

GEO/96/019 - REHABILITATION OF TSKHINVALI REGION

TERMINAL EVALUATION

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(UNDID) Georgia

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Preface to the Report

The consultant wishes to acknowledge the readiness of participants in this project to cooperate with the evaluation effort. The degree of openness exhibited is a tribute to the progress made by the project toward building relationships of trust and goodwill among those emerging from conflict. The criticisms and recommendations contained herein are offered in the hope and expectation that they will be used to improve upon previous successes.

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1. Introduction

This report describes the results of a terminal evaluation conducted in June 2000 of UNDP Georgia's GEO/96/019 - Rehabilitation of Tskhinvali Region. The evaluation had four principal tasks:

- Review the results of the project from the point of view of efficiency of utilization of TRAC 1.1.3 funds;
- Review project impact particularly in terms of improving economic vitality of / in the region, enhancing the standard of living of the population, and building confidence between two parties;
- Review implementation modalities and the operational capacity of the Steering Committee;
- Assess possibilities and needs for a second phase of the project to complement or strengthen the results achieved and assist the political solution of the ethnic conflict between Georgia and Tskhinvali region.

The evaluation was conducted over twenty days and comprised review of documentation, interviews with members of the Steering Committee and other relevant authorities, interlocutors, beneficiaries, project principals and others, and ten days of field visits accompanied by Project Unit personnel in and around Tskhinvali region to work sites in telecommunications, housing, electrical rehabilitation, road and bridge repair. Twelve of twenty-four Codan systems distributed by the project throughout the region were visually verified and inspected, as was approximately one-half of the rehabilitated

single-family housing. The Terms of Reference for the evaluation are attached to this report as Annex A.

This report comprises four main parts: summary and recommendations, context and background, findings and conclusions, and lessons learned. Recommendations and lessons learned have been formulated to inform a second, improved phase of the project. Specifically, suggestions are made which should ensure a higher standard of rehabilitation and development work and renewed opportunity for the interlocutors and project beneficiaries to cooperate in a spirit of goodwill toward concrete goals of mutual interest.

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2. Summary and Recommendations

UNDP launched a US\$2 million rehabilitation project in Tskhinvali Region in early 1997, funded from UNDP TRAC1.1.3. The project had dual goals: (1) facilitate the solution of political conflict between Georgia and secessionist South Ossetia through; (2) helping to rehabilitate a regional post-war economy. It proceeded from the fundamental premise that all project priorities, modalities, and activities would be identified, agreed upon and implemented through consensual decisions involving both parties in conflict, with neutral facilitation from UNDP. No money was spent on project works without the explicit consent of a joint Georgian-Ossetian Steering Committee. A project Secretariat was housed at UNDP in Tbilisi, with Project Support or Technical Units based in Tskhinvali and Tbilisi. Projects were realized in the health, roads and bridges, energy, telecommunications, and housing sectors.

The project was a success. It was an innovative and creative approach to rehabilitation programming in a complex post-war environment, and has potential for application elsewhere in the region and beyond. The goal of facilitating conflict resolution is an ambitious one, but in a context previously characterized by rhetoric, division and competition, UNDP provided a controlled environment in which post-conflict interlocutors could meet and work cooperatively. It furnished an effective mechanism through which the Georgian Government could demonstrate goodwill to the authorities in Tskhinvali and make transparent, needs-based decisions about the distribution of resources to a disadvantaged region. Likewise, authorities in Tskhinvali were given an opportunity to demonstrate goodwill to Tbilisi by cooperating with the process, identifying priorities for helping the population of the area, and making the best use of scarce resources. Although neither side, has made the most of the opportunities provided by UNDP, the groundwork for further cooperation has been laid, and some need- for rehabilitation have been met.

Contingent upon greater tangible progress in political negotiations, the project should proceed into a second, modified phase to further exercise decision makers in the responsible allocation of resources. The basic structure and implementation arrangements in the original project worked well, and should be retained. A second phase should place additional emphasis on capacity building and promoting accountability among authorities for the quality of their decisions governing resource allocation.

This evaluation posits a series of recommendations dealing primarily with the form of a modified second phase. Other recommendations concern recovery of project resources that have been expended on inappropriate assistance, and measures to enhance the sustainability of completed project works.

A. Regarding the advisability and form of a second phase of the project:

1. Considerable rehabilitation needs remain in and around the Tskhinvali region, but rehabilitation activity cannot be considered to be sustainable in the absence of conflict resolution. Little recent progress has been made in political negotiations to resolve the conflict. UNDP should position itself to proceed with a second phase of its rehabilitation project in the event of tangible progress in peace talks, subject to the

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willingness of the Government of Georgia and de-facto authorities in Tskhinvali to abide by modified terms and conditions;

2. Given the resources that are available to Georgian and Ossetian authorities, (as evidenced, for example, by the potential for official collection of revenue at the fuel market south of Tskhinvali), and given also the increasing scarcity of donor resources, a second phase should proceed only if the parties agree to a cost-sharing arrangement, (e.g., 75% / 12.5% / 12.5% or similar), with UNDP contributing the greater share from TRAC 1.1.3 and other resources, and Georgian and Ossetian authorities contributing equal cash shares to make up the remainder;
3. Consistent with the notion of the original rehabilitation initiative as demonstrative, a second phase should be conceived as a model for responsible resource allocation in a challenging political environment where resource allocation once proved to be divisive. Project works should be held to the highest standards of rehabilitation and development practice and should promote greater accountability from decision makers, through:
 - a *Steering Committee policy of zero-tolerance for waste and inappropriate use of project resources;*
a greater technical oversight and capacity-building role for UNDP and other specialists over the decisions and operations of the sectoral working groups, ranging from the identification of priorities, to careful targeting, to measures for ensuring the sustainability of project works;
 - adoption of some variation on participatory needs appraisal as a device for ensuring improved prioritization of needs, accountability of authorities responsible for allocating resources, and involvement of affected communities in the decisions that impact upon them;
 - a robust monitoring role for UNDP consistent with the post-Soviet and postconflict context, continuing well past the completion date of project works;

- Adoption of contracts which clearly stipulate the responsibilities of end-users of project works (e.g., heads of telecommunications, energy, road, social welfare, or other relevant departments) for monitoring, protecting, and maintaining project outputs'.
4. The UNDP Resident Representative should continue to play a personal role in convening and mediating the Steering Committee. The Resident Representative should also continue to provide close operational oversight and support for the effective completion of project works, and smooth relations between parties at all levels of the project. Since the Project Support Unit personnel in effect play dual roles between authorities and UNDP, an experienced international should be designated to assist the Resident Representative during project implementation, in

¹ An alternative or additional approach could follow that taken by the EC project where signatories to a blanket Memorandum of Understanding, signed at the outset of the project, undertook to "...ensure the protection against theft and criminal damages of the equipment", "...ensure that it will not be removed nor used for other purpose than the one proposed by the EC", and "...ensure the maintenance of equipment".

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particular with field monitoring tasks, and to act on the Resident Representative's behalf;

5. The scope of UNDP assistance under a second phase project should be limited to community needs rather than individual needs. Other agencies such as UNHCR are better situated to provide housing rehabilitation assistance, while UNDP enjoys a strong comparative advantage in the provision of rehabilitation assistance for infrastructure;
6. Working groups should be pressed by the Steering Committee to adhere to the following guiding principles for targeting, which the Steering Committee may find it useful to discuss, expand upon, and formalize:
- Assist on the basis of need, not ethnicity, proportionality, reparation, or sense of entitlement. Targeting on the basis of anything other than need is poor rehabilitation and development practice. In addition, it often leads to perceptions of unfairness in resource allocation and can reinforce pre-existing divisions;
 - assist in ways which promote constructive contact between communities, economic interdependence, and equitable trade relationships;
 - assist in ways which seek to remedy disparities between groups;
 - Consider alternatives to addressing individual needs such as housing. Where possible, addressing community needs and common infrastructure may be less divisive or provocative than addressing individual needs;

- Make every dollar count. Ensure that assistance is both appropriate to the context, cost effective, and sustainable. Sophisticated technology meant for use in adverse conditions by untrained local people, or project works that proceed without the removal or control of threats to work sites, are inappropriate and wasteful uses of scarce resources.
7. Operational and support staff, including logisticians and finance officers, should be given professional development opportunities which further sensitize them to the ethnic and political issues that can inadvertently arise from routine decisions taken in the normal course of rehabilitation programming in a conflict setting². Steering Committee members, selected working group members and others should also be offered this kind of professional development. Professionalism ought to be equated with respect for ethnic differences and vigilance against the encroachment of ethnic or partisan politics into decisions about resource allocation. UNDP staff in particular should be encouraged and rewarded for modeling and promoting such behavior.

B. Regarding recovery of funds spent on Inappropriate assistance in GEO196/019:

1. The UNDP Resident Representative should seek the agreement and cooperation of the Steering Committee regarding the immediate voluntary return to UNDP in Tbilisi

²The "Do No Harm" methodology of the Local Capacities for Peace Project is one example of such training. Terminal

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of all 24 Codan SSB radio systems and related equipment, including 3 telephone interfaces;

2. Where equipment cannot be accounted for, the Steering Committee should request copies of police reports or, where necessary, encourage the initiation of police investigations into the loss of equipment;
3. Two Codan systems should be checked and properly installed for use between the hospital in the town of Kvaisa and Tskhinvali Telecom for the purposes of emergency civilian communications;
4. The remainder of the recovered equipment, most of which appears to be reasonably complete and in good working condition, should be sold and the proceeds from the sale returned to the Project budget for use as the members of the Steering Committee see fit.

C. Regarding steps to ensure the wise use of resources and sustainability of work completed under GEO1961019:

1. The Steering Committee should urge the relevant authorities to take urgent and continuing action to stop illegal logging and other destructive forest practices where such practices are leading to erosion and further serious damage to the Gufta -- ON roadway between km. 7.0 south of the bridge over the River Patsa, until approximately km. 23.0 north of the bridge. International agencies should not fund any work on this road until the adjacent logging activity is stopped.

3. Context and Background

The following description of context is not intended to point fingers in the conflict: reputable outside observers and human rights organizations have documented poor behavior on both sides in the events surrounding the war. Rather, an appreciation of context is essential for accounting for the many sensitivities that bear on the design, implementation, and outcomes of this project.

GEO/96/019 - Rehabilitation of Tskhinvali Region has been implemented in and around the former South Ossetian Autonomous Oblase in Georgia's central north. The region straddles a strategic pass and important economic transit route through the Northern Caucasus mountain range that forms the present border, as accepted by the international community, between Georgia and Russia.

Under the Soviet system, South Ossetian urban centers had mixed Ossetian, Georgian, and Russian populations, while rural villages were either mixed or monoethnic⁴.

³ The favored name of the region in question is variously "South Ossetia" to secessionist authorities in Tskhinvali, "Shida Kartli" to Georgian authorities, and "Tskhinvali Region" in common diplomatic parlance. All convey the same thing: they refer interchangeably to the region that formerly comprised the South Ossetian Autonomous Oblast in Soviet Georgia. Interchangeable use of these 3 names in this report implies no political position on the claims made by the respective parties to the conflict.

⁴ Historical background is taken from Greg Hansen, *Humanitarian Action in the Caucasus: A Guide for Practitioners*, Watson Institute Occasional Paper No. 32, Brown University, 1998, pp.12-13.

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Nationalist sentiments emerged virtually simultaneously among Ossetians and Georgians, as with other Caucasian nationalities, with the advent of perestroika. Discontent was fuelled to some degree by perceptions of unfairness in the allocation of resources from Moscow and the Soviet republican center in Tbilisi. In the late 1980's, demonstrations in Tskhinvali were sparked by a typhoid outbreak and anger over the decrepit state of the city's water system, leading in early 1988 to a Georgian assertion of political control. Protests and strikes turned into violent ethnic clashes which became worse with the involvement of loose-knit Georgian and Ossetian militias in 1989.

A decree issued by the Georgian Supreme Soviet stipulating Georgian and Russian as the official languages of the region helped to crystallize secessionist rumblings in South

Ossetia, ultimately leading to a proclamation of independence - from Georgia, but still within the Soviet Union - in September 1990. The authorities in Tbilisi dispatched interior ministry troops to Tskhinvali and surrounding areas, counter to Moscow's wishes. Clashes escalated as the Georgian National Guard and paramilitaries imposed a sporadic economic blockade on Ossetians, which included preventing the passage of essential goods from North Ossetia through the tunnel at the Russian-Georgian border. With the collapse of the Soviet Union and Georgia's 1991 declaration of independence, the internationalization of the Russian-Georgian border effectively bisected the Ossetian population into North and South Ossetia.

Coincident with a series of strong earthquakes that inflicted serious damage on housing and infrastructure in and around Tskhinvali and Djava, violence and hostage all ing continued sporadically for much of 1991, peaking with the prolonged shellir,;; of Tskhinva(i. An estimated 500 people were killed, and many homes were bur od. Approximately 100,000 ethnic Ossetians fled from South Ossetia and other parts of Georgia mainly to North Ossetia in the Russian Federation, while an estimated 1 ,(00 ethnic Georgians fled as IDPs to ether parts of Georgia. Armed hostilities waned as Georgian fighters gravitated toward conflict in Tbilisi and eventually Western Georgia and Abkhazia, but South Ossetia proclaimed sovereignty in May of 1992. A Georgian-Russian-Ossetian peacekeeping force was established under the Joint Control Commission (JCC) in June of 1992. The OSCE became involved in promoting political negotiations in December 1992 and later responded with an expanded observer mission to monitor the peacekeeping force.

Most pressing humanitarian needs were met by the ICRC and a small number of international NGOs, but the region did not receive the same level of assistance provided in Georgia proper and was somewhat more severely affected by economic collapse. Tskhinvali's water supply system had collapsed and energy, road, health and telecommunications infrastructure was in poor condition due to the combined effects of conflict, earthquake damage, and neglected maintenance. The region became increasingly isolated. For several years major donors and UN agencies tended to steer clear of assistance to South Ossetia, fearing that their relations with the Georgian government would be jeopardized and the region's claims to independence legitimized. This led to perceptions among many Ossetians, clearly and repeatedly expressed by their leadership in Tskhinvali, that aid was being withheld as punishment.

The depth of intercommunal tensions resulting from the war has been difficult to gauge. Although there is no doubt that some of those who were directly affected by the war continue to harbor animosities, the bigger picture has been somewhat more encouraging. As early as 1994, Georgian and Ossetian villagers traded freely together

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at an *ad hoc* market north of Tskhinvali under the implicit protection of nearby JCCPKF checkpoints. By early 1998, Georgian President Shevardnadzel,' had visited Tskhinvali. Private Georgian and Ossetian cars could traverse the front lines with little difficulty. A substantial warming of political relations between Ossetian and Georgian authorities increased the space for both aid and peacebuilding, and ena led the repatriation of Ossetian refugees and Georgian IDPs to begin in eame t. Donor support for reconstruction and economic recovery programs in and around outh Ossetia reflected a growing optimism that the OSCE-brokered peace process was 'making good headway.

A 1997 survey conducted by the Norwegian Refugee Council (NRC) among refugees from South Ossetia indicated that the lack of economic opportunity in home areas was the most significant factor in the reluctance of the 25 percent of respondents who expressed an unwillingness to return, although most indicated that they could be self-sufficient if provided with basic reconstruction assistance, seeds, and tools. A parallel survey conducted among Georgian IDPs in 1997 found that 87 percent of respondents wanted to return home, with the majority of the remainder citing fear as the deterrent.

The Project

It was into this environment that UNDP embarked with GEO/96/019 - Rehabilitation of Tskhinvali Region. Despite encountering considerable initial resistance to the idea within diplomatic circles in Tbilisi, UNDP sought and obtained the consent and encouragement from the highest levels of the Government of Georgia to place US\$2 million at the disposal of rehabilitation activities in Tskhinvali region. A flexible mechanism was conceived that allowed for the full involvement of both parties in a dialogue and joint decision making process over use of the funds. The project rested on the fundamental premise that all project proposals and activities would be agreed upon and implemented in full consultation with both parties to the conflict without implying any implicit or explicit recognition of Ossetian claims to political independence.

Stressing transparency and its own impartiality in the process, UNDP initiated a Steering Committee to act as the project's governing body, with itself as politically neutral intermediary, facilitator, and secretariat. The Steering Committee consisted of the UNDP Resident Representative, a Georgian delegation represented by the Head of the International Economic Department of the Foreign Ministry,⁵ and a South Ossetian delegation represented by the Special Advisor to the President. OSCE was given observer / facilitator status in the meetings.

The Steering Committee was given the task, soon after its inception, of identifying priority sectors of common interest for rehabilitation activity. Health, agriculture, roads and bridges, housing, energy, and telecommunications were selected by the summer of 1997⁵. Sectoral working groups of experts, usually headed by a senior line ministry official, were then established on both sides, each of them delegating responsible persons to the Steering Committee. Working groups were tasked with elaborating priorities for work and project planning within the sectors identified by, and for the approval of the Steering Committee. Attached as project secretariat to the UNDP Resident Representative's office, two Project Support Units, one in Tbilisi and the other

⁵ UNDP would have preferred to include the social welfare sector, which would have encompassed educational and similar infrastructure. However, this was up to the discretion of the Steering Committee and was ultimately excluded.

in Tskhinvali, were established to be responsible for the overall monitoring and reporting on project implementation, but were also instrumental in helping to prepare high quality invitations to tender. Both units were staffed respectively by Georgian and Ossetian

technical experts, working under the direct supervision of the Resident Representative.

Contracts for work were awarded by joint decisions which were taken in a highly transparent fashion. UNDP tender procedures proved to be extremely useful in this regard, although a considerable investment of time was necessary for UNDP to acquaint the Steering Committee, working groups, and contractors with modern job costing and tendering procedures. Priority sectors were agreed upon and work commenced quickly. Positive early results from the UNDP project helped to inspire and break ground for a similar, 3.5 million Euro initiative from the European Community' the "EC Rehabilitation Programme on Territories Affected by the Georgian-Ossetian Conflict". In this project the EC opted to create another dedicated decision making' body to oversee the allocation of resources, as opposed to harnessing the pre-exist! g Steering Committee formed for the UNDP project.

4. Findings and Conclusions

Project works and expenditures by sector are summarized in Annex B. The bulk of these, with the exception, of medical equipment, certain electrical works, and repairs to the God television transmitter, were visually inspected during his evaluation. UNDP commissioned an Independent Audit of GEO196/019 in late 1998 which reported that "... Nationally Executed Project disbursements have been made in accordance with the Project Document and are supported by adequate documentation ;; Project monitoring and evaluation are undertaken, and Project assets are acquired and protected as required"."

The general assessment of this evaluation is that GEO/96/019 has been a creative response to a challenging post-conflict situation and a successful innovation in terms of its stated goals of promoting political solution to conflict through rehabilitation of a regional economy. The project was timely, well suited to the context, and highly relevant *to the political and economic situation that prevailed at the project's inception.*

The findings and conclusions that follow are based on project documentation, impressions gleaned from visual inspection of project works, and interviews with numerous individuals involved in or familiar with the project. Direct and indirect beneficiaries were also consulted. These findings and conclusions range from the general to the specific, and underpin the recommendations and lessons learned that appear elsewhere in this report.

The Steering Committee

The central feature of GEO/96/019 was the project Steering Committee under the stewardship of the UNDP Resident Representative. The Committee has proved to be an effective device for ensuring a controlled environment conducive to rational and joint decision making by senior Ossetian and Georgian officials on issues of mutual interest.

⁶ Vega Auditing and Consulting Inc., *Independent Auditor's Report, 1998, UNDP NEX PROJECT GEO/96/019 GEORGIA*, Istanbul, 15 April 1999.

Although the parties failed in Steering Committee to resolve one dispute over proportionality in agricultural assistance, the usefulness of the mechanism is confirmed by the fact that not a single technical or tender related decision was contested in the Steering Committee. Participants placed a high degree of trust in the process. Based on interviews conducted for the evaluation, a number of reasons for this can be synthesized.

Steering Committee members clearly understood the role of the Committee and its ground rules, and especially the importance of reaching consensus within it, because they participated fully in its formation. The Resident Representative laid initial groundwork for the formation of the Steering Committee by first meeting separately, on several occasions, with the primary interlocutors. A number of key participants and observers to the process have high praise in particular for the diplomatic skills of the Resident Representative, Marco Borsotti, who had served with UNDP in a number of difficult conflict situations in the past. Against a backdrop of optimism and progress in political negotiations, the endorsement and encouragement of the UNDP initiative at the presidential level lent credibility to the process and also made it abundantly clear that results were expected and that the work was to be taken seriously. Finally, the Steering Committee was conceived and executed as a flexible instrument rather than a rigid, formal structure. Accordingly, there was less chance of the resource allocation process falling victim to its own inertia or unwieldiness.

As a contrasting point of reference, the EC Rehabilitation Programme on Territories Affected by the Georgian-Ossetian Conflict had similar goals but different implementation modalities. Identification and implementation of projects in the EC program remained strictly under the EC's control. Projects were elaborated by a designated international NGO (Hilfswerk Austria), in cooperation with the relevant authorities. The EC program was similar in structure to that of UNDP, the major difference being in the identification and ordering of priorities which, in the EC program, was ultimately decided upon by outsiders.

A key difference, then, was that where the UNDP project made the parties to the conflict responsible for assessing need and making good decisions about the proper use of resources to meet those needs, the EC initiative by contrast offered a pre-established package of assistance which the parties to the conflict could decide to approve or reject. In the latter case, approval of projects by the parties meant agreeing with the proposed budget and the technical details of proposals. The structure did allow for suggestions to be made for minor changes, but requests for major changes would delay the Program. Where no approval was granted, the EC reserved the right to suspend the entire Program. Once approved, however, tendering procedures similar to those in use by UNDP ensured a high degree of transparency in decision making in the contracting process. The EC project was governed by a Joint Project Coordination Board chaired by the EC Delegation in Georgia and attended by one Georgian and one Ossetian designate, assisted by the relevant technical advisors. Observers included OSCE, UNDP, and UNHCR.

Contributions to Political Conflict Resolution

Indicators of success in peacebuilding, conflict resolution, and confidence building efforts are notoriously difficult -- and perhaps ultimately impossible -- to measure. Further, it goes without saying that no aid or development agency and no outside mediator can

bring about peace: conflict is solved when protagonists decide to solve it. Protagonists in the Georgia - South Ossetia conflict have not yet done so.

Although indicators of positive outcomes for conflict resolution remain elusive, key interlocutors interviewed for this evaluation unanimously ascribed positive benefits to the process of conflict resolution from the UNDP project and similar initiatives. Many felt that UNDP's initiative, as the first of its kind in Georgia, was instrumental in "breaking the ice" between Tskhinvali and Tbilisi authorities. Project works helped, in the view of some, to introduce an element of normalcy into relations between Georgians and Ossetians at both official and unofficial levels. Others felt that the lure of achieving tangible results in economic rehabilitation brought protagonists to the table when they would otherwise have remained isolated from one another. Some observers noted that the UNDP initiative demonstrated to protagonists that concrete benefits could be realized when they chose to cooperate, rather than compete. Most also felt that positive experiences and constructive outcomes in the Steering Committee meetings helped to build relations of trust between parties, as well as confidence that the other "side" was acting in good faith.

Conflict resolution is a big goal comprised of many incremental steps. In post-Soviet space, a major challenge is posed to conflict resolution processes by the need to engineer new relationships and new ways of doing things as distinct from attempts to restore and repair deeply problematic practices and relationships from the Soviet past. In an environment where an important underlying cause of conflict is perceptions of unfairness or bias in resource allocation, UNDP's innovation was to offer a model for a new way of allocating resources. The model emphasized transparency, professionalism, and cooperation.

Regionally diplomatic actors such as the OSCE and some of its member states placed high value on the UNDP initiative, which they perceived to be providing an important incentive for Georgian and Ossetian interlocutors to try harder in peace talks. However, those same actors did not mobilize their diplomatic apparatus to raise additional funds for the project that could have supported its continuation.

Working Groups, Need, and the Responsible Allocation of Resources

Consistent with experience elsewhere in the world, mechanisms for governing the allocation and use of scarce resources in conflict and post-conflict environments can serve either as instruments of cooperation, or as venues for (competition. In brief, the experience of the working groups involved in GEO/96/019 may be summarized as follows: when professionalism prevailed, responsible decisions, on resource allocation were made according to need, irrespective of self-interest, ethnic, or other extraneous considerations. When professionalism wavered or failed, difficulties were experienced and disputes arose when Ossetian and Georgian interlocutors competed over the proportion of resources to be allocated to "their" ethnic group' or vested interest. Such competition resulted in the failure of the Steering Committee to agree on targeting for agricultural assistance.

In the somewhat fatalistic view of one Steering Committee member, it is "...impossible to de-politicize this kind of assistance if you are asking politicians to make the decisions".

However, this skirts the issue: the responsibility of Working Group and Steering Committee members was to make fiscally responsible and humane decisions on the

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allocation of scarce resources on behalf of the people in whose interests they are entrusted to act.

Although many project works had clearly beneficial results for the population, there was little evidence of transparency in decision making at the working group level. There was even less evidence that communities had been consulted by working group decision-makers during the process of identification and prioritization of needs and ensuing works. Rather, decisions were typically taken by politicians or bureaucrats in a manner more reminiscent of the Soviet era. As described in the section on targeting below, this led to mixed results when project outcomes are assessed against benchmarks of appropriateness, relevance, and success.

Targeting

Considerable variation was evident in the capacity of working groups to accurately identify and prioritize needs. Some working groups including energy and roads I bridges clearly had done good jobs of targeting appropriate assistance where there was genuine need. The results of the telecommunications working group were mixed. One of the project's most tangible achievements was the -rehabilitation of reliable telephone service by providing cable repair in Tskhinvali, and installation of an electronic switchboard enabling telephone links to Tbilisi and abroad. However, the installation of 24 Codan long-range, two-way radio systems in the region, identified by the same telecommunications working group, was an outright and expensive failure that is sending a damaging message to project participants about the use of scarce aid resources. Codan systems were inappropriate assistance for the following reasons:

- they are easily co-opted into military service;
- Their relative fragility in the prevailing harsh environment of sporadic electrical supply and 100 volt fluctuations rendered some of them inoperable within a week of their installation. Batteries soon failed to retain a charge;
- insufficient training provided in their use, care, and maintenance; too sophisticated for some local users;
- Availability of other more reliable means of communication, such as linear telephone service (Djava) or mobile telephones.

Of 12 systems visually verified and inspected for the evaluation in both Ossetian and Georgian locations, only the installations at the hospital in Kvaisa and Tskhinvali Telecom switchboard were in working order and performing their intended task. In all other verified cases, the systems have fallen into disuse due to failed batteries or power supplies, defective installations, or the availability of linear or mobile telephone service. At least one system, valued at over US\$5,000, has reportedly been stolen. Of three telephone interfaces for the Codan systems, each of which had a new value of US\$7,000, one is sitting new in the box and another unused and defective at Tskhinvali Telecom, while the third is reportedly defective and in the possession of the Codan

supplier in Moscow.

Most of the local administrators in whose offices the Codans were installed asserted that the systems were of no use to them. Others gave inconsistent or implausible accounts

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of how and when the radios had last been used. One local official who was responsible for an area containing three Codans complained that had he been consulted before the Codans were purchased, he would have advised against them. However, the working groups for telecommunications did not properly assess need or take into account issues of appropriateness and sustainability.

Lack of capacity in some sectoral working groups became apparent through other assistance being poorly targeted, tainted by political agendas, or simply inappropriate to the context. In one serious case from the housing sector, flawed targeting effected ethnic separation --rather than integration. An Ossetian inhabitant of a predominantly Georgian village was relocated to a new home a substantial distance away from her earthquake-damaged original home and former Georgian neighbors, to an Ossetian area of the village. It is doubtful whether the Ossetian housing working group had consulted the woman in any depth when beneficiary lists were being compiled. As with approximately 50% of the rehabilitated Ossetian housing, this home was not being lived in at the time of the evaluation. During an interview the woman claimed that the new house was too small to accommodate her and she had opted instead to stay with neighbors.

At the outset of the project, UNDP hoped to complement UNHCR's programs in favor of the returning population by assisting residents whose homes had been damaged or destroyed in the war but who had never officially left the region or, at any rate, had not sought status as IDPs, refugees, or returnees. However, in keeping with the structure and modalities of the project, the decision was left to the housing working groups, which -made targeting decisions based on lists supplied by the authorities on both sides Targeting, on this basis, was not a success. Many problems with overlap were found where those identified as UNDP beneficiaries had already receive assistance packages from other agencies. At present, many Ossetian houses that were rehabilitated or built by UNDP stand empty because the owners have jobs or other income (e.g., Russian pension income) in Vladikavkaz or Tskhinvali. Villages still lack income generation possibilities and, in some cases, essential infrastructure such as schools, shops, or clinics.

Potential Value-Added Emerging from Good Business Relationships

In some instances, opportunities for building relationships of improved trust between Ossetians and Georgians were realized through quality work done by Georgian contractors for the benefit primarily of Ossetian beneficiaries. Other opportunities were lost because of poor business practice on the part of project contractors. A truism of modern business is that quality workmanship, after-purchase service, and conscientious warranty work can - and often does -- win

customer loyalty. However, the Codan suppliers in Tbilisi reportedly failed to repair two defective telephone interfaces, then relocated to Moscow without first informing its clients. The supplier of the backup electrical generating unit to Tskhinvali Telecom likewise failed to procure badly needed replacement parts in a timely manner, leaving the generator sitting idle for some months. Perceptions are important. The potential danger here is that a lack of professionalism in business relations can be interpreted by people emerging from conflict as ethnic animosity or discrimination, even when that is not the case.

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Sustainability of Rehabilitation Projects

Monitoring of project works was conducted intensively by Project Support Units during implementation to ensure that inputs stipulated in tenders were delivered and properly installed. However, PSUs had no official mandate to continue monitoring once works were completed and the results handed over to end users. Post-implementation monitoring would have revealed a number of threats to sustainability observed during the evaluation.

Most serious among these problems was ongoing erosion of road verges for several kilometers before and after the bridge over the River Patsa. This erosion is a direct result of logging and other destructive forestry activities on steep slopes above and below the road. Organized tree cutting was continuing to the time of this writing and is likely to have already necessitated several hundred thousand dollars worth of repairs to road embankments. Obviously there is little point to spending \$350,000 on a bridge if the road leading to it is impassable. Lack of protection, care and maintenance threatens an otherwise well-conceived rehabilitation project.

Although contractors in all sectors were required by the terms of their contracts to assume responsibility for safeguarding project assets during implementation of project works, there was no follow on mechanism for ensuring end-user responsibilities once assets and works were handed over to the respective authorities. As such, no one felt specific responsibility for care, protection, and upkeep. Enhanced monitoring by UNDP Project Support Units would have helped this situation, but ultimately local people and authorities need to assume this responsibility. It should be formalized in end-user contracts.

5. Lessons Learned

1. Where there is genuine interest in achieving political solution to conflict, economic activity can provide opportunities for win-win situations. Demonstrable political will is a pre-condition. Mutual benefit is the result.
2. Assistance in a post-conflict environment that is targeted toward *community or collective need*, instead of *individual need*, is less prone to provoking perceptions of bias and disputes over proportionality in resource allocation.
3. UNDP can play politically neutral "honest broker" roles providing rehabilitation assistance in secessionist conflicts, despite the UN's recognition of and bias toward

the preservation of existing borders within states.

4. Funding for rehabilitation and development activity in conflict and post-conflict areas is increasingly scarce as new needs arise. Although diplomatic actors with an interest in formal peace processes may pay lip service to the importance of promoting economic activity between protagonists in post-war situations, tangible support for such activity may not be forthcoming when conflicts are not at the forefront of international attention. Opportunities for having more and lasting positive impacts on political processes may be lost if diplomatic actors do not themselves assist with resource mobilization.

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5. UNDP can provide an important service to states and societies emerging from conflict through provision of alternative and innovative models of resource allocation, especially in contexts where past practices of resource allocation have proven to be divisive or infused with extraneous political agendas.
6. High standards in rehabilitation and development assistance send the message that "every dollar counts". Where standards are lacking, the message is sent that it is acceptable for scarce resources to be wasted or inappropriately used in an environment of pressing need.
7. In post-Soviet space where accountabilities often remain blurred or unformed, frequent high quality monitoring may be more necessary than in other situations before and after project implementation.
8. An ethos of professionalism is central to the success of post-conflict rehabilitation efforts. It models and sets the standard for fair and equitable resource allocation by host and local authorities. Professionalism in these situations does not allow for the encroachment of ethnic politics, self-interest, or other extraneous agendas into decisions about who-gets-what.

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Annex A
TERMS OF REFERENCE
FOR AN EXTERNAL TERMINAL EVALUATION MISSION
(GEO1961019 - Rehabilitation of Tskhinvali Region)

Overview:

UNDP launched its rehabilitation project in early 1997. The program has as its objective to facilitate the solution to the political conflict between Georgia and South Ossetia by means of rehabilitation and reconstruction of the economy. **The project was conceived based on a fundamental premise that all project proposals and activities will be agreed upon and implemented in full consultation with both parties to the conflict.** This precondition allowed for certain flexibility in the process of identification of priorities and deviation from the initial objectives of the project. Within this context, it was decided in the course of the implementation, that the

Program would focus on the rehabilitation of hospitals, roads and bridges, the rehabilitation of energy sector, telecommunications links and supporting, through technical assistance, agricultural production in the region. A total of US\$ 2 million were provided to the project by UNDP from TRAC 1.1.3.

A key element to the success of UNDP's program lies in the implementation arrangements set up for the project. Project activities are supervised and overseen by a Steering Committee represented by Georgian and Ossetian parties and chaired by UNDP. Delegations to the Steering Committee are headed by the Head of the Foreign Economic Department of the Ministry of Foreign Affairs of Georgia and the State Economic Adviser to the Government of South Ossetia. OSCE has an observer/facilitator status in the Steering Committee. For each of the sectoral priorities identified, working groups of experts have been created by both sides, each of them delegating responsible persons to the Steering Committee. Attached as project secretariat to the UNDP Resident Representative's Office two technical units have been established to be responsible for the overall monitoring and reporting on the project implementation. Both these units are staffed by technical experts of Georgian and Ossetian origin working under the direct supervision of the Resident Representative.

To date almost 99% of works is completed including residential reconstruction, construction of the bridge, rehabilitation of telecommunications, delivery of equipment to Tskhinvali and God hospitals, majority of the energy rehabilitation works. By April 2000, rehabilitation activities in energy sector will be completed covering rehabilitation of air-route lines and electric power equipment in transformer stations in Tskhinvali.

The project has three main components:

- Actual rehabilitation works involving the population affected by the conflict;
- Establishment of a qualitatively new decision-making mechanism enabling joint cooperation of the parties in conflict;
- Confidence building and restoration of destroyed links and trust among both parties;

Principal Tasks

The evaluation shall be undertaken by external consultants in accordance with UNDP "Results-oriented Monitoring and Evaluation", Handbook for Program Managers, 1997.

This evaluation of the Project has five principal tasks:

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- review the results from the point of view of efficiency of utilization of TRAC 1.1.3 funds;
- review project impact particularly in terms of improving economic vitality of/in the region, enhancing the standard of living of the population, and building

- confidence between two parties;
- review implementation modalities and the operational capacity of the Steering Committee;
- assess possibilities and needs for a second phase of the project to complement or strengthen the results achieved and assist the political solution of the ethnic conflict between Georgia and Tskhinvali region.

Description

Number of Tasks

Tasks I:

Results to

Date

A comparison shall be made between the original goals, and outputs achieved. The mission should review principal factors influencing the results, as well as how these results affected the whole process of solution of the conflict. The mission should evaluate the efficiency of utilization of TRAC 1.1.3 resources.

Tasks II: Impact - Economic growth, standard of living and confidence building

The mission shall evaluate the project impact from the point of view of economic growth, standard of living and confidence-building, assessing the impact on the reintegration of communities, confidence building, re-establishing links destroyed during the conflict. This will involve evaluation of the mechanism of fund distribution and decision-making. If required, the mission may propose methods for the further promotion of community participation in the reconstruction efforts.

Tasks III: Implementation

The mission shall assess the implementation modalities used and evaluate if the ways and means applied did fit the current situation and specific conditions of the country. The strategy used should be compared with common practice in rehabilitation activities in other countries and recommendations are expected to follow as to how to improve it and adjust in order to use it for the further facilitation of the conflict resolution.

Tasks IV: Operational Capacity

The task involves the assessment of results achieved in terms of the Operational Capacity of the Steering Committee. The mission shall evaluate if the goals set have been achieved. The mission should also make recommendations on enhancing and further institutionalizing the operational capacity / role of the Steering Committee, in

the event of a new project

Tasks V: Next Steps

In determining next steps, an important issue for both efficiency and sustainability relates to how the initiative of UNDP in launching the reconstruction Program can serve as a focus or as leverage for other programs or projects in the field of reconstruction-rehabilitation and resettlement programs for IDPs and refugees including poverty alleviation in general. The mission shall elaborate the evaluation report giving recommendations on the future follow-up Program in view of sustaining and further enhancing the strong impact of the contributions already made by the UNDP project and considering the ongoing activities of other donors. The evaluation report should also make recommendations on the design of the future initiative in this area and advise to what extent the methodology used can be replicated in the new phase of the project.

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Principal Contacts:

In performing the evaluation, the principal sources of information, in addition to the UNDP office, are as follows:

- The Executing Agent: Ministry of Foreign Affairs of Georgia, Minister Mr. Irakli Menagarishvili;
- Chairmen of Georgian and Ossetian delegations to the Steering Committee: Messrs. David Aptsiauri and Soslan Bagiaev
- Heads of the Georgian and Ossetian working groups - members of the Steering Committee
- **UN OCHA**
- **UNV**
- **UNHCR**
- **OSCE**
- **EU**
- International NGOs contracted by UNDP - UMCOR
- International NGOs involved in reconstruction and rehabilitation activities, e.g. NRC, Nueva Frontiera, Hilfswerk Austria, MSF, etc.
- Beneficiaries

Time frame:

The external evaluation should be conducted before the end of June 2000. The results of the evaluation will be applied for future planning of UNDP activities in the framework of reconstruction and rehabilitation of Tskhinvali Region.

Guidance:

The mission will work under the overall guidance of the UNDP Resident Representative. The UNDP Office in Tbilisi as well as the Project Support Units in Tbilisi and Tskhinvali will provide facilities and logistics support to the mission.

Duration of the mission: Maximum four weeks.
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Annex B
Works within GEO/96/019 -- Tskhinvali Region Rehabilitation Project

Sector	Total cost	Duration of works	First installment transferred
Communication			
1. Procurement and installation of small electrical automatic telephone-exchange for 120 telephone subscribers in Tskhinval; 2. Procurement of two computers and a printer for organization of interconnected payment operations on communication services in Tskhinvali.	\$33317	2 months	\$5000
3. Rehabilitation of linear-cable equipment of Tskhinval automatic telephone exchange.	\$51975	6 months	\$7800
4. Capital repairs of Tskhinvali automatic telephone exchange	\$52149	4 months	\$7822
5. Procurement and installation of radio and telephone communication system "Codan" type for organization of communication with the administrations of regions and villages; 6. Procurement and installation of radio and telephone communication system "Codan" type for organization of communication with the administrations of the villages situated in ravines of the rivers Patara Liakhvi and Didi Liakhvi.	\$117719	2 months	\$5 400
7. Procurement and delivery of cable provisions and subsidiary materials for rehabilitation of linear-cable equipment of Tskhinvali automatic telephone exchange; 8. Procurement and delivery of accumulators, rectifiers, appliances and installations for capital repairs of Tskhinvali automatic telephone exchange; 9. Procurement and delivery of accumulators for communication system of "Codan" type.	\$80618	45 days	
10. Carrying out of assembly-adjusting works for Gori TV transmitter.	\$11300	30 days	\$1695
11. Procurement of a service car for restoration of postal transportation.	\$8000		

12. Procurement of a service car for maintaining communication activities in ravines of the rivers Patara Liakhvi and Didi Liakhvi.	\$8000		
Total for Communication Sector	\$373078		\$27717

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Energy

1. Rehabilitation of energy objects in Tskhinval and procurement of equipment; 2. Procurement of the 3 following driving-gear units, in order to ensure normal exploitation of energy objects: <ul style="list-style-type: none"> • electric laboratory 'M&35 and automatic tower AAI 22 for Energy Department of South Ossetia; • team vehicle with winch on the base of AAc-66 for Gori line-operated works; 3. Rehabilitation of power-transmission air-rout lines of 35 kilowatt tension "Vanati-1,2"; 4. Rehabilitation of power transmission line of 10 kilowatt tension for the village Atsriskhevi;	\$250000	3 months	
Total for Energy Sector	\$250000		

Construction

1. Construction of the bridge across the river Patsa on the 9 th km of the motor-road Gufla-Kvaisa-Oni.	\$3489,66	7 months	\$52344
2. Rehabilitation of individual houses including: <ul style="list-style-type: none"> • rehabilitation of roofing of communal houses in Tskhinvali - \$80 000; • rehabilitation of individual houses in Ossetian villages - \$110 000; • rehabilitation of individual houses in Georgian villages - \$110 000 	\$300060		
Total for Construction Sector	\$648 9~6		\$52344

Health

1. Procurement of medical equipment for Gori and Tskhinvali hospitals.	\$197000		
Total for Health	\$197000		

Total for the Project Works 1 \$1469 044

\$80061

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