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META-EVALUATION CO-OPERATION INSTRUMENTS – WORKS AND SUPPLIES

Executive Summary of the Final Evaluation Report
(EN)

July 2014

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META-EVALUATION CO-OPERATION INSTRUMENTS – WORKS AND SUPPLIES

Service Contract No. 2013/331299

Executive summary of the Final Evaluation Report (EN)

July 2014
Executive Summary

PURPOSE AND SCOPE

The specific objective of the evaluation is to assess the relative relevance, EU value added and sustainability of supplies and work contracts included in financial cooperation under the Instrument for Pre-Accession (IPA).

The scope of the evaluation includes works and supplies projects concluded in the period 2005-2011. In geographic terms the evaluation covers Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Kosovo, Montenegro, Serbia and Turkey. The evaluation has been based on a targeted sampling of projects considered representative per country of various priority areas and sectors.

BACKGROUND

For the period 2007-2013, the allocated IPA funds amounted to € 11.6 billion. Economic, social and rural development have been prioritised, as has regional cooperation in the Western Balkans. A significant element of IPA support has been provided in the form of infrastructure investments (so-called works and supplies). This has provided the ‘hardware’ for the development of the beneficiary countries within the context of their accession aspirations. This evaluation specifically examines the performance of these investments and seeks to identify critical factors underlying their cost-effectiveness, impact and sustainability.

KEY FINDINGS

Relevance and EU value added

There has been generally good relevance with most projects, which are well in line with association, stabilisation and enlargement agreements and strategies. However, the extensive needs, particularly in the Western Balkans, are not always appropriately counterbalanced with objective prioritisation and selection. Relevance for Turkey is also good where IPA intervenes in priority sectors/ institutions with insufficient means of funding, or focuses on accelerating the development of a specific strategic component.

The overall added value of EU-funded works and supplies is generally seen in enhanced strategic planning, technical assistance and capacity building for beneficiaries, stakeholders and accredited procurement institutions. Another added value lies in their combination with technical assistance focusing on the creation of capacities to use the provided infrastructure and equipment. EU value added is also visible with IPA as an additional funding source, often complementing or even compensating shortfalls of beneficiary budgets. IPA works and supplies are often setting appropriate sectoral benchmarks and provide examples of best practise. Furthermore, they demonstrate the benefits of EU integration and increase the

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1 This designation is without prejudice to positions on status, and is in line with the UNSCR 1244 and ICJ Advisory opinion on the Kosovo declaration of independence.
EU’s visibility. IPA is often the main source of funding in the target countries and thus appears as a major driver for sectoral development.

**Complementarity**

Complementarity with other project parts has been ensured where IPA is the single or main funding source. Supplies and works are often complementary to technical assistance actions and directly support the achievement of overall project results. Works often come as a stand-alone component with complementary services for their preparation. Supplies often complement services or works, meaning that their absence would significantly reduce the impact of the primary action.

There is also good complementarity where IPA projects are fully integrated into national sector strategies, supported by relevant national legislation and endorsed by the beneficiary institutions. Supplies in particular are often implemented as part of a more comprehensive action and less as stand-alone projects. Over-arching/ complementary beneficiary investment programmes cannot always be performed in a way that ensures IPA projects are delivered in a timely way. Where other major donors are involved co-ordination processes are usually in place and the pace of implementation is better harmonised.

**Sequencing**

Sequencing and timetables for works are often too idealistically planned. This comes from ignoring or underestimating the major impediments posed by poor project planning and initial design. As a consequence, actual implementation time is often considerably reduced. The (re-)programming phase generally consumes more time than foreseen and the remaining time for tendering and implementation is consequently reduced. Works contracts in particular have often to be extended since projects had not been sufficiently prepared for implementation (e.g. project sites not ready, land ownership not resolved, missing building permits, and poorly prepared designs). Supplies are often adversely influenced by the time gap between supply identification and actual delivery and installation.

**Quality standards and timeliness**

Quality standards for works and supplies fully respect EU provisions and generally ensure the delivery and installation of up-to-date technologies. For works projects, obligatory supervision service contracts ensure compliance with quality standards and directly improve the quality of implementation.

Those quality problems that do occur tend to be related to the design phase. In many cases, insufficient or even erroneous project design had been approved, in other cases technical specifications had not been sufficiently clear or had become outdated and this had led to differing interpretations between contractor, beneficiary and/or supervisor. Poor quality of work projects appears particularly in cases of local construction works, often reflecting low quality contractors and high competition (low prices) among local contractors. Whilst delays are evident in the implementation of many works and supplies, this seems to be a lesser problem in comparison to delays that occur during the programming phase.
Value for money
Overall value for money is difficult to trace since most projects took place in the absence of comparable similar actions. There are often no other large donors active and projects financed by national budget follow other rules, which affects prices but also standards.

Where comparable to similar national actions, there is evidence that, in general, IPA projects ensure good value for money e.g., less corruption due to intensive supervision and independent tender evaluation. On the other hand many IPA works and supplies are more demanding than comparable national actions (rule of origin, language, expertise requirements). Furthermore, reconstruction/rehabilitation of existing infrastructure is often not as cost-effective as new infrastructure. However, sufficient funds are not always available to deliver a more comprehensive solution.

Beneficiary capacities
Administrative capacities of final beneficiaries vary among projects, sectors and countries. Prevailing weaknesses in urban/spatial planning in the Western Balkan countries often undermine the initial planning of investments. Projects with local/municipal governments often suffer substantially from a lack of proper administrative and managerial capacities. The same is often true where investments/works require inter-institutional co-operation and co-ordination at national beneficiary level.

Sample projects did not provide for any significant red-flag situations in procurement. Where possible irregularities appear(ed) this can be often attributed to inexperienced beneficiaries and vague technical specifications, rather than to direct attempts of malpractice. In most IPA countries, decentralised national procurement organisations are just starting their activities. Staff in these institutions have already been given some training in the detection and prevention of irregular procurement. In Turkey, decentralised procurement has been in place for more than ten years, with the number of accredited institutions increasing. The more experienced institutions have already built sufficient capacity and systems to ensure the correct implementation of tenders and supervision.

Functioning and use
In all the completed projects that were subject to a site visit, the works and supplies were usually present and technically functioning, although it was not always being used as originally intended. Purchase of superfluous equipment was a clear exception. In general, IPA works and supplies corresponded to real needs and were being used where possible at full capacity. Beneficiaries had often complemented or expanded the IPA investments with their own or other donor funds.

Site visits largely confirmed the proper use of recently provided infrastructure and equipment. IPA assistance to infrastructure in general has delivered relatively quick, tangible and sustainable results that are very much needed and appreciated. Roads, energy infrastructure and public buildings appeared to be clearly sustainable in most countries. Only in the case of environmental infrastructure is this positive impression less clear cut.

Accessibility
Overall, the assessed infrastructure/equipment is accessible as envisaged. Where works and supplies cannot be put into operation as planned, this is often attributed to problems of the
beneficiary in ensuring all necessary pre-conditions for use. IPA supplies usually provide state of the art equipment. Sometimes, however, it cannot be used to the full extent due to the lack of the knowledge of the beneficiary to operate and maintain such equipment.

**Maintenance**  
Most projects show insufficient consideration of sustainability and maintenance. This is evident even at the initial design stage. The sustainability of projects varies among the IPA countries and depends very much on the nature of the project and of the beneficiary. The expectation that the beneficiary (through the State budget) will ensure sustainability cannot be confirmed for many projects, since most IPA countries are suffering from austerity policies. This is particularly the case for the Western Balkans, whilst the situation in Turkey is generally more satisfactory. In a number of cases maintenance and even consumable costs have exceeded the available beneficiary budgets. Thus there is a risk that these projects will cease operation in the near future. Municipal projects often have weaker financial sustainability than national IPA projects, even in Turkey.

High staff turnover is a systemic problem in many national institutions, where staff is frequently re-affected and set to other locations. The same is the case for accredited procurement institutions. As a result, capacity built by training and technical assistance is often not retained within beneficiary institutions.

**CONCLUSIONS**  
In the main, the IPA work and supply projects seem to be well targeted, inasmuch as they closely fit a real demand from the beneficiary. For the Western Balkans, the huge investment needs there considerably exceed the financing possibilities of pre-accession programmes. In Turkey, regional competitiveness, environment or human rights represent sectors where IPA assumes investments that might not have been made otherwise. Most of the sample projects confirm full accessibility and proper usage of the provided infrastructure and equipment, in line with the given project objectives.

Where works and supply projects can still be substantially improved is during their design phase. Any prioritisation and selection process needs to include sustainability and maintenance considerations. Also, the beneficiaries’ ability to operate and maintain their infrastructure/equipment properly has to be assessed and defined accurately before undertaking major investments. Realistic procurement plans and market analyses might be tools to improve some aspects of the lengthy tendering process, but only to a limited extent. Increased efforts in constantly educating beneficiary staff in all aspects of procurement is also needed, particularly in those IPA countries that are now moving towards the Decentralised Implementation System. Beneficiaries and procurement staff need also to receive continuous training and guidance in identifying and detecting possible irregularities in procurement and implementation. Also, a dialogue between procurement agencies and the EU bodies dealing with malpractice would be a valuable capacity-building tool which is currently not in place in any systemic way.
LESSONS LEARNED AND RECOMMENDATIONS

Lessons learned

- The evident needs for reconstruction, rehabilitation and investment in the IPA countries heavily exceed the possibilities of IPA funding. IPA funding needs to focus on the strategically most relevant works and supplies.
- Where conditionalities/pre-conditions exist, their implementation/sequencing is often too vaguely defined. Where commitments are not addressed in time, (temporary) suspension should be obligatory, in line with IPA II performance principles.
- IPA works and supplies do not consider the Total Cost of Ownership principle. This sometimes leads to a situation where the beneficiary receives relatively cheap investments/supplies which later cannot be properly maintained, bringing into question their longer-term cost-effectiveness.
- IPA accompanies and supports the transition from ad-hoc project development towards result- and impact-oriented programming and programme management. IPA often sets the standards for the quality of works and supplies, as well as for a transparent procurement process.

Recommendations

European Commission/National IPA Coordinators

- Strengthen the prioritisation of works and supplies by adopting and applying techniques for proper prioritisation and transparent selection; Feasibility Studies should be mandatory for all large IPA works; for supplies, market analysis should also be mandatory.
- Better project preparation/updating and assessment is still necessary. More efforts are needed for checking of project’s technical, institutional, environmental, financial/economical maturity (e.g. soundness of technical solutions in designs, land ownership, affordability, etc.).
- Consider Total Cost of Ownership in the prioritisation of future projects, in particular for information technology and major investment projects. Maintenance costs should be applied for project prioritisation.
- Sustainability plans should be requested at the design stage, e.g. as part of Feasibility Studies, for bigger projects in order to anticipate the needs for maintenance.

National IPA Coordinators / Central Finance and Contracting Units

- Strengthen the provision of training on horizontal programme needs and ensure that training systems become sustainable. In particular for the DIS countries, Central Finance and Contracting Units need to increase and systematise their training on procurement and contracting for (potential) beneficiaries.
- In assessing implementation and absorption capacity of beneficiary institutions, National IPA Coordinators and Central Finance and Contracting Units should consider making a more detailed assessment of their technical capacities for preparing complex projects and conducting thorough market studies.

National IPA Coordinators / Central Finance and Contracting Units / National Fund/ relevant Audit Authorities
• Increase networking within and among the IPA beneficiary countries as concerns the exchange of practice in detecting, preventing possible malpractice in procurement.
• Increase co-operation with the Anti-Fraud Coordination Services and use the Services for the continuous education of procurement staff.
• National procurement rules should be gradually harmonised with EU good practice.
• Central Finance and Contracting Unit and accredited ministries should consider appointing an independent irregularity expert and providing a helpdesk for complaints related to irregularities.
European Commission, DG Enlargement

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