction Strategy Paper
rhs	Right-hand side (axis)
SMEs	Small and Medium Enterprises
TA	Technical Assistance
TC	Technical Cooperation
ToR	Terms of reference
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
USD	Dollar (United States of America)

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## **Abstract**

During the last two decades the CIS countries have received very significant amounts of technical assistance from international development organizations and bilateral donors. While this has played a positive and important role in the transformation of these societies, practically all stakeholders currently share the opinion that many problems have accumulated in the area of technical cooperation with CIS countries. This paper intends to outline these problems, analyze their underlying reasons - including the changing environment for technical cooperation in the CIS - and the interaction of the interests of beneficiaries, donors and providers in the process of implementing technical cooperation projects. The analysis suggests that a good understanding, recognition and coordination of the interests of all TC stakeholders and a reduction in the information gap between the various participants in the technical cooperation process are necessary for improving the effectiveness of technical cooperation.

## Introduction

The technical cooperation/assistance between the European Union (EU) and the countries of the former Soviet Union, which are now members of the Commonwealth of Independent States (CIS), is one of the key links between these two groups of countries. In the 16 years since 1992, the European Commission and individual countries-EU members have allocated significant resources for technical cooperation with CIS countries. On the recipients' side, technical cooperation has influenced many government and civil society institutions and contributed to the building of human capacity in these countries. Of course, the EU is not the only supplier of technical assistance to the CIS. International financial organizations (especially the World Bank, the International Monetary Fund, the Asian Development Bank, the European Bank for Reconstruction and Development), the United Nations Development Programme and other UN agencies, as well as the governments of the United States, Japan, Switzerland, UK, Canada, Sweden, Germany, Netherlands and other European countries have played a very important role in technical cooperation with the CIS.

16 years is a long period of time, and both the EU and CIS have changed dramatically in terms of their political, economic, social and human development. EU expansion from 15 to 27 countries, the unprecedented economic decline in CIS countries in the first half of the 1990s and their robust growth in the 2000s and the intermittent growth and fall of democratic and authoritarian trends in many CIS countries are some examples of these dramatic changes. Ideally, TC process should follow such changes quickly enough in order to be able to meet the current demands of donor and recipient societies for institutional and human development. In practice, however, this has not been always the case. This has been an important cause for growing dissatisfaction with TC performance and has been noticeable among all TC stakeholders: donors, providers and recipients.

The CIS is not the only region in the world where the performance of the TC is widely considered to be unsatisfactory. During the last 15–20 years the global development community has been discussing TC problems, paying a great deal of attention to its concepts and capacity development, as well as to the technologies of TA delivery. Very often these discussions have been based on experience of TC with developing countries in other parts of the world. While these issues are also relevant for the CIS, it seems that in the context of this region another facet of TC — TC stakeholders' interests and how they interact — has not received enough attention. The political economy of TC is an important determinant of TC performance in transition countries. The effectiveness of TC seems to be heavily dependent on the interests of TC stakeholders and the incentives for recipient countries to introduce real changes in their institutions in response to the TC supplied. One could argue that the opportunity itself of joining the EU within a relatively short period of time, which has been broadly perceived as an attractive prospect for both societies and elites in almost all the former Soviet Bloc countries, has made the countries of Central and Eastern Europe<sup>1</sup> much more responsive to the models supplied in the TC framework than CIS countries, which have never had such prospects as real policy options. This also suggests that the external environment and availability of various development models are key factors influencing TC effectiveness.

This paper explores the existing problems of TC with the CIS countries and discusses possible solutions to them. Section 1 of the paper provides a review of the relevant TC-related literature. Section 2 contains statistical data on the amounts and patterns of TC flows to the countries of the CIS. Section 3 reports on the results of a stakeholder survey on TC performance in these countries. Section 4 discusses possible links between TC problems and some of the deeper political, economic and social changes taking place in CIS countries and in their vicinity. Section 5 addresses issues of TC's political economy, which seem to be the reason for many TC problems. Finally, Section 6 identifies some possible ways for improving the performance of technical cooperation in the CIS context.

The authors would like to express their gratitude to Elena Rakova and Magda Rockicka, who provided valuable input in the development of this paper.

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<sup>1</sup> Which experienced transition problems in early 1990s somewhat similar to that of CIS.

## 1. Literature Review

Despite the fact that TC has quite a long history, dating back to the 19th century when countries started to seek to enhance their capacity by bringing in experts and technologies from more developed countries, its effectiveness, efficiency and sustainability only really became subjects dealt with in the development literature in the 1980s and 1990s. This was mainly related to a growing dissatisfaction linked in the main to an inability to achieve the goals TA set out to achieve. The debate within the international development community is ongoing and an increasing number of concepts have been developed, but the consensus exists that overall TC often fails to achieve its goals and that this area of development should be reformed. The evolution of the main strands of the literature and the concepts are presented below.

The 1980s majority of papers on foreign aid have been to date largely devoted to aid effectiveness in general (see, for instance, Cassen et al, 1986), or consideration of separate micro aspects of TC effectiveness: individual experts, student needs, etc. (Morgan and Baser 1993). At the beginning of the 1990s a more comprehensive debate on TC, with a focus on macro issues such as governance and institutions, started to emerge. The donor system was criticized by Jolly (1989), for example, and his paper can be considered a starting point for systematic rethinking of TC. In 1991, the OECD replied to Jolly's criticism publishing "Principles for New Orientations in Technical Co-Operation", which set out new directions for donors to assist recipient countries to develop long-term solutions for development problems.

In 1993, the UNDP launched the initiative on Rethinking Technical Cooperation. The first report was prepared by Berg in 1993. The author concluded that the ineffectiveness of TC was driven by an inability to strengthen local capacities and local institutions in order to achieve greater self-reliance in the recipient countries (Berg, in Oxford Policy Management, 2003). Morgan and Baser (1992) analyzed how to make TC more effective using new approaches by the international community. They argued that the main issues in TC were lack of sustainability and capacity building.

The work has subsequently been continued and in 2001 the UNDP launched an initiative known as 'Reforming Technical Cooperation for Capacity Development', based on a multi-dimensional review of the role of TC in capacity development. The UNDP commissioned a series of background papers and studies on the aspects of how TC impacted capacity development. These articles considered the role of TC from a different perspective and contained country studies from different regions. Importantly, that there were several other initiatives aimed at the creation of development portals where a debate on the effectiveness of TC was continued. In 2005, donors signed the Paris Declaration on Aid Effectiveness in order to harmonize aid procedures and systems and to use country systems and procedures. Donors' efforts thus made some modest progress in improving TC effectiveness, although challenges still remained (OECD, 2008).

Besides papers covering TC from a general theoretical perspective, there have been a plethora of country studies where TC projects are assessed for one or group of countries, either for total TC or for specific sectors or donor. For instance, the ADB (2001) evaluated the sustainability of policy reforms through selected advisory TA projects. Adhikari and Duncan (2007) conducted special evaluation studies on the performance of ADB technical assistance in 5 countries. GTZ (2001) assessed 7 technical cooperation projects. The UNDP reviewed technical cooperation in Vietnam for 1994–2000, for example, and there are many other country and donor project studies (UNDP 2001, IMF 2005, DFID 2006). Basically, all donors conduct evaluations of their programs and the results of these evaluations have contributed significantly to the development of TC theoretical concepts.

It is worth mentioning that in spite of the vast literature on the topic, there is almost a complete lack of studies into TC's effectiveness and its impact on CIS countries, which became some of the main recipients of TC in the 1990–2000s (for Kyrgyzstan, only Cukrowski et al (2002) undertook an assessment of TC in terms of capacity development). This is even more significant given that the institutional environment and local capacity in the former Soviet republics are quite different from those of African or Central European countries.

A similar problem is observed with the statistical data on TC. The most comprehensive and frequently used source of information is the OECD database, however this does not present the full picture since it mostly covers TC provided by bilateral donors. One widely known quantitative review of statistical evidence on TC flows was prepared for the period 1969–1999 by Baris and

Zaslavski (2001). More recent works (e.g. Oxford Policy Management, 2003) either cover a much shorter period or refer to the work of Baris and Zaslavski. Quantitative reviews of TC have demonstrated a drop in TC in the poorest countries and also a drop in TC per capita for Sub-Saharan Africa and LDCs. Richer countries were also shown to receive the greatest portion of assistance in the form of TC. Finally, the majority of TC is provided by a small number of donors (United States, France, Germany and Japan) and TC is mainly concentrated in the social sector.

Returning to the debate on TC's effectiveness, researchers tend to share a mostly negative overall assessment. The central reason for this is that technical assistance is donor-driven, disconnected from recipient country needs and market principles (Oxford Policy Management, 2003). More detailed concepts regarding TC, its deficiencies, reasons for them and possible solutions are presented below.

Based on several works, it is possible to summarize the most frequent criticism of TC (Berg, 1993, Morgan and Baser 1993, Parr, Lopes and Malik 2002, ActionAid International 2006):

- Technical assistance is imposed from the donors' side without adequate needs assessment, involvement of beneficiaries into the project design and implementation;
- Unrealistic timeframes with a focus on short term goals;
- Over-reliance on external consultants and the tying of aid to donor country suppliers;
- Weakening local capacity and ownership by establishing parallel structures in government bodies and paying salary supplements;
- Ignoring cultural and social peculiarities;
- Focusing on gap-filling and as a result having a non-sustainable effect.

Different authors suggest different explanations for these weaknesses and present numerous recommendations as to how the development industry can be reformed. For instance, Morgan (2002) claims that since the outset of the Marshall Plan new approaches to TC have emerged and that this has been a major factor leading to negative performance of TC in recent years. The main differences between the old and the new approaches center on financing through the budgets of developed countries, accountability of international development organizations to domestic stakeholders - but non-local clients - and the provision of TC in project form. In effect, the current form of the TC industry is quite different from the traditional TC flows based on voluntarily exchange between private actors.

Ajaji and Jerome (2002) consider the TC experience from a market perspective, focusing on the factors influencing its demand and supply. They show that the major features and imperfections in TC are caused by 3 main factors. Firstly, the low costs of TC for donors and recipients provide minimal incentives to economize. Secondly, the tied nature of aid leads to either excessive demand or oversupply of assistance. Finally, information asymmetry (TC performance is quite difficult to measure) between the main stakeholders may lead to moral hazard, adverse selection and hidden action.

The interrelation of TA, ownership and accountability are covered in the works of Singh (2002) and Hauge (2002). Singh (2002) looks at all groups of stakeholders engaged in the TC process and analyzes what advantages they may have from expanded ownership. Hauge (2002) examines what mechanisms exist to manage aid resources in the context of neither donors nor recipients having traditions to admit.

Reforming TC is also extensively discussed in the development literature and almost all papers devoted to the issue end up providing recommendations on how to reform and strengthen the impact of aid. According to Oxford Policy Management (2003: 8), recommendations can be divided into 2 broad categories. The first is comprised mainly of suggestions on how to improve the performance of TC by employing mechanisms such as IT, monitoring and pooling, while the second category is more comprehensive and relates to fundamental changes in the TC relationship. This includes intrusion of market-based mechanisms, increasing country ownership and a demand-driven approach, integrating TC into national systems and budgets.

A comprehensive approach to TC reform is presented by Oxford Policy Management (2003). The authors go beyond the usual discussion of TC as an aid instrument and focus rather on how to make markets for advisory services more effective and at the same time strengthen or build the capacity of recipient country governments to procure and manage their TC needs more effectively (Oxford Policy Management 2003: 36). In other words, ideally this means a process in which the governments of recipient countries have the capacity to articulate their needs and can purchase TC expertise and advisory services using their own budgeting and procurement systems.

Applying this new vision would depend heavily, firstly, on recipient country capacity and, secondly, on changes in the donors' TC provision practices. The most important preconditions for implementation of this vision are aid untying and building capacity in the governments of recipient countries. Finally, it is necessary to overcome obstacles within donors' organizations and from the recipient side.

Summing up, an intensive discussion on how to reform TC has been ongoing since the end of the 1980s and has resulted in a vast literature analyzing the reasons for TC's inadequate performance and presenting recommendations for further reform. In spite of the achieved consensus on the ways it should be reformed, the majority of researchers and donors agree that progress has been rather modest and huge challenges still remain to make TC a more effective source of development progress.

## 2. Dynamics of TC flows to CIS countries

TA is provided by various bilateral and multilateral donor agencies, has different recipients (beneficiary countries' government agencies, civil society organizations) and management modalities (implemented by donors, TA providers, recipients themselves etc.). As a result, information on TC flows produced by different sources is heterogeneous, with various definitions of TC, time- and recipient-type coverage and country and sector disaggregation. Information on TC provided by multilateral organizations is particularly fragmented; in some cases these organizations do not have reporting systems providing a breakdown of their TA by recipient country and sector (see, e.g., IMF, 2005). Therefore, it is impossible to draw any comprehensive TC picture by summarizing data from the separate reporting systems of different donor or recipient countries and organizations.

In recent years the OECD has made efforts to harmonize reporting systems of donors related to official development assistance and official aid, including technical assistance. The OECD proposed the definition of TA used in this paper: "Technical cooperation is defined as activities whose primary purpose is to augment the level of knowledge, skills, technical know-how or productive aptitudes of the population of developing countries, i.e., increasing their stock of human intellectual capital, or their capacity for more effective use of their existing factor endowment. Accordingly, the TC figures relate mainly to activities involving the supply of human resources (teachers, volunteers, experts in various sectors) and action targeted on human resources (education, training, advice)" (cited from the OECD web-site, <http://stats.oecd.org/WBOS/Default.aspx?DatasetCode=CRSNEW>).

A database with deeply disaggregated TA indicators for the period 1993–2006 is now available on the OECD web-site (a previous version of this database, which is not available any more, covered 1992–2004). However, time and country coverage in the currently available database is incomplete, and for some CIS countries the time series are long (1993–2006) and for others (e.g., Belarus or Ukraine) the database provides data only for 2005–2006. Any information on TC with the Russian Federation has been excluded from this database<sup>2</sup>; this makes region-wide figures in the database irrelevant as Russia is the main TC recipient simply by virtue of its size relative to all other CIS countries. Nevertheless, while a complete and consistent assessment of TC flows to CIS countries is not possible, available information does allow some insight into TC patterns for these countries. It must be noted, however, that all absolute values for TC flows provided below are to be considered as lower bound estimates.

According to OECD data, in 1992–2004 CIS countries received as much as USD14.6 billion in TC from all donors. Such resources are obviously huge and capable of inducing changes in the political, economic and social life of CIS countries. The EU has made a very significant contribution to the total amount of TC flows. According to the OECD database, the overall contribution of the European Commission and EU member countries (on a bilateral basis) in 1992–2004 was USD5.6 billion, or almost 40% of total TC received by CIS countries.

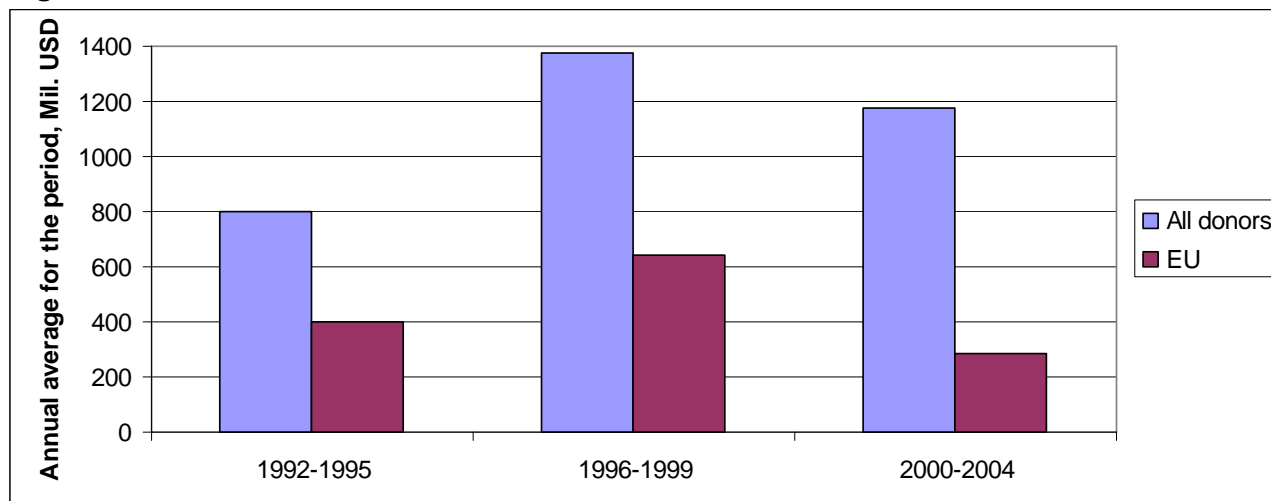
Time trends of TC flows in 3 distinctive periods of CIS development<sup>3</sup> are shown on Figure 1. One can see that the peak of TC flows was in the second half of the 1990s. This is understandable given that initially it took some time for donors to recognize the extent of the problems facing CIS

<sup>2</sup> Data for Russia were available in the previous version of the database.

<sup>3</sup> 1992-1995 – early transition, 1996-1999 – initial recovery and financial crisis, 2000-2004 – fast recovery growth.

countries in their transitions and to re-orient the TC industry towards the needs of these countries. In the second half of 1990s the supply of TC increased, as did demand for it from the CIS. By the 2000s some transition problems in the CIS had already been resolved, so the need for TC gradually diminished and demand for TC in some CIS countries (especially Russia) faded away for economic and political reasons.

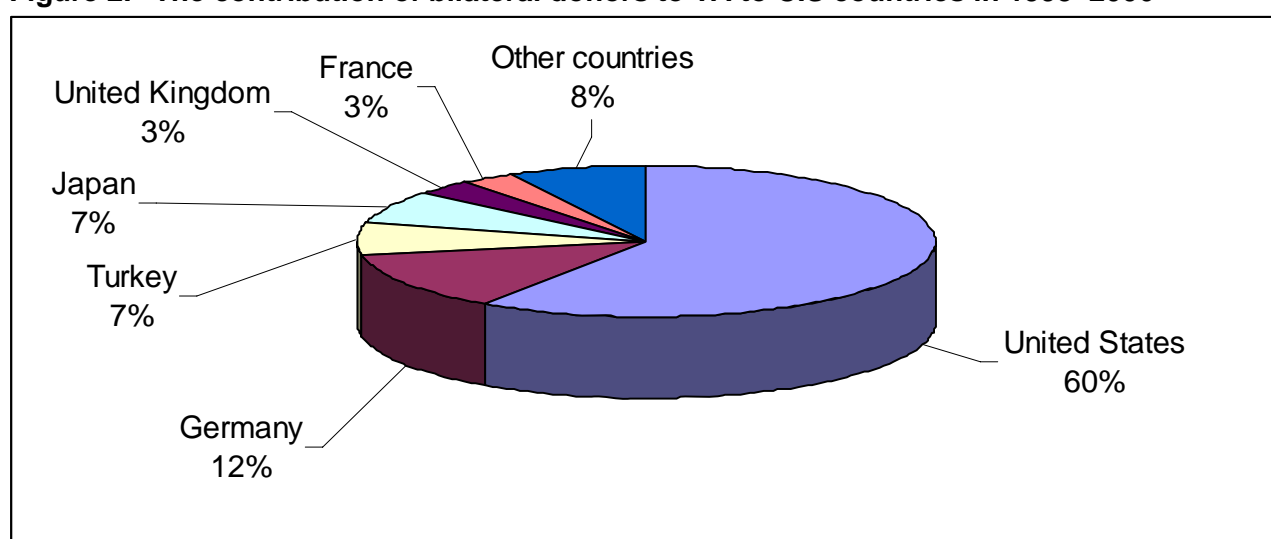
**Figure 1. TC for CIS countries<sup>4</sup>**



Source: OECD.

Among donor countries, as one would expect, the United States was the main provider of TA resources for CIS countries; its contribution is almost 60% of total TA supplied by bilateral donors (Figure 2). The second large donor has been Germany, followed by Turkey, Japan, the United Kingdom and France. The list of leading TA donors seems to reflect the political priorities of the donor countries and their interests in the CIS region. For example, Germany has been the absolute leader among European countries, providing more TA than all the other European donors combined - a fact that corresponds closely to its well-known interest in the EU's 'Eastern neighborhood' and in Central Asia. Turkey, which is not a major donor globally, is ranked high in this list; this is a consequence of this country's sustained efforts to build strong relationships with Azerbaijan and countries of Central Asia.

**Figure 2. The contribution of bilateral donors to TA to CIS countries in 1993–2006**

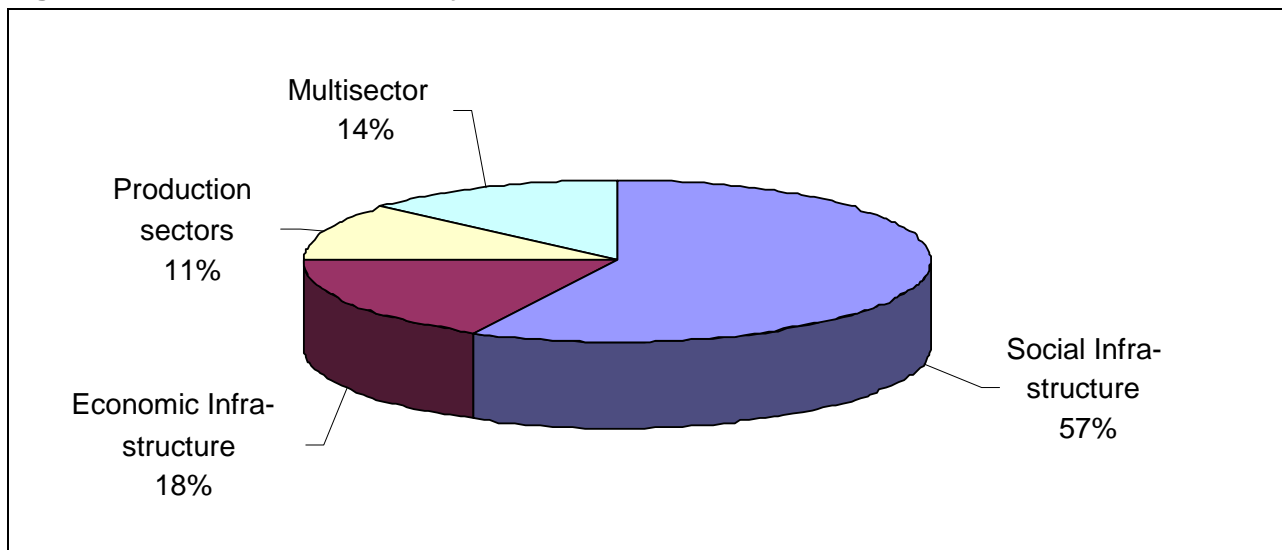


Source: OECD.

<sup>4</sup> For EU the data show summary contribution of the EC and EU member countries.

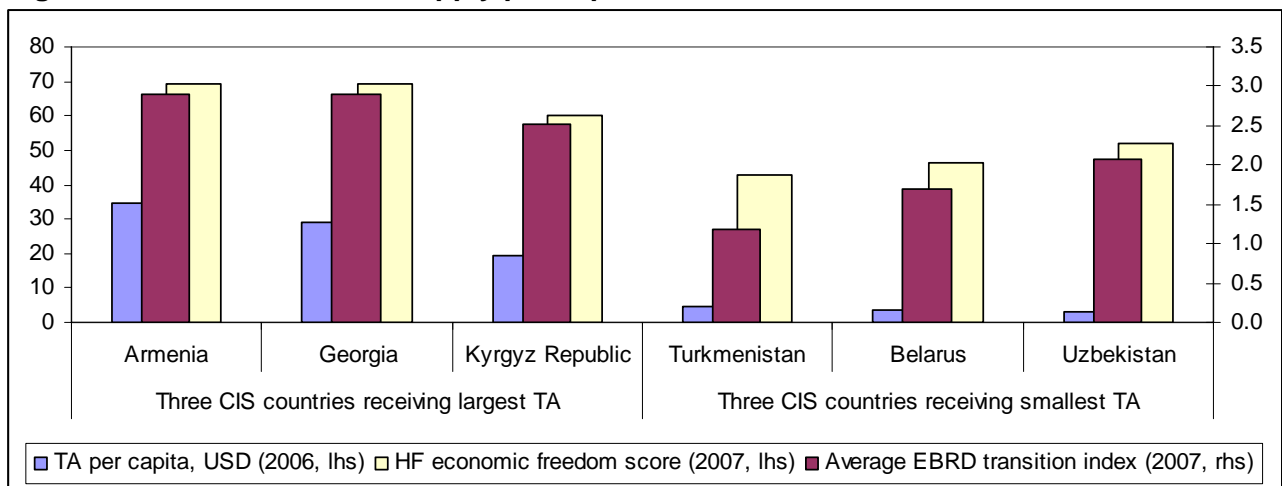
Analysis of sector distribution of TA to CIS countries (Figure 3) shows that the major part of TA (57%) went to the support and development of social sectors in the countries of the former Soviet Union. The high share of the social sector seems to be the case for several reasons. On the one hand, all former Soviet republics had well developed (and, in many cases, far more developed than the economies of the republics) and resource-consuming social infrastructure and faced an acute necessity to reform their social systems to make them manageable and affordable in the conditions of a new social and economic system; thus, massive TA to the social sector was relevant for CIS countries. On the other hand, the transition process in CIS countries consisted partially in a reduction of government intervention in economic management and the relative concentration of government efforts on social issues; as the public sector was the main recipient of TA, this led to a situation in which TA also concentrated on the social sector. However, economic management, general governance and other issues also received a considerable share of total TA.

**Figure 3. TA to CIS countries by sector, 1993–2006**



Source: OECD.

**Figure 4. Differences in TA supply per capita between CIS countries in 2006**



Source: OECD.

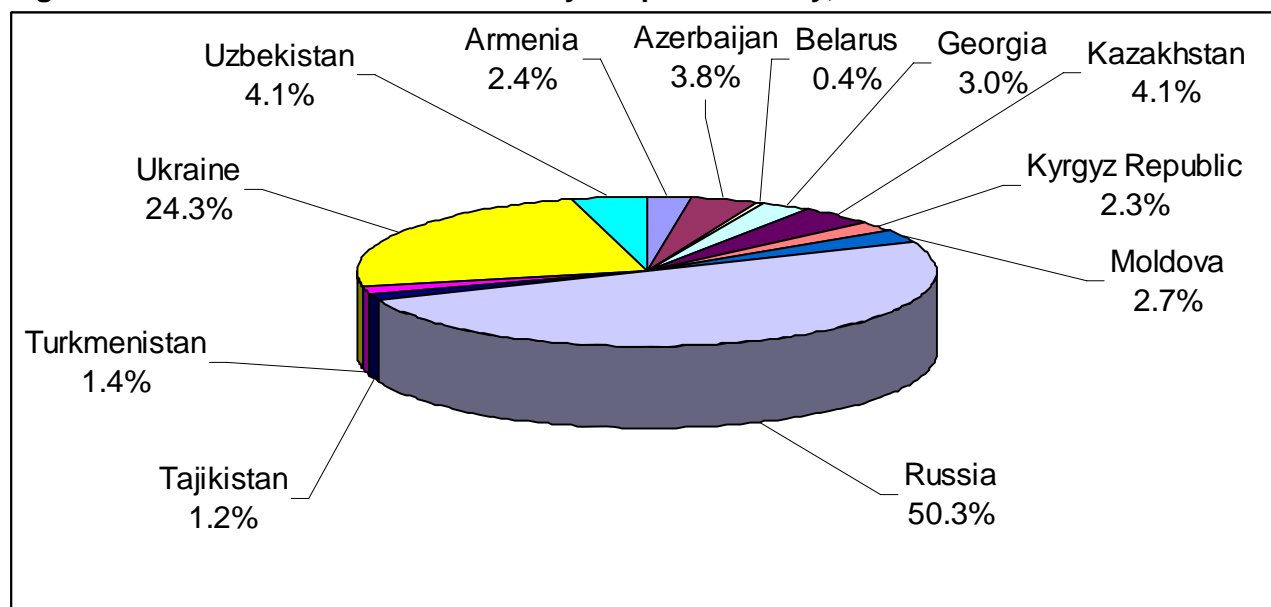
Distribution of TA by recipient country appeared to be highly uneven. In 2006 alone, in per capita terms (Figure 4), the leader—Armenia—received 11 times more TA than the back-marker (Uzbekistan). The per capita TA amounts correlate very well with the values of EBRD transition indicators and with the Heritage Foundation’s rankings in economic freedom. This correlation inclines one to believe that the willingness of recipient country governments to implement market economy-oriented and democratic reforms is a key factor influencing the relative size of TA re-

ceived by CIS countries. Of course, there could also be a reverse causality in this relationship: more progress in transition was possible to achieve in those countries that received more TA.

TA amounts allocated for the major (in per capita terms) recipient countries are very large: in Armenia, Georgia, Kyrgyz Republic and some other small CIS countries, annual TA amounts are comparable or even exceed government budget allocations for public administration. For example, in 2006 in the Kyrgyz Republic government budget expenditures for general government services were USD84 million (at the market exchange rate) in comparison to TA of USD100 million, according to the OECD database<sup>5</sup>. So, in these countries TA resources, which are mainly directed towards reform of economic, social and political governance, are of the same order as domestic resources for the whole system of government.

A distribution of total TA amounts by country can be obtained from TACIS data for 1991–2006. TACIS is the only – although a major - channel of TC with CIS countries. As Figure 5 shows, the major recipient of TA was Russia, which got half of all funds. Ukraine was the second large recipient of the EC's TA, with almost a quarter of all TACIS resources. These shares reflect the size of the recipient countries in terms of their population and GDP. Of course, TACIS data may not be fully representative for all donors. For example, the ADB and Japan contributed the largest share of their resources to TC with the countries of Central Asia, while the Swiss government focused more on smaller mountainous countries. Yet, data in Figure 5 show the TA pattern typical for the majority of donor organizations.

**Figure 5. Distribution of TACIS funds by recipient country, 1991–2006**



Source: TACIS.

Summarizing, the following factors seem to be key determinants of TA flows to CIS countries and of their distribution pattern:

- The size of recipient countries in terms of their population and GDP;
- The demand of different CIS countries for TA and their willingness to implement reforms towards a market economy and democracy;
- Attempts to cover, using TA, all major policy issues in the recipient countries with an emphasis on the social sector;
- Political considerations of donor countries/organizations and their understanding of the relative importance of some countries and sectors.

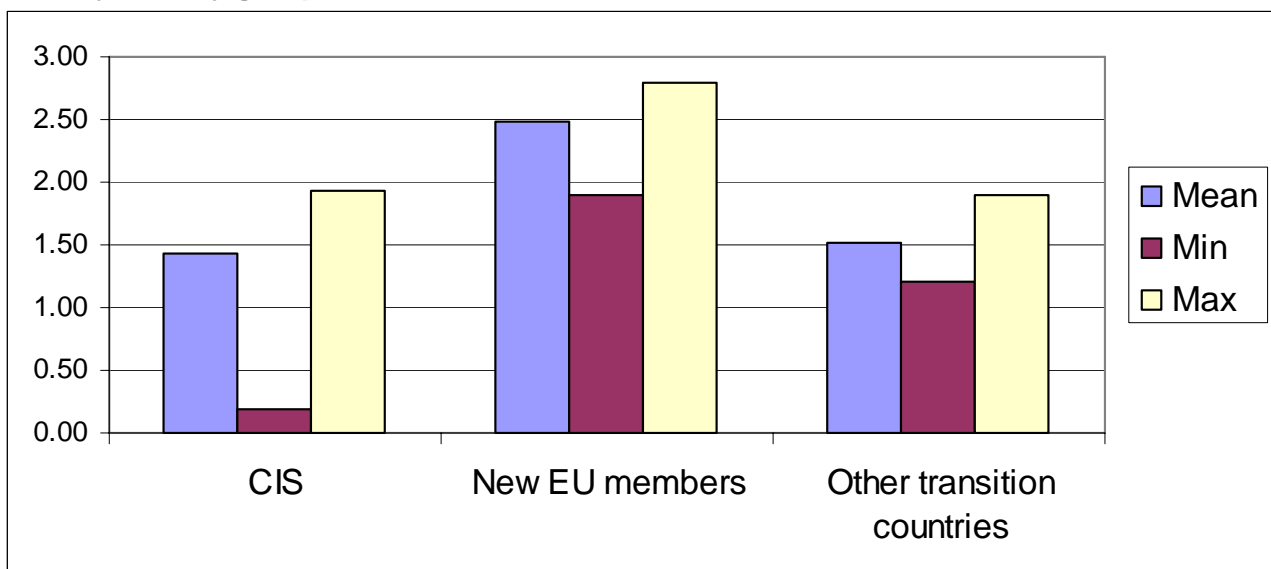
<sup>5</sup> Of course, one could argue that the PPP exchange rate is more suitable in this case; but published PPP values for these small countries are not stable and, therefore, not very reliable. However, even at PPP, the ratio of TA to public administration expenditures in Kyrgyzstan is substantial at over 30%.

### 3. Performance of technical cooperation with CIS countries

Assessment of the performance of TC with CIS countries and its impact on their development is a difficult task. Apart from other things, TC flows (regardless of how massive they may be) have not been the only or even most important factor affecting developments in the CIS countries during their period of transition. Nevertheless, one could expect to see a visible positive change in the capacity of these countries to implement political, economic and social transition to the market economy and democracy, directly underpinned by substantial TA.

Detailed assessment of the progress of CIS countries in their transition is beyond the scope of this paper; however, a general picture can be drawn from two sources: the EBRD's transition indices and the World Bank's Worldwide Governance Indicators. According to the EBRD (Figure 6), the progress of CIS countries in transition appeared to be much more modest in comparison to other transition countries; the increase in the average country's transition score (average value for all EBRD transition indicators) for the period 1989–2007 for the CIS region appeared to be considerably lower than for the new EU member countries<sup>6</sup> and lower than for other transition countries<sup>7</sup>. For the Worldwide Governance Indicators, their average values improved in 2006 in comparison to 1996 in 7 CIS countries out of 12 and a decline in governance quality was registered for other 5 countries. These are just 2 examples demonstrating that the performance of CIS countries in the transition period can be seen as a mixed success, at best.

**Figure 6. Mean, maximum and minimum increase in country's transition score in 1989–2007 by country group**



Source: EBRD, authors' calculations

Thus, large donors' resource allocations for TC with the CIS have not resulted in comparably convincing progress in their governance. Of course, there are numerous examples of TC successfully supporting human capacity and institution building, introduction of timely and quality legislation, the creation of centers of excellence in different segments of governments and supporting civil societies of these countries. These positive examples, however, are accompanied by more numerous and serious problems and imperfections in TC design, implementation and outcomes.

In order to get a more objective balance of accomplishments and problems, a qualitative survey of TC stakeholders has been implemented in the framework of this study in 2 CIS countries: Belarus and the Kyrgyz Republic. These 2 countries represent two very different cases, which allowed us to highlight the different environments within which TC operates. Belarus is the East European industrialized country with one of the least open political regimes in the CIS; perhaps, for

<sup>6</sup> Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, and Slovenia.

<sup>7</sup> Albania, Bosnia and Herzegovina, Croatia, Former Yugoslav Republic of Macedonia, Mongolia, Montenegro and Serbia.

the latter reason it received relatively little TA during the transition period. In contrast, Kyrgyzstan is Central Asian country with the main economic sector being agriculture; Kyrgyz government and society are very open and the country is one of the largest TA recipients in the CIS.

TC stakeholders in the survey have been divided into 3 groups: (i) beneficiaries – representatives of government agencies or civil society organizations receiving different forms of TA (in-job training, advice, formal education abroad etc.), (ii) providers – representatives of international or local companies and/or think tanks, which provide training and advisory services to beneficiaries, (iii) donors – representatives of multilateral and bilateral organizations, which provide funding for these services. Obviously, sometimes there is an overlap between these categories (for example, donor organizations with substantial in-house technical capacity could serve also as providers or local organizations, which were TA beneficiaries in early years of transition, may serve now as TA providers funded by donor organizations), but, in general, this division of stakeholders seems to be natural and provides a picture of TC from various perspectives.

A semi-structured questionnaire was used for interviews with respondents. This questionnaire covered different aspects of TC using traditional evaluation criteria: relevance, effectiveness, efficiency, sustainability and impact; it also had sections on the environment for and political economy of TC. The results of interviews are summarized in the remaining part of this section of the paper; the interviews also provided some input into the discussion in sections 4–6.

In addition to the survey of TC stakeholders, the content of this section is also drawn from numerous discussions on selected TC aspects with TC stakeholders representing various international donor organizations, consulting companies and CIS countries other than Belarus and Kyrgyzstan. Their insights are also integrated into the survey results description.

### **3.1. Relevance**

A key issue in the area of TC relevance, as noted by many of the interviewed experts, was the donor-driven agenda of TC. This is not a new issue in the TC-related discussions in this and other regions of the world, but the orientation of many TC activities on donors' interests and not on the demands of the beneficiary country continues to be a problem. According to the experts, the political interests of donor organizations and/or providers' desire to utilize available stock of expertise too often result in implementation of projects that, from the beneficiary's point of view, are of low priority or untimely. Examples of such projects are TC projects on e-governance in countries where very basic issues in government effectiveness and accountability are not yet resolved, efforts to introduce mid-term expenditure planning in countries with serious annual budget process problems or the introduction of security markets in countries where the majority of enterprises have highly non-transparent ownership structure and management.

However, some recent progress in this area has been noted by interviewees. Donors are now more open to the beneficiaries' requests on the types of technical assistance they need. For example, the World Bank introduced the so-called "just-in-time assistance" modality of TC, which supplies partner governments with relevant expertise on request. Some improvement in TC relevance can be attributed to the stronger capacity of TC beneficiaries who are now better able to identify existing knowledge gaps and articulate their needs.

Theoretically, the transition from a donor- to beneficiary-driven TC agenda is to be facilitated by strategic planning processes (PRSPs, MDG-based development plans and the like) in the beneficiary countries. Countries are expected to clearly formulate their priorities and donors have to concentrate their aid (including TC) around these priorities. In practice, however, too often the strategic planning suffers from multiplicity of priorities, so that virtually every existing policy component is included in the development strategies as a priority. Partially this is a consequence of the balance of interests within the beneficiary's government or society; assigning a non-priority status to any policy area (with budgetary and power implications) could violate the interests of influential groups in government/society, and for the government maintaining the balance of interests may be a more important task than improvement in effectiveness of resource allocation. Another factor contributing to the weak prioritization by beneficiaries is donor pressure. Of course, all donors agree that prioritization is necessary, but every donor organization also tries to ensure that its own priorities are included in the priority list of the beneficiary government. Again, for the government it may often seem better to keep all donors happy rather than decline some TC project proposals, and moreover there is usually no hard budget constraint on the TC amount supplied to a country.

So, one problem of TC relevance is supply of expertise that is not necessarily at the top of any list of beneficiaries' demands. But there is also, in some sense, an opposite problem: lack of supply of any TC actually sought by beneficiaries. This includes insufficient support in capacity building in engineering or other production-related types of expertise for smaller CIS countries that lost or never had domestic capacity in these areas. Fellowships and other capacity building programs supplied by donors are mostly concentrated on the social sciences and humanitarian issues. Another example relates to the problems of building administrative systems in many CIS countries with a large informal economy. Administrative systems in developed countries usually rely on detailed information on incomes, employment etc., which is difficult or impossible to collect in the analyzed region. The design of systems appropriate for these conditions is a complicated task and so far the countries have received too little technical support in this direction.

### 3.2. Effectiveness

Key issues raised in the discussion on TC effectiveness include: (i) beneficiaries' capacity to absorb provided technical expertise, (ii) donors' capacity to supply expertise of required quality, (iii) management of the TC process, (iv) forms of TC.

In some CIS countries TC flow was and continues to be so massive that it creates a well-known problem of insufficient *absorption* capacity of beneficiaries (Oxford Policy Management 2003: 14). This is especially relevant for smaller countries, which are large recipients of TA (in per capita terms). Some topics in the development process are more fashionable than others (e.g., international trade, public finance management, gender), and attract the attention of many donors willing to contribute to capacity development on these topics. Often, several TC projects funded by different donors (and sometimes by the same donor) operate simultaneously at the same government agency. This can create a hefty burden on the staff of the agency to supply information and communicate with consultants as well as introduce sometimes contradictory advice of these consultants into business processes of the agency. This, of course, lowers effectiveness of TC.

Such a situation is partially rooted in the desire of many donors to work at the central level of government and establish close working relations with those who influence policies and practices in the most direct way. Also, the capacity of staff at central government agencies is usually the most appropriate to absorb such relatively sophisticated expertise that can be directly borrowed from donor countries' practices; this allows a simplification of the TC process, minimizing the provider's need to advise and adjust the technical language used to local conditions. On the other hand, according to the unanimous opinion of experts, reform success too often depends on implementation at the local government level, where capacity is usually much weaker and requires a lot of support. For example, development of a computerized database of taxpayers or social benefit recipients would not be successful, however good the design of the system might be, if it is not accompanied by accurate and timely data entry at the local level.

The over-concentration of TC at the central level of government at the expense of local governments and civil society also has longer-term implications of a political and economic nature. Uneven capacity on different levels of government or in government and civil society puts central government in an advantageous position in public discussions on important policy issues, especially when these issues are technically complicated (e.g., possible changes in tax rates and their impact on government revenues and economic activities of taxpayers). So, the democratic decision-making process suffers from a lack of technical capacity in civil society.

Importantly, the beneficiary's absorption capacity very much depends on the consistency of capacity building efforts with the real needs of the beneficiary. Needs assessment is now a standard component of any capacity building program, so, theoretically, this consistency is expected to be ensured already at the TC design stage. In practice, however, this is not always the case. Imperfect governance structures in many CIS countries create a gap between declared (corresponding to the statutory set of agency's goals and activities) and real (based on political-economy considerations including all kinds of rent seeking by agency staff) needs of beneficiary agency. Donors' needs assessments are rarely able to identify this kind of gap. As a result, TC projects appear to deliver training and provide advice not really demanded by the recipient organization and therefore not absorbed properly. One typical example of this is delivery of training programs discussing policy development issues and intended for policy makers. Too often beneficiary agencies send to such training sessions technical people who are not in a position to implement knowledge

and advice they receive during these training programs. So, formally useful programs appear to be having no effect.

**Quality** of supplied TA is another area of concern among the interviewed experts. While they do recognize that the input of many TC projects is of appropriate quality, there are also many situations in which TC outputs did not satisfy beneficiaries.

One typical problem with TC outputs is the frequent attempt to introduce the experience of developed countries as a model to be copied by recipient countries, without considering differences in the level of economic development, political economy, government set-up and culture. Solutions that may fit quite well to the conditions of OECD countries may not be satisfactory for countries with immature markets, less developed administrative systems and/or different type of accountability mechanisms. Examples of such mechanical import of institutional solutions into less appropriate CIS environments include attempts to introduce income-test-based social benefit schemes in countries with large informal sectors of the economy and, therefore, very poor information on household incomes, complicated tax, customs and other administration systems in countries without a well-trained and well-paid civil service. It seems that the key reason for the repeated attempts to mechanically use donor countries' experience is underestimation of the above mentioned differences between donor and CIS countries. This results in an over-ambitious timeframe for reforms and supply of inappropriate types of technical expertise. Careful design and tailoring of reform proposals to the conditions of a particular country requires a lot of research and dialog with different stakeholder groups in the country, which do not always take place in the process of TC.

The inappropriateness of technical expertise often takes the form of insufficient understanding of local conditions and environment by foreign experts, who might be good experts in their respective technical area, but come with a very different experience and mentality. For example, TC in legal issues must take into account differences between continental (used in all CIS countries) and Anglo-Saxon legal systems, which has not always been the case. So, a law on banking collateral drafted for one of the CIS countries by foreign experts according to their domestic experience may appear to be inapplicable in this country exactly for this reason. In addition, many interviewees complained about the complicated, over-technical language used by foreign experts, low quality of translations and insufficient expert knowledge of local languages and/or Russian, which is "lingua franca" for most people in CIS countries. It should be noted that this mismatch of experience and mentality becomes less an issue now with increased use of local experts and specialists from Central and Eastern Europe and the CIS in TC projects. They usually have a much better understanding of the specific problems and peculiarities of CIS countries and have fewer communication barriers with beneficiaries. Still, use of local experts in TC projects could and should be further increased; this seems to be a handy source of improvement in TC effectiveness. More reliance on local experts could also positively affect TC efficiency as it would allow a reduction of some unnecessary operational costs (excessive international travel, large difference in fee levels between international and local consultants etc.).

As follows from the expert discussions, **management of technical cooperation** is one of the key areas for improvement in TC effectiveness. This includes issues of project preparation, size and number of TC projects, use of monitoring and evaluation results of already implemented projects for design of new ones.

All the experts agree that careful preparation and planning of TC projects is a key prerequisite for their successful implementation. It is important to ensure that TA is provided in a timely fashion. While premature projects are also a problem as beneficiaries may not be ready yet to absorb provided expertise in full, the most serious problem with timeliness is delays with TA provision. Complicated, inflexible and burdensome procedures of TC project preparation typical for some donors (the EC was mentioned by all interviewees in this respect) result in substantial delays of TA even in comparison to the donors' own timetables, which itself may lag behind real beneficiary needs.

Another important issue at the project preparation stage is achieving the agreement of beneficiaries, donors and providers on the key proposals/ideas to be developed in the given TC project. Any ideological and methodological differences that might exist between TC stakeholders should not be ignored and have to be addressed at the early stage of the project planning. This would allow all parties to form proper expectations and, if necessary, limit the ToR of the project to issues acceptable to everybody (or postpone/cancel a project before its start, if stakeholders' visions are too different). Collaborative project planning would also contribute to realistic planning of TC outputs/outcomes. To make these preparatory discussions productive, beneficiaries are to be ready to

articulate their needs and interests clearly as too often beneficiaries are rather passive at the TC design stage. In some cases, when a high degree of mutual confidence exists between donors and beneficiaries, the function of provider selection and hiring can be effectively delegated to the beneficiary organization.

The majority of experts also believe that the current practice of having many relatively small projects with predetermined outputs is counter-productive. TC managers at donor organizations are losing control over the content of the TA provided because all their time is occupied with purely administrative aspects of the numerous implemented TC projects. Reporting and implementation procedures of many projects could and should be simplified. Mechanical comparison of planned and produced outputs may not be the best management practice as TC is an area where the sum of initially planned outputs does not necessarily guarantee the receiving of intended outcomes. So, fewer larger projects with clearly defined outcomes and sufficient flexibility left for the TC provider seem to be a more promising option for TC organizations.

These days monitoring and evaluation is a mandatory component of any TC project design. However, the experts commented that too often these indicators are either input/output, or impact indicators only and may not provide sufficient information on a given project's performance. For example, a set of trainings/ document drafts/ study tours etc. may not be enough to produce a sustainable improvement in the beneficiary organization's capacity; on the other hand, changes in impact indicators (e.g., a reduction in the poverty rate) may often not be attributable to a specific TC intervention (e.g., new pension scheme design). What are acutely needed are project-specific outcome indicators that would capture directly any TC-linked change in the beneficiary situation. It seems that careful selection of these outcome indicators and, if necessary, built-in systems for their measurement are to become an integral part of TC project design. Part of such indicators may be oriented towards measuring beneficiaries' feedback. It is also desirable that any learning and change in the design of future projects, which takes place on the basis of M&E results, is to be communicated to beneficiaries, because, as the interviews revealed, currently beneficiaries do not have a feeling that their feedback, even if it is collected, is taken into account by other TC stakeholders. It has to be noted also that national M&E systems in the majority of CIS countries are not yet effective and might not supply critically important feedback to TC donors and providers.

One simple way to increase transparency of TC and provide necessary feedback is making public all TC products, including consultants' reports, legislation drafts, training materials etc. Nowadays this could be done very efficiently by posting these documents on the web-sites of TC stakeholders. This would provide access to TC products for and support capacity building for a broader audience not limited to the narrow circle of representatives of beneficiary organizations. Some donors do practice this approach, but in many cases TC products are not accessible outside beneficiary organizations. It is worth noting that in the majority of cases TC is intended to produce a public good, so any artificial limitations on the dissemination of TC products seem to contradict that very purpose. Of course, there are some situations when TC projects deal with confidential information and publication of TC products should not be allowed, but such situations are very rare. Publication of TC outputs would serve as an important tool for TC quality check as it would make it more difficult to hide the consequences of inappropriate TC performance (see more on that in the section 5).

Asked about the effectiveness of different **forms of TC** (in-job training, short-term courses, long-term training abroad, study tours, advisory missions, analytical reports, etc.) the experts did not demonstrate particular preferences for any of them. The effectiveness of TC seems to depend more on specific details of TC projects than on the form of TC as such.

Regarding training, it was noted that current programs do not always take into account the increased capacity of beneficiaries, who are now equipped with better theoretical knowledge and much more substantial practical experience of a market economy and open society than at the beginning of the transition. Training programs for professionals should concentrate on modern experience and, in particular, the best practices of similar countries and address more advanced issues leaving the basics to currently available programs at universities and other national education/training establishments.

### 3.3. Efficiency

The efficiency of TC is closely linked with the issue of donor coordination and elimination of duplication of TC projects. Lack of donor coordination used to be a very big problem in the 1990s,

but according to the experts, the situation has been improving somewhat recently. As a result of the Paris Declaration on Aid Effectiveness (2005), the majority of donors have taken serious steps towards TC coordination, including joint planning, division of labor, use each other's results etc.

One of the key issues in the area of efficiency of TC is the inappropriate scale of TC flows in comparison to beneficiaries' requirements and absorption capacity—a problem that has been on the agenda for a long time already. TC oversupply in relation to absorption capacity has been discussed above with regards TC effectiveness. It has also efficiency implications as oversupply lowers returns on TC resources spent. Another facet of the problem is that undersupply (as in the case of Belarus) is equally harmful as it leads to TC fragmentation and isolated and unsustainable changes in the beneficiaries' capacity. One of the sources of the problem of TC over- or undersupply is the fact that often TC amounts are determined on the basis of political and not beneficiaries' demand considerations. Despite all political contradictions between major donor countries and some of the beneficiary countries in the CIS, there are many politically neutral areas and modalities in capacity development that have no political harm and are beneficial for capacity development. It seems obvious that any attempts to use TC for political purposes would unavoidably reduce the efficiency of TC as a capacity building tool, which benefits not only and not so much (un)friendly governments, but the people of the recipient countries.

Another problem with efficiency addressed by almost all respondents is the insufficient flexibility of the TC process. Excessively rigid donor rules prevent TC providers from any optimization in the use of available resources and make adjustment of project resources according to M&E results difficult. One striking revelation of this rigidity is the use of TC amounts spent (regardless of the results achieved) by some donors as a performance indicator of their activities. This approach effectively penalizes everybody who tries to save money and discourages any search for efficiency gains in TC business. It seems that donors have to pay much more attention to TC's impact and should not care too much about financial control, which is often impossible and/or provokes misreporting, especially in conditions of widespread cash and informal economies in CIS countries. It is advisable to adjust financing technologies, especially in relations with smaller non-governmental providers/beneficiaries, to beneficiary country conditions. For example, lump-sum contracts with well-defined and verifiable outputs and outcomes used already by some donors may be a preferable option in comparison to implementation modalities requiring burdensome (and still insufficiently reliable) financial reporting, attempts to distinguish and trace eligible and non-eligible costs and the like.

### **3.4. Sustainability**

In government agencies, the key TC sustainability issue relates to the low salaries of staff and their frequent rotation on official positions. Government officials who received proper training in the framework of TC projects often change their jobs either for higher positions in the government (not necessarily requiring technical skills they acquired due to TC interventions), or for much better paid private sector jobs. As a result, it is not unusual not to be able to find any trace of the provided training several years after its completion. This is a situation many donors seem unable to deal with; the only real solution consists in government strategy to build up a professional civil service including, among other things, a commitment to pay competitive salaries to civil servants who have to have strong technical skills. Some CIS countries with more financial resources have made significant progress towards increasing government officials' remuneration and this has resulted in an observable improvement in technical skills in their governments. Even in poorer countries one could see a strong correlation between the level of salaries in an agency (central banks and some other agencies may pay better salaries than other parts of government) and level of retained technical expertise there. From this point of view, the level of salaries in a given agency is a good predictor of the longer-term success in capacity building and this needs to be taken into account at the TC design stage.

In some cases TC projects provide technical expertise to a very limited number of beneficiaries, so the provided expertise is concentrated in a narrow circle of people. Apart from problems related to political economy (see paragraph 0), this has also implications for sustainability as the eventual loss of just a few trained experts by the beneficiary organization could substantially reduce its capacity. Lack of TC diversification seems to be one of the most serious problems in the area of sustainability.

Lack of institutional memory in government agencies is a by-product of frequent staff rotation and generally weak administrative systems in some CIS countries: not only human capacity, but also other TC products (organizational changes, consultants' reports, computerized models etc.) often hard to find some time after the TC provider's exit from an agency. Another unintended consequence of leakage of trained professionals from civil service to commercial companies and NGOs is strengthening capacity in the non-governmental sector; this partially compensates for the disbalance in TC allocation and overconcentration of TC in government agencies.

One of the sustainable ways to build local capacity is the development of the local consulting industry. While some donor programs do address this issue by encouraging the creation and operation of companies staffed with national experts, some other donor programs effectively undermine the development of this industry by, for example, using individual rather than institutional contracts for local expert services.

Capacity building in the NGO sector also suffers from insufficient sustainability. Donor support programs for NGOs may allocate significant amounts of resources for a while requiring recipient NGOs to expand significantly their capacity. Then, when the program funding comes to an end it appears to be that no new funding of a comparable scale is available from this or other source. Many NGOs cannot survive such stress. Steady and smooth flow of donor resources to support NGOs' capacity coupled with careful monitoring of their activities and performance-based distribution of resources might be a more sustainable option especially in the CIS countries, where domestic resources for NGOs are scarce.

### 3.5. Impact

Interviews revealed a mixed picture of TC's impact on capacity building in the governments of CIS countries. On one hand, there are a number of examples when the capacity of government agencies in different countries was substantially strengthened as a result of massive TC over more than 10 years. The presence of 2 factors seems to influence positively TC's impact on a government agency's capacity: the commitment of the agency's leadership to utilize provided knowledge and advice and the agency's demand for specialized and (relatively) politically neutral expertise (e.g., in central banks or statistical agencies). On the other hand, the absence of these factors plus the above mentioned leakage of trained professionals from government tend to substantially lower TC's impact on the capacity of government agencies.

The impact of technical cooperation on government capacity also depends on the extent to which TC is linked with other forms of aid, e.g., with budget support programs accompanied by policy conditionality. If this conditionality requires developing some technical capacity in the recipient government, then government demand for corresponding capacity building becomes higher and the provided technical assistance has more chances of having a greater impact.

TC has had a significant impact on the capacity development of non-governmental stakeholders; some experts even said that TC is the only source of capacity building in civil society. Indeed, in the majority of the CIS, the development of civil society organizations' potential and ability to provide critical feedback to governments is closely correlated with the support they received through TC channels. It should be noted, however, that while TC does contribute considerably to capacity building in civil society, it only partially shapes the agenda of civil society organizations, which tend to address domestic issues and articulate the positions of domestic interest groups. One example is the discussion over joining HIPC initiative in the Kyrgyz Republic. Local NGOs, the absolute majority of which have received massive training in the framework of TC programs provided by donor organizations, have campaigned aggressively and successfully against joining HIPC, despite the fact that the donor community recommended the use of this debt relief option for the country.

TC also has a large impact on the development of local consulting industries especially in non-commercial areas of government governance, economic and social analysis, environment protection and many others. A major part of local expertise in all CIS countries has been created in the framework of TC. In addition, TC has helped local companies borrow donor countries' experience in respect to consulting companies' effective operation modalities and ways of accessing markets for consulting services. It is worth mentioning that such capacity building of local consulting businesses has mostly been a by-product of major TC programs aimed at government and civil socie-

ties. This explains the lack of attention to sustainability of local companies, which is discussed in section 3.4.

Thus, despite all the deficiencies of the TC processes described above, TC has played a role in capacity building of government, civil society organizations and consulting business in CIS countries. It is difficult to judge, however, whether this positive impact is comparable with the enormous resources spent on TC (see section 2).

#### **4. Changing environment for technical cooperation**

Some of the problems discussed above may be caused by inertia in TC delivery and insufficient attention to the important changes taking place in the CIS countries. These changes seriously affect the beneficiaries' absorbing capacity, as well as demand for and attitude towards TC.

The most important change in the CIS is, perhaps, the end of the transition from the Soviet system. In all 12 countries new governments and societies have emerged that differ very significantly from what they were in 1991. This does not mean that the process of change has ended (this is just impossible), but the scale of changes is now much less radical and the direction of change is much more diverse than at the beginning of the transition. Virtually all CIS countries started their transitions explicitly declaring an intention to build democracies and market economies. In 2008, this course of transition is on the agenda for only a handful of CIS countries. Many countries have deliberately chosen (semi-)authoritarian political systems and economic systems with a large interventionist role of government, which can be called "state capitalism." This has important implications for the process of TC. Initially, TC was built on the underlying assumption that basic development values of donors and recipients are the same: democracy, human rights, market economy. This assumption implied that the direction of transition is a common goal shared by beneficiaries and donors and what is needed is just technical support to CIS countries to move faster in this direction. This assumption is not 100% valid anymore. Of course, the development values of Western countries and those of the CIS are not always contradictory, but they may differ significantly. This difference in values cannot be overcome by means of TC and the efforts to use TC for this purpose, of course, could and should result in failure.

The development agenda of CIS countries has changed not only because of the shift in values, but simply because some development problems have been successfully resolved and new problems emerged. For example, the problem of responsible macroeconomic management and credible monetary policy, which was a very hot issue in the 1990s, had become much less acute, when, after a series of failures like the 1998 financial crisis, proper institutions and policies were introduced and sustained. On the other hand, the new problem of labor migration from poorer to wealthier CIS countries is now on the top of policy agenda. This change in development priorities is accompanied by a change in TC, with some, sometimes a long, time lag; this reduces TC's relevance.

Another important change in the environment for TC is accumulation of experience and human capital in CIS countries during the period of transition. The capacity to critically reflect on TC supply is much higher in many CIS countries now in comparison to the early transition years. This creates a challenge to TC quality, which is not always met.

The latest period of development of CIS countries is characterized by an increase in their economic strength. Recovery growth on the basis of already renewed economic structures, accompanied by a substantial improvement in terms of trade, has largely improved the situation in public finances. Therefore, the significance of TC resources has been relatively reduced for many (although not all) CIS governments. As a result, TC programs have lost a part of their leverage on policy making. This should be acknowledged and reflected in changing TC design. It also creates some new opportunities to increase TC sustainability, making feasible the partial substitution or amendment of TC resources by government budgetary financing.

Apart from increased domestic revenues, additional resources for the development of some CIS countries are also provided by the new donors, especially China and Russia. These donors have different development perspective than "traditional" donors and often send different signals to the recipient countries. While these "new donors" have not yet established their own development industry that could be compared to that of the OECD these countries are in many ways closer economically and culturally to many smaller CIS countries than OECD countries; often they influence policy making and institution building in other countries just by providing an example (attractive for

many elites) of their own experience. This creates a situation of competition for the development models supplied by TC originating from OECD countries.

The role of Russia is particularly important as it has traditionally played the role of providing expertise and institutional design for the majority of smaller countries, which used to be part of Soviet Union. Contemporary Russia's influence on other CIS countries in capacity development and institution building issues is still large. As the largest country in the region it has substantial domestic capacity, which allows for effective utilization of the experience of OECD countries or finding alternatives to this experience, better suited to the mentality and interests of national elites. As elites of other CIS countries often share background, incentive structure and mentality with the Russian elite, it is worthwhile and easy for them to borrow Russian institutional solutions (e.g., electoral systems or pieces of legislation). In addition, almost all government officials in CIS countries have very good command of Russian language, so they do not need any intermediaries to access and learn from the experience of the contemporary Russian state. Close economic collaboration and the political ties, which many of these countries maintain with Russia, is another factor explaining strong Russian institutional influence. It is worth noting here that insufficient economic cooperation with OECD countries (limited mainly to exports of raw materials to these countries and Western investments into primary industries in CIS) is an important background factor reducing the impact of TC: CIS countries have insufficient incentives to use OECD benchmarks for their institution building.

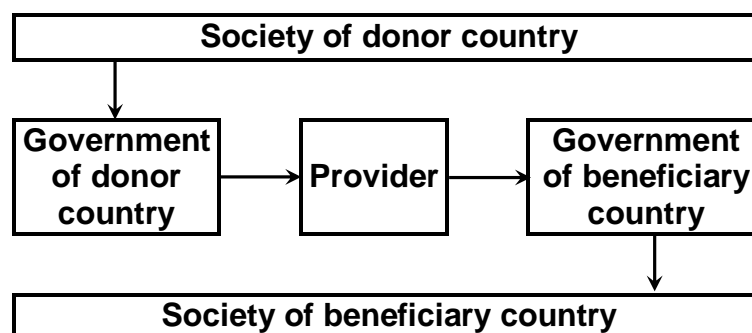
Apart from this indirect, but very important influence, Russia also makes some direct contribution to the capacity building of other CIS countries through provision of CIS countries' citizens with scholarships for study at Russian universities (albeit on an incomparably lesser scale than in Soviet times), establishing jointly funded universities in some CIS countries (e.g., in Kyrgyzstan and Tajikistan), donation of books in Russian to schools etc. Russia also plays some multiplier role in TC—successful TC projects implemented in Russia provide products to be easily disseminated in other former Soviet republics. For example, an EC-funded translation of econometrics textbooks into Russian done in Russia made this textbook immediately available and accessible in all these countries. This example suggests that TC with Russia has the potential of producing a greater impact than could have initially been planned.

The changes in environment for TC discussed above relate mainly to the situation in the CIS. However, important changes are also taking place in the TC supplier countries. One of the most important changes relevant for the CIS is the EU accession of many Central and East European countries that used to be a part of the Soviet Bloc. Many of these countries are now emerging donors. While they do not yet have financial resources and TC management and delivery capacity comparable to that of "old" donors, they have a very important asset – the experience of successful transition to democracy and a market economy. This transition experience may comprise the core of their contribution to TC supply. Concentrating their efforts on TC to CIS and other former socialist countries could make much better use of their resources than attempts to duplicate the development agenda of the EU-15 countries. Available evidence indicates that the exposure of CIS countries to CEE countries' experience in TC is, indeed, improving somewhat; for example, study tours for CIS officials and experts in the framework of TC projects are directed now to the new EU member states much more often than few years ago. However, it seems that this rich practical transition experience remains underutilized.

## 5. Political economy of technical cooperation

It follows from the previous discussion that accounting for the interests of different parties involved in the TC process is a key for understanding many of the problems of TC. Therefore, main stakeholders and their interests need to be clearly identified and the interaction of these interests considered.

One can see development aid (including TC) as an interaction of 2 principal stakeholders and 3 their agents. The principals are the societies of donor and recipient countries and the agents are (i) the government of the donor country or multilateral donor agency, (ii) the government of the recipient country, and (iii) the TC provider, which is often a private company/NGO from the donor country or group of countries.

**Figure 7. Typical principal-agent relationships in the process of technical cooperation**

The ultimate goal of development aid (including TC) is to increase welfare and support human development of the recipient country's population in a sustainable way. Both principals share this goal, while, as was said earlier, their vision of the ways to achieve it, i.e., development values, may be different. Despite these differences, detailed analysis of which is beyond the scope of this paper, the interests of societies of donor and recipient countries usually overlap/coincide enough to make effective aid and TC possible.

Importantly, these societies usually interact not directly, but via their agents, whose own interests are not necessarily identical to the interests of the principals. It is also important to remember that the performance of TC is difficult to measure and that this creates information asymmetry between principal and agent. Thus, the process of TC may be seen as an example of a "principal-agent" problem, when the agent has an incentive structure non-identical with that of the principal. Therefore, the agent led by its own incentives may operate in a way that is suboptimal from the point of view of achieving the principal's objectives.

There are several "principal-agent" relationships in the TC process. Firstly, this is a relationship between donor society and donor government. Due to existing democratic accountability mechanisms in donor countries this is, perhaps, the smallest problem, at least in the long-term. In the short-term, however, this problem could exist—donor government agencies responsible for TC may have their own objectives not limited to capacity building of beneficiaries only. These other objectives may include, for example, typical bureaucratic incentives for strengthening the agency in terms of influence and available resources. One revelation of the problem is, for example, the widely used TC delivery (i.e., the amount spent on TC programmes) as an indicator of TC's effectiveness (see paragraph 0); this corresponds well with the donor agency's interests, but is not necessarily the best way to use money from the point of view of achieving the ultimate goal of technical cooperation – beneficiaries' capacity building. Another example of that kind is use of TC resources for political purposes, e.g., for building relationships with senior officials in counterpart governments, which is not an infrequent situation. This has obvious negative consequences for TC's effectiveness and efficiency, especially in the long-term as this practice has reputation implications in the eyes of beneficiaries. Interestingly, many participants of the survey discussed in section 3 do see a direct and positive link between lack of political agenda in TC projects and their successful results. For example, projects funded by the government of Switzerland are referred as the most effective in comparison to projects of other bilateral donors, and one of the positive features of Swiss projects is precisely their lack of any explicit or hidden political agenda.

As was mentioned earlier, in the CIS context democratic accountability institutions are rather weak. Therefore, governments/elites in the recipient countries may have interests that significantly differ from the long-term interests of their population. As a consequence, the demand of these governments for TC and their general attitude towards the technical expertise provided may or may not be the most beneficial for achieving the capacity building objective<sup>8</sup>. The usual assumption that the government of a recipient country well represents the development needs of its society should not be taken for granted, and it is a responsibility of donors to make sure that the position of the recipient government corresponds to the long-term interest of its country. From this perspective,

<sup>8</sup> Examples of misuse of TC by beneficiary country's government officials are well-known and many: from using TC projects solely as a tool for procuring computers for their agency and providing employment to their protégés to ignoring advice provided by highly-skilled and well-paid consultants.

the generally legitimate trend of increasing the recipient government's role in TC coordination (strongly reflected in the Paris Declaration on Aid Effectiveness) should not be oversimplified; donors still have to have their own judgment on what kind of TC may positively contribute to the beneficiary country's development.

TC providers have a special place in these "principal-agent" relationships as they are the only type of TC stakeholder that has explicit commercial interest in the process. Therefore, in conditions of a possible mismatch of interests of the TC donor and recipient and lack of clear performance assessment criteria, TC providers have incentives and possibilities to minimize their costs by supplying simple solutions (like copy-paste reform proposals) and seek for support of their counterparts from the recipient government by meeting their personal interests.

A combination of these interests may lead to low-level equilibrium, when 3 stakeholders-agents maximize their utility (donor government's TC delivery rates are high, vested interests of recipient government officials are satisfied and TC provider's profit is high) at the expense of stakeholders-principals, who bear the costs of that equilibrium directly (in the case of the donor society) or indirectly, in the form of under-development (in the case of the recipient society).

## 6. Ways to increase TC effectiveness

The general solution for the "principal-agent" problem, which minimizes welfare losses, consists of reducing information asymmetry between stakeholders and establishing a proper incentive structure for agents. Below various proposals are outlined as to how these issues could be tackled in the context of TC.

First of all, stakeholders' interests should be explicitly accounted for in the TC program design. On the donor's side this is usually done (at least, partially) as donors have to follow the development strategies approved by their principals (e.g., upper government bodies or parliaments). However, this approach also requires donors to make political economy analysis on the recipient side, which is rarely the case. This is associated with a risk of intervening in domestic politics, which may be undesirable activity for some donors and a prohibited activity for others (e.g., a majority of multilateral donors are not allowed to do so by their statutes). Still, this risk needs to be taken and controlled by, for example, outsourcing the stakeholder analysis to independent research organizations. Moreover, such analysis is anyway usually performed informally by donors/TC providers; so, it is rather a matter of making it truly impartial, of acceptable quality and accessible for all interested parties.

One way to reveal the real interests of the stakeholders on the recipient side is to encourage their co-financing of TC activities. The readiness of the recipient government (or other TC beneficiary) to contribute some resources with non-zero opportunity costs to TC implementation could be seen as a clear signal of its true ownership of a TC program or project, and, vice versa, refusal to co-finance as an indicator of low real interest in the TC results.

In order to reduce information asymmetry, TC monitoring systems must be substantially strengthened. A transition from input/output to properly designed outcome indicators and establishing effective beneficiary feedback channels would create conditions for a radical improvement in measuring the performance of TC. Currently, a similar methodology is used for evaluation of the development impact of major aid programs; this approach needs to be extended to the area of TC. Another important information-related issue is disclosure of data on TC flows and products to the general public. The ability of third parties to see, judge and provide feedback on the amount, quality and utilization of provided expertise would become an effective tool preventing from some forms of TC stakeholders' misbehavior.

To establish healthier incentive structures of stakeholders it is useful to maintain a competitive environment in all segments of the TC market. This is already the case with regards to TC supplier selection, while oligopoly-type market structures are often present (especially if one takes into account sector/country segmentation of this market); this may lead to various types of inefficiencies. But it is also worth nurturing the creation of competition on the recipient side, which could be done by diversification of TC delivery channels, support to not only central, but also local, governments, the involvement of civil society/private sector representatives into capacity building programs and so on.

In the view of the TC over-supply problem and insufficient absorption capacity of some beneficiaries it might make sense to consider the introduction of some ceilings on TC amounts allocated

to given beneficiaries. This would create a strong incentive for beneficiaries to prioritize their demands for TC, on one side, and a competitive environment among donors, whose contributions have to be limited by these ceilings, on the other. The introduction of such ceilings, however, would require a very high degree of coordination between donors.

Thus, it seems that the general way to improve the performance of TC is by a good understanding, recognition and coordination of the interests of all TC stakeholders and in reducing the information gap between different participants of the TC process.

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## Annex. Information on the expert survey on TA effectiveness

This survey was conducted in 2008 in 2 CIS countries—Belarus and Kyrgyzstan. Respondents were selected to represent 3 key TA stakeholder groups: donors, providers and beneficiaries. Experts included both CIS and non-CIS citizens and represented different policy areas (economic policy, governance, civil society development, private sector development, etc.). Altogether, 12 experts were interviewed in Belarus and 10 in Kyrgyzstan. Of them, 36% represented donor organizations, 41% TA providers, 41% beneficiaries-government agencies and 27% worked for NGOs benefiting from TA<sup>9</sup>. 73% of interviewees are primarily involved in capacity building in the governments of the countries (including economic policy, administrative systems etc.), and 27% mostly concentrate on capacity building in civil society (e.g., democracy, private sector development).

The interviews were conducted on the basis of a semi-structured questionnaire provided below.

### QUESTIONNAIRE Effectiveness of Technical Assistance to CIS Countries

This survey is conducted in the framework of a research project funded by the European Commission. All information received through this survey is treated as strictly confidential and might be published in aggregated form only making impossible identification of the surveyed experts.

#### Information about Expert

1. Name
2. Category (please mark all that apply):
  - a. Government organization – TA beneficiary
  - b. NGO – TA beneficiary
  - c. TA donor organization
  - d. TA provider organization
3. Name of the organization
4. Position
5. Experience of work in the technical cooperation area (years)
6. Expert's key area of competence (please mark all that apply):
  - a. Economic policy
  - b. Governance
  - c. Civil society development (including democracy, human rights etc.)
  - d. Private sector development
  - e. Economic sectors (agriculture, energy, environment, social services etc., please specify the sector)
  - f. Other (specify)

#### Technical Cooperation Problems

7. Please assess the quality of the provided/received technical assistance according to the following scale: 1 – poor, 2 – fair, 3 – high.

Aspect	Assessment (1, 2, or 3)	Comments (explanations, examples etc.) <sup>10</sup>
Relevance for beneficiary needs		
Interaction with beneficiaries, their involvement into project		

<sup>9</sup> As many experts have mixed experience (e.g., in different periods of time they worked for government and for TA provider company) and represent different perspectives on TC, they were counted more than once, so the sum of percentages exceeds 100%.

<sup>10</sup> Note for interviewer: comments are necessary, they are more important than assessments.

Aspect	Assessment (1, 2, or 3)	Comments (explanations, examples etc.) <sup>10</sup>
implementation		
Ability to produce planned TA outputs (e.g., recommendations, legislation or institutional design drafts)		
Political acceptability of TA projects' proposals		
TA project design flexibility, ability to adjust implementation modes and/or provided outputs to local conditions and changing needs of beneficiaries		
Clarity, concreteness and realism of provided recommendations		
Involvement of local experts in TA delivery		
Accessibility of TA products (reports, recommendations etc.) for different stakeholder groups		
Timeliness		
TA projects' continuity and consistency, utilization of experience earlier accumulated in the country		
Comprehensiveness of approach and analysis		
TA projects are designed/implemented in agreement with the country and government priorities		

8. Please assess the impact of the provided/received technical assistance according to the following scale: 1 – poor, 2 – fair, 3 – high.

Aspect	Assessment (1, 2, or 3)	Comments (explanations, examples etc.)
Impact on government policy		
Impact on public discussions in the country		
Impact on activities of TA donors/providers		
Strengthening potential of government agencies		
Strengthening potential of NGOs		

9. Please assess the effectiveness and efficiency of the provided/received technical assistance according to the following scale: 1 – poor, 2 – fair, 3 – high.

Aspect	Assessment (1, 2, or 3)	Comments (explanations, examples etc.)
Under/oversupply of technical assistance		
Lack of duplication and coordination different TA projects		
Optimality of TA projects expenditure structure (e.g., too much/little resources is allocated for international or local consultants, training, equipment etc.)		
Necessity of TA projects expenditure and their relevance for the projects objectives		
Effectiveness of different assistance forms: - preparation of reports/memos/document drafts/ translations of foreign language texts for local partners - in-job training - seminars/workshops - study tours - long-term scholarships or education on degree programs abroad for representatives of beneficiary organizations - other (specify)		

10. Please assess the sustainability of the provided/received technical assistance according to the following scale: 1 – poor, 2 – fair, 3 – high.

Aspect	Assessment (1, 2, or 3)	Comments (explanations, examples etc.)
Retaining of created capacity (trained staff, operation modalities) after TA projects completion		
Sustainability of new institutions established with TA projects		

Aspect	Assessment (1, 2, or 3)	Comments (explanations, examples etc.)
support		
Consistency in beneficiaries' capacity building		
Accumulation of a sufficient capacity in non-governmental sector ensuring its ability to maintain dialog with government		
TA diversification, which allow avoiding over-concentration of technical capacity within narrow circle of organizations and experts		

11. Please assess the availability and usefulness of M&E of the provided/received technical assistance according to the following scale: 1 – poor, 2 – fair, 3 – high.

Aspect	Assessment (1, 2, or 3)	Comments (explanations, examples etc.)
Availability of monitoring indicators with clearly defined baseline and target values including impact/outcome indicators		
Systematic evaluation of TA quality by donors and beneficiaries (government)		
The extent to which M&E results are used for adjustment of TA delivery methods		

### Environment for TA

12. Do you feel any change in your partners' (donors and beneficiaries correspondingly) approach to TC in recent years? If yes, what are these changes? In your opinion, what are the reasons for these changes?
13. Do you agree with the statement: "Sometimes, there are not just differences in opinions on concrete TA implementation problems between donors and beneficiaries, but an ideological divide between them (e.g., liberal vs. state capitalism, different vision of human rights etc.)." If yes, does this divide influence effectiveness of TA projects?
14. In your opinion, to what extent are beneficiaries interested not only in TA projects' contents, but also in the resource inflows accompanying these projects (working places for local consultants, purchase of equipment etc.)? Does the importance of the resource dimension of TA projects change with improvements in the economic and fiscal position of beneficiary countries?
15. To what extent is the effectiveness of TA dependent on the country/organization providing this assistance? Is there any relationship between beneficiary's interest in technical expertise provided by some country and economic collaboration with this country?
16. Did the recent EU accession of former Soviet Bloc countries make any change in TA delivery to CIS countries? Is their experience of transition to democracy and market economy applicable for and sufficiently utilized in CIS countries?
17. Does the emergence and strengthening of non-OECD development models (e.g., Russia and China experience) influence TA project implementation in the CIS? To what extent and how do beneficiary countries utilize the technical expertise of these countries?

### Political Economy of Technical Cooperation

18. In your opinion, to what extent is it typical for TC stakeholders to have not only explicit (beneficiary capacity building), but also hidden (political interests of donor countries or vested interests of TA providers and government officials on the beneficiary side) agenda?
19. In your opinion, do TC stakeholders (donors, beneficiaries and providers) have adequate understanding of the interests of other TC parties? Do not they under/overestimate their counterparts' hidden agenda?

20. To what extent are TC stakeholders accountable to their constituencies? How well informed are governments and civil societies both in donor and beneficiary countries about (and have interest in) amounts, quality and effectiveness of provided/received TA?
21. To what extent do the corporate interests of TA donors and/or beneficiaries influence volumes and contents of TA? How does this influence TA effectiveness?
22. Are you satisfied with the competition level on the TA services market? What could be done to increase competition on the market?
23. Are the existing TA provider selection procedures transparent enough? What kind of improvements in this process could be possible and desirable?

### **Improvement in Effectiveness of Technical Assistance**

24. In your opinion, what should TA donors do to improve TA effectiveness?
25. In your opinion, what should TA beneficiaries do to improve TA effectiveness?
26. In your opinion, what should TA providers do to improve TA effectiveness?

**Thank you very much for sharing your knowledge and experience with us.**