

**EVALUATION OF THE IMPLEMENTATION OF
COUNCIL REGULATION 2667/2000 ON THE
EUROPEAN AGENCY FOR RECONSTRUCTION**

Synthesis Report

Volume I

Part C - Main Evaluation Report

June 2004

Contract N.: B7-6510/2002/005

**between the European Community, represented by
the European Commission and**

Development Researcher's Network Consortium



Development
Researchers'
Network

Italy



Aide à la Décision Économique
Belgium



ECO-Consulting Group
Germany



Nordic Consulting Group
Denmark

A consortium of
DRN, ADE, ECO, NCG
c/o DRN, leading company:

Headquarters

Via Ippolito Nievo 62
00153 Rome, Italy
Tel +39-06-581-6074
Fax +39-06-581-6390
mail@drn-network.com

Belgium office

rue Rasson 29
1030 Brussels, Belgium
Tel: +32-2-732-4607
Tel/Fax +32-2-736-1663
bruxelles@drn-network.com

Service contract for the
Evaluations of
the EC support to selected initiatives in
Regional Cooperation
and
Economic Integration
as well as aspects of
3Cs and Policy Mix

in the field of external cooperation with partner countries

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The opinions expressed in this document represent the authors' points of view which are not necessarily shared by the European Commission or by the authorities of the countries concerned.
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This evaluation study was carried out by Constantin Temcheff (Team Leader),
Enzo Caputo (Coordinator), Bjarne Madsen and Stefano Ciarli.
The team was assisted by Alejandro Diz Rodríguez.
Paola Gosparini was the Contract Evaluation Manager

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Volume I of the Synthesis Report includes the report on Part C of the ToRs which is an assessment of the Agency's contribution to the achievement of the objectives of CARDS.

Volume II of the Synthesis Report includes Part A (Historical perspective) and Part B (Summary of the Agency's functioning in line with the Regulation) of the ToRs.

Volume III of the Synthesis Report includes all annexes of the evaluation.

ACRONYMS

AP	Action Programme
BiH	Bosnia and Herzegovina
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CoE	Council of Europe
COM	EU Communication
CSP	Country Strategy Paper
DAC	Development Assistance Committee
DG	Directorate-General
DG ENV	Environment Directorate-General
DG JAI	Directorate-General for Justice and Home Affairs
DG RELEX	Directorate-General for External Relations
DG TREN	Directorate-General for Transport and Energy
EAR	European Agency for Reconstruction
EBRD	European Bank for Reconstruction and Development
EC	European Community
EIB	European Investment Bank
EP	European Parliament
ETF	European Training Foundation
EU	European Union
EuropeAid	European Commission Cooperation Office
FFR	Framework Financial Regulations
FRY	Federal Republic of Yugoslavia
GB	Governing Board (EAR)
HQ	Headquarter/s
IFI	International Financial Institution
IMF	International Monetary Fund
IT	Information Technology
LA	Local Agent
MFG	Market Facilitation Group
MIP	Multi-annual Indicative Programme
MS	Member State (European Union)
OC	Operational Centre (EAR)
OECD	Organisation for Economic Co-operation and Development
PCM	Project Cycle Management
PISG	Provisional Institutions of Self-Government
PM	Programme Manager
SAA	Stabilisation and Association Agreement
SAP	Stabilisation and Association process
SEE	South Eastern Europe
SME	Small and Medium Enterprise

TA	Temporary Agent
TAFKO	Task Force for Reconstruction in Kosovo (EC)
ToRs	Terms of Reference
UN	United Nations
UNDP	United Nations Development programme
UNMIK	United Nations Mission in Kosovo
USAID	United States Agency for International Development
VET	Vocational Education and Training
WB	World Bank
WTO	World Trade Organisation

PART 1: INTRODUCTION

0 EXECUTIVE SUMMARY

0.1 BACKGROUND AND SCOPE OF THE EVALUATION

The EAR regulation (EC Regulation 2667/2000) that sets out the mandate and functions of the European Agency for Reconstruction expires by the end of December 2004. This evaluation derives from article 14 of the Regulation, which states that “*once the Commission considers that the Agency has fulfilled its mandate it shall submit to the Council a proposal for winding up the Agency*”. The same article requires that the Commission, by June 2004, shall submit to the Council an evaluation to be used as the basis for a proposal on the future status of the Agency.

The overall purpose for the evaluation as presented in the Terms of Reference is: to “inform the preparation of a proposal on the future of the Agency”. In order to achieve this purpose, the evaluation should “provide a synthesis of material reporting the Agency’s EC assistance, in accordance with the guidelines provided by the Commission, and its relevance in the current context”. The evaluation should further “present findings and lessons, along with a set of detailed recommendations” in order to account to the legislative authority and the general public for the funds expended via the Agency. The findings and recommendations should in particular focus on lessons of value to the current context of implementation of CARDS assistance.

This evaluation study was commissioned within the framework contract for the Evaluation of EC support to Regional Cooperation and Economic Integration Initiatives as well as aspects of the 3Cs and the Policy Mix, which was signed in December 2002 between the EC and the consortium led by DRN-Development Researchers Network (Italy) and composed by ADE-Aide à la Décision Économique (Belgium), ECO (Germany), and NCG-Nordic Consulting Group (Denmark).

In parallel to the evaluation of the implementation of the EAR regulation, an evaluation of the EC Regulation 2666/2000 (CARDS Regulation), which expires in 2006, has been undertaken under the same framework contract and by a separate evaluation team. To avoid unnecessary overlap between the two evaluations evaluators have coordinated their work through various measures, such as the appointment of an evaluation coordination team within the consortium, occasional joint meetings between members from the two teams and joint missions in the field, and through meetings with the joint evaluation working group set up by the Commission.

The evaluation was structured along three main parts:

Part A - Summary of Activities: This part includes a description of the Agency’s mandate and tasks as well as its evolution, structure, internal organisation, assets and human and financial resources since its establishment in February 2000. Furthermore, a historical description of the Agency’s execution of tasks in accordance with the EAR Regulation is presented. [See Volume II of the Synthesis Report]

Part B - Confirmation of legal obligations and functioning according to the Agency Regulation: This part focuses on assessing and confirming the legal and formal requirements related to the execution of the Agency’s activities in conformity with the EAR Regulation. It was carried out internally by the Commission. [See Volume II]

Part C - Assessment of the Agency's progress in meeting the objectives assigned to it by the Commission in relation to CARDS: This part includes an independent assessment of the Agency's overall performance, its relevance to the environment, its effectiveness in meeting its objectives, its level of efficiency, and the complementarity and coordination of its activities in relation to other EU institutions and donor organisations in the countries/entities where the Agency operates. [Volume I of the Synthesis Report]

0.2 METHODOLOGY

The evaluation study has been conducted taking into account the main evaluation criteria of *relevance, efficiency and effectiveness* derived from the OECD/DAC definitions and the *complementarity* and *coordination* criteria which are defined in the Maastricht Treaty.

In addition to the evaluation criteria the methodology uses an organisational model as a reference against which to assess the Agency as an organisation. Based on the organisational model the evaluation has been carried out along four main evaluation issues:

- Governing Arrangements and Relations with Stakeholders
- Planning and Other Managerial Processes
- Organisational Arrangements, Structure, and Culture
- Operational Aspects of the Agency

A set of *Evaluation Questions* was developed based on the Terms of Reference and the findings of the Part A phase of the evaluation taking into account the results of the interviews carried out and the visits to the Agency's Headquarters and all Operational Centres were visited by the evaluators. The Evaluation Questions have been clustered according to the main evaluation issues defined above. In total, 17 questions were finally agreed upon with the Evaluation Unit: nine are reformulation of questions already included in the Terms of Reference, 4 are revisions of existing questions, 2 are new questions, and 2 follow their original formulation. For each Question one or two *Judgment Criteria* were identified (see *Volume III, Annex F* for the full *Evaluation Matrix*).

The study was carried out in three main phases:

- The initial phase included the development of the overall methodology for the study and the reaching of an agreement with the Commission on the *Guiding Principles*, the *Main Evaluation Issues* and the definitions and interpretations of the *Evaluation Criteria* to be used during the study. This phase was carried out during the month of November 2003 and was reported in an *Inception Note* presented to the Commission.
- The descriptive phase (Part A of the study) aimed at presenting the Agency's activities since its creation in a historical perspective. This phase covered the description of all the evaluation Main Issues presented above: the governing arrangements, reporting, planning, organisation, structure, and personnel. This phase was based on an extensive consultation of documents as well as interviews with Commission staff in Brussels and visits to the Agency in Thessaloniki, Pristina, and Skopje. The outputs of this phase, undertaken during the months of December 2003 and January 2004, were the *Part A Report* and the *Evaluation Matrix*.

▪ The field phase (Part C of the evaluation) consisted of collecting the data needed to answer the Evaluation Questions agreed upon with the Commission. During this phase the four Operational Centres (OC) of the Agency in Belgrade, Pristina, Podgorica, and Skopje were visited, each for about three days, to meet with both Agency staff and other local stakeholders (i.e., government, project beneficiaries, representatives of EU Member States (MSs), other donors, and civil society). The phase also included participation as observers by some of the evaluators in the Agency's Governing Board meeting of January 2004 and in the CARDS Committee of February 2004. The output of this phase, which lasted until the end of April 2004, is this *Synthesis Report Part C*.

For each of the three phases of the evaluation process a meeting was held with the Evaluation Unit during which the outputs of the study were presented and discussed.

0.3 MAIN FINDINGS AND CONCLUSIONS

0.3.1 *Relevance of the "Agency Model"*

Following the end of the conflict in Kosovo and with awareness of the urgency of the situation and of the level of destruction of the physical infrastructure as well as of disruption of the social life of the province, the European Council (EC) confirmed the EU's intention to take a leading role in the reconstruction efforts.

Taking into consideration the previous experience in providing assistance to Bosnia and Herzegovina (BiH) after the signature of the Dayton Agreement in 1995¹, the Council called upon the Commission to draw up, as a matter of priority, proposals regarding the organisation of the reconstruction assistance envisaged and in particular the appropriate means and mechanisms for putting such a programme in place, including the setting up of an agency responsible for implementing the Community's reconstruction programmes.

The "Agency Model" for delivering EC assistance to the Western Balkans is found to be administratively sound and managerially responsive. This is in particular due to the clear mandate and centralised responsibilities of the Agency's Director, which has allowed him to organize the Agency in line with local needs and the ongoing changes therein. Also, the utilisation of the possibility to engage qualified and experienced staff directly on the local and international markets has played an important role in the achievements of the Agency. Further, clear devolution of responsibility and the direct accountability of staff for the performance of programmes and projects have fostered an *entrepreneurial attitude* among the staff, which represents a key asset.

However, the changing focus of the CARDS programme towards institution building and capacity development issues calls for a more intense involvement of Agency programme and task managers in activities related to *change management* that is essential for completing some of the future activities, especially in countries/entities where the political and governing institutions are weak or not yet well established. Also, due to the shifting focus towards these relatively more time-consuming types of activities the "one programme manager to two task managers" ratio for the programming and operational activities of the Agency might be the solution to the need for

¹ Though the experts did not consult any formal assessment of that programme, it transpired, following several interviews with key informants in the Commission in Brussels, that the provision of emergency assistance in BiH immediately after the signature of the Dayton Agreement had been characterized by a very slow pace of implementation due to inappropriate aid management system and its centralization in Brussels. This undermined the effectiveness of the assistance provided as well as the Commission's image as major player in that context.

increased involvement in project implementation as compared to the current “one programme manager to one task manager” ratio.

The “Agency Model” is characterised by the “delegated centralised” framework in which the Agency is fully and solely responsible for the full cycle of the project management. The evaluators believe that having more officials of the beneficiary institutions more directly involved in managing and implementing project activities specifically in relation to the implementation of the new European Partnerships, would strengthen the sense of ownership and responsibility among the beneficiaries.

0.3.2 Effectiveness

Generally, the beneficiary organisations have expressed satisfaction with the active work collaboration and mutual trust that have been developed between themselves and Agency personnel. Negative comments on Agency collaboration were rare. Some interviewees mentioned individual assistance projects that had been delayed, but the delays were generally perceived as being related to circumstances outside the control of the Agency.

The Agency has given increased attention to the *quality* of its programmes. The role of *project and programme evaluation* as an institutional tool for enhancing quality, coherence, and learning has grown within the institution. Findings and recommendations of the evaluations are communicated to the relevant Heads of OCs and the programme managers and task managers and fed into the design of the Agency's operational programme proposals for future EC APs. The system seems to be working well.

Monitoring as well as programme evaluation has been focussed at the *individual project level*. Too little emphasis has been put on identifying criteria and monitoring and evaluating the Agency's activities and achievements at the *sector level*, i.e. the public administration sector, energy sector, transport sector etc. The initiatives taken in 2003 to establish Thematic Workgroups and also to carry out the first sector evaluation mark important steps in the right direction.

The Agency's project monitoring system is generally effective although differences exist between the OCs. The Agency is now working on unifying and harmonising the project monitoring mechanisms across the OCs. Monitoring has focused on the *efficiency* of the Agency's activities, e.g. sums contracted and disbursed, and achievement of various quantitative targets. Less focus has been put on monitoring other aspects, for example *relevance, effectiveness, impact, and sustainability*. The Agency needs to put greater focus on measuring and providing more systematic information on the extent of achievement of the wider strategic and political goals of CARDS and the goals of the new European Partnerships.

The evaluators believe that the existence of a Governing Board composed of representatives of the Member States facilitated co-ordination and complementarity between the programmes of the Agency and those of the Member States. However, it was also found that the GB itself did not play a major role in helping the Agency ensure that CARDS priorities are effectively translated to the context of the countries-entities concerned. GB members rarely know more than the Agency's management the context of the countries-entities concerned to be able to make forceful recommendations on modifying the Agency's programming. There is a need to improve the performance of individual MS representatives on the GB in generating and providing information and feed-back to the Agency management and to their own governments and aid agencies on the Agency's programming.

0.3.3 *Efficiency*

The “quasi-matrix” organisational structure of the agency is found to be well-suited and adapted to the circumstances of the region and countries-entities where the Agency has an OC to face the SAP challenges.

In general, the Agency’s quality control and quality assurance activities seem to ensure that appropriate resources are allocated to its task of implementing its APs. Also, the internal distribution of Agency resources seems appropriate to the APs and the case-loads of the Agency personnel.

As to the administrative costs, since the start of the Agency these have been well below the prescribed ceiling of 8% on a cumulative and multi-annual basis in relation to the Agency assistance programmes. However, the administrative costs for the year 2004 are 8.35% of operational expenditures and the planned ratio for the year 2005 is around 10.7%. This is of course only a budgeted figure and experience shows that budgeted figures have been generally higher than actual figures. Nevertheless, if the Agency continues to have a ratio exceeding the 8% on an annual basis for the next few years then even on a cumulative multi-annual basis the ratio could exceed the prescribed 8%.

It is found that the staff recruitment and selection system of the Agency is sound and ensures that the Agency is staffed with qualified and experienced staff. The staff employment and compensation system of the Agency is one of the major contributors to its effectiveness and is one of the key elements contributing to its success.

Also, although exceptions occur, the system for recruiting qualified external consultants is found to be performing well.

As to the training of staff the evaluation team believes that not enough training and development activities are carried out for Agency personnel to ensure continuous deployment of appropriately qualified and experienced staff.

0.3.4 *Complementarity*

Evaluators found that in general the Agency’s work in preparing and implementing the activities entrusted to the Agency was adequately co-ordinated, and complementary to other MS’s and international organisations’ programmes active in the field. During the interviews with a broad number and range of stakeholders, no serious problems were identified in relation to the complementarity and overlaps of programmes and projects.

0.3.5 *Overall Assessment of the Agency and its future*

The team believes that the Agency is an asset that has permitted the Commission to exercise leadership in effectively and efficiently implementing programmes and projects in coordination with MS and international organisations active in the Western Balkans first towards the reconstruction efforts and later in the developmental efforts of the countries-entities in which it operates. Given its short history, the circumstances of its creation, and the strong leadership of its directors, the evaluation team finds that the Agency today has several advantages which the Commission should preserve and strive to build on.

A main challenge for the Agency is to develop or acquire the skills, knowledge, and know-how necessary to adapt its approach to the increasing demands of the beneficiary governments for self-management of aid funds for the implementation of the SAp without losing the result-oriented spirit and high motivation of its staff which has permitted its good performance up to now.

0.4 RECOMMENDATIONS

0.4.1 Governing arrangements and the role of GB

It is recommended that the first quarter meeting held around the month of March and the last meeting of the GB held around the month of December focus on policy, matters and approaches related to the annual programmes. These two meetings could be known as the “programming” meetings.

These “programming” meetings should provide a forum where important policy related matters (including sectoral priorities, project types, coordination with other agencies) are brought into focus and where discussion of key Agency programmes can take place.

Participants in these two meetings should be with Western Balkans regional coordination responsibilities to be able not only to influence the Agency’s strategy and programme activities in the region according to the strategic framework established by the Commission, but also to be able to influence, direct, and adjust their own ministry’s or institution’s strategy and programming.

Given the nature and depth of the discussions to be held, participants at these “programming” meetings should total approximately 45, which is enough for in-depth discussions of the regional issues and strategies.

The remaining two “operational” meetings of the GB should provide the opportunity for the MS representatives to acquaint themselves with the financial situation and key organisational, personnel, and expenditures issues of the Agency and to learn the resource requirements for the Agency's operations.

The distinction between these two types of GB meetings should be clearly described and their mandates clarified.

0.4.2 Relations with stakeholders

Effective donor co-ordination should be a high priority, not only at the country-entity level but also at the regional level in sectors requiring a strong regional perspective, such as energy, transportation, the fight against crime, environment, assistance to refugees and displaced persons, and regional economic development.

The team recommends that the Agency and the Commission, at least once a year, should jointly sponsor a regional donor synergy meeting with the major donors in the region. The meeting should involve the relevant specialised DGs (i.e. DG TREN and DG ENV) to facilitate the synergy development process.

0.4.3 *Ownership and sustainability*

Direct involvement and responsibility by the beneficiaries are crucial for ensuring genuine ownership and sustainability of the delivered support activities. It is recommended that the Agency therefore, prepares for each country and entity in which it operates a plan with specific objectives including the human and financial resources required for building up the capacity of the recipient country-entity to manage its own aid resources. This “*situational decentralised approach*” should be implemented in a flexible manner in accordance with the level of local capacity and capabilities, and without prejudice to the effective and efficient implementation of the Agency’s programme and projects.

0.4.4 *The strategic framework and guidelines provided to the Agency*

The present Action Programme (AP) approval process of extensive consultation is not of a nature to facilitate the required flexibility, effectiveness, and efficiency.² To remedy this, the evaluators believe that most stakeholder consultations should be conducted at the strategic (CSP) and tactical (MIP) levels and not at the operational AP level.

Therefore, there is a need to rethink the goals, objectives, and purpose of the strategic framework instruments which provide guidance to the Agency (and the other EU institutions in the region).

With the European Partnership document now being implemented in the Western Balkan countries-entities the need to continue to have the CSP and the MIP deserves to be questioned.

However, since the 2005 – 2006 MIPs are already being finalised they should be implemented for this period. From 2007 and beyond, new and more flexible “work-in-process” approaches and mechanisms to be used as instruments to facilitate policy dialogue with the beneficiary governments, their institutions, and organisations must be developed.

The team also recommends that the Agency on a yearly basis develops and maintains a staff deployment plan and estimates the numbers, profiles, and skills of human resources it will need during the next few years. The plan should reflect the changing needs as well as the medium and long-term development priorities of the countries-entities (strategic framework documents CSP/MIP, SAA, Partnership agreements etc.) and it should include all necessary measures (recruitment, replacement, training etc.) in order to continuously ensure the best possible match between the Agency’s tasks and its human resources base.

0.4.5 *Criteria for judging effectiveness and overall success*

It is recommended that the Agency’s systems for programme monitoring and evaluation should be further strengthened. The Agency should continue the effort of harmonising the monitoring system across the OCs while at the same time developing a system that better allows linkage of results at the project level with the objectives at the policy level in the framework of the SAp.

The Agency’s evaluation system should be strengthened in its capacity to carry out country-entity and sector evaluation by OCs and across countries-entities.

² Consultations with the beneficiary country officials, the Commission, EC Delegations, EU Pillar IV, EuropeAid, DG RELEX units as well as selected DGs (i.e. DG TREN, DG ENV), the Inter-Service Consultation process, the Member States and relevant stakeholders before being approved both by the GB and the CARDS Committee.

Evaluation should also focus more consistently on the contribution of single projects to the SAp and to the political dialogue objectives and undertakings agreed upon between the country-entity and the Commission.

0.4.6 *Organisational structure*

Due to the regional nature of much of the reform process in the Western Balkans countries-entities it is recommended that increased collaboration is established between Agency OCs and devolved Delegations across the countries-entities as well as involvement of the specialised DGs (i.e. DG TREN and DG ENV) in policy issues. As a means of implementation the team proposes that senior “Sectoral Leaders” are identified either in the Agency OCs or in EC Delegations in the region, who would be charged with the task of promoting and coordinating effective regional coordination within sectors where this is particularly relevant.

These Sectoral Leaders should have the financial means to arrange and coordinate sectoral activities horizontally and actively collaborate with the specialised DGs to disseminate information and “best-practices” across all OCs for the professionals working in the sector.

The team further recommends that the Agency continues to develop and enhance its organisational structure in accordance with the principles of the “matrix organisation” and to ensure the recruitment of more senior sectoral leaders.

0.4.7 *Training and employee development*

The evaluators recommend that the Agency enhance the training opportunities for Programme Managers (PM) and Task Managers (TM) to strengthen their abilities and effectiveness in their role as change agents within their respective fields. The enhanced staff training system of the Agency should be directed towards the following main elements:

- Systematic induction of new programme managers and task managers in the requirements of the SAp and the EU;
- Enhance the ability among programme managers and task managers to diagnose the causes of resistance to change;
- Develop interpersonal persuasiveness and tact as part of implementation skills; and
- Introduce a system for continuous identification of training needs of the agency’s staff.

1 STRUCTURE OF THE SYNTHESIS REPORT

The Synthesis Report is structured in 3 volumes.

This **Volume I** contains the Part C report which is segment of the output of the overall study “Evaluation of the Implementation of Council Regulation 2667/2000 on the European Agency for Reconstruction (EAR) called the “*Agency Regulation*”.

In addition to Chapter 1 - Executive Summary and Chapter 2 – Introduction, this Volume I containing the full PART C Report is structured in five chapters. Chapter 3 presents a summary of PART A Report on the background and the history of the Agency. Chapter 4 describes the overall evaluation study framework and explains the methodology followed in this PART C of the study. Chapter 5 presents the analysis of the findings for each of the Evaluation Questions, Judgment Criteria, and data collection methods agreed upon with the EuropeAid’s Evaluation Unit in February 2004. Chapter 6 contains the conclusions and Chapter 7 presents the recommendations of the evaluation team.

The reader can find a detailed description of the background, history, and the present activities of the Agency in “*Summary of Activities*” in Part A and a “*Confirmation of legal obligations and functioning according to the Agency Regulation*” in Part B of the report. Both Part A and Part B are included in **Volume II** of this report.

Volume III contains the various Annexes developed in support of the main text of the report. In addition to the Terms of Reference in *Annex A*, **Volume III** includes: the list of people met during the field visits (*Annex B*); the Bibliography (*Annex C*); the implementation status of the assistance managed by the Agency (*Annex D*); the agendas of the different field visits (*Annex E*); the evaluation questions matrix (*Annex F*); and the statistical analysis of the data collected (*Annex G*).

PART 2: THE EVALUATION FRAMEWORK

2 SUMMARY OF THE BACKGROUND AND THE HISTORY OF THE AGENCY

The European Agency for Reconstruction (the Agency) was created as a direct offshoot of the Kosovo crisis in 1999. After the end of the conflict in the early summer of 1999, the European Council invited the European Commission to elaborate proposals for an agency to be charged with the implementation of Community reconstruction programmes following the conflict. In July 1999 the European Commission's Task Force for the Reconstruction of Kosovo (EC TAFKO) was set up as a temporary body in Kosovo. The Agency took over from EC TAFKO and started its operations based in Pristina, Kosovo in February 2000.

Initially, the legal basis for the Agency's activities was the Regulation 2454/1996, which established the organisation, structure, and main activities of the Agency. The financial and procedural background for the operations of the Agency was however based on the OBNOVA programme (Council Regulation 1628/1996) and the PHARE programme (Council regulation 3906/1989).

In May 2000 the headquarters of the Agency was established in Thessaloniki, Greece.

Following the political changes in Serbia the General Affairs Council in October 2000 decided that the activities of the Agency should be extended to Serbia and Montenegro. As a result of this, the Commission in January 2000 transferred the responsibility for the implementation of all of its assistance programmes for Serbia and Montenegro to the Agency.

In order to establish a single legal framework for Community interventions in the Western Balkans, previous Regulations were replaced in December 2000 by a new Council Regulation 2666/2000 called "*Community Assistance for Reconstruction, Development and Stabilisation*" (CARDS) on assistance for Albania, Bosnia and Herzegovina, Croatia, the Federal Republic of Yugoslavia, and the former Yugoslav Republic of Macedonia. In parallel to this new Regulation, Regulation 2454/1996 was also replaced by Council Regulation 2667/2000, the *Agency Regulation*.

Finally, in December 2001, the Agency was asked to assume management responsibility for EC assistance programmes in the former Yugoslav Republic of Macedonia. As a consequence, the Agency started operating in this country in January 2002.

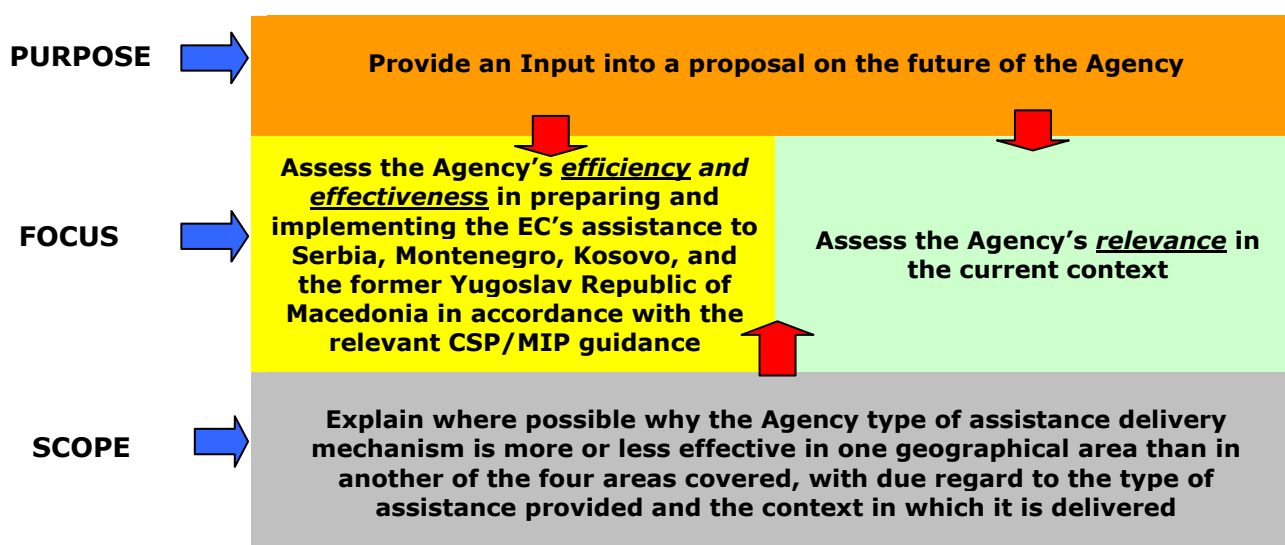
3 THE OVERALL EVALUATION FRAMEWORK

3.1 OBJECTIVE OF THE EVALUATION AND ITS SCOPE

This evaluation study is a legal obligation deriving from Article 14 of the Agency Regulation. That article required that by June 2004 the Commission should submit to the Council an evaluation to be used as the basis for a proposal on the status of the Agency.

The purpose, the focus and the scope of the evaluation are summarised in the following exhibit:

EXHIBIT 1- THE PURPOSE AND THE OBJECTIVES OF THE EVALUATION



3.2 THE PHASES OF THE EVALUATION

The study is divided into three main phases:

- The objective of the structuring phase was definition of the overall methodology for the study, including the agreement with the Commission on the *Guiding Principles*, the *Main Evaluation Issues* and definition and interpretation of the *Evaluation Criteria* to be used during the study. The output of this phase, which took place over the month of November 2003, was the *Inception Note*.

- The ***descriptive phase*** aimed at presenting the Agency's activities since its creation with an historical perspective. It covered its governing arrangements, reporting, planning and other managerial aspects, and its organisational and personnel structure. This phase required extensive consultation of documents and interviews with Commission staff in Brussels and during exploratory visits to the Agency in Thessaloniki, Pristina and Skopje. The outputs of this phase, undertaken in December 2003 and January 2004, were the ***Part A Report*** and the ***Evaluation Matrix***.
- The ***field phase*** consisted of collecting the data needed to answer the Evaluation Questions agreed with the Evaluation Unit to assess the Agency's progress in achieving its objectives. During this phase the four Operational Centres (OC) in Belgrade, Pristina, Podgorica, and Skopje were visited, each for 3 days, to meet with both Agency staff and other local stakeholders (i.e. government, project beneficiaries, representatives of EU Member States [MSs], other donors and civil society). This phase also included participation as observers by some of the team in the Agency's Governing Board meeting of January 2004 and in the CARDS Committee of February 2004. The output of this phase, which lasted until the end of April 2004, is the ***Part C Report*** which assesses the Agency's progress in meeting the objectives assigned to it by the Commission in relation to CARDS.

For each of the above phases there was a meeting with the Evaluation Unit at which the outputs were presented and discussed.

3.3 THE METHODOLOGICAL APPROACH

The analysis used in the study embodied five guiding principles, a specific interpretation of aspects of the OECD/DAC evaluation criteria and the Maastricht Treaty articles, and four main evaluation issues based on an institutional organisation model.

3.3.1 Guiding Principles

- a. The Agency's business should be conducted in a way that makes ***the best possible use of EC aid money for the countries-entities in which the Agency operates***. The Agency management responsible for spending the EC aid money must ensure that its decisions result in ***efficient and effective use of people, goods and money to achieve the intended results***.
- b. Those who manage the Agency's business should be accountable for prudent and effective management of the resources entrusted to them. ***Organisational arrangements must be such that responsibility for action and control is clearly assigned*** and that suitable arrangements are in place to permit responsible officials to account clearly to their superiors. It means that *reporting* both within the Agency and to the European Commission and the European Parliament (EP) ***must be adequate, accurate and timely***.
- c. ***The Agency is an EU instrument for the delivery of EC assistance*** to a specific region which has high political and strategic importance for the future stability of Europe and to which the European Union has expressed a clear commitment to make it an integral part of a unified Europe³. This means that this evaluation of the Agency cannot be carried out in isolation from the ***regional context and political and institutional framework***.

³ EU-Western Balkans Summit of Thessaloniki, 21 June 2003 and General Affairs and External Relation Council meeting, Luxembourg 16 June 2003

- d. Ownership of the process and its results is a key factor for sustainability of the assistance. Thus the *quality of the dialogue with the national authorities and beneficiaries* has special relevance.
- e. The results of this evaluation will be used to decide the future of the Agency. The *widest stakeholder consultation possible* within the time and budget limits will be therefore carried out to ensure full understanding of the issues and expectations from this study, but also to triangulate the information gathered so as solidly to support the findings.

3.3.2 Evaluation Criteria

The evaluation of the Agency takes into account the evaluation criteria of *relevance, efficiency, effectiveness* derived from the OECD/DAC definition and *complementarity* and *coordination* as defined in the Maastricht Treaty. The criteria of *impact* and *sustainability* in relation to Commission support are specifically addressed in the separate evaluation report on CARDS.

EXHIBIT 2- THE EVALUATION CRITERIA, THEIR DEFINITIONS AND THEIR INTERPRETATION

EVALUATION CRITERIA		
Criterion	Definition	Interpretation
Relevance ^a	<ul style="list-style-type: none"> • The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, global priorities and partners' and donors' policies 	<ul style="list-style-type: none"> • Evaluation of the Agency delivery model in relation to the changed/changing context of the CARDS country-entity, EU-Balkans relations process, EC aid management reform • The evolution of the mandate will be also taken into consideration with regard to the changing environment
Efficiency ^a	<ul style="list-style-type: none"> • A measure of how economically resources/inputs (funds, expertise, time etc.) are converted into results 	<ul style="list-style-type: none"> • Evaluation of the utilisation of human, financial and other resources, including assessment of performance measures and monitoring arrangements, and the process related to their application • Evaluation of the process delivering the outputs in relation to the inputs utilized
Effectiveness ^a	<ul style="list-style-type: none"> • The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance 	<ul style="list-style-type: none"> • Evaluation of the results (quantity and quality) achieved in relation to the mandate of the Agency
Complementarity ^b	<ul style="list-style-type: none"> • The Community policy shall be complementary to the policies pursued by the Member States • The Community policy shall comply with the commitments and take account of the objectives approved in the context of the UN and other international organisations 	<ul style="list-style-type: none"> • Checking for any overlap between the actions of the Agency and Member States in the countries-entities in which the Agency operates • Evaluation of sectoral complementarity with other donor initiatives, in particular the Member States
Coordination ^b	<ul style="list-style-type: none"> • The Community and the Member States shall coordinate their policies and consult each other on their aid programmes. They may undertake joint actions. • Member States may contribute to implementation of Community aid programmes • The Community can take initiatives to promote coordination 	<ul style="list-style-type: none"> • Evaluation of the Agency's participation in the coordination of development co-operation practices and consultations between the EC's and Member States' programmes • Evaluation of the Agency's management of Member State or other donor funds • Evaluation of the Agency's initiatives on, and participation in, donor coordination meetings

Sources: (a): *Glossary of Key Terms in Evaluation and Result Based Management, DAC/OECD, 2002*

(b): *Maastricht Treaty, Articles 177 and 180.*

3.3.3 Main Evaluation Issues

The evaluation was based on the following **four main organisational issues**:

➤ *Governing Arrangements and Relations with Stakeholders*

This issue defines the activities that the Governing Board and institutional stakeholders carry out in conjunction with Agency management to ensure that the Agency's core objectives, mandate, specific goals and required actions fall within the limits of the Agency Regulation. It also includes Agency dialogue with the different stakeholders, and the Agency's communications strategy and information systems.

➤ *Planning and Other Managerial Processes*

This covers all Agency management decisions on use of resources, in the context of its mandate, in response to the demands, constraints and opportunities presented by the environment. This includes for instance how the Agency develops annual programmes and individual projects in line with the guidelines (CSP/MIPs) and other established strategic priorities; its management plan and capacity for using monitoring and evaluation mechanisms to compare achieved and expected results; its ability to assess the situation and change direction if necessary; its system to ensure efficient and effective operations, and coordination and complementarity with other donors.

➤ *Organisational Arrangements, Structure and Culture*

This covers the means by which the Agency's human resources are coordinated, integrated and synchronized to achieve its objectives, including for instance its structure and culture; division of responsibility between HQ and OCs; organisational indicators of results and ownership; and working relations with EuropeAid, DG RELEX and local authorities.

➤ *Operational Aspects of the Agency*

This covers the formal business processes, information systems, resource allocation and human resource management practices of the Agency to ensure that appropriate skill levels, experience, commitment, morale and physical work environment are achieved for maximum success. This includes, for instance, human resource and personnel policy including definition of the necessary job-related requirements for key positions, selection procedures, division of work, the appropriate number and the quality of staff in total and by category, and the use made of information systems and technologies for the overall management of the Agency.

3.3.4 The Evaluation Questions and the data collection methods

The Evaluation Questions have been developed from the Terms of Reference and the findings of Part A Report, taking into account the results of the interviews carried out in the early months and the visits to the Agency's Headquarters and Operational Centres. The Evaluation Questions are clustered according to the main evaluation issues defined above.

In total, **17 questions** were finally agreed with the Evaluation Unit: nine are reformulation of questions already included in the Terms of Reference, 4 are revisions of existing questions, 2 are new questions, and 2 follow their original formulation. For each Question one or two Judgment Criteria were identified (see *Volume III, Annex F* for the full *Evaluation Matrix*).

Exhibit 3 here below illustrates the link between the main evaluation issues, the evaluation criteria and the Evaluation Questions.

EXHIBIT 3- THE EVALUATION MAIN ISSUES AND EVALUATION CRITERIA

MAIN ISSUES	EVALUATION CRITERIA					EQs
	RELEVANCE	EFFICIENCY	EFFECTIVENESS	COMPLEMENTARITY	COORDINATION	
Governing arrangements and relations with the stakeholders				✓	✓	1,2,3,4,5,6
Planning and other managerial processes	✓		✓			7,8,9,10,11,12,13,14,15
Organisational arrangements, structure and culture		✓				16
Operational aspects of the Agency		✓				17

Subsequent to agreement on the Questions, Judgment Criteria, and the methodology for data collection, the following took place:

- **Individual and group interviews.** Individual interviews were held with senior managers in the Agency and EC Delegations, with government officials, and with locally-based donors. Interviews were also organised with MS delegates who, during the course of Governing Board or CARDS committee meetings, requested individual meetings with the Team. Group interviews were used for meetings with MSs operating locally, with beneficiaries, and with Agency technical staff. A questionnaire was used as a checklist (*Volume III, Annexe B* list the people met and the agenda of the field visits respectively).
- **Direct observation.** As indicated above, a team member attended the January Governing Board meeting and the February CARDS Committee meeting as an observer. Furthermore in Belgrade and Podgorica, given that in certain cases the field visits were conducted in parallel with CARDS evaluation field visits, the team took part as observes in workshops organised in the framework of that evaluation (typically those involving the Agency's sector programme managers, beneficiaries and contractors).
- **Survey of Governing Board representatives of the MS.** A written questionnaire with 9 questions was sent electronically to representatives of the MS in the Governing Board. 10 out of 15 MSs have answered (see *Volume III, Annex G* for details).
- **Survey to the Programme Managers (PMs), Task Managers (TMs) and Senior Management of the Agency's OCs.** During the field visits two questionnaires (one for programme managers and task managers and one for senior management), with 15 and 17 questions respectively, were distributed to the staff of the Agency. Globally out of 72 people to whom the questionnaires were distributed, 51 have answered (see *Volume III, Annex G* for details).
- For each question, respondents were given a three level scale – High, Medium, and Low – to record their level of satisfaction, approval or agreement with a given Judgement Criteria presented as a statement.

During the questionnaire tabulation process specific weight was assigned to each of the three levels of the scale. 3 points were assigned to a “High” response, 2 points were assigned to a “Medium” response and 1 point was assigned to a “Low” response.

Averages were calculated by adding all the points for each Judgement Criteria by groups of respondents. These averages could vary from a low score of “1” to a maximum high score of “3”.

Based on normal distribution statistics evaluators grouped the results of the questionnaires into the following intervals of averages:

- An average score between **2.76** and **3.00** is considered : Much Above Average;
- An average score between **2.25** and **2.75** is considered : Above Average;
- An average score between **1.75** and **2.24** is considered : Average;
- An average score between **1.25** and **1.74** is considered : Below Average;
- An average score between **1.00** and **1.24** is considered : Much Below Average;

Some groups of respondents were further grouped together to permit broader averages for comparison purposes. The results of the survey questionnaire are presented in full in the Tables of *Volume III, Annex G* of the report.

PART 3: ANALYSIS OF MAIN FINDINGS

The answers presented here below are structured in accordance with the main evaluation issues around which the Evaluation Questions are clustered. Within each main issue answers are presented for the individual questions.

4 GOVERNING ARRANGEMENTS AND RELATIONS WITH THE STAKEHOLDERS

4.1 EQ 1. ON THE VALUE ADDED BY THE GOVERNING BOARD (GB)

To what extent have the governing arrangements for the Agency added value to the work of the Agency?

Most MS representatives and Agency personnel indicated that they believe that the Agency's governing arrangements add moderate value to the work of the Agency. [Table 1, Annex G]

With respect to the GB contribution, the data from interviews and the surveys indicate that

- Representatives of the MS on the Governing Board vary in terms of:
 - skills, knowledge and local understanding, and
 - knowledge of, and motivation, involvement and interest in, the Agency's work and results
- Some MS representatives play a very active and positive role on the GB and present fully and fairly the diversity and various perspectives of all their officials in the cities where the Agency operates. Some others do not. This deprives the Agency management of information towards an integrated and global perspective in their endeavours to formulate a cohesive and collaborative strategy and programming⁴.

The GB meets “de facto” normally four times per year; however, this is the minimum foreseen in Council Regulation 2667/2000. Additional meetings could be foreseen if considered appropriate. Three of these meetings are for approximately 6 working hours⁵. There is one meeting per year - usually the last GB meeting of the years held in December - which could last up to a maximum duration of about 10 working hours, during which the Agency programming and the APs are discussed and debated. In this case the meeting is usually extended over two sessions: morning and afternoon.

Most GB representatives interviewed reported that this once a year 10 hours meeting is not sufficient for a thorough understanding and discussion of the complex issues relating to strategic direction, policy, programming and planning.

Evaluators were informed that in general the number of participants in the GB meetings does not exceed an average of 40. The exception is when the GB discusses the APs; then the number of attendants could increase to roughly 70 to 90 people.

⁴ For example during the GB meeting in early January 2004 where the APs of the Agency were debated and endorsed by the GB some of the representatives of the MS never participated and provided no information to the management of the Agency on their country's programming or priorities.

⁵ A meeting normally last 6 hours but can be extended to almost 10 hours.

The meeting attended during the month of January 2004 by the evaluators was the one during which the APs for the year 2004 were reviewed and reportedly was the largest ever.

The GB meeting modality seemed inappropriate given the considerable amount of information to be reviewed, analysed and discussed during the 10 hours allotted for the meeting. With 70 to 90 people present at the GB meeting, its method resembles that of a seminar, where short, condensed presentations are followed by comments and a question-and-answer period. In its present format the GB's role in the overall programming aspects of the Agency's responsibilities acts like a mere "Advisory Forum" to the Agency Director.

4.2 EQ 2. ON THE GB AND COORDINATION AND COMPLEMENTARITY WITH MS

To what extent has the existence of the Board facilitated co-ordination and complementarity between the programmes of the Agency and those of Member States?

According to the survey results, for most respondents the existence of the GB has to some extent facilitated co-ordination and complementarity between the programmes of the Agency and those of the MS. [Table - 2 of Annex G] On the other hand, the interviews with GB members indicate that rather few MS representatives contribute significantly in GB meetings with comments or suggestions, others contributing only marginally. Further, the indications are that the GB has generally played only a limited direct role in ensuring coordination between donors and complementarity of the Agency's project activities.

Coordination and complementarity, especially in the "softer" and more strategic developmental areas (such as Public Administration Reform, institutional strengthening, reorganisation of a given ministry or privatisation of governmental services) are becoming increasingly crucial issues in ensuring the effectiveness of funds spent. They become even more important when more than one MS is involved in assisting a given ministry or governmental institution. Some MSs' aid money exceeds even the Agency's aid budget for a given country-entity in a given year, for example the Netherlands' aid budget for the former Yugoslav Republic of Macedonia almost exceeded the Agency's aid budget for that country in 2004. Divergence in goals and contradictions of purpose are detrimental to the EU's image. In addition, this coordination is needed not only at country-by-country level but also at regional level.

4.3 EQ 3. ON AGENCY COORDINATION AND COMPLEMENTARITY WITH OTHER DONORS

To what extent has the Agency's work in preparing and implementing the activities entrusted to it been coordinated, are complementary to and in harmony with the other international organisations active in the field?

Surveyed respondents considered that coordination and complementarity between the Agency programmes and projects and those of other international organisations active in the field is working generally well. [Table 3, Annex G]

- In relation to the **MSs**, coordination was rated quite positively and in addition to the GB role above described, it was achieved through:

- Agency task managers coordinating with MSs in programming and implementation of individual Agency project activities;
- Bi-weekly or monthly (depending on the OC) coordination meetings arranged by the Agency for all MS. Usually 8-10 MS representatives participate in the meetings;.
- In relation to the **EC Delegations** marked differences were noticed between the cities where the Agency operates and where there is a Delegation (Belgrade and Skopje).
 - In **Belgrade** close cooperation with the EC Delegation is ensured through regular meetings between the Head of OC and the Head of Delegation. We understand that the Head of Delegation is pleased with the division of responsibilities between the personnel of the Delegation and of the Agency. The Delegation deals with the political aspects and the Agency with the aid delivery and assistance programmes. This division of responsibilities does not seem to cause friction between the EC Delegation and Agency personnel. Agency programme managers are in regular contact with Delegation officials on issues that involve both Delegation and Agency responsibilities and collaboration between these two structures seem extensive and task-oriented.
 - In **Skopje** relations between the EC Delegation and the Agency cannot be characterised as smooth. There seems to be significantly different interpretation of the roles and the duties of, and the division of responsibilities between, the Delegation and the Agency.
 - The Delegation considers that the absence of an operations/assistance section, which was suppressed when the Agency was established, prevents it from fulfilling properly certain tasks related, for instance, to sector analysis and reporting. Tasks that are usually performed by this operations/assistance section in a “deconcentrated” Delegation are related to the CARDS “Regional” programme and other initiatives. With the end of the “deconcentration” process, in Skopje the Delegation claims that it does not have the operations/assistance capacity to perform the tasks associated with sector analysis and reporting. The Delegation considers that a possible solution would be that these tasks should be performed by the Agency.
 - The Delegation –as the representative of the Commission which manages the SAA on behalf of the EU - plays a central role in making sure that all information relating to the SAp is properly distributed within the Commission services and the other competent EU bodies, and on the other side as the main communication channel with the government among locally established EU bodies, as a supportive element to the SAA (and before that Cooperation agreement) structures. As CARDS is a supportive element to the SAp, project design and implementation cannot be decoupled from policy dialogue between the Commission and the government. Delegation officials consider therefore necessary that projects managed by the EAR, which address significant legal and policy issues and which are at the centre of the dialogue between the government and the Commission (be they related to the *Acquis Communautaire* or not⁶) should be managed by the EAR in close cooperation with the Delegation.
 - It should be noted that the proliferation of EU bodies in Skopje (EUSR Office, EU Police Mission, EUMM, EAR, and EC Delegation) renders any clear understanding on their respective roles quite challenging.

⁶ As an example one could cite projects aiming at setting up a training centre for the judiciary, which however may imply significant changes in the legislation, therefore requiring strong coordination between the inputs provided by the relevant CARDS project managed by the EAR and the policy advice given by the Delegation on behalf of the Commission in line with the requirements of the SAp and the future European Partnership.

➤ In relation to other donors and IFIs:

- Coordination with the IFIs has been reported to be quite high. In cities where the Agency has OCs the indications are that OC Heads play a constructive role in donor co-ordination and that in general a high degree of complementarity has been achieved in the delivery of assistance. Co-ordination is carried out during preparation and programming as well as implementation, for example where involved donors in many cases members of the project Steering Committees. Despite some reported cases of potential overlap in funded projects, positive statements on the Agency's effort in ensuring coordination and complementary was expressed by donor representatives (EBRD, WB) and also by the representatives of beneficiary organisations in the countries-entities. For instance the World Bank is closely associated with the Agency's activities in a number of sectors such as energy, public administration reform, vocational and educational training. As regards Good Governance, there is close collaboration between the Agency, the World Bank and DFID: the three institutions have extensively discussed sector priorities and achievements in the short and medium term. There is an ongoing and regular Agency collaboration with the EIB, the Council of Europe representatives and the European Training Foundation (ETF) on a number of projects. There is also close co-operation on pay system reform among the same actors, both in Serbia and Kosovo. With other bilateral donors such as USAID, collaboration is more *ad hoc* and is mainly carried out at programme or task manager level in relation to the programming process and to the implementation of specific projects and programmes.

➤ In relation to local government:

- With regard to UNMIK, the Agency's performance in terms of coordination and complementarity is particularly good. The Agency coordinates closely its activities with UNMIK, in particular with Pillar I (Police and Justice, under leadership of the UN) and EU Pillar IV (Reconstruction and Economic Development, led by the EU). A representative of the Agency is present at regular information and morning coordination meetings of EU Pillar IV. Activities are also coordinated, but mainly at project level, with Pillar II (Civil Administration, under UN leadership) and Pillar III (Democratization and Institution Building, led by OSCE). From the Agency's side, the main coordination activity occurs in the annual programming process and through continuous contact at project level with the Provisional Institutions of Self-Government (PISG) institutions. The PISG plays an increasing role in coordination. However, the institutions are still weak and lack sufficient capacity. The Ministry of Finance and Economy has established an office aimed at assuming a leading role for donor coordination in the future.
- In **Podgorica** a significant element of the coordination effort with the beneficiary government is the monthly meeting of the Head of OC with the Prime Minister of Montenegro.

4.4 EQ 4. ON THE GB AND THE TRANSLATION OF CARDS INTO THE LOCAL CONTEXT

How far has the Governing Board of the EAR assisted the Agency and is ensuring that the priorities of CARDS (including decisions subordinate to the CARDS Regulation taken by the management committee) are effectively translated to the context of the countries/entities concerned?

Ensuring consistency with CARDS priorities is part of the GB's mandate and the issue is also occasionally raised by individual MS representatives on the Board. From the survey it transpires that representatives of the MS believe that the GB has effectively assisted the Agency in translating the CARDS priorities to the context of the countries/entities concerned. [Table 4, Annex G]

EU and CARDS priorities are communicated through various means and channels of which the GB is only one; the role of the GB in this respect is limited, taking also into account the Board meeting modalities. The main instrument for achieving compliance of the Agency's activities with CARDS priorities is the comprehensive annual programming process based on the priorities set out in the CSPs and MIPs and the close consultative processes that take place between the individual Agency OCs and Commission staff during the programming process.⁷

In addition, frequent dialogue during project and programme implementation with Commission staff at both the operational and the general management levels contributes further to compliance with CARDS priorities.

Considering this elaborated process and since only during the last GB meeting of the year held in December that the Agency programming and the APs are discussed and debated before submission to the CARDS committee, the input of the GB in the programming process and ensuring translation of CARDS into the local context is minimal.

4.5 EQS 5 & 6. ON THE EXPECTATION OF THE STAKEHOLDERS

To what extent has the "model" of the Agency met the expectations of "clients" and stakeholders (especially those in partner countries)?

and

To what extent have the outputs of the Agency met the expectations of key stakeholders?

4.5.1 Agency-wide

On the question of the "Agency Model", most MS representatives, IFI representatives (WB, EBRD), USAID and beneficiary organisation officials expressed satisfaction with the operations of the Agency but expressed the view that the EU structure is not clear, particularly the division of responsibilities between Brussels, the Delegation and the Agency.

⁷ The GB members know that their MS colleagues attending the CARDS Committee have reviewed and agreed in advance the MIPs which are the guide for the AP contents

MS involvement in Agency programmes at local level is perceived as satisfactory. MS are well informed of the Agency's country-entity activities through monthly meetings which, since 2002, have been continuously improving with efforts towards greater transparency.

Tables 5, 6, and 7 of Annex G show that the "Agency Model" and Agency outputs consistently met the expectations of the "clients" and key stakeholders. On both accounts (model and outputs) the performance of the Agency was mostly rated as above average. It should also be noted that none of the dimensions of Evaluation Question 5 received a below-average score in any of the OCs.

For all Agency OCs stakeholders reported clearly that staff enthusiasm, which they often encountered, was probably a consequence of the good, constructive and well-structured internal working climate and organisational dynamics of the Agency.

The evaluators endorse these observations, which are also supported by the results of the survey, viz. Table 6 of Annex G. By way of illustration of the main survey results, the following dimensions of the internal working relations and working conditions of the Agency have all received scores of from above average to much above average:

- Autonomy and empowerment of staff
- Informal internal communication patterns
- Lateral communications and inter-group cooperation and coordination
- Working climate and quality of personal relationships
- Attitude to work
- Tight monitoring of progress towards realisation of the objectives

On Agency outputs, the general opinion of the local MS representatives and Agencies responsible for bilateral assistance is that their participation in local aid management at Steering Committee level should be in proportion to their relative share of aid funds committed to a given country-entity.

Most donors at local level expressed the opinion that there should be more coherence (as well as involvement by the MS) at the more global macro-economic and policy levels. Instruments such as the World Bank Country Assistance Strategy (CAS) and the EU Country Strategy Paper (CSP) should be developed in coordination with the Governments of the region with a view to building consistent programmes in support of over-riding priorities such as unemployment, structure of public administration, local self-government and environment. The Agency can identify its role within these larger macro-economic and social priorities and perform them well because it has the mechanism for delivering aid effectively and efficiently.

4.5.2 *Belgrade Operations Centre*

Even though the Government of Serbia is reasonably satisfied with the Agency's programmes and projects and with the overall impact of international assistance provided since 2000, on several occasions concerns have been expressed that donor practices do not always fit well with Serbian national development priorities and systems, including national budget, program, project planning cycles, and public expenditure and financial management systems. Serbia is concerned that external assistance should be delivered in accordance with country development priorities and built on country ownership and leadership.

During the period after the fall of the Government of Slobodan Milosevic and the establishment of the Agency in Belgrade there was a need for the Agency to be a strong driving force to help the new regime move forward with projects in infrastructure reconstruction, renovation and rebuilding. At present the Agency is re-profiling its activities in favour of institution and administrative reforms and strengthening of ministerial and organisational structures.

This repositioning of the Agency's programming is also motivated by the government of Serbia's desire for increased reliance on national institutions and systems for implementing, reporting on and monitoring of external aid. The Government is also aware that a gradual shift from largely external accountability to more domestic accountability to citizens is necessary for really effective aid. This would require better focused, more effective resource allocation mechanisms and higher concentration of scarce local and international capacity to make a serious impact and provide more time for implementation.

Moreover, since Serbia has been moving in the direction of a Stabilisation and Association process (SAP), European integration and long term development, the Government is no longer willing to let the Agency or donors drive the country's reform process.

Therefore, under the leadership of the Ministry of International Economic Relations (MIER) and with the aim of creating a focal point for the coordination of international support, a unit called: *Development and Aid Co-ordination Unit* (DACU) was established within the MIER. DACU's task is to promote national priorities through close co-operation with donor and development partners, with the aim of supporting economic growth, reforms and sustainable development.

Relations between the DACU and the Agency seem excellent at an operational day-to-day level. However, the DACU and the MIER believe that, owing to the ongoing shift from emergency and humanitarian aid to medium and longer-term development assistance in the context of the SAP, both planning and implementation of international assistance will become more complex and challenging. Hence, the MIER considers that it is crucial for the Government of Serbia to develop capacities and capabilities in policy formation and programme development in relevant government institutions, enabling them to take the lead in Serbia's own development efforts.

In addition the Prime Minister's Office and the General Secretariat of the Government is taking on the central function of overseeing and facilitating implementation of the SAP and European Integration. To maximise the future impact of the Agency and other donor assistance, the Serbian Government believes it is important to ensure effective integration and linkages to the overall reform process as defined in specific sector strategies and in the overarching European Integration agenda. It is the Government's objective to develop this function in conjunction with the recently initiated process of strengthening the central government co-ordination mechanisms.

The Agency and the WB are expected to be the key development partners in Serbia's SAP and in the reform process in general.

As regards implementation of the CARDS programme, satisfaction levels vary from one sector to another, though globally all beneficiaries were satisfied with the projects funded by the Agency. Satisfaction is definitively very high in the energy and environment sectors, but in areas such as democracy, rule of law and minority issues stakeholders drew attention to a very slow process and approach, the media sector being the only one where a clear and visible impact on development of democracy was evident.

4.5.3 *Pristina Operations Centre*

Interviews were conducted with representatives from key beneficiary government institutions, i.e. the Kosovo Assembly, the Prime Minister's Office and Ministry of Finance and Economy.

Generally the key stakeholders are very satisfied with the results of the assistance provided by the Agency. Stakeholders point to occasional delays in project and programme implementation, mainly seen as due to procedural circumstances outside the control of the Agency or to conditions within the beneficiary institutions themselves.

- The Assembly officials regard cooperation and ongoing communication with the Agency as very satisfactory. The Agency is regarded as a responsive partner and visibility of community assistance is perceived as good. Project implementation delays in implementation of a Document Management System and in support for the institutional development of the Assembly Secretariat, but this is partly attributed to general procedural matters, again on the side of the Assembly itself. One of the Assembly officials estimates that 80-85% of all Agency deliveries are on time and in order.
- Prime Minister's Office: as the general secretariat for the PISG (Provisional Institution for Self Government), all laws pass the Prime Minister's office before submission to the Assembly for approval. The degree of ownership of a number of laws previously instituted by UNMIK is low. Cooperation with the Agency is perceived as very satisfactory and provides much needed capacity-building in the formulation and drafting of new legislation in line with EU standards and the *acquis*. The SAp approximation process is still only embryonic. Engagement of qualified local lawyers is a significant problem because of low salaries, and until September 2003 the Legal Office only had 3-4 lawyers. Currently more than 50 laws have passed the Prime Minister's office, of which around 40 have been through parliament. Generally it is or will be possible to draft appropriate legislation, but the overriding problem is to ensure law enforcement in Kosovo.
- Ministry of Finance and Economy: the Agency is considered a responsive and very cooperative partner, although in the past it had a tendency to offer services without a sufficiently need-based approach. The 2004 programme has however been worked out in close collaboration with the Agency, which includes three main elements directed towards implementation of new systems for a) budgeting, b) auditing and c) public procurement. The Ministry of Finance and Economy has recently established an office through which it expects to assume a significant or even leading donor coordination role in future.
- Interviews with representatives from both the WB and the IMF further supported the positive feed-back on the Agency's performance. The Agency was described as "possibly the best donor in Kosovo".

4.5.4 Podgorica Operations Centre

Group interviews were conducted with high-level representatives from eight line ministries and government institutions, i.e. Prime Minister's Office and Ministries of environment and urban planning, economic affairs, internal affairs, education, agriculture, and maritime trade and transportation, and with mayors of four beneficiary municipalities.

The assistance provided by the OC and the way it is implemented is highly appreciated by the stakeholders, and expectations are generally met to a very high degree. The stakeholders are very satisfied with the operational cooperation of the OC, and the centre is seen as a trustworthy and professional partner responsive to the needs of recipients. It was expressed as a general perception that the Agency delivers quality and timely assistance. The OCs are also seen by local stakeholders as visible evidence of the EU's presence. Many interlocutors also stressed that the

Agency's presence in the republic is vital for its stability and well-being. The Agency is also seen as an impartial and professional player, free from party political and national considerations.⁸

Some stakeholders found the MIP too rigid and inflexible in respect of limitations on funds available for project assistance. Generally, key stakeholders expressed that although the Agency is the second largest donor in the republic – USAID being the largest - more CARDS funds could arguably be utilised in Montenegro. Some recipients thought Agency procedures and paperwork should be reduced to release more time for task managers to engage themselves more directly and more frequently in project implementation. It was stated that task managers are over-worked, making it sometimes difficult to contact them.

4.5.5 Skopje Operations Centre

Interviews were conducted with the representatives of the Government of the former Yugoslav Republic of Macedonia across a number of ministries, representatives of SMEs and local governments, USAID, EBRD, WB, the Delegation, the EU Special Representative and the EC Desk Officer for the former Yugoslav Republic of Macedonia.

Overall, stakeholders expressed satisfaction with the programme implementation process which has improved since the Agency began operations in the country. By mid-January 2004 about 75% of the backlog had been absorbed (updated and re-programmed) and more than 50% contracted. At the same time 32% of the CARDS allocations for 2002 and 2003 had been contracted⁹. From 1996 to 1999 the decentralised model was supporting a CFCU in the Ministry of Finance, while there was technical assistance support for the Programme Management Units (PMUs) within the Ministries of Agriculture, Finance, Environment and Transport, among others. According to the officials of the Sector of European Integration this “decentralised model” did not work because the Commission did not provide enough support and managerial capacity. As an inevitable consequence, the whole process was continuously delayed and the PMUs and CFCU were unable to prepare tenders and meet Commission requirements on time.

The effectiveness and the efficiency of the Agency seem to reflect the capacity and the dedication of the programme managers and the good relations between the programme managers, task managers and the beneficiary institution counterparts. However this seems to vary according to the sector of cooperation:

- **Sector of European Integration** relations with the Agency are more difficult in this area. The Government of the former Yugoslav Republic of Macedonia did not support the extension of the Agency's mandate. The Government's current effort is to build capacity for aid co-ordination and the European integration process, for example in terms of approximation and institution-building. Significant effort is put into training civil servants on EU matters, both strategic and operational, through a contract under which at least three years' work will be carried out in public administration. The presence of the Agency is seen as undermining this effort. Furthermore the Government considers that the separation between Agency and Delegation is an impediment to the necessary linkage between the political and policy dialogue and the actual programmes, and therefore does not correctly reflect the Government's effort and eagerness to speed up the SAp.

However, since the new instruments being introduced, such as the SAp, are so very different from the previous instruments and are still unknown, officials did not wish to comment on their appropriateness to the situation in Skopje.

⁸ Source: findings from the CARDS field mission in Montenegro, February 2004

⁹ Source: findings from the CARDS field mission in the former Yugoslav Republic of Macedonia, December 2003

- All **Ministries** in general declared their satisfaction with their interaction with the Agency and found the Agency programmes appropriate to their respective needs.
 - Justice: generally satisfied with past and current programmes (PHARE 2000, Cards 2001, 2002, 2003). There are sufficient projects but ministry officials expressed a need for more trained personnel to manage the projects.
 - Economy: some contradictory opinions were expressed within this ministry. Some officials were satisfied and others were not with the Agency's collaboration for the last two years.
 - Environment: the programming cycle is considered too long. Ministry officials claimed that projects designed in 1999 by the Commission/Delegation were only being implemented in 2004. The Agency always informs and invites the ministry to send representatives to tender evaluation committees. Ministry representatives were unsatisfied with the cross-border cooperation and the information they were receiving from the Regional CARDS programmes managed by EuropeAid.
 - Interior: officials were very satisfied and pleased with the activities of the Agency and had misgivings about the approaching end of the Agency's mandate. In particular, the learning and capacity building activities are considered important for ministry officials, and the equipment delivered was much needed. In the Police Reform programme the transfer of knowledge from the EU MSs is much appreciated.
- **Local Government:** the Agency's role is rated as very important on the road to EU accession. Today the government is considered too centralised. Thus Agency programmes such as democratic institution capacity-building (training civil servants in financing and administrative skills) and small infrastructure projects for municipalities are considered very important. Compared to 2002 there is remarkable progress among municipality staff in applying EU rules as a pre-condition for accessing funds. This has been facilitated by good cooperation between Agency and municipality staff. Currently, however, no national funds are available for municipalities.

5 **PLANNING AND OTHER MANAGERIAL PROCESSES**

5.1 **EQ 7. ON THE AGENCY'S STRATEGIC FRAMEWORK AND GUIDELINES**

Has the Agency been given a clear strategic framework and guidelines within which to develop specific, realistic and operational objectives in its work programmes?

The strategic framework and the guidelines provided to the Agency are *in general* considered quite clear by both the Agency's staff and Governing Board. [Table 8, Annex G] But it was interesting to record the degree of variation of the strength of this conclusion as between the Agency's Operational Centres, with Pristina registering the highest score and Skopje the lowest.

The main strategic framework for the work of the Agency is provided through (i) Country Strategy Papers (CSP) and (ii) Multi-annual Indicative Programmes (MIP). The Agency prepares its own Action Programmes on the basis of these two documents and the consultative process between the Agency management, the Commission, the local MS representatives, IFIs and bilateral donor representatives and the recipient Government and its institutions.

In general, the professional Agency personnel regard the CSPs and MIPs as adequate and useful guiding instruments for the Agency's operations. The CSP should be of a broad and general (strategic) character but at the same time provide a set of priorities and focus points as guidance for the Agency in the preparation and implementation of assistance activities.

MIP responsiveness to the needs of the beneficiary country was raised as an important issue. In the opinion of some senior Agency managers, in certain areas the CSP is not necessarily a "strategic" document. Therefore, the pursuant MIP becomes an operational document which does not necessarily lead to any strategic SAp goals. It was proposed that the Commission should consent greater flexibility in the financial allocations established in the MIPs, in terms of allowing (i) for possible increases in total allocations if needed (ii) the possibility of reallocating budgetary resources between sectors, and (iii) the possibility of providing assistance for "new" sectors that are not included in the MIP, if new demands or needs make that desirable.

For instance, according to the Agency's Skopje management team, the "local development" programme in the MIP is too rigid and does not take into account the rapid changes in the laws of the country driven by the decentralisation reform.

A second issue raised was the desire of the Agency personnel to be more involved in the preparation of the MIP. Not being involved fully in the preparation of the 2002 – 2004 MIPs due mostly to the recent establishment of the Agency have created difficulties for the Agency's annual preparation of the Action Programmes which need to be consistent with the MIP. However, OCs of Podgorica, Belgrade, and Pristina have provided significant input for the Commission's preparation of the 2005-2006 MIP. In Skopje also, a high level involvement of the Agency has been accepted by DG RELEX.

In December 2003 the Commission issued a communication aimed at putting into practice the statements made in Thessaloniki about the participation of Western Balkans in the Community Programmes: "The aim is to start an initial selection of those programmes in 2005, i.e. to be operational within two years of the adoption of the Thessaloniki Agenda, which is a political imperative". To enable this to happen the Commission expects the guidelines for the CARDS Programme to be revised to incorporate rules on CARDS co-financing for the SAp countries-entities' contributions for participation in Community programmes. Multi-annual programming for 2005-2006 and national annual programmes from 2005 will be adjusted accordingly.

A key question which therefore arises for DG RELEX and the Agency GB is whether the present process for establishing the strategic framework within which the Agency prepares its APs is best suited to assisting the countries-entities in the complex and lengthy process they must undergo to achieve full compliance with EU standards and to meet all the requirements set out in the SAA.

5.2 EQ 8. ON THE QUALITY OF PROJECTS IDENTIFIED BY THE AGENCY

How far has the Agency identified projects of suitable quality and which show sensitivity to key aspects of ownership and sustainability?

5.2.1 Agency-wide

According to MS representatives the quality of the projects, and the sensitivity of the Agency to considerations of ownership and sustainability, is satisfactory.

From interviews with the Agency's beneficiary organisations the evaluation team gained the impression that relationships between Agency personnel and the personnel of the beneficiary organisations are largely satisfactory.

At a more detailed level, however, ownership of Agency programmes, projects, or activities by the beneficiary governments, institutions, and organisations can be viewed at three levels:

- Strategic Level (goals to be achieved) – Ministerial,
- Tactical Level (policy and measures to be implemented) – Senior Officials, and
- Operational Level (activities to be performed and outputs to be measured) – Managers and Professionals

At the strategic ministerial level, (i.e., CARDS coordinator, National Aid Coordinator) usually a minister or even a deputy prime minister, there is a strong sense of satisfaction and ownership of the goals to be achieved by the Agency programmes since they have to sign on for those programmes pertaining to reforms in their governments, institutions, and other organisations.

At the tactical level, usually involving a deputy minister, ownership of and satisfaction with reform policies and measures to be implemented do not appear as deep, since some senior officials of the interviewed beneficiary governments or organisations had divergent views on the reforms (and in some cases these views were influenced by the direct structural changes that would affect them or their organisation). In no case, however, did such resistance to change seem insurmountable. In cases where resistance to change was most obvious it was due to administrative and resource factors, hopefully temporary, rather than to rejection of reform policies and measures to be implemented *per se*.

In addition, some interviewees mentioned lack of in-depth consultation during the project cycle, particularly in relation to the preparation of project documents (i.e. ToR), and insufficient attention to capacity building and ownership by the beneficiary country-entity authorities.

At the operational level, usually involving senior managers or professionals of a ministry or a government institution, evaluators found that, where activities to be performed and outputs to be measured were discussed, the Agency's approach to involving beneficiary organisation managers and professionals contributed to establishing ownership of project activities.

5.2.2 Belgrade Operations Centre

The interviewed officials of the beneficiary institutions and organisations expressed a high level of satisfaction with the projects identified by the Agency and their quality. Generally there seems to be a good level of co-operation between beneficiaries and the Agency during project implementation.

However, in certain sectors local interlocutors felt that there was insufficient communication and transparency. Agency programme managers sometimes appeared over-stretched, causing communication to suffer. In particular beneficiaries considered that local partners should be more involved in project implementation to enhance ownership, cost-effectiveness, and efficiency and also to increase the beneficiary's capacity to implement projects alone.

Even if "evaluation reports" have been shared with beneficiaries, who as a matter of principle are part of the evaluation's steering committees some representatives of beneficiary organisations expressed a desire for more cooperation and feed-back in the area of monitoring and on the progress assessments.

On the other side, it was also recognised that local counterparts are often over-burdened, over-stretched and lack the necessary in depth understanding of the evaluation and monitoring process to deal with CARDS implementation and follow-up mechanisms.

5.2.3 *Pristina Operations Centre*

The OC operates within a broad range of sectors and implements a variety of different projects.

Across the large range of interventions, and aside from the central importance of beneficiary satisfaction with the results of Agency assistance, the OC appears well aware of the importance of creating ownership and of the crucial link between ownership and the likely sustainability of project results. It is however uncertain, within some of the covered project areas, to what extent real ownership of project results among the beneficiaries is achieved.

An important aspect of this, specific to Kosovo, relates to the prevailing question of the future status of the province. Since the first years of the Agency's existence, when the attention of the Kosovo population was much in line with the Agency's focus (and that of other donors) - that is on repairing damage caused by the conflict and the previous years of misconduct in the province and establishing a 'normal life' for the population - the question of Kosovo's status has become a more and more overriding issue that has increasingly influenced the agenda from the top political level down to the governmental and institutional levels. The engagement of political leaders and officials in the reform process has increasingly been hampered and the reform process slowed down by the unresolved status issue.

5.2.4 *Podgorica Operations Centre*

As defined in the MIP, currently the Agency in Podgorica works in nine sectors: Public Administration Reform, Justice and Home Affairs, Energy, Transport and Infrastructures, Environment, Enterprise Development, Agriculture, Education and Media. It must be mentioned however that not each sector receives fresh money each year.

It is quite remarkable that taking into account the wide scope of sectors that Agency assistance covers, and bearing in mind that the Agency only comprises five task managers and programme managers, including the Head of OC that so much was achieved in Montenegro by the Agency since the establishment of an Agency office in Podgorica.

In addition, the Agency is often held up as a model for other donors in Montenegro, and local partners have described co-operation with the Agency as "highly qualitative".

There is a risk however, that the Agency's support is spread too thinly over too many sectors. Evaluators believe that there is some risk which could affect the sustainability and the long-term viability of interventions.

5.2.5 *Skopje Operations Centre*

Although there is general agreement that the identified projects correspond to Government priorities, appreciation of the quality of the Agency's work varies from sector to sector and is strongly influenced by the unclear division of its role among the EU institutions present in the country as regards political dialogue.

In general it is felt that programmes need a more comprehensive sector reform approach (i.e. police) and that gender mainstreaming has been lacking. On the other side, inter-ethnic relations

and civil society development are considered well addressed and covered by the programme built on the Agency¹⁰'s needs assessment exercise.

Another strong point of the Agency's implemented programme in the country is the capacity building programme for local administration. The long-term support provided by CARDS to local investment and fiscal decentralisation is very significant and offers local government an opportunity to consolidate its capacity while implementing effective development policies.

In general, stakeholders are satisfied with the support provided to economic development (agriculture, vocational education and employment policy, SMEs, fiscal decentralisation).¹¹

5.3 EQ 9. ON THE GLOBAL INDICATORS OF PERFORMANCE USED BY THE AGENCY

To what extent has the Agency defined indicators, criteria and a process to assist in judging its overall success and progress in attaining its overall goals?

Since the start of the Agency the focus of its monitoring efforts has generally been on measuring its achievements in terms of contracting and disbursements. Efficient tracking tools and follow-up mechanisms have been developed to this end and are used in all four centres. Also predominant are quantitative measures related to the Agency's physical infrastructure activities.

Qualitative indicators and success criteria have mainly been developed and used at individual project level (as part of the "project fiches"). Particularly during the first years of the Agency's operation this was not done in a systematic way.

This global system based on indicators of disbursement and of contracted amounts possibly answers the decision-makers' need to monitor what has been regarded as a general weakness of EC aid systems which particularly affected the reconstruction programme in Bosnia and Herzegovina¹²: the slow pace of implementation. However, by focusing on the quantitative implementation of CARDS, it risks underestimating the importance of the wider political implications of EU assistance.

Representatives of DG RELEX and EuropeAid in Brussels indicated that the shifting focus of the Agency's activities away from physical infrastructure projects towards policy aspects of EU integration, institutional development and capacity building projects calls for changes in the Agency's overall monitoring and performance evaluation systems. Some of the needed changes would include systematic definition of expected outcomes and qualitative performance indicators for programmes and projects already at the design stage, implementation of systematic follow-up and monitoring of these expected outcomes, and performance indicators at all stages of programme implementation.

On the other hand MS representatives consider that the overall system used by the Agency to assess its progress in towards achieving of its overall objectives as satisfactory. [Table 10, Annex G]

¹⁰ Source: CARDS evaluation field visit, December 2003

¹¹ Source: CARDS evaluation field visit, December 2003

¹² The provision of emergency assistance in BiH immediately after the signature of the Dayton Agreement had been characterized by a very slow pace of implementation due to inappropriate aid management system and its centralization in Brussels. This undermined the effectiveness of the assistance provided as well as the Commission's image as major player in that context

5.4 EQ 10. ON THE PROJECT IMPLEMENTATION MONITORING SYSTEM

To what extent has the Agency put in place an effective project implementation monitoring system?

The Agency staff has rated the internal system for monitoring of project implementation as fairly effective [Table 11, Annex G]. The system includes different monitoring and tracking instruments as follows:

- Pre-contract monitoring and tender planning: The OC records for each tender the progress of activities between “the tender forecast publication” and the “issuing of awarded contract”, that is prior to contract signature. A table with all relevant dates is worked out on a weekly basis and is used by all OCs as an efficient tool for planning and implementation of tenders.

As to monitoring of project implementation the programme and task managers are the first level of regular monitoring and quality control of projects being implemented. They control progress and monitor the quality of implementation of all projects on an ongoing basis, reporting to the Head of OC. The following activities form together the “project implementation monitoring system” at the Agency although differences exist between the OCs.

- Monitoring of contracts and disbursements: Individual contracts, commitments and disbursements are monitored through an efficient tracking tool mechanism by all OCs. “*Tableau de Bord*” Reports combined with information from SINCOM provide a regular (normally by-weekly) accessible report on amounts contracted, commitments and disbursements, used as a monitoring tool in all sectors.
- Project implementation and achievement of results are monitored in different ways according to the type of contract:
 1. Works contracts: monitored by the beneficiary institutions and organisations themselves, by OC staff through contacts between OC staff and the beneficiaries, and through supervision of external consultants.
 2. Supply contracts: monitored by OC staff (i.e. checking of deliveries of IT equipment, etc.) and by external consultants.
 3. Service contracts: monitored by OC staff through various means (participation in Steering Committees, review of project progress reports, direct contacts with beneficiary institutions and occasional site visits). Contributions to monitoring of progress and results are also provided through inputs from external institutions such as WB, IMF, CoE, ETF, SIGMA.
- External Monitoring Supervision: external experts are hired for provisional acceptance of supplies when the equipment is tested in order to verify that it complies with the specifications and is ready for use. At final acceptance (usually one year after provisional acceptance) the expert will check whether the equipment has been used by the beneficiary as originally planned and will make the final tests. External companies are also hired to monitor contract delivery services and audit project progress.
- Internal monitoring and follow-up meetings: Frequent internal meetings (normally by-weekly or monthly meetings) with participation of programme and task managers, management of the OC and representatives from monitoring unit and contract unit to review progress of all contracts and projects (project preparation, contracting, disbursement and monitoring of

outstanding balances and budget, problems encountered, etc.). Generally, each sector's performance in project implementation is reviewed by the staff and the OC management approximately once a month.

- Internal Project Monitoring Reports: In some OC's detailed monitoring on single projects is done on demand and on an "ad hoc" basis. In Belgrade OC a detailed monitoring plan is worked out. Detailed monitoring activities and report are performed at: the inception; during project implementation; and at the end of project. The monitoring report provides a summary of project and financial data, general comments (on relevance, efficiency, effectiveness, and sustainability), key observations, and a description of actions recommended and by whom they should be taken. It is divided into three sections containing the following different elements:
 - (a) The inception status, indicating the project partner's needs, an assessment of the project partner's commitment to the project, of the project's intervention logic and of the contractors performance during the inception phase;
 - (b) The review of ToR including: amendments required and appropriateness in current circumstances, the current status of project activities (by contractor and project partner), degree of achievement of planned outputs to date, ability to achieve specific objectives (i.e. institutional strengthening, impact), potential sustainability, contractor's latest report, work programme for the next 6 months including indication of risks which may affect performance, cross cutting issues (social, environmental, economic aspects);
 - (c) brief project history, overall performance by contractor, contribution of project partner to project result, results of project (against agreed outputs), achievement of specific project objectives, appropriateness of the project to the project partner, proposed extension, replicability of the project, etc.
- Quarterly reports: two quarterly reports are prepared, for the European Parliament and for the European Commission. The reports are prepared by the Agency's Information and Communication Unit, in close cooperation with monitors, programme managers and Heads of OCs.
- Stabilisation and Association Process (SAP) Matrix: A SAP Matrix is prepared by the Programming Unit on a monthly basis. The matrix is sent to the EC Delegation as a contribution to their SAP monthly report to Brussels. The table lists the Agency's projects against each of the most recent SAP report recommendations.

Podgorica, with a significantly smaller OC than other OCs, has no separate quality assurance and monitoring unit. The Belgrade quality assurance (and programming) section also covers functions related to activities in Podgorica. It is a characteristic of the Podgorica OC that monitoring of project implementation appears less formalised, for example in terms of institutionalised reporting routines, and compared with other OCs.

From the foregoing it is concluded that the Agency has put in place effective systems for monitoring of project implementation. These systems are not identical across all OCs but the Agency is engaged in harmonising project monitoring processes across all OCs. Improvements identified as necessary by the monitoring system are reported back to the programme and task managers and are used to modify and improve the activities of projects under implementation.

5.5 EQ 11. ON THE EVALUATION SYSTEM

To what extent does the evaluation system contribute to improve the quality of projects?

The Agency staff rated the current system as fairly useful for their work. [Table 12, Annex G]

Since the start of the Agency, project evaluation has been a centralised function within the Agency and project evaluation has been carried out internally by Agency staff, although external consultants have assisted in many cases.

Created in 2001 the Evaluation Unit is based in the Agency's Headquarters in Thessaloniki and is currently part of the Programming and Quality Assurance Division. The Unit prepares an Annual Evaluation Plan including the projects to be evaluated and a corresponding timetable. Projects to be evaluated are selected on the following criteria: (1) significance of the share of the programme budget; (2) significance for long term development; (3) where monitoring reports have shown constant delays in implementation, financial weaknesses or other problems; and (4) whether the projects are to be repeated.

The evaluation team believes that the Agency's evaluation system is sound and in general contributes to the quality of projects. The system works openly - results are communicated, and everyone that wishes to may have access to the full report. No cases were reported of mistakes highlighted by an evaluation being repeated in another, or new, project.

The evaluations, however, are only of specific projects designed and implemented in a given OC. Only recently has the Agency started to evaluate broader sectoral programmes and programmes covering more than one OC so as to evaluate the overall success of the Agency in the sector. In addition, the project evaluation system does not seem to contribute in a significant way to the evaluation matrix of the SAP Tracking Mechanism (STM), which lists Agency projects against each of the most recent SAP recommendations and evaluates the results attained.

Currently the Agency evaluates itself and it could prove sound (as is for any organisation) to have its activities evaluated by external independent experts, not least for the sake of general credibility.¹³

5.6 EQ 12. ON THE CONTROL AND QUALITY ASSURANCE ACTIVITIES

To what extent do the quality control and quality assurance activities put in place by the Agency ensure that appropriate resources can be allocated to its tasks?

The Agency staff has rated the current quality control and quality assurance processes as globally appropriate to ensure that suitable resources are allocated to its task. [Table 13, Annex G]

The Agency reorganised its Programming and Quality Assurance (PQA) function in 2003. Therefore, presently with a PQA Division at the HQ level and the PQA Sections in Belgrade (covering also Podgorica); Pristina and Skopje this reinforced function is further contributing to the process of "Lesson-learning" for key operational staff of the Agency.

¹³ This point was also raised several times in the GB meeting by the Swedish representative (see GB meeting minutes)

Learning of lessons from past experiences is achieved at various levels and includes dissemination and discussion of the results of project and programme evaluations carried out by the PQA Division at the HQ. This stimulates a widespread exchange of information and experiences within a given OC. In particular, the information provided and discussions that accompany this information relate to the project design and programming phases of the OC's activities.

The only exception to the above conclusions is the Podgorica OC. Owing to its reduced size the quality assurance and programming functions for this OC are organised by the Belgrade OC's Quality and Assurance Section. No QA or monitoring units exist in Podgorica. But this does not imply that QA and programming is only carried out from and by the Belgrade OC, but rather that the work is coordinated, results collected, and reports completed by the Belgrade OC.

Inputs for project design and programming is provided through cooperation and communication between Podgorica and Belgrade, in which process the Podgorica OC represents the detailed knowledge of the beneficiary groups and the needs identified and concerns expressed by these groups (in relation to the more general CARDS priorities as set out in the MIP).

As observed, and confirmed by the programme and task managers in the survey questionnaires [Table 11, Annex G], the Agency's operational staff knew, and used in the execution of on-going and new projects, the "lessons learnt" from previous evaluations and from previous projects implemented in other OCs. The information provided by the system contributed to correct decisions on resource allocation and its timing and to increased efficiency and effectiveness.

However, despite all the efforts on quality assurance during the past year, programme and task managers expressed the opinion that more remains to be done in terms of permitting them to acquire the skills and competencies required to assist beneficiary government counterparts in implementing some of the difficult and complex elements of the SAP that require significant behavioural and cultural change. As described in Part A Report, the evaluators observed that some changes in this sense have already started through the establishment of the Thematic Working Groups implemented by the Programming and Quality Assurance Division during 2003.

5.7 EQ 13. ON THE ALLOCATION OF ADMINISTRATIVE RESOURCES

To what extent has the allocation of administrative resources to and by the Agency shown a rational assessment of its activities and objectives?

According to the Agency staff, the allocation of administrative resources in relation to its activities and objectives is globally appropriate and this opinion is shared by the four OCs. [Table 14, Annex G]

As required by the *Framework Financial Regulations* (FFR), applicable to all agencies from 1 January 2003, and the Agency Regulation, the EAR submits its budget for approval to its Governing Board, with a clear breakdown by budget lines and budget titles:

- Title 1 for staff-related expenditure,
- Title 2 for running costs such as equipment costs, office rent, telecommunication costs; and
- Title 3 for operational expenditure.

It is stipulated in the comments of the general EC budget that the Agency's administrative costs (Titles 1 and 2) cannot exceed 8% of the overall multi-annual budget for Agency assistance programmes. The experience of the Agency to date however has been that the combined expenses of Titles 1 and 2 have not exceeded 5.5% of total cumulative funding allocations.

Over the period 2000-2005¹⁴ the funds to be used by the Agency to cover its administrative expenditures under Title 1 and Title 2 were calculated to have been € 131.226m. This is equivalent to 5.44% of the total portfolio of € 2.414bn managed by the Agency over this period, as presented in the Note to the Governing Board submitted by the Director of the Agency on 22 January 2004 in Thessaloniki.

Comparing organisations and conducting benchmarking studies are not the best ways of determining if administrative and operational resources are allocated appropriately.

Therefore, the comparative table below [Exhibit 4] of administrative costs and operational budgets in different aid organisations and in the Agency can be used as a reference point *only for understanding the trends in administrative costs* in relation to operational expenditure in organisations similar to the Agency.

EXHIBIT 4- COMPARISON BETWEEN THE ADMINISTRATIVE COSTS AND OPERATIONAL BUDGET OF SOME INTERNATIONAL AID ORGANISATIONS

THE AID ORGANISATION	(In € 000)		Percentage of the Administrative Costs in relation to the Operational Expenditures
	Title 1 for Staff-related expenditures and Title 2 for Running costs	Title 3 for Operational expenditure managed directly by the organisation	
D&P¹⁵ (2003)	1,474	13,835	10,65
CIDA¹⁶ (2003)	139,734	1,292,884	10,81
EBRD¹⁷ (2002)	203,833	3,899,000	5,23
SIDA¹⁸ (2003)	97,841	1,968,715	4,97
UNDP¹⁹ (2003)	279,105	2,344,278	11,30
USAID²⁰ (2003)	516,322	6,667,655	7,74
ALL/TOTAL/AVERAGE	1,238,309	16,186,367	7.65

¹⁴ Actual for 2000 to 2003 and budgeted for 2004 and 2005

¹⁵ Catholic international aid organisation of "Development and Peace": Statement of Revenue and Expenses 2003

¹⁶ CIDA: Annual and Financial Performance Report 2003

¹⁷ EBRD: Financial Statements 2002

¹⁸ SIDA: Budget and Appropriations 2003

¹⁹ UNDP: 2003 Annual Report and Budget

²⁰ USAID: Summary of FY 2003 Budget and Operating Expenses

EXHIBIT 5 - COMPARISON BETWEEN THE YEARLY AND CUMULATIVE ADMINISTRATIVE COSTS AND OPERATIONAL BUDGET OF THE EAR

THE AID ORGANISATION	(In € 000)				Percentage of the Administrative Costs in relation to the Operational Expenditures	
	Title 1 for Staff-related expenditures and Title 2 for Running costs		Title 3 for Operational expenditure managed directly by the organisation			
	FOR THE YEAR	CUMULATIVE	FOR THE YEAR	CUMULATIVE	FOR THE YEAR	CUMULATIVE
EAR²¹ (Actual 2000)	8,256	8,256	524,090	524,090	1.58%	1.58%
EAR²² (Actual 2001)	20,750	29,006	551,462	1,035,552	4.06%	2.80%
EAR²³ (Actual 2002)	26,079	55,085	489,210	1,524,762	5.33%	3.61%
EAR²⁴ (Actual 2003)	23,808	78,893	331,814	1,856,575	7.18%	4.25%
EAR²⁵ (Budget 2004)	25,929	104,822	310,500	2,167,076	8.35%	4.84%
EAR²⁶ Budgeted 2005)	26,404	131,226	247,000	2,414,076	10.69%	5.44%

It is clear from Exhibits 5 and 6 that using the cumulative percentage of administrative costs in relation to cumulative operational expenditures could be misleading. At its inception the Agency contracted and disbursed large sums with very little resources and low overheads. However, this percentage has been growing steadily ever since. The cumulative percentage of 5.44% for administrative costs by 2005 is low because during the first years of operation (2000 to 2002) the percentage of expenditure relative to the operational budget was considerably lower than the general norm for organisations involved in aid related activities.

Aid agencies' administrative costs seem to vary from 5% to 12% depending on a number of factors. Therefore, the Agency's present combined ratio of Title 1 and Title 2 costs in relation to Title 3 "forecasted" operational expenditures, which is around 10.7%, is towards the high end of this spectrum and above the prescribed 8% of the overall multi-annual budget for Agency assistance programmes. However, as mentioned previously, experience up to 2003 shows that "forecasted" figures have been generally higher than actual figures thus, the 10.7% would likely be lower by the end of the year 2005 once the "actual" numbers are published.

²¹ EAR: Annex D to the Annual Report 2000 from the Commission to the EP and the Council (the € 671.125m is composed of: € 65.905m Projects for Kosovo committed 1999 by EC TAFKO, transferred to the Agency; € 430.220m for Programmes for Kosovo committed in 2000 to be implemented by the Agency; and € 175.000m Projects for Serbia committed in 2000 by the Commission and transferred to the Agency.)

²² EAR: Annual Report from January 2001 to December 2001 for the EP and the Council (in Paid Funds)

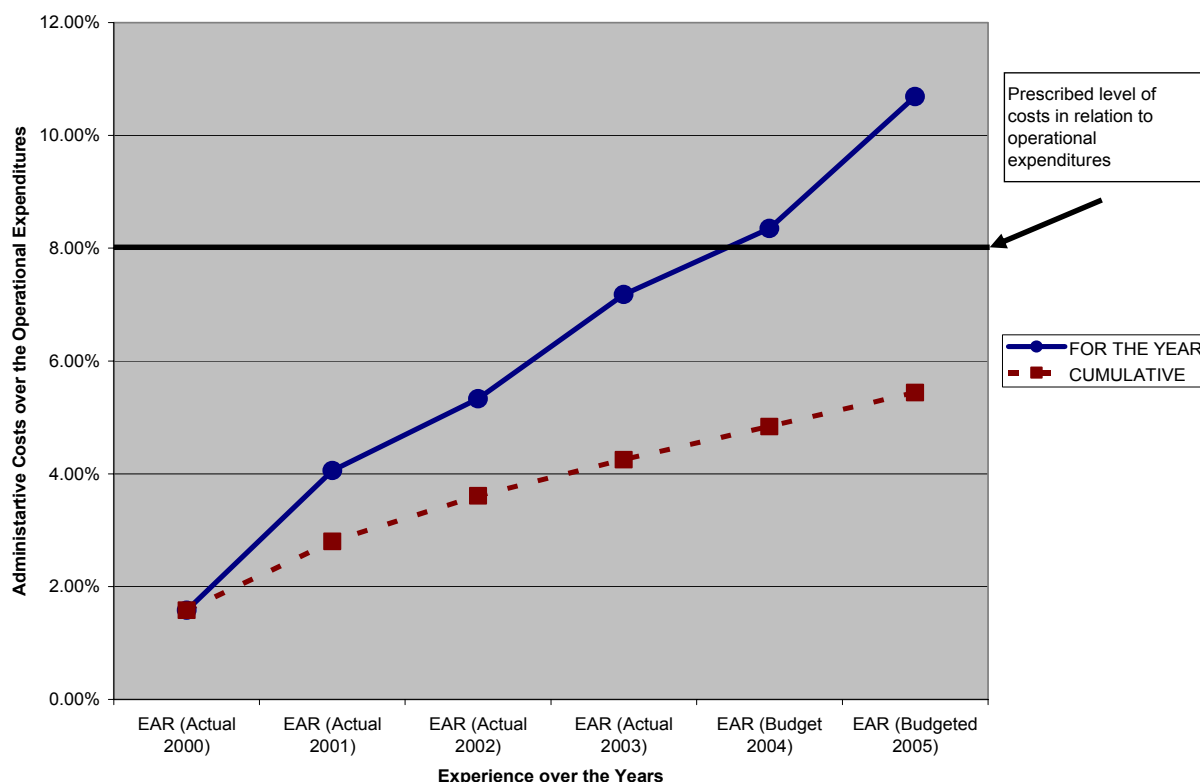
²³ EAR: Annual Report from January 2002 to December 2002 for the EP and the Council (in Paid Funds)

²⁴ Information Provided by the EAR (14 May 2004 Memo) (in Committed Funds)

²⁵ Information Provided by the EAR (14 May 2004 Memo) (Budgeted Figures)

²⁶ Information Provided by the EAR (14 May 2004 Memo) (Budgeted Figures)

EXHIBIT 6 - PROGRESSION OF ADMINISTRATIVE COSTS IN RELATION TO OPERATIONAL EXPENDITURES



If the trend of administrative costs in relation to operational expenditures continues at the same level as for the last few years the Agency will reach the prescribed ratio of 8% on a cumulative basis in only a few years. The challenge therefore for the Agency is to bring its annual costs to an annual ratio of around 8%. If the Agency keeps on operating with the present trend of yearly increases in the ratio then in few short years it will find itself in a situation where it will have to start downsizing its personnel and cut down on the physical and financial resources available to it.

For the year 2004 at the Agency the total number of posts approved is 309. 114 of these posts are for EU nationals' (Temporary Agents-TA) positions and 195 for local employees (Local Agents-LA). As of 15 December 2003, however, only 95 TAs were working at the Agency and only 173 Las, a total of 268 employees. Therefore, 45 posts were vacant representing a ratio of 14% of the approved posts for the Agency.

Considering that in 2005 the expected EC funding allocation for the Agency's assistance programmes will be 20.45% lower than 2004, the strategy of the Agency management to keep a number of open positions unfilled seems appropriate²⁷. The management of the Agency believes however, that there needs to be a margin of flexibility in the "normal staffing complement", where vacant posts can be used as "pivot" posts to provide quick reaction to any staffing needs. This is why the Agency has asked for, and the GB has approved, 309 posts even if all of these posts are filled the excess of costs over operational expenditures would be untenable under the present financing of the Agency.

Additionally, at the time of the interviews in general, the operational staff did not seem overworked, although it was clear to the evaluators that most Agency staff was busy. Some programme managers however, claimed to be overstretched.

²⁷ EAR: Note to the Governing Board on 22 January 2004 in Thessaloniki

These claims were however, isolated and most probably due to “situation or timing specific” reasons rather than to a generalised state of affairs.

The rapid change in the focus of programmes and projects from reconstruction to institutional reforms means that the skills of managers recruited to implement restoration and infrastructure projects are now inappropriate for implementing the new and different projects which require different sets of skills.

Moreover, as mentioned previously, with projects moving into SAp-related activities and programmes which are increasingly complex, equitable distribution of work among programme and task managers will become even more important. The retention of managers without the right skills in these new and demanding sectors will give rise to an increasing misbalance between those who are well occupied and those who are less so.

The Agency has been adapting its staffing table rather rapidly to the evolving situation in the countries-entities in which it operates and the responding shift of EU assistance priorities from emergency reconstruction to institution building and wider European Integration activities. This transition asked for new positions to be created, while other positions became redundant. The process has to be carefully phased-in however, since new priorities are emerging at a time when projects designed in 2002 are still under implementation.

Furthermore, as evidenced in the recent programming documents, economic reconstruction projects are now accompanied by institution building and capacity building measures. The latest job descriptions for infrastructure experts, for example in the energy sector, reflect this development.

Evaluators however, believe that these changes in the present and future requirements in the profile of personnel need to be better defined and documented. For this, the Agency would require a strategic human resources plan for the next few years based on the developmental trends of aid activities in the Western Balkans, the CSPs, the MIPs, its operational objectives and action plans.

5.8 EQ 14. ON THE MIX OF EU AND LOCAL STAFF

To what extent has an appropriate mix of EU and local staff been achieved?

There was a strong consensus among the surveyed staff that an appropriate mix of EU and local staff has been achieved at the Agency to date. [Table 15, Annex G]

Exhibit 7 shows the evolution of the number of posts approved for the Agency since 2000 to the present. Clearly the evolution of the mix between the EU staff and local staff has been growing in favour of local agents. Initially at its inception from a mix of 60% technical agents to 40% local agents the numbers approved for the year 2004 are 38% TA and 62% LA. In addition, if consideration is given to the actual staff numbers, i.e. the exact number of employees actually working at the Agency as at 15 December 2003, the numbers are 95 TAs, representing 35% of the total employees of the Agency and 173 LAs representing 65% of the total.

EXHIBIT 7 - NUMBER OF STAFF (TA AND LA) FROM 2000 TO PRESENT

STAFFING AT:	TEMPORARY AGENTS		LOCAL AGENTS		TOTAL EMPLOYEES
	Number	As Percentage of Total Employees	Number	As Percentage of Total Employees	
28/02/2000	51	60%	34	40%	85
24/07/2000	51	49%	54	51%	105
15/12/2000	104	42%	142	58%	246
31/01/2001	97	40%	144	60%	241
31/01/2002	108	38%	174	62%	282
31/01/2003	120	37%	201	63%	321
31/01/2004 (Planned)	114	38%	195	62%	309
31/01/2004 (Actual)	95	35%	173	65%	268

It must however be noted that the mix is 50% to 50% when it comes to the operational activities of the Agency. There are at present an equal number of programme managers and task managers at the Agency.

Exhibit 8 below also shows the distribution of the TAs and the LAs by grade as at 15 December 2003. 84 TAs are in grade A, 26 in grade B and 1 in grade C. Of the LAs, 130 were in grade A, 65 in grade B and 2 in grade C.

This grading distribution of LAs and TAs seemed to respond to the needs of the senior management of the Agency, and the “local versus EU” mix seems to be quite accepted by all.

EXHIBIT 8 - TOTAL NUMBER OF STAFF (TA AND LA) BY GRADE (15-12-2003)

GRADES		TOTAL	
Temporary Agents (TA)	A1	0	84
	A2	1	
	A3	1	
	A4	22	
	A5	31	
	A6	3	
	A7	24	
	A8	2	
	B1	1	26
	B2	0	
	B3	7	
	B4	4	
	B5	6	
	B (NOT RATED)	8	
	C1	0	1
	C2	0	
	C3	1	
Local Agents (LA)	AI	31	130
	AII	81	
	AIII	18	
	BIV	49	65
	BV	16	
	CVI	2	2

5.9 EQ 15. ON THE CONTRACTED CONSULTANTS

To what degree has the Agency been able to ensure that contracted consultants and firms have relevant skills and experience to conduct the tasks entrusted to them?

Table 16 of Annex G shows that the majority of the personnel of the Agency believe that the processes put in place by the Agency to recruit and select contracted consultants and firms with the relevant skills and experience to conduct the tasks entrusted to them are above average. In a majority of cases the Agency has been able to engage adequately qualified consultants and firms. However, it has happened that consultants were not able to perform and have had to be replaced. Specifically, in the JHA sector, beneficiaries interviewed during the field visits lamented the quality of the consultants and their failure to fulfil their obligations, thereby seriously delaying projects²⁸.

Generally, the indications are that the number of unsuccessful consultants and firms is relatively higher when the firms are engaged through Brussels framework contracts than when the consultants and firms are engaged individually through separate tender procedures.

6 ORGANISATIONAL ARRANGEMENTS, STRUCTURE AND CULTURE

6.1 EQ 16. ON DIVISION OF RESPONSIBILITY BETWEEN POSITIONS

Has a clear division of responsibility been established between positions to ensure the overall coordination of work at HQ, OCs, and Agency-wide level?

Table 17 of Annex G shows that Agency personnel considers that the division of responsibility between positions is clear enough to ensure good coordination at Agency HQ, OCs, and Agency-wide level. All staff have job descriptions (employment contract) and the formal division of responsibilities between staff members is clear and well-known to all.

However, of significant importance for the results of the work is the good team spirit across the different staff categories that are evident within the Agency. The 'flat' hierarchal structure and the sense of working together to achieve a common goal are important contributors. There appears to be a strong sense of collaboration for a common goal between the different staff categories. Both international and local staff considered there to be a clear sense of the task assigned to each employee but also an open willingness to assist other colleagues when needed. This collaborative cultural dimension of the Agency is set and encouraged by the top management of the Agency and is evidently constantly reinforced.

The matrix organisational design which is in its emergent stage at the Agency achieves the desired balance by superimposing on a vertical structure of administrative authority (the Operation Centre Managers) a horizontal structure of professional credibility, influence, and communication (Sectoral Expertise). A matrix organisation in an entrepreneurial organisation is one of the most effective models for delivering results²⁹. However, the goals and objectives of the organisation and the work groups must also be meaningful, effective and well-articulated.

²⁸ Serbia, source: CARDS evaluation field visit, February 2004

²⁹ Ref. Jay R. Galbraith and Robert K. Kazanjian, "Organizing to Implement Strategies of Diversity and Globalization: The Role of Matrix Organisations", Human Resource Management. Spring 1986, pp. 37

Without well set goals and objectives, the senior management of the Agency would have difficulty in establishing clear direction and would be vulnerable to the risk that the efforts of programme managers and other human resources may be spent on activities and projects that do not have top priority. The setting of clear strategies, goals and objectives is the foundation for defining achievable targets.

To implement fully the matrix organisational structure, therefore, the following is required:

- Programme managers must have broader skills for carrying out programmes and activities and for taking the decisions needed to produce the expected results;
- The management at all levels of the Agency need to fully embrace the strategies, goals and objectives of the CSP and the MIP to ensure that action programmes and action plans are appropriate. The reader should refer to the discussion on the role of the “strategic framework and guidelines” documents (CSP and MIP) under *Evaluation Question 7*.

7 OPERATIONAL ASPECTS OF THE AGENCY

7.1 EQ 17. ON THE STAFF EMPLOYMENT SYSTEM

To what extent have the staff employment system and training activities ensured the continuous deployment of appropriately qualified and experienced staff?

A large majority of the personnel of the Agency believe that the staff employment system is above average and the training activities are mostly average. [Table 18, Annex G]

The formal employment conditions are generally perceived as adequate (and indeed attractive in terms of salary levels) to ensure the deployment of well qualified staff.

Concerns are however raised over staff training, of which very little or none is offered. Most takes the form of ‘on-the-job training’ or simply learning by doing³⁰. Staff generally support this way of acquiring job relevant knowledge but find it insufficient. Most employees interviewed requested additional training opportunities as a supplement to the training they receive through performing their jobs.

The Agency already has a number of highly knowledgeable and experienced development practitioners. The issue is how the Agency should access, share and utilise its knowledge to improve the delivery of aid across all OCs in the future. The challenge to the Agency is threefold:

- to make the Agency an organisation that continually tests its experience and transforms it into knowledge that is easily accessible to the whole organisation;
- to ensure that the Agency uses systematic approaches to acquire knowledge from inside and outside the organisation; and
- to ensure that knowledge flows to the right people in order for the Agency to support development better and more consistently in all its OCs.

³⁰ Formal training either through internal resources or outsourced, is provided to local and international staff in areas such as Project Cycle Management, tendering and contracting, IT, languages. Recently a training on Public Administration Reform has been provided.

EXHIBIT 9 - CONDITIONS OF EMPLOYMENT FOR THE EAR STAFF

TEMPORARY AGENTS (EU NATIONALS):

Duration: Contracts of 18-months, renewable once for an indefinite period. Duration does not exceed the expiry date of the Agency.

Recruitment procedure: It follows EU procedures (Art. 10)¹ and engagements are done in accordance with Art. 12 of the Conditions of Employment of Other Servants of the European Communities.

Vacancies are publicised in the "Economist" magazine, in the career pages of the Commission's intranet (in the DG RELEX site and in "Nadia") and in the Agency's website.

Selection procedure is carried out by a selection panel, which follows written recruitment guidelines. Applicants are short-listed on the basis of their CVs, and short-listed candidates are invited for an interview. Their aptitude for the job in question is tested on the basis of their CV, qualifications, oral interviews, and, where necessary, written tests.

Employment: Probationary period not exceeding six months could be applied (Art. 14)³.

"Selected candidate shall be graded initially in accordance with Art. 32 of the Staff Regulations" (Art. 15 of the Conditions of Employment of Other Servants of the European Communities). "If he/she is assigned to a post corresponding to a higher grade [...] his/her grading shall be determined in accordance with Art. 46 of the Staff Regulations" (Art. 153).

Conditions of employment: They shall apply by analogy to corresponding articles in the Staff Regulations: working conditions (Art. 55-61); remuneration and expenses (Art. 63-70 and Art. 5-17 of the Annex VII); social security benefits.

Termination of employment: It is subject to i) date stated in the contract; ii) at the end of the period of notice specified in the contract; or iii) at the end of the month in which the servant reaches the age of 65 years for fixed-term contracts³. When the contract is for an indefinite period, only ii) and iii) are applicable.³

LOCAL AGENTS:

Duration: Contracts of 12-months, renewable for two further periods of 12 months and for an indefinite duration after the third year.

Recruitment procedure: It follows EU procedures³ and publication and selection process are the same as those for temporary agents. Vacancies are publicised in the local papers and magazines instead of the "Economist", as well as on the Agency web site.

Employment, working conditions and termination of contracts: "Manner of their engagement and termination of their contract, their leave, and their remuneration shall be determined by each institution in accordance with current rules and practice in the place where they are to perform their duties" (Art. 79)³.

Sources:

1 EC Regulation 2667/2000 on the EAR, 5 December 2000.

2 "Staff Regulations of Officials of the European communities".

3 "Conditions of Employment of Other Servants of the European Communities"

4 "Decision of the Director of the EAR concerning the Recruitment Procedures of the Agency".

The Agency has already begun to put in place a series of internal changes that will strengthen its ability to bring its knowledge to bear on development challenges. These include:

- strengthening the SAP programming and planning capacity within the Agency;
- enabling the Agency's human resource base to better reflect the shift in focus of the Agency's activities and prepare it for a more knowledge-based and consultative role, which will require recruiting more "development" professionals with new or additional skills;
- updating and rebuilding its information technology and information management systems;

- revising its approach to information management; and
- strengthening its internal knowledge networks through “Thematic Workgroups”.

It must also be mentioned that some local task managers consider the possibilities of making a career within the Agency to be too limited, since they cannot advance into any international staff positions including the leading positions within the Agency. This could turn out to be a major obstacle to the recruitment of highly qualified local staff by the Agency.

8 CONCLUSIONS

8.1 RELEVANCE

This evaluation criterion assesses the extent to which the objectives that the Agency has been pursuing are consistent with beneficiary requirements, country needs, global priorities and partners' and donors' policies. It evaluates the Agency delivery model in relation to the changing context of the CARDS countries, EU-Balkans relations, and EC aid management reform.

8.1.1 The “Agency Model”

The governing arrangements and the fact that the Agency has a Director directly in charge of all its activities ensures that the Agency utilises its resources (people, goods and money) in a manner consistent with speed in contracting and disbursement.

The Director has a clear and unambiguous mandate that limits him to managing EC assistance in the countries-entities in which the Agency operates and holds him directly accountable for the prudent and effective management of the resources entrusted to the Agency. The Agency's Regulation holds the management directly accountable for the prudent and effective management of the resources entrusted to the Agency and makes the “Agency Model” administratively sound and managerially responsive.

The Director has used his freedom to establish the organisational arrangements of the Agency and adapt them to regional realities. He has assigned clear responsibility for action and control and has put in place suitable monitoring and supervisory arrangements to permit managers and employees of the Agency to account clearly to their superiors for their performance. This clear devolution of responsibility and the direct accountability of staff for the performance of programmes and projects have fostered an *entrepreneurial attitude* among the staff which represents a key asset.

Overall, for every EU staff member the Agency has two local employees. The evaluators conclude that this represents a good mix between EU and local staff and constitutes a further strong organisational asset. As the survey shows³¹ there is also general satisfaction with the current mix between local and international staff.

Regarding the ratio in the operational functions (programme and task managers) the ratio is one to one, i.e. there is one programme manager (EU staff) to one task manager (local agent). The programme manager and task manager can be regarded as the “core operational team” within the Agency system and both parties as well as the Agency benefit from this. The local staff provides much needed information about local socio-economic and political conditions as well as useful insights into the traditions and culture of the local community, which are of significant importance for the successful outcome of the assistance.

On the other hand, the programme managers generally represent in-depth professional background and technical experience and know-how which, through daily cooperation between programme managers and task managers, is gradually transferred to the task managers, often making them able to operate more and more independently.

³¹ See Table 15 Annex G

However, for reforms that require significant change in organisational culture and patterns of thinking (such as public administration reform, education reform, institutional strengthening, etc.) the implementation process is much more complicated and will require more frequent and close consultation between programme and task managers and beneficiaries. Time-consuming day-to-day assistance and regular contacts are required to change mindsets, transfer know-how, and coordinate activities between different counterpart levels. More intense involvement of Agency programme and task managers in activities related to *change management* would be essential for completing some of the future activities, especially in countries-entities where the political and governing institutions are weak or not yet well-established.

Therefore, the “one programme manager to two task managers” ratio for the programming and operational activities of the Agency might also be the solution for the need of increased involvement in project implementation. Furthermore, increased use of senior local resources (LAs) would also be beneficial, especially in countries-entities where implementation might prove difficult.

8.1.2 The strategic framework and guidelines provided to the Agency

For any “model” to work well, the individual and shared responsibilities of the recipient country-entity and its development partner must be well identified. Both partners must know the aid goals and objectives, and the strategies needed to achieve them. The purpose of providing a strategic framework and guidelines to the Agency is to make sure that the goals and objectives of the Commission are respected and that the relevance of the APs is maintained. This is ensured through a number of mechanisms that guide the programming process: (i) CSPs and the MIPs; (ii) recommendations from the SAP Annual Reports and from the SAP Tracking Mechanism (STM) in the case of Kosovo; and (iii) extensive consultation between the Commission, Delegations, and the Agency on preliminary drafts of the annual action programmes. These measures taken together make certain that the APs reflect the EU’s political and policy priorities and dialogue in the programming of EC assistance in the context of the SAP.

From the interviews that the evaluators conducted within the region it is clear that the overriding goal of the countries-entities in the region is accession to the EU. Because it provides direct assistance towards that goal to the regional countries-entities, the Agency’s programmes and projects are seen as relevant and consistent with the medium and long-term objectives of the countries-entities in which the Agency operates. Basically, the CSPs and the MIPs determine what reforms the country-entity must implement to accomplish the various steps of the SAP, and the Agency manages the full PCM process to help the country-entity implement these reforms.

At present stakeholders are relatively satisfied with the Agency’s programmes and projects. This invites the conclusion that the strategic framework mechanisms are globally appropriate for ensuring that the Agency is on course for achieving the prescribed goals and objectives. However, on closer scrutiny it becomes clear that the framework as defined in the MIPs for the development of the Agency’s annual action programmes varies from being (i) too broad, thus providing only limited direction to the Agency for its programming (such as seems to be the case of Belgrade); (ii) appropriate, providing focus for the operations of the Agency (as in Pristina and Podgorica); or (iii) too precise and prescriptive, giving the Agency hardly any flexibility in its programming and development of action programmes (as in the case of Skopje).

The strategic framework at present provided by these documents does not guarantee the political and policy dialogue necessary to foster the SAP, especially after the acceleration given to the process after Thessaloniki and the introduction of the European partnerships.

The Agency model works well in Kosovo, in Serbia, and in Montenegro where its role and responsibilities seem to be well understood and accepted by all stakeholders. However, the Agency model is experiencing difficulties in the former Yugoslav Republic of Macedonia because of unclear interpretation of the division of roles and difficult coordination between the Agency, on the one hand, and the Commission and the Delegation on the other hand. The situation is made even more complex due to the presence in the country of the EU Special Representative).

The strategic framework mechanisms alone cannot resolve such issues. However, part of them are due to the fact that the present MIP-based system shows some rigidities compared to the new European partnerships and the intensified political and policy dialogue established between some recipient countries-entities and the Commission.

8.1.3 Ownership and sustainability

The “Agency Model” is also characterised by the “*indirect centralised management*”³² model in which the Agency is fully and solely responsible for the full cycle of the project management (drawing up ToRs, preparing and evaluating invitations to tender, signing contracts, concluding financial agreements, awarding contracts, evaluating programmes, checking implementation and effecting payments) for delivering aid.

Evaluators believe that this current mechanism might not be the most appropriate for enhancing the ownership by the senior officials of the beneficiary country-entity in the context of the SAP. Basically, CSPs and MIPs determine the reforms the country-entity must implement to accomplish the various steps of the EU accession process, and the Agency manages the full PCM process to assist the country-entity to implement these reforms.

The annoyance and irritation of the beneficiary countries-entities’ senior officials over their not being directly involved in day-to-day management of EU programmes and projects will increase. Some of these senior officials are independently receiving training in “European affairs”, the SAA, the SAP and project cycle management.

A number of the senior officials interviewed in some of the beneficiary governments, who have already experienced autonomy and management of aid resources (or were informed of the existence of this *modus operandi* in the accession countries-entities), were particularly eager to assume a bigger responsibility for managing their aid resources and to move closer towards a collaborative and joint approach with the Commission. If, therefore, the complete project cycle continues to be exclusively managed by the Agency these senior officials’ frustration will continue to intensify and ownership of the programmes and projects will decrease.

8.1.4 Expectations of key stakeholders

The European Council adopted in June 2003 an *Agenda for the Western Balkans*, which included an enrichment of the current SAP through the provision of new European Partnerships. Tailored to each country's individual needs, these partnerships will identify, on an ongoing basis, priorities

³² Article 41 of the “implementing rules” to the general Financial Regulation (FR), referring to Article 54(2)(b) and (c) of the general FR, reads: “*Detailed arrangements for indirect centralised management*”.

Article 53(2) of the general FR indicates that the Commission implements the budget on a centralised basis indirectly in accordance with the provisions of Articles 54 to 57.

Article 54(2)(b) then provides for delegation (entrusting) of budget implementation tasks “*to bodies set up by the Communities as referred to in Article 185...*”, therefore to structures such as the EAR.

and obligations to be fulfilled. EU financial assistance will be directed to the priorities set out in the partnerships.

Each country-entity will draw up a national action plan for implementation of the partnerships, which will provide a clear agenda and benchmarks against which to measure progress³³.

It is clear that the enrichment of the current SAP through the provision of new European Partnerships will have significant implications for the Agency “model” and how the Agency will operate in future. To the extent that the SAP succeeds in moving towards more country-wide, strategic, and tailor-made approaches to active partnerships, there will be some fundamental challenges to the Agency's existing programmes and ways of operating, which were originally established in a context where the focus was on provision of rapid assistance and aid for reconstruction.

The expectations of key stakeholders (beneficiary government authorities and EU officials following the progress in the SAP) will increase significantly. These additional expectations will necessitate the Agency's developing a better sense of what will be required to increase still further local ownership of SAP implementation in a given country-entity.

At present, the Agency prepares the APs, draws up Terms of Reference for their implementation, prepares and evaluates invitations to tender, awards and signs contracts, verifies and monitors implementation, effects payments and finally evaluates the assistance programmes. Thus, even if there is participation from the recipient organisation's officials, full accountability and decision-making responsibility remain with the Agency personnel.

A shift away from the existing approach of largely *Agency-managed* assistance towards an approach of direct involvement and responsibility for administering the assistance by the beneficiary organisations will also require new skills and capabilities among Agency personnel.

Timing is of paramount importance here. On one hand, transferring the responsibility for project cycle management too early to beneficiary country-entity institutions that are not ready to fully assume that responsibility could be hazardous.

³³ Ref. The EU policy towards SEE is anchored in two policy strategies: (1) the Stabilization and Association process (SAP) which prepares countries for eventual membership in the EU and (2) the Accession strategy which leads countries directly to accession to the EU.

Stabilization and Association Process

The EU's relations with the countries of the Western Balkans, Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia and Serbia and Montenegro are anchored in the EU's SAP. The cornerstone of the SAP is the conclusion of specific bilateral agreements (Stabilisation and Association Agreements (SAA) between the EU and each of the five countries-entities designed to draw them closer to the EU. Once a country-entity demonstrates through a feasibility study its ability to implement a trade and cooperation agreement and meets political standards, it can enter into a SAA agreement with the EU. The SAAs set out rights and obligations in areas such as competition and state aid rules, intellectual property, and establishment. Aside from providing a platform for reform, they help prioritize these reforms, align them with EU standards, and monitor their implementation through benchmarks.

The Stabilisation and Association process is the EU's long-term commitment to the region in terms of both political effort and financial and human resources. It is a step-by-step approach based on aid, trade preferences, dialogue, technical advice and, ultimately, contractual association. The SAP provides a framework for the development of privileged political and economic relations between these countries and the EU, which eventually can lead to full accession. The EU signed the first SAA agreement with Croatia in May 2001. The European Council has defined *three accession criteria* for countries received as candidates to the EU:

- *Respect for democracy and human rights.*
- *Viable market economy*
- *Ability to adopt the Community acquis.*

On the other hand, delaying the transfer too long when the beneficiary country-entity's senior officials are ready would decrease acceptance of local responsibility and ownership and jeopardise the sustainability of the projects.

8.2 EFFECTIVENESS

This evaluation criterion weighs up the extent to which Agency's development intervention objectives were achieved, or are expected to be achieved, taking into account their relative importance. It evaluates the results (quantity and quality) achieved in relation to the mandate of the Agency.

8.2.1 Ensuring the quality of projects and judging overall success

Generally, beneficiary organisation representatives interviewed in the field expressed satisfaction with the active work collaboration and mutual trust that had developed between themselves and Agency personnel. Some remarks alluded to the dedication of Agency programme managers, their competence, their demonstrated ability to rapidly acquire a good knowledge of the region and their willingness to work in a participatory mode rather than in isolation.

Negative comments on Agency collaboration were rare. Some interviewees mentioned individual assistance projects that had been delayed, but the delays were generally perceived as being related to circumstances outside the control of the Agency, such as Commission procedures or procedural delays within the beneficiary organisations themselves, and not to the Agency or Agency personnel. The negative comments heard were mostly associated with the eagerness of local beneficiary institutions' professional staff to take on a bigger direct responsibility in the preparation of assistance programmes, drawing up terms of reference for their implementation, preparation and evaluation of invitations to tender, awarding and signing contracts, verifying and monitoring implementation and effecting payments.

Overall, the evaluators find that the Agency's performance on this score is high.

The Agency has given increased attention to the quality of its programmes, and the role of evaluation as an institutional tool for enhancing quality, coherence and learning has grown within the institution. Created in 2001, the Evaluation Unit is based in the Agency Headquarters in Thessaloniki and is currently part of the Programming and Quality Assurance Division. The findings and recommendations of the evaluations are presented and communicated to the relevant Heads of OCs and the programme and task managers. They are also fed into the design of the Agency's operational programme proposals for future EC APs. The system seems to be working well. Feedback from the evaluations enables past lessons learned to be applied in the design and implementation of new projects.

Since mid-2003 a Programming and Quality Assurance (PQA) Division at the central level and a PQA Unit in each OC oversee the monitoring activities carried out Agency-wide and also locally and ensure that lessons learnt from evaluations are taken into account.

The project implementation monitoring system is a function carried out at OC level under the responsibility of the Head of Centre and is supported by various mechanisms such as ongoing monitoring by the programme managers, weekly sector review meetings between task managers and programme managers, meetings on monitoring and quality assurance, and specific evaluations. Evaluation and quality control is undertaken at various levels in the Agency.

Although differences exist between the OCs, the Agency's project monitoring system is generally effective and the Agency is now working at unifying and harmonising the project progress monitoring mechanisms across the OCs. Mechanisms exist to ensure the application of recommendations and feedback of monitoring activities into project implementation. Generally, staff is informed of and use the "lessons learnt" from previous evaluations, and from previous projects implemented in other OCs, in the execution of on-going and new projects.

Despite these efforts the overall Monitoring and Evaluation system still has some shortcomings, some of which are however already being tackled by the Agency:

- Monitoring as well as programme evaluation has been focussed on performing at the *individual project level*. Too little emphasis has been put on identifying criteria and monitoring and evaluating the Agency's activities and achievements at the *sector level*, i.e. the public administration sector, energy sector, transport sector, etc. The same applies even further at the *country-entity level*. The initiatives taken in 2003 to establish Thematic Workgroups and also to carry out the first sector evaluation indicate important steps in the right direction, as the team sees it. Furthermore, the prevailing (and to some extent also natural) project focus of the Agency contains a risk that the overall *raison d'être* of the Agency's presence in the countries-entities, i.e. promoting the SAP, becomes lost.
- The level, scope, and practice of project monitoring have developed quite differently in each of the OCs. Until now, no systematic and cross-centre approach to monitoring has been implemented. A promising new system is under development but was not operational in all the OCs during the evaluation team's field visits.
- Agency-wide monitoring has focused mostly on the *efficiency* of the Agency's activities, i.e. sums contracted and disbursed, and achievement of various quantitative targets.
- Reporting on other aspects of the Agency performance, for example on *programme relevance and sustainability* is done in a more informal way by the Programme and Task Managers, and in a more formal and planned way by evaluation teams.
- It is reported that the majority of the meetings within the Operations Units address *qualitative* issues of implementation of programmes rather than issues such as contracting and disbursement.
- The Agency's press and information activities and its regular reporting of the Agency's performance to the EU Commission and EU Parliament are what come closest to reporting on the *effectiveness* and the *impact* of the Agency.

Nevertheless, the criteria for judging the effectiveness and overall success of the Agency are in need of improvement. Indicators and criteria for measuring the overall impact of the Agency's work have not, or have only to a very limited extent been developed and used by the Agency.

Through the SAP reporting mechanisms the Commission requires that Delegations produce a monthly progress report on advancement towards the SAP recommendations, on the projects supporting the SAP, and on implementation issues associated with these projects. In Belgrade, Podgorica, and Skopje the Agency has been providing information to the Delegations in Belgrade and Skopje on these issues and on the assistance it has been providing to the country-entity. In Pristina the Agency does not produce a monthly report on progress towards the SAP recommendations. However, the EAR submits quarterly reports to the Commission describing the progress and problems of EC funded actions that aim to support the achievement of SAP and STM recommendations for Kosovo.

The crucial point here is how well-equipped the EC Delegations are in the countries-entities where the Agency operates for monitoring and reporting on the key parameters crucial for the success or failure of the wider mandate of the Agency for facilitating and advancing the SAp. This attribute concerns the extent to which achievement of the strategic goals in the SAp context are identified, documented, and reported by the EC Delegations based on the information received from the Agency.

The evaluation team was informed that this monitoring and reporting mostly works well from an operational standpoint. However, it is important to emphasize that the issue is not simply one of reporting what has happened as a result of the Agency's implementation of programmes and projects, but rather of reporting in such a way as to make possible a judgment on whether the strategic objectives set out by the CARDS strategic framework and the SAp are being achieved or whether changes are required.

8.2.2 The Governing Board role in ensuring the quality of the Agency programme

The evaluators believe that the existence of a Governing Board composed of representatives of the Member States facilitated co-ordination and complementarity between the programmes of the Agency and those of the Member States. However, some important factors have reduced the value added of the governing arrangements for the Agency in relation to their contribution to the co-ordination and complementarity between Agency programmes and those of the Member States. It must be noted that in certain cases the MSs' own co-ordination between their representatives on the GB and the persons responsible for their own bilateral programmes in the beneficiary country-entity has not been conducive to satisfactory co-ordination and complementarity.

The low-key and advisory nature of the GB, coupled with the nature of the Board meetings during which the Agency APs and the programmes are discussed, are not conducive to a strong GB role in ensuring that the priorities of CARDS are effectively translated to the context of the countries-entities in which the Agency operates. In addition, GB members rarely know the specific context of the countries-entities concerned sufficiently to be able to make forceful recommendations on modifying the Agency's programming for a given country-entity.

The governing arrangements would have added greater value to the work of the Agency if the GB had provided the MSs with a forum by which they could:

- contribute significantly to Agency approaches, programming and implementation;
- review and evaluate Agency performance regularly on the basis of specific criteria and indicators;
- effectively understand and present the Agency's point of view, programmes, projects and action plans to their own governments and aid agencies; and
- regularly monitor and evaluate performance and progress toward the attainment of strategic goals, objectives, programmes, finances and budgets.

The GB was, and is, relatively effective in the context of reform and reconstruction, mainly in terms of preventing obvious overlaps in programmes and projects. There is however, a need to improve the performance of individual MS representatives on the GB in generating and providing information and feed-back:

- to their national headquarters, regional or in-country-entity offices on the Agency's programmes and activities, and
- to the Agency on their own regional or country-entity specific strategies

8.3 EFFICIENCY

This evaluation criterion measures of how economically resources/inputs of the Agency (funds, expertise, time etc.) are converted to results. It assesses of the utilisation of human, financial and other resources, including assessment of performance measures and monitoring arrangements, and the process related to their application. It evaluates the process leading to the outputs in relation to the inputs utilized.

8.3.1 Agency's Organisational Structure

A well-designed organisational structure contains units whose managers can be held accountable for achieving the given objectives. This is much more complex in an organisation such as the Agency which has a quasi-matrix organisation where reporting is more diffuse. However, this is unavoidable due to the local and regional aspects of the aid delivery mechanisms and the programming at the Southern Eastern Europe (SEE) In fact the evaluators believe that the Agency's quasi-matrix structure is the best suited to responding to the local country-entity's specific and regional SAP challenges.

8.3.2 Allocation of administrative resources

As mentioned previously, the budget lines for the programmes entrusted to the Agency lay down that appropriations are also intended to cover the Agency's operating expenditure. It is clearly stated that Staff-related expenditure and running costs covering equipment, office rent, telecommunication expenses (known as Title 1 and Title 2 expenditures) cannot be more than 8% of the overall multi-annual budget for Agency assistance programmes.

Currently, the budgeted annual costs (Title 1 and Title 2) for 2004 are 8.35% of the operational expenditures (Title 3) for the Agency [Exhibit 5, page 37]. In the proposed budget for 2005 these costs will be brought up to approximately 11% of the operational expenditures. The cumulative ratio costs over expenses for these years are 4.84% and 5.44% respectively. Therefore, if the Agency continues to have a ratio exceeding the 8% an annual basis for the next few years then even on a cumulative multi-annual basis the ratio will exceed the prescribed 8%.

The top management of the Agency expressed belief that with the financial allocations and the 309 posts allocated (114 Temporary Agents and 195 Local Agents) the Agency would be perfectly well able to implement its programmes and projects effectively and efficiently during 2004. However only 86% of these 309 posts were occupied during the evaluators' field visits in late December 2003. 45 posts were vacant representing a ratio of 14% of the approved posts for the Agency. Hiring to fill these posts might put the Agency into a situation where in a few years it would need to cut personnel because costs would exceed the 8% upper limit if the operational expenditures remain the same as they are presently. Based on our extrapolations for the new CARDS beyond 2006, if the Agency does not receive an annual budget for operational expenditures of approximately €400 million, then even the present 268 employees will be too many. Furthermore, for the Agency to have 309 employees it must have an annual operational expenditures budget of approximately €450 million.

Considering the above, and despite the weaknesses already highlighted concerning the need for the Agency to focus more on measuring and providing more systematic information on the level of achievement in relation to wider strategic and political goals, the Agency's quality control and quality assurance activities seem to ensure that appropriate resources are allocated to its task of implementing its APs. The internal distribution of Agency resources seems appropriate to the APs and the case-loads of the Agency personnel.

8.3.3 The selection system for staff and contracted consultants

The team finds that the staff recruitment and selection system of the Agency is sound and ensures the Agency is staffed with qualified and experienced staff. The staff employment and compensation system of the Agency is one of the major contributors to its effectiveness. The Agency's ability to advertise posts using internationally read journals and to recruit "world class" professionals and sectoral specialists is clearly one of the key elements contributing to its success. There is a generalised consensus among people interviewed that this capability gives the Agency an advantage in relation to other aid delivery mechanisms where this capability is not used for financial or administrative reasons.

The ability to recruit senior international professionals for a period of 18 months and then for an undetermined time frame (as is the case presently at the Agency) creates a "results-oriented" climate and motivation for high performance that undeniably contributes to the entrepreneurial organisational culture that evaluators have observed at the Agency. However, as in any knowledge-based organisation, to ensure stability and build on the organisation's know-how, the Agency also needs a solid core of senior "world-class" international professionals who provide direction, support, advice and a historical perspective to their colleagues. This core of senior professionals should be less vulnerable to the Agency's temporary nature (by being full time Commission employees) and so have a longer-term perspective on reform issues and build longer-term relationships with the countries-entities where the Agency operates and within the SEE.

Regarding the recruitment of consultants for a wide range of tasks within the Agency's fields of activity, the evaluation team finds that the processes and procedures put in place to recruit and select contracted consultants have generally proved efficient. Although recruitment of poor-performing consultants has happened and still happens, as was also clearly pointed out during the field visits, the recruitment system is normally effective and in a large majority of cases ensures that the recruited consultants have the relevant skills and experience to conduct the tasks entrusted to them. Close follow-up and on-going contacts with recruited consultants during the entire implementation period is important for achieving good results, and the Agency staff were generally well aware of that.

Recruitment and employment conditions follow EU procedures. Personnel are employed under either Temporary or Local Agent contracts. Temporary Agents are engaged in accordance with Article 12 of the Conditions of Employment of Other Servants of the European Communities. Local Agents enjoy the same conditions as Local Agents in EC Delegations and their benefits and salaries are identical. The Agency is however taking advantage of all the flexibility that the employment contracts offer for managing its personnel. This has less to do with the "special circumstances" of the employment contracts and more to do with the initiatives of Agency management in using means of recruitment that might not be available to the other EU aid delivery mechanisms operating in the region because of the more limited financial resources at their disposal. They permit flexibility for attracting qualified staff and provide for timely engagement of persons with the required profiles.

Training of recruited staff needs to improve, however. It does not provide, under its present form, sufficient opportunity for Agency staff to enhance their skills to the requirements of the job.

8.3.4 Training and employee development

The evaluation team believes that not enough training and development activities are carried out for Agency personnel to ensure continuous deployment of appropriately qualified and experienced staff. Training and development of programme managers and task managers have been rather unsystematic, and left largely to the initiative of each programme manager and task manager. During meetings with the programme managers and the task managers the need for training and development was constantly stressed, e.g. the specific skills needed for designing and implementing complex projects within institutional development where change of behaviour and attitudes is required.

8.4 COMPLEMENTARITY AND COORDINATION

The complementarity criterion gauges the level to which Community policy and activities were complementary to the policies pursued by the Member States. In addition, it judges the extent to which there is overlap between the actions of the Agency and the MSs in the countries/entities in which the Agency operates, It also assesses sectoral complementarity with donor initiatives, in particular the MS.

The coordination criterion evaluates the level of participation by the Agency in the coordination of practices on development co-operation and consultations between the EC's and Member States' aid programmes. It assesses the Agency's initiatives on, and participation in, donor coordination meetings.

Evaluators found that in general the Agency's work in preparing and implementing the activities entrusted to it was adequately co-ordinated, and complementary to other international organisations active in the field.

There is of course no such thing as perfect coordination in bringing about such complex reform processes in a number of countries-entities, involving many donors and an even greater number of beneficiary organisations. There are bound to be areas where duplication may exist.

However, during interviews with a broad number and range of stakeholders, no serious problems were identified. The coordinating framework provided by the GB in particular through (a) the careful and detailed programming procedure; (b) the continuous dialogue with beneficiaries and other stakeholders; and (c) the coordination meetings at OC level between the various donors, is contributing to prevention of major overlap between donor activities. These coordination efforts at the OC level are strongly encouraged by the Director of the Agency who wants to ensure that complementarity between the Agency's programmes and the MS's and other donors' programmes are not in conflict but complement each other.

8.5 OVERALL ASSESSMENT OF THE AGENCY AND ITS FUTURE

The Agency is an asset that has permitted the Commission to exercise leadership in effectively and efficiently coordinating and stimulating stakeholder efforts towards the initial reconstruction efforts in the countries-entities in which it operates. Its dismemberment before a better and more regionally integrated and well-designed structure is put in place would be detrimental to the good work that has been done up to now by the Agency.

Given its short history, the circumstances of its creation and the strong leadership of its directors, the Agency today has several advantages the Commission should preserve and strive to build on.

The Agency is a young organisation and has most of the positive attributes of dynamism, creativity, staff enthusiasm and result-oriented attitudes usually associated with new organisations. These characteristics are also due to the type of top managers who not only closely manage the day-to-day operations of the Agency but also lead the organisation by creating an organisational culture of motivation, collaboration, and achievement in which these characteristics are not stifled.

The “Agency Model” with its GB, and its Regulation together with the vision and confidence of those who allow the top management of the Agency to create this achievement oriented culture by providing them with the support and the relative managerial independence are also contributing to this result-oriented organisational culture not to dwindle over time.

The Agency was put in place in a short time to deal with massive problems that needed quick and immediate answers and resolutions which a small entrepreneurial organisation could provide in a timely manner. The regulations and the administrative procedures in terms of resource management (human, physical, and financial) under which the Agency was to operate permitted it to be flexible and adaptable and allowed it to accommodate and handle difficult circumstances in an efficient and effective manner. As a result, the Agency has been successful in preparing and implementing Commission assistance to Serbia, Montenegro, Kosovo, and the former Yugoslav Republic of Macedonia in accordance with relevant CSP and MIP guidance.

From the reconstruction of physical infrastructures to rebuilding of destroyed houses, villages, cities, or electrical power generation plants which constituted the bulk of its activities just a few short years ago, the Agency has moved very quickly into delivering services in areas such as: supporting good governance, institution building, social development, strengthening of civil society and assistance in the development of a market economy. While doing this, the Agency has been continuing to invest further in critical physical infrastructure and environmental actions.

If the Agency is to transform itself into a more “mature” organisation, to develop its integrated horizontal administrative and financial functions and also to move into more complex and difficult areas of aid management - in particular assisting recipient governments, their institutions and organisations with accession to the EU through the SAp - then the Agency should itself become a regionally integrated structure and retain or even expand its leadership role in the region. It could become the EC instrument which, together with the MSs, addresses the needs of the region in a comprehensive, cohesive, and integrated manner to deliver aid money and to assist the governments of the region in their progress towards accession. This however, requires skills and competencies rather different from those required by the reconstruction and restoration phase at the start of the Agency’s life. It needs to evolve fully into its future role in SAp’s European Partnerships or Accession where ownership and sustainability of EC assistance will depend on the quality of the dialogue with the national authorities and beneficiaries.

The challenge for the Agency now is to develop or acquire the skills, knowledge, and know-how necessary and to adapt its approach to the increasing demands of the beneficiary governments for self-management of aid funds for the implementation of the SAp without losing the result-oriented spirit and high motivation of its staff which has permitted its good performance up to now.

The evaluation team believes that the Commission can achieve its goal and that the Agency can meet its challenges if the following recommendations of this report are implemented.

9 **RECOMMENDATIONS**

Some of the following recommendations are closely linked to the aid management system in the region and to the overall context of EC cooperation in the region.

9.1 **GOVERNING ARRANGEMENTS AND THE ROLE OF GB**

9.1.1 RECOMMENDATION 1: Distinguish and hold separately the programming meetings of the GB from the operational meetings.

Currently, the GB meets four times per year, which appears appropriate and should be continued. However, the evaluation team recommends that the objectives, structure, and modality of the programming meetings be different from those of the more operational meetings.

We would recommend that the first quarter meeting held around the month of March and last meetings of the GB focus on policy matters and approaches related to the annual programmes. These “programming” meetings should provide on one hand, a forum where important policy related matters (including sectoral priorities, project types, coordination with other agencies) are brought into focus and where discussion of key Agency programmes can take place.

During the March meeting, the Agency could present its broader programming intentions for the following year, according to the strategic framework established by the Commission. During the discussions it would be important for the management of the Agency to receive clear feed-back on the required actions for coordination with the MS programmes in the region consequent to the issues discussed.

At the same time this meeting should provide the MS representatives with sufficient information so that they can fully understand and relay to their own governments and aid agencies the objectives, plans, and programmes of the Agency. This March meeting would probably require two full days to permit all the representatives of the MS and the Agency management to present their views and to permit a substantive discussion on the issues.

The last GB meeting of the Agency, usually held during the month of December would permit the Agency management to present to the GB its programming and APs developed based on the discussions held during the March meeting and the subsequent programming coordination efforts undertaken locally and regionally.

Participants in these two meetings should preferably be senior enough, ideally with SEE regional coordination responsibilities to be able not only to influence the Agency’s strategy and programme activities in the region but also to be able to influence, direct, and adjust their own ministry’s or institution’s strategy and programming.

Given the nature and depth of the discussions to be held; only one representative per MS should participate in the discussions. With 25 MSs representatives, 5-6 people from the Agency and the EC Delegations where the Agency has an OC, and approximately the same number of participants from DG RELEX and EuropeAid, participants at these meetings should total approximately 45, which is enough for in-depth discussions of the regional issues and strategies.

The remaining two “operational” meetings of the GB should provide the opportunity for the MS representatives to acquaint themselves with the financial situation and key organisational, personnel, and expenditures issues of the Agency and to learn the resource requirements for the Agency's operations. MS representatives would approve the budget, and review, and exercise control over fiscal accountability and resource requirements, and formulate guidance on these issues. These meetings need not last more than 6 hours, as is currently the case.

The distinction between these two types of GB meetings should be clearly described and their mandates clarified.

[Ref.: *Conclusion on the “Agency Model”*]

9.2 RELATIONS WITH STAKEHOLDERS

9.2.1 ***RECOMMENDATION 2: The Agency should initiate and coordinate a yearly “donor synergy” meeting with the major donors in the region on regional matters and involve the specialised DGs (i.e. DG TREN and DG ENV) in the synergy development process.***

Individual countries-entities remain responsible for donor coordination in their own territory. However they are also involved at regional level through regional coordination mechanisms. Examples are the *Athens Process* in the energy sector or the Energy Market Facilitation Group (MFG) that coordinates activities associated with the establishment of a regional energy market in the SEE and investment related to this endeavour.

Effective donor co-ordination should be a high priority, not only at country-entity level but also at regional level in sectors requiring a strong regional perspective, such as energy, transportation, the fight against crime, environment, assistance to refugees and displaced persons, and regional economic development.

The team recommends that, over and above the country-entity-specific donor coordination meetings, at least once a year the Agency and the Commission should jointly sponsor an all-day, mostly informative, regional donor synergy meeting with the major donors in the region. The meeting should involve the relevant specialised DGs (i.e. DG TREN and DG ENV) to facilitate the synergy development process.

This meeting would provide an additional incentive for donors to organise themselves and to approach the Agency and the Commission with cohesive and harmonious strategies for the region. It will however be important that in the countries-entities where the Agency does not have an OC and there is a deconcentrated EC Delegation, the roles of the Agency and the Delegation are clearly defined beforehand.

These “donor synergy” meetings should be used to enhance understanding, collaboration and cohesion of the aid money that goes into the region in support of the SAP. Countries-entities in the region would all benefit from learning from their neighbours.

The Agency has demonstrated skills and capacity in organising and managing the GB meetings and the special dialogue channel with the MSs established through the GB, and its presence in the territory through its OCs. It also has established good working relationships with the IFIs in the region. These reasons would justify the Agency's taking a leading role in organising this exercise.

[Ref.: Conclusion on the “Agency Model”]

9.3 OWNERSHIP AND SUSTAINABILITY

9.3.1 RECOMMENDATION 3: Develop a strategic plan enabling progressive transfer to the country-entity authorities of the management of EU aid funds.

Since the Commission has been asked by the members of the regional Stability Pact to play a key role in assisting recipient countries-entities to coordinate donors, it has an opportunity and an obligation to be the leading donor working with the beneficiary countries-entities and to empower them with a view to ensuring that projects are better integrated into comprehensive national strategies.

However, even if transferring these responsibilities to the beneficiary country-entity (the decentralised approach) is logically the way forward, this approach cannot be presented at this stage of the process as a solution universally applicable to all countries-entities in the region. The “decentralised approach” may suit more advanced countries-entities with adequate capacities, whereas some countries-entities with a less developed capacity to manage their aid resources may not still be ready and may fail to achieve the results required by the SAp and thus lead to delays, project cancellations, and major back-logs.

Of course, helping a government and its institutions to assume their responsibilities in a “decentralised approach” should happen without prejudice to the effective and efficient implementation of the Agency’s programmes and projects. Therefore, the “decentralised approach” does not have to be an all-or-nothing method for the whole country-entity involved. Instead, it could be a “situational decentralised approach” where the decentralisation and the devolution of responsibilities of managing their own aid money to beneficiaries can be done ministry by ministry or institution by institution.

The Agency should therefore prepare for each country and entity a strategic plan, with specific objectives and including the human and financial resources required for building up the capacity of the recipient country-entity to manage its own aid resources ministry by ministry and institution by institution. This plan should set deadlines for when the recipient country-entity authorities should be able to assume full responsibility for their aid resources and donor coordination, with the aid of achievement indicators. The final aim is to help establish the government’s and its institutions’ capacity and human resources base necessary for sustainable, self-reliant development towards accession.

Nevertheless, none of this can happen in the longer run without very active beneficiary country-entity participation in aid programming. Therefore, the reform and transformation of the beneficiary organisations would eventually involve institutional restructuring in both organisational and cultural contexts, which in turn entails a significant need for empowering the senior officials of the beneficiary organisation to bring about these changes and then administer the use of EU aid money in an efficient, effective, and accountable way.

Consequently, it will be necessary to include in the APs the means for more training, know-how and experience in developing activities to help the senior officials of the beneficiary organisations implement these changes.

[Ref.: Conclusions on the ownership, sustainability and expectations of key stakeholders]

9.4 THE STRATEGIC FRAMEWORK AND GUIDELINES PROVIDED TO THE AGENCY

9.4.1 *RECOMMENDATION 4: Rethink the goals, objectives and purpose of the strategic framework instruments which provide guidance to the EU institutions in the region.*

The CSP is a strategic document that establishes the goals and broadly targets areas where aid money needs to go to help the country-entity follow the SAP. The MIP is a tactical document that describes the policy and measures to be implemented regionally or in-country-entity. It usually has a three-year perspective.

At the operational level, the AP's annual effectiveness and efficiency should be measured by the speed with which they respond to needs of the SAP. The flexibility of the annual APs can be assessed if activities defined in the MIP but no longer needed can easily be put on hold or cancelled and new requirements that have appeared (following the dialogue between the Commission and the beneficiary government) or that had been overlooked can easily be taken on board.

To allow such flexibility, there is a need to rethink the goals, objectives, and purpose of the strategic framework instruments which provide guidance to the Agency (and the other EU institutions in the region in charge of the implementation of CARDS).

With the European Partnership document now being implemented in the Western Balkans countries-entities the need to continue to have the CSP and the MIP needs to be questioned.

For example, the CSP and MIP mechanisms could be replaced by a mechanism based on the European Partnership document.

However, since the 2005 – 2006 MIPs are already being finalised they should be implemented for this period. However, for 2007 and beyond new and more flexible “work-in-process” approaches and mechanisms that can be used as instruments to facilitate policy dialogue between the Commission/Agency and the beneficiary governments, their institutions and organisations must be developed. This “rethink” of the goals, objectives, and purpose of the strategic framework instruments initiative would also, the evaluators believe, resolve the issue of the respective roles and responsibilities of the various EU institutions, the Commission and its Delegation, and the Agency.

In summary this recommendation aims at:

- strengthening the roles of parties on all sides that subsequently will be directly involved and responsible for the implementation of policies and programmes; and
- enhancing the planning and programming (policy) dialogue with the beneficiary authorities and governmental institutions in the countries-entities and thereby increasing the sense of ownership by the beneficiary institutions of the EU assistance provided.

[Ref.: Conclusion on the strategic framework and guidelines provided to the Agency]

9.4.2 RECOMMENDATION 5: *Develop a human resources deployment plan linked to and reflecting the MIP which would allow full involvement of programme managers in the strategic dialogue with the beneficiary governments*

Full knowledge of technical content as well as timing is crucial. The best conceived and articulated strategies (CSPs), policy dialogue documents (MIPs) and operational implementation plans APs can be unsuccessful if introduced if there are shortcomings in either aspect. In addition, success is also linked to knowledge of the client and to the realities of the political, social, economic and technical situation. This is why it is recommended that the programme managers are fully involved in the dialogue between the Commission and the beneficiary governments during the preparation of the SAP reports and the SAP strategic documents, so as to provide the thorough technical insight required as well as a sense of timing based on their knowledge of their counterparts' situations in the governments or their institutions.

With its knowledge of the changes in the MIP and consequently in the skills required to implement the new programmes and projects, the Agency should prepare at the minimum a yearly staff deployment plan and estimate what numbers and kinds of human resources will be needed during the next few years. A human resource planning system should be implemented, tied to the strategic framework established by the Commission, and anticipating future demands for specific skills. The activities that the Agency could follow in planning such a system include the following:

- developing a human resource inventory assessing the personnel skills, abilities, and general potential present in the Agency;
- forecasting and predicting future skills requirements;
- developing human resource plans or strategies for recruiting, selecting, placing, transferring, and promoting personnel; and
- developing plans for ensuring that properly trained programme and task managers are ready to respond to the challenges of the changing requirements of the CSPs and the MIPs.

[Ref.: Conclusion on ensuring the quality of projects, judging overall success and the GB's role in ensuring the quality of the Agency programmes]

9.5 CRITERIA FOR JUDGING EFFECTIVENESS AND OVERALL SUCCESS

9.5.1 RECOMMENDATION 6: *Distinguish operational project implementation evaluation and monitoring from more strategic assessment of progress towards overall goals.*

Programme and project monitoring and evaluation should be distinguished from the more strategic assessment of progress towards overall goals. The Agency needs to put greater focus on measuring and providing more systematic information on the extent of achievement of the wider strategic goals, which existing reporting does not address.

Reporting on objectives should be stated in measurable terms and should highlight significant accomplishments relating to the overall goals to be achieved in the beneficiary country-entity. Strategies and courses of action adopted to achieve these objectives must be specified. The SAP reporting mechanism could be used to that end but it should include aspects from the CARDS strategic framework (today CSP and MIP).

The indicators selected for monitoring success towards the overall goal should be defined in a participative way by the Commission, the Agency, and the country-entity authorities to ensure their relevance but also to increase ownership of the SAp achievements in the Agency, as well as overall accountability.

With regards to project monitoring and evaluation, the Agency should continue the effort of harmonising the system across the OCs while at the same time develop a system that allows linkage of results at project level with objectives at policy level in the framework of the SAp.

The Agency's evaluation system should be strengthened in its capacity to carry out country-entity and sector evaluation by OCs and across countries-entities. Evaluation should also focus more consistently on the contribution of single projects to the SAp and to the political dialogue objectives and undertakings agreed between the country/entity and the Commission. In this respect, baseline studies would help in assessing the impact of the assistance.

An important item associated with achievement of the overall goal should be the forecasting of future demand for the Agency's services over the next few years (strategic planning) and future availability of current human resources (human resources planning). Knowing that the future requires human resources with skills different from those required today should stimulate the Agency to plan its recruitment and training activities ahead of time so as to continually ensure the quality and balance of the personnel recruited.

This would facilitate the global assessment of the performance both of the Agency and of the different countries-entities, while allowing more efficient and effective allocation of future resources.

[Ref.: Conclusion on ensuring the quality of projects, judging overall success and the GB's role in ensuring the quality of the Agency programme]

9.6 ORGANISATIONAL STRUCTURE

9.6.1 RECOMMENDATION 7: Strengthen the regional dimension of the assistance provided.

Due to the regional nature of much of the reform process in the SEE countries-entities, including reform activities within sectors such as energy, transportation, fight against crime, environment, assistance to refugees and displaced persons, and regional economic development, regional coordination of policy issues across the countries-entities in the region is of paramount importance. At the operational level this calls for increased collaboration between Agency OCs and deconcentrated Delegations across the countries-entities as well as involvement of the specialised DGs (i.e. DG TREN and DG ENV) in policy issues.

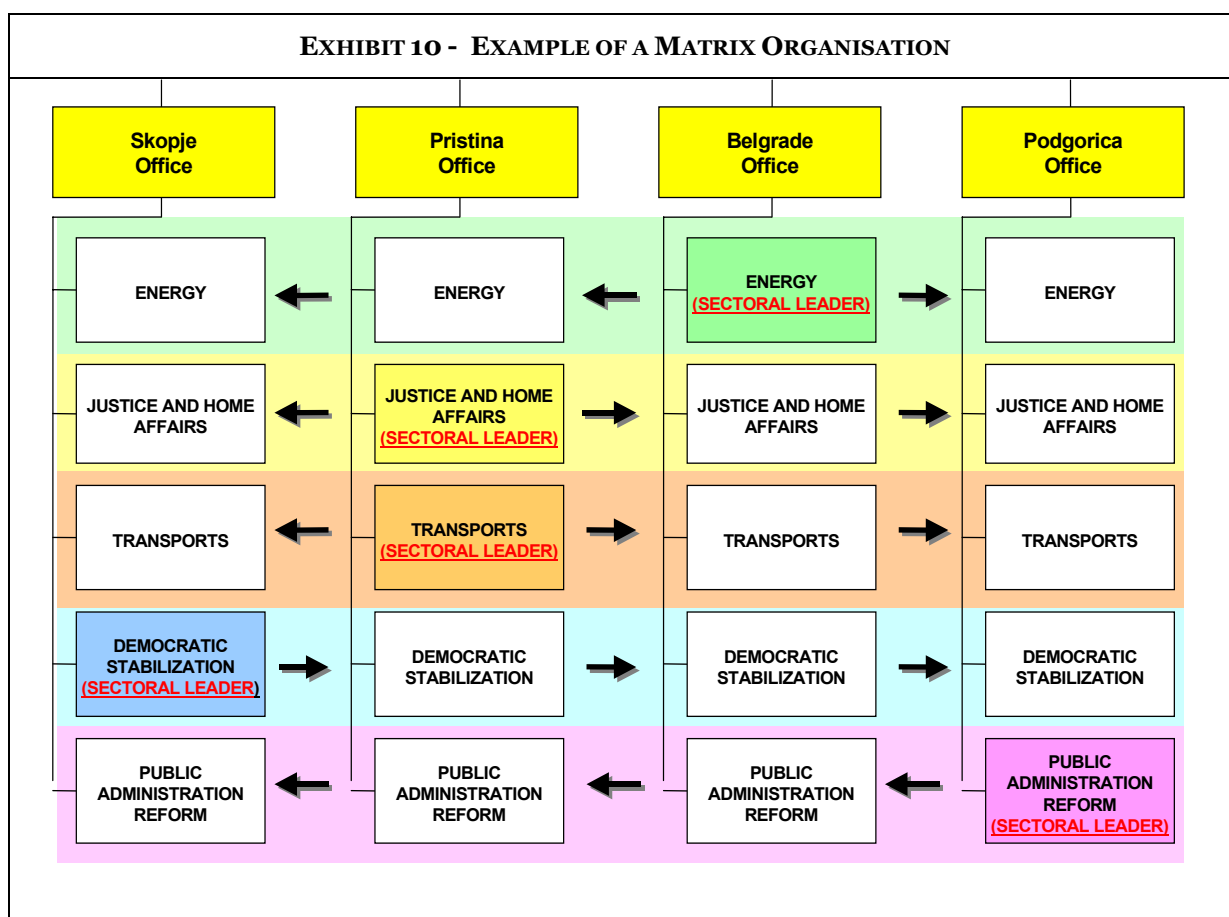
To strengthen regional coordination the evaluation team recommends that senior "Sectoral Leaders" are identified either in the Agency OCs or in EC Delegations in the region, who would be charged with the task of promoting and coordinating effective regional coordination within sectors where this is particularly relevant. These Sectoral Leaders should have the financial means to arrange and coordinate sectoral activities horizontally and actively collaborate with the specialised DGs to disseminate information and "best-practices" across all OCs for the professionals working in the sector. The Sectoral Leader would organise sectoral inter-OC meetings to resolve complex professional issues and promote coordination.

[Ref.: Conclusion on Agency's organisational structure]

9.6.2 RECOMMENDATION 8: Continue to develop and enhance the matrix organisation and ensure recruitment of more senior organisation-wide sectoral leaders.

Consistent with this recommendation, the matrix structure being implemented by the Agency will facilitate responses to the rapid changes required by the multi-dimensional environment (political dynamism, economic uncertainty or social disruption), the uncertainties of which generate high information-processing requirements. Programme and task managers confronting these circumstances must obtain flexible managerial tools and this is most likely to be realized in a matrix structure.

The arrangement can be described as in Exhibit 9, where personnel assigned in each cell belong not only to the administrative unit in which it operates but also to a larger unit that can take advantage of staff know-how and skills horizontally. As a consequence, personnel will report to two managers, one in their administrative unit and one in the sectoral unit. The existence of a dual authority system is a distinguishing characteristic of a matrix organisation.



A number of advantages are associated with the matrix design. Some of the more important ones are given below:

- A matrix organisation facilitates the utilization of highly specialized staff. Each project can share specialised human resources with other similar units, rather than duplicating to provide independent coverage for each. This advantage is particularly important when projects require

less than the full-time efforts of the specialist. For example, a project may require only half of a Justice and Home Affairs (JHA) specialist's time. Rather than having several underutilized JHA specialists assigned to each OC, the Agency can keep fewer of them fully utilized by deploying them regionally.

- Timely response to change requires information and communication channels which efficiently transmit information to the right people at the right time. The matrix structure would encourage constant interaction between programme managers and task managers of the same function regionally. Information is channelled vertically and horizontally as professionals exchange technical knowledge. The result is a quicker response to complex problems.
- Programme and task managers working in one OC for a given sector interact with the corresponding programme and task managers in another OC much more readily. These interactions encourage cross-fertilization of ideas and best practices.

Through the matrix organisation professionals have considerable opportunity to develop their knowledge and skills through learning from other professionals working in the same sector in other OCs.

[Ref.: *Conclusion Agency's Organisational Structure*]

9.7 TRAINING AND EMPLOYEE DEVELOPMENT

9.7.1 ***RECOMMENDATION 9: Increase the training of programme and task managers to enhance their abilities and effectiveness in their role as change agents within their respective fields.***

It is imperative to provide all employees of the Agency with opportunities for training to perform their responsibilities effectively and efficiently. In addition, it is essential to provide high performing and high potential employees with opportunities for future development and growth so that they can develop their capabilities and full potential.

One of the major contributing factors to the Agency's success is its programme managers' (1) professional and technical abilities; (2) experience and know-how; and (3) project management skills. However, as mentioned previously, the Agency is now expanding into the "softer", more complex and multifaceted areas of assisting the beneficiary governments along the SAp. In this process programme managers and task managers will require a broader skill base and a strong tolerance to ambiguity.

- ***Induction of new programme and task managers in the requirements of the SAp and the EU***

This would include an introductory training course for recently recruited programme and task managers on topics such as: (a) need-based project design and implementation; (b) the framework of EU agenda for approximation of the *acquis communautaire* and (c) translating SAp and EU requirements into specific, implementable projects.

- ***Enhanced ability to diagnose the causes of resistance to change***

The evaluation team believes that programme managers and task managers need skills and training in what could be called the ability to analyse a dilemma or a sticking-point causing resistance to change. Because a beneficiary government representative who is interacting with a

given programme manager is probably faced with a situation that appears insoluble, or at least confusing and difficult to implement, the programme manager and task manager must recognize and be able to analyse the predicament, whether real or not, that exists in the mind of the government counterpart. In the new environment that governments in the region are facing (rapid political, social, organisational or administrative changes) one of the programme manager's and task manager's key competences will be their ability to discover the nature of the predicament or the resistance to change and to help determine what really is causing it.

To cope with dilemmas (either real or not) or resistance to change by counterparts, the programme managers and task managers should be provided with professional diagnostic skills in order to make them better understand and interpret the background to problems which occur and identify possible solutions as part of providing assistance.

- ***Develop interpersonal persuasiveness and tact as part of implementation skills***

In aid and assistance management, solving a political, administrative, social or individual dilemma or problem and managing resistance to change is essentially a creative process. Therefore, in addition to enhanced diagnostic abilities, programme managers and task managers need a range of strong, creative and sensitive implementation skills, which can be part of additional training possibilities offered for relevant Agency staff.

- ***Identification of training needs***

Efforts should be made by the Agency to ensure that staff training needs are more systematically identified and addressed. These efforts should be integral with the agency's activities in general and reflect the skill requirements for maintaining a high level of professionalism in the continued work of the Agency.

[Ref.: Conclusion on the selection system for staff and contracted consultants and the training and employee development of staff]