DEVELOING TECHNICAL ASSISTANCE
IN EASTERN EUROPE AND RUSSIA:
LESSONS FROM THE FIELD

by

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Abstract

Successful provision of sectoral technical assistance to the countries of Eastern Europe and the former Soviet Union is a singular challenge because the lessons learned from years of work in developing countries are only partially applicable. This paper describes a successful housing sector assistance program in the Russian Federation and recounts several lessons that might be drawn from this experience. Among these lessons, for example, is the necessity for genuine technical experts to be in residence in the country, as opposed to those with more general skills. This, in turn, requires that the assigned task be relatively well defined before dispatching the resident advisers. Such experts are more likely to win the professional respect of their counterparts, and can provide the "immediate" policy work that is often required.
The design and implementation by the donor community of effective projects to strengthen specific economic sectors in developing countries is widely recognized as an extremely demanding task. Much frustration with the problems of individual projects has been vented over the years. Although lessons have been drawn from such experiences, implementing successful projects remains challenging.¹

Hence, when the Soviet empire dissolved during 1989-1991, there was no ready formula that multilateral and bilateral donors could adopt to provide assistance to the countries of Eastern Europe and those of the former Soviet Union (the latter hereafter called "newly independent states" [NIS]). Indeed, there was not even a clear paradigm for organizing the macroeconomic transition, let alone workable guidance on how to create technical assistance projects for these economically rather advanced countries that would materially improve the speed and efficiency of the transition in particular sectors, such as transportation, health, and housing. Delivering sectoral assistance has evidently been a case of "learning by doing."

Some donors sought to employ new approaches in addressing the economic and technical assistance needs of Eastern Europe. The United States, for example, thought the need for assistance would be quite transitory, that it could be managed from Washington, D.C., and that few resident advisers would be needed—all assumptions now seen as invalid.² In other words, some of the lessons for successful intervention, garnered at great expense over the past decades in working in developing countries, were rejected for this new context.

By the end of 1993 documented experience with the provision of technical assistance to the countries of Eastern Europe and the NIS was still extremely limited. Evaluations of the early experience of some projects are being done, however. A midterm critique of the U.S. Agency for International Development's (USAID) assistance program for housing and urban development listed the following types of problems (Merrill et al. 1993:3):

- A slow and uneven start-up in project activities;
- In the early phase, a lack of both field presence and a strategic approach;
• The inappropriateness of a program design that relied on officials in the recipient countries to articulate the types of technical assistance needed (officials often displayed lack of knowledge about market systems and what was needed to implement them); and

• Only a modest probability that demonstration projects implemented would be replicated on a larger scale.

Although it is impossible to know how applicable the conclusions of a single evaluation are for sectoral technical assistance generally, they are consistent with the broader start-up problems stated earlier, and are probably indicative of at least one set of problems faced by the assistance programs.

Obviously the payoff from improving the effectiveness of technical assistance is enormous. Good assistance promotes development of the legal and policy framework within which markets can form and operate. Effective demonstration projects can speed up the process of institutional and administrative change by showing local officials, entrepreneurs, and service providers that new approaches really can work in their country. Given the staggering waste in the production of goods and services in the centrally planned economies of this region, the economic returns to accelerating the transition (i.e., to reducing the dead weight loss of inefficiency) can be substantial.³

Moreover, the amount of money invested by the donor community in sectoral technical assistance is large: as examples, the European Community’s PHARE program funded about $300 million in such aid in 1993 to the countries of Eastern Europe; U.S. bilateral sectoral assistance to the same region was about $271 million in 1992; and, U.S. bilateral technical assistance to the NIS was $277 million in 1992 and $2.11 billion in 1993.⁴ Obviously, donors should be concerned with improved delivery of such assistance simply to increase the return on such substantial investments.

Whereas well-designed and well-executed assistance projects can accelerate the transition process, poorly designed projects can impede the process. Local officials and others become wary of the "wonders of the market." At the same time,
poorly performing interventions discourage donor governments from continuing to provide assistance.

This paper describes a successful technical assistance program in the housing sector that has operated in the Russian Federation since early 1992. Based on my experience as director of this project, two years of work in Hungary and Bulgaria before coming to Moscow, and another ten years of experience in developing countries, I offer some lessons for structuring an effective program in Eastern Europe or the NIS. I begin with an overview of the project and then consider various indicators of its success. The second half of the paper discusses the ingredients that contributed to the project's strong results, drawing general conclusions where possible.

Program Description

In March 1992 two-year agreements for the Housing Sector Reform Project (HSRP) between the government of the city of Moscow and the U.S. Agency for International Development and between the Russian Federation and USAID were executed. The main activities under the agreements were legal reform and a series of demonstrations to realize reforms in practical terms. The following is a summary of these activities to October 1993.

1. Reform of the policy and legal framework in the sector. The HSRP team worked closely with Federation ministries on a host of policy reforms that were translated into laws and regulations. Prominent among these was the Law on Fundamentals of Housing Policy, the basic housing sector reform law, passed by the Supreme Soviet in December 1992; at its passage, this law was as progressive and comprehensive as any similar law in Eastern Europe. Among its measures are a clarification and strengthening of basic property rights; increasing rents on social housing to cover full operating costs within five years and the simultaneous introduction of housing allowances; and important enabling legislation for condominiums and mortgage finance. The HSRP team also helped draft several
presidential decrees and council of ministers' regulations establishing a modern housing finance system.

2. Introduction of competitive, private maintenance for municipal housing. In March 1993 three private firms assumed management of 2,000 rental units in the West Administrative District of Moscow (one of ten in the city), following a competitive procurement process. The HSRP team developed and conducted training sessions for the housing authorities at the municipal district level (the "DEZ" in Russian parlance; there are 129 of these in Moscow); organized the initial competitions and worked with the DEZ in holding competitions for the selection of private firms; and conducted a study tour to the United States for officials of the West Administrative District to see private, competitively selected maintenance in action.

A second group of 5,000 units was placed under management in September. A rigorous evaluation of the early reaction of tenants to the quality of services provided by the private companies revealed major improvements in service quality. On the basis of these positive results, Mayor Yuri Luzhkov signed an Order of the Government of Moscow (N.1886-RP) in October 1993 to extend the program to all areas of the city. The program's goal is to have 250,000 units under competitive, private maintenance by the end of 1994 and to hand over further responsibility for expansion to the city's Department of Engineering and Communal Services.

3. Raising rents and implementing housing allowances. On the basis of Federation legislation, the city of Moscow issued a decree in January 1993 that approved the concept of significant increases in maintenance and communal services charges for housing combined with the introduction of housing allowances. The HSRP team had worked with the Department of Engineering and Communal Services in 1992 to structure the proposed program. Enhanced revenues from increased maintenance and communal services payments will substantially exceed the cost of the housing allowance payments to tenants. In 1993 the team again worked with department staff on the vast number of implementation issues involved with launching the program. Staff also helped develop a training program for those who will administer the housing allowances program at the municipal district level. On
November 9, 1993, the city government formally adopted the program of rent increases and housing allowances. The target date for implementation is April 1994.

4. Long-term mortgage lending. Under an agreement between USAID and Mosbusinessbank, Russia’s third largest commercial bank, the HSRP team is providing intensive assistance to the bank to prepare it to make financially responsible mortgage loans in 1994. Assistance is in all phases of operations (e.g., legal documentation, underwriting, loan servicing, mortgage loan instrument development, risk management). All materials developed under the assistance program are being made available to other banks. Publication of a series of handbooks to disseminate information about these procedures has been initiated with the Association of Mortgage Banks. A number of bankers and city officials have also attended several training programs in the United States as part of this program.

5. Development of condominiums. The HSRP team attorney worked with attorneys in the Department of Municipal Housing to develop the city of Moscow’s regulation on condominiums—the first in the Russian Federation—which was adopted by government in April 1993 (Resolution N.300). The department has since developed the procedures necessary for implementation, and the first condominium associations have been registered. The team also developed model condominium association foundation documents and promulgated their use. The team attorneys helped draft the Russian Federation regulation on condominiums issued in December 1993.

The HSRP has had a substantial monitoring and evaluation component, one activity of which has been a panel survey of 2,000 units in Moscow that were state rentals at the beginning of 1992; these data have been used to monitor the transformation of the sector: Who privatized their units and why? What share of privatized units is being rented or sold on the open market? What is happening to over- and undercrowding? Are eligible families receiving housing allowances? The program’s major evaluation to date has been an analysis of the impact of the introduction of private management on tenant satisfaction and building conditions (Struyk and Angelici 1993). Data collection for the various surveys was contracted with Russian researchers.
Lastly, the program has endeavored to disseminate its findings. More than 25,000 copies of manuals and papers produced by the program had been distributed by the fall of 1993, mostly to local governments and banks. About a dozen seminars had been conducted by team members, and the project cosponsored two national conferences and seven two-day seminars in regional cities on housing allowances and mortgage finance.

During the first eighteen months of the HSRP, the Moscow-based project had a budget of about $2 million annually. The team consisted of myself and another resident adviser, who concentrated on the private maintenance demonstration. Both of us took up residency in August 1992, after several months of short-term visits. A third team member, who arrived in Moscow about nine months after start-up, is a U.S. research assistant. The balance of the team consisted of five Russian housing professionals and several support personnel. The Russian professionals had sound basic educations and knowledge of the sector, but lacked exposure to numerous concepts; the deficiencies were, however, quickly corrected through a concerted program of on-the-job-training. In addition to this core team, there was the equivalent of about two full-time, short-term expatriate consultants, including a halftime attorney.

**Indicators of Success**

Success in a technical assistance program may rest in the eyes of the beholder. Still, some "objective" information may be marshaled about the HSRP. At the outset of the project, the HSRP team, at USAID's behest, established about a dozen concrete objectives for the first and second years of the program. At the end of the first year (September 1, 1993), the goals had been met or exceeded in every case. Although the program has not yet had a formal external evaluation, the USAID leadership has praised the program in less-formal reviews. The fact that the project is slated for substantial expansion also suggests a positive record from USAID's perspective.

Possibly equally revealing is the large number of requests the HSRP team has received to work intensively with other banks and cities in the Russian Federation;
thus far, USAID has approved conclusion of an agreement with Nizhni Novgorod. Both Moscow and Russian Federation officials are anxious to renew the existing agreements when they expire in March 1994. Another indicator is the demand for the earlier-mentioned manuals and other documents HSRP has developed on privatizing maintenance, housing allowances, and mortgage finance. So far, we have identified two private firms that on their own initiative are reproducing and selling these documents on a commercial basis.

In short, the available indicators suggest that the program has been successful in its brief life. Undoubtedly, it looks good in part because the Russian Federation and Moscow governments moved forward with unexpected swiftness in passing housing reform legislation. In fact, as indicated earlier, the HSRP was instrumental in shaping much of the content of the reform legislation, and even introduced whole new concepts such as housing allowances and the necessity for a liquidity facility for mortgage lenders to be a part of the housing lending system. But the Russians adapted these ideas as necessary and organized the essential political coalitions that ensured their passage into law.

**Some General Lessons**

The HSRP project and earlier work provide grounds for several conclusions about characteristics that are required for successful delivery of technical assistance.

1. **The receptive client.** An interested client is the *sine qua non* of successful consulting—whether in Russia, India, or the United States. The HSRP team had the good fortune to arrive when Russian sectoral leaders, both in the city of Moscow and the Russian Federation, were ready for change and receptive to advice. Although a World Bank staff member had spent a half-dozen months in Russia scattered over several missions, he was shifted to tasks in other countries; and even when he was present, there was a clear "excess demand" for services. Hence, the HSRP has enjoyed the luxury of being the adviser to an interested client.

   In communicating new ideas to Russian officials, it was critical to demonstrate them in the Russian context. It was clear early on, for example, that raising rents
on state housing was a key factor in rationalizing the use of the housing stock, and that a housing allowance would have to be implemented at the time rents were raised, to protect the poor from spending an excessive share of their incomes on housing. Analysis for Hungary led us to believe that the total revenue from increasing rents would comfortably exceed the cost of the housing allowance payments, so that cities would have funds left over with which to improve maintenance or reduce subsidies to housing (Hegedus, Struyk, and Tosics 1990). But there were good reasons why this result might not hold in Russia, one of these being the much-larger share of all housing owned by the state in Russia. (In Russia, 67 percent of the stock was state rental in 1990 versus 20 percent in Hungary.) So instead of relying on the findings for Hungary, new simulations were done first for the city of Moscow, and later for Novosibirsk and Ufa, to persuade the officials that a housing allowance of would work in Russia.8

We are convinced that by making advice concrete and Russia-specific we gained the confidence of the Russian officials and paved the way for acceptance of advice when such information could not be mustered.

2. A fast start. Of course, everyone would like to "hit the ground running." Many recognize the need to create credibility early in a project if it is to have real impact. In the HSRP, early impact was achieved through several means. For instance, when I attended a housing conference in Moscow even before USAID had made the decision to have a project, I took along as handouts 50 copies of Russian translations of each of several papers on the housing sector reform in Eastern Europe. For the Russians, who were then starved for such information, the distribution of these papers established the HSRP in their minds as a group that would give something to them, not just ask questions and offer general advice. Similarly, a standard feature of the early short-term missions, during which greater understanding of the Russian housing situation was being developed, was to present a seminar about the Eastern European experience or about completely new concepts such as mortgage finance (but adapted to the Russian context).

Possibly most important to the fast start, however, was negotiating a concrete agenda of early action priorities as part of the formal agreements with both the city
of Moscow and the Russian Federation. "Brokering" these agendas was a significant task, requiring 12 to 15 meetings with officials at each level of government. One problem often encountered in such discussions is that when officials are asked about which areas of assistance they perceive as most crucial, they respond with the problems on their desks at that moment or they respond in very broad, even impractical, terms. To focus the discussion, we used a "menu" of areas we had defined in advance as those in which we thought assistance would be the most productive—based on our Eastern European experience. When the discussion turned from what they perceived as the major problems in the sector to what might be the best topics of technical cooperation, the menu was handed to the officials.

The result was that when we completed the round of interviews, we had concrete proposals to discuss with the most senior officials. Their decisions on these issues were incorporated into the formal agreements in the form of two or three priority tasks. The officials with direct responsibility for these tasks also signed the agreement (formally "confirming" it). This meant that when the real work program got underway, the tasks to be done at the outset were well-defined and there were no official impediments to proceeding. Indeed, there was strong backing from those concerned.

3. Delivering the services. Two lessons appear to emerge in this area: concentrate resources on a few priority areas, and make maximum use of host country personnel. By emphasizing a couple of key tasks, it was possible to show demonstrable progress in a fairly short period of time. Virtually all project resources were devoted to the few areas listed in the program description. Both the housing maintenance demonstration and the work on housing allowances produced real impacts within the first 9 to 12 months of work.

Employing local professionals effectively seems to be a continuing problem in delivering technical assistance. Most donor operations underutilize local professionals. Donors and their grantees and contractors may hire professionals but only assign them subsidiary tasks. Moreover, local professionals are excluded from any real decision making about the direction of the project, and they are seldom permitted to represent the program in formal presentations. In some countries this
can be attributed to difficulties in finding qualified staff. In Eastern Europe and the Russian Federation, however, this explanation is not credible. True, some mentoring is essential, but such mentoring has not turned out to be very time consuming or onerous. Our standard technique to expand the staff beyond a couple of already well-qualified sectoral experts has been to employ a new professional initially primarily as a translator or interpreter on the topic on which he or she will specialize and then gradually give him or her more independent responsibility.

The importance of employing Russian professionals to the maximum extent possible is probably second only to the receptivity of officials in making the program a success, and it is our sense that receptivity was improved because Russian HSRP team members often acted as the policy advisers. Not surprisingly, the Russians on the HSRP team enjoyed a rapport that is difficult for foreigners to achieve. Officials were willing to ask our Russian colleagues for help in a pinch when they probably would not have approached the resident Americans. Fulfilling these urgent requests—such as one from the first deputy minister of finance for an outline of the proposed structure of the housing finance system within two days—was fundamental to establishing credibility and to being asked for help on less-urgent tasks in the future. Perhaps not surprisingly, American businessmen with experience in Russia recommend giving maximum responsibility to Russian colleagues (Lawrence and Vlachoutsicos 1993).

4. Being there. There is no substitute for an on-site presence both for policy development and to ensure successful implementation of a demonstration program. The example just cited of a request for urgent help was far from unique. Another example was the request from deputy Prime Minister Yegor Gaidar's office for help in preparing a package of reform proposals immediately after President Boris Yeltsin disbanded the Supreme Soviet in September 1993. In this case, being in Moscow at that moment and over the next month of intensive work was essential to being a real participant in the policy development process. Similar, if less dramatic, examples can be enumerated about problems in implementing the demonstration projects, in which even the wonders of modern long-distance communications would not have enabled an effective response.
But not all ways of "being there" are optimal. For instance, a technical assistance office within a donor's assistance mission or at a country's embassy seems to pose problems of keeping focused on delivering services. The internal staff and other meetings and the needed memos multiply as if by some natural law. Moreover, being surrounded by one's countrymen makes it harder to think constructively about integrating the foreign staff members into the professional team and project leadership. The resulting distractions from the most effective delivery of technical assistance are patent.

5. Technical competence on the ground. There are different philosophies in the donor community about staffing resident technical assistance offices. One model is to place a sectoral generalist in the country to deal with counterparts and to organize the program. The generalist calls in specialists for short-term missions to work on specific topics. This model has the advantage of maximum flexibility in program design and execution—a specialist can be summoned on almost any topic. Such flexibility may be essential if the program has not been well-defined in advance of selecting the resident adviser. The alternative model is for the resident adviser to have clear strength in some specialty as well as more general skills. As suggested, to match the adviser's technical strength with the needs of the program means that the work program must be substantially delineated prior to selecting the adviser.

The HSRP obviously employed the second approach, with the two resident advisers having between them the needed technical capabilities in all of the priority areas. A major advantage of this staffing has been the ability to respond instantly on most issues. This ties in with the previous point: being on site is important, but if the resident cannot deliver the advisory services, then his or her effectiveness is greatly diminished. The official who needs a concept paper overnight is not mollified to learn that a short-term adviser can be scheduled to arrive in two or three weeks.

6. Tracking results. Few technical assistance projects involve much ongoing monitoring and evaluation. Often the only monitoring work done is for a short-term team to visit the country to assess the productivity of the project, sometimes after the project has been operating for a year or so, sometimes only when it is essentially over. The purpose of these reviews is to generate information for donor management.
Occasionally there is real feedback to the team implementing the project. Although such management monitoring has its place, other forms of evaluation should be integral to most technical assistance projects.

Two types of monitoring come to mind. One is keeping track of what is happening in the sector. The World Bank and the United Nation's Habitat have recently developed a general set of indicators for tracking developments in a country's housing sector, and have implemented these in over 50 countries. With some modification, these indicators have been developed by Russians working under contract to the project for the past several years. At least as important for Russia, however, is to track the changes in the ownership, allocation, and condition of the housing stock. The HSRP team decided to do this through the previously mentioned longitudinal survey of 2,000 Moscow units that were state rentals as of January 1992. The first wave of data was gathered in December 1992 and the second in December 1993; two more waves are planned.

Credible evaluation of demonstration projects is critical to having the results accepted as valid, and therefore to replication. The impact of the evaluation of the private maintenance pilot project on expanding the use of private firms was already noted. The HSRP also has plans to evaluate the early experience with housing allowances—but this time the short-term goal is to adjust the program for expected start-up problems.

Conclusions

Based on the foregoing description I offer three pieces of advice about delivering technical assistance in the transformation of individual sectors to market principles in Eastern Europe and the countries of the former Soviet Union.

First, if at all possible, define the work program in advance of naming the long-term advisers and recruit individuals to accomplish the tasks that are most prominent in the program.

Second, resident advisers should be specialists, not generalists, in their field. Having true experts present on site is essential to a quick start to gaining the
confidence of counterpart officials and experts, and to responding efficiently to "unscheduled" requests for help.

Third, build a truly integrated team of foreign and local professionals; give the local professionals significant responsibility, use their contacts in government and in local research institutes, and heed their advice on political issues especially.

Obviously, the success of any particular technical assistance effort depends largely on the personal skill of the team providing the assistance, the receptivity of the client government, and other factors. Nevertheless, I believe adherence to the points just outlined can significantly improve the probability of success in providing assistance in this part of the world.
Notes


3. For example, estimates of inefficiencies for the former Soviet Union are given in Kahn and Peck (1991: table 3.1, p. 45).

4. Sources for these figures are as follows: (1) author's classification of detailed expenditures listed in Commission of the European Communities (1993a,b); (2) author's classification of detailed expenditures listed in U.S. Congress, House (1993:b 374-84); and (3) expenditures shown under the "Technical Assistance" category in U.S. House (1993a: 247).

5. Analyses done using these data are reported in Daniell, Puzanov, and Struyk (1993b,c).

6. The housing technical assistance program in Russia began in early 1992. The agreements between USAID and Moscow and the Russian Federation were signed in March. The work from January through August 1992 was carried out under an existing worldwide contract between USAID and The Urban Institute. A new competitively awarded contract was signed at the beginning of September 1992. Hence, the one-year anniversary of the program was September 1993.

7. For example, Peter Kimm, director of USAID's Office of Housing and Urban Programs, gave the program high marks during review of all the housing technical assistance programs operating in the NIS at meetings in Moscow in November 1993.

8. These results are reported in Struyk, Kosareva, et al. (1993) and Daniell et al. (1993a).

References


