Results of PHARE projects aimed at economic development

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Executive summary

The State Audit Office analysed the evaluation and sustainability of the direct results and long-term effectiveness of the PHARE projects aimed at economic development. The aim of the audit was to evaluate the PHARE projects in Estonia, which now belongs to the EU, and to give recommendations for more effective use of the European Union aid based on the evaluation.

After the country's accession to the EU, the decision-making on the use of the financial aid, and the responsibility it entails will be transferred to Estonian officials. According to the Structural Funds Act, the allocations of money are the responsibility of the Minister of Finance. Likewise, the Minister of Finance is to establish the supervision over the allocated aid and the general procedure for its evaluation. The planning and implementation of the projects aimed at economic development belong to the sphere of responsibility of the Minister of Economic Affairs and Communications and the Minister of the Internal Affairs.

26 PHARE projects of the years 1996–2003 were scrutinised. Taken together, their budget was at least 176 million EEK (the precise figure cannot be ascertained for lack documented information), of which the co-financing of Estonia was 45.5 million EEK.

Main findings of the SAO

- The objectives of the projects are worded in a vague manner.
- The direct as well as the long-term objectives of the projects are not sufficiently detailed. That is why it is difficult to evaluate the effectiveness of the use of the financial aid.
- The value of the results attained by the projects is questionable.
- The value of the results is dubious due to the fact that the initial results have not been properly used or developed.
- The evaluation of the sustainability and effectiveness of the projects is insufficient.
- The ex post evaluation of the PHARE projects has not been consistent. The evaluations that have been carried out are very general. They are difficult due to the fact that part of the documentation was preserved in a highly casual manner and consequently, not all the necessary documents are available for inspection.

Recommendations and responses from the Ministers

The SAO recommends that the Minister of Economic Affairs and Communications and the Minister of Internal Affairs, while establishing the procedure for the evaluations of applications, should do the following:

- In order to better evaluate the results of the projects, demand that measurable objectives be stated in the projects, and ensure that the aid is granted only to applicants who meet these requirements.
- In order to ensure a long-term positive effect in addition to initial success, it is necessary to provide for the evaluation criteria and to finance only the projects which have no ambiguities as to their further use and financing, and only projects with a definite owner.

Based on the Structural Funds Act, the SAO recommends that the Ministry of Finance, while establishing the procedure for the evaluations of the effectiveness of the aid, should do the following:

- In order to get a satisfactory overview of the effectiveness of the use of the funds in the future, develop the procedure for ex post evaluation of the projects, determine the principles of evaluation and the persons responsible for it.
- In order that the persons executing the ex post evaluations would have enough dependable information, provide for the principles of collecting data concerning the effectiveness of the projects (what information should be collected; who does it and in what form; the duration and frequency of collecting the information).

The Ministry of Finance is currently developing the public strategy of evaluation, in which, according to the Minister, the principles and division of tasks will be determined.

In connection with the collection data concerning the effectiveness of the projects, the Minister referred to the Structural Funds Act and the regulation on the general procedure of supervision and evaluation. The Structural Funds Act provides for the obligation of evaluation and the general bases of data collection and establishment of committees. The regulation provides for the format of presenting the supervision information, the contents of the reports and the persons responsible for reporting. Of the deadlines, only the deadline for the submission of the development plans is provided for. The deadlines for the submission of other reports are undetermined. According to the regulation, the rest of the deadlines are to be established by the rules governing the supervision.

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