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Sida Decentralised Evaluation

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Evaluation of International School of Economics (ISET) in Georgia

Final Report

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**Final Report
October 2014**

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Ian Christoplos**

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The views and interpretations expressed in this report are the authors' and do not necessarily reflect those of the Swedish International Development Cooperation Agency, Sida.

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Abbreviations and Acronyms

CEFIR	Centre for Economic and Financial Research
CERGE-EI	Charles University in Prague and the Economics Institute of the Academy of Sciences of the Czech Republic
CIS	Commonwealth of Independent States
DAC	Development Assistance Committee
DFCTA	Deep and Comprehensive Free Trade Area
EU	European Union
IFC	International Faculty Committee
IMF	International Monetary Fund
ISSET	International School of Economics, Georgia
ISSET-PI	Policy Institute at ISSET
KEI	Kiev Economics Institute
KSE	Kiev School of Economics
Master's	Master's Degree (Master of Arts / Master of Science)
NES	New Economic School, Moscow
PEER	Partnership for Economics Education and Research
PEC	Policy Expert Committee
Sida	Swedish International Development Cooperation Agency
ToR	Terms of Reference
TSU	Tbilisi State University

Preface

This report presents the findings of the evaluation of the International School of Economics (ISET) in Georgia. Indevelop (www.indevelop.se) was commissioned by the Swedish Embassy in Georgia to undertake the review through Sida's Framework Agreement for Reviews, Evaluations and Advisory Services on Results Frameworks.

This is an end-of-project evaluation of ISET in Georgia. The Terms of Reference (ToR) state two objectives for the evaluation: 1) to review the progress and results of ISET activities 2006-14 and 2) to assess the prospects for organisational and financial sustainability of ISET and its affiliated Policy Institute and provide recommendations for the future.

The review was undertaken between July and September 2014 by an independent evaluation team consisting of Klas Markensten as Team Leader and Ian Christoplos.

Indevelop's Project Manager for the assignment was Jessica Rothman, who was responsible for coordination and management of the evaluation process.

Khatuna Zaldastanishvili managed the review from the Embassy of Sweden in Tbilisi, Georgia.

Executive Summary

ISET (International School of Economics, Georgia) is one of several economic schools started in countries in the former Soviet Union to introduce modern economic thinking. It has been supported by Sida since 2006 and the objectives for the present evaluation are to review progress and results since 2006, and to assess and give recommendations on the prospects for organisational and financial sustainability of ISET and its affiliated Policy Institute.

The evaluation finds that the work of ISET is **very relevant** for the development of Georgia, and it is in line with EU and Swedish cooperation strategies.

The **effectiveness of the master's programme has been very high**. Students are challenged with new ideas and new ways of working. They are in high demand, especially in the public sector, and appreciated for their analytical skills and dedication. Graduates are often promoted.

Faculty research is not strong and teaching takes most of their time. The Policy Institute offers possibilities for increased applied research in the future.

The ISET-PI **indices are well used** and considered reliable. With the creation of the Policy Institute, the **outreach to society has increased** substantially, not least on the internet, for example with an economist blog. ISET has a **regional mandate which is difficult** to fulfil and for which limited progress has been achieved.

Financial sustainability has become a major problem for ISET as major core donors have ended funding, and plans have been made to increase income, for example with a new undergraduate programme. Some **lessons can be drawn from similar institutes** in Moscow and Kiev on how to address this, but these institutes do not constitute replicable models. ISET can emulate local think tanks in having stronger contact with the market for applied research, training and consultancy services.

ISET is recommended to continue to invest in maintaining high quality in its activities. It should redefine its role to be less regional and focus on Georgia. Efforts to raise income should be pursued in an organised manner. ISET is also recommended to introduce and use a basic planning and monitoring system.

The Swedish embassy is recommended to continue to finance ISET and ISET-PI, and to support ISET's work with the internal organisation, planning and monitoring.

1 Introduction

1.1 BACKGROUND

Economists trained in modern economic thinking and methods have been lacking in the former Soviet Union. After the Rose Revolution 2004/05, the Georgian government placed a premium on modern Western-style education. Economic schools aimed at being “centres of excellence” had already been started in Moscow, Kiev, Budapest and Prague. The creation of ISET (International School of Economics, Georgia) was heavily influenced by the experiences from these models.

ISET started in 2006 with a two-year master’s programme in economics, taught in English by an international faculty and with a student uptake from Georgia, Armenia and Azerbaijan. ISET is affiliated to Tbilisi State University (TSU). In 2011 a research centre – ISET Policy Institute (ISET-PI) - was launched.

From the start ISET was supported through core financing from a few donors, of which Sida was the dominant contributor. Sida core support was given for two periods, 2006-10 and 2011-14, and a specific support was given to courses in international trade and regional integration. Total support from Sida has been 25,45 MSEK, corresponding to 30 per cent of total funding. Sida is contemplating giving future support to ISET-PI but not to the master’s programme.

This evaluation is an end-of-project evaluation for the period 2006-14, made according to the OECD/DAC criteria of relevance, effectiveness, efficiency and sustainability. The Terms of Reference give special emphasis to the issue of financial sustainability in view of the fact that major donors have ended their core financing of the master’s programme.

1.2 THEORY OF CHANGE AND METHODS¹

The proposals for Sida funding for 2006-10 or 2011-14 do not contain explicit theories of change (Impact-Outcome-Output-Activities). The proposal for 2011-14 includes a Logical Framework Matrix that gives ample information on the way objectives have been formulated and information about planned outcomes, outputs and activities. Mainly based on this latter information, the following theory of change has been developed.

¹With the restriction on the length of the main report, the more extensive information on evaluation questions and methods given in the Inception Report (Annex 1) is only summarily presented here.

Impact

The development objective in the proposal 2011-14 is formulated thus: “The general development objective behind this ambitious project was and remains to provide economics education and research so as to facilitate economic growth and democratic development in the South Caucasus, promote economic and political integration in the region, and its openness to the rest of the world”.

Outcomes

The 2011-2014 proposal does not specify desired changes at outcome level as the four objectives of the proposal are framed as activities and relate to results that can be best judged as outputs and only partly as outcomes. But it can be implicitly extrapolated that the following three outcomes were expected:

1. Georgian and regional educational and research institutions offer up-to-date and high quality training and research in economics and provide qualified economists to employers
2. Decision-makers in public and private sectors in Georgia and the region take decisions based on up-to-date knowledge in economics
3. Economists from Georgia and South Caucasus are recognised and listened to in the global economic policy discourse

Outputs

1. A new generation of high quality economists with master’s degrees from ISET who obtain employment in key institutions
2. Research at ISET and PI that is of high quality and useful for economic development
3. ISET does effective outreach to appropriate decision-makers in the public and private sectors
4. ISET takes initiatives for sustainable financing, such as accessing increased financing from Georgian government sources and increased income from tuition fees, research financiers, commissioned studies (primarily through the ISET-PI) and other relevant sources
5. ISET maintains and takes new initiatives to forge professional links with the region and internationally

With starting point in the logical framework 2011-14, indicators have been chosen for assessing if the outputs and outcomes have been reached. A combination of quantitative and qualitative indicators has been selected and data for these have been compiled. The indicators and the more detailed evaluation questions can be found in the inception report, Annex 2.

Based on the ToR, the priority areas for recommendations identified in the inception report are about financial and organisational sustainability, other products or services to be considered, possible changes to increase the relevance of the skills of the

graduates, and possibilities to enhance the utility and accessibility of ISET's research outputs.

A combination of quantitative and qualitative methods has been used for the collection of data and information. Interviews have been made with 41 persons representing the Swedish Embassy in Georgia, Government representatives, ISET director and staff, ISET faculty, ISET students, ISET Policy Institute staff, representatives for ISET's International Faculty Committee and the Governing Board, institutions employing students from ISET, donor representatives and NGOs and think tanks.

The risks of reliability and validity of interview data from ISET have been mitigated by studying data in reports. Interviews with other stakeholders also served to corroborate the information given by ISET.

The intended primary users of the evaluation are the Embassy of Sweden, Sida and ISET. As this is the first comprehensive evaluation of ISET's activities, it can also be of more general interest, not least for present and possible future donors. To increase utility, several separate discussions were held with the leadership of ISET. At the end of the field visit, a mini-seminar was also organised with ISET faculty and staff, with participation from the Swedish embassy in Tbilisi.

1.3 ISET 2006-14

ISET at TSU was formed with the help of five donors: Sida, British Petroleum, the Open Society Institute and the World Bank. The World Bank was the primary driving force on the donor side. A building in Tbilisi was provided for 10 years by the Georgian government, including an initial renovation. The first students started in the Fall of 2006.

A number of hurdles had to be tackled during the first years including the agreement with TSU, accreditation for the master's programme, setting up the management and organisational structure and recruiting faculty.

In the beginning it was not easy to recruit good students, but with time the school has gained a good reputation and now around 50 students per year enrol. It was especially difficult to recruit from Armenia and Azerbaijan. Reasons for this include the fact that male students could not be exempted from military service while studying at ISET, and some parents were unwilling to send their girls to another country.

One aim was to build up a resident faculty, and in the last few years there has been a resident faculty of ten persons. The school has had very good contacts with Israel and with other countries which have supported the strengthening of the resident faculty (some speak Georgian), and which have provided visiting professors who have given course modules.

Since the start of the school there were discussions about starting an affiliated policy institute modelled on other similar institutes, for example in Moscow and Kiev. In 2011, the ISET Policy Institute, ISET-PI was formed, with financial support from the Open Society Institute.

ISET and ISET-PI have the same director and governing board (which is formally for the NGO Partnership for Economic Education and Research, PEER, in the United States that is channelling donor funds to ISET). Both have advisory bodies, an Inter-

national Faculty Committee (IFC) for ISET and a Policy Expert Committee (PEC) for ISET-PI.

To diversify its courses and better meet the needs in the market, ISET has, with support from different donors, introduced “concentrations” during the second year for areas such as energy economics, international trade and integration, money and banking, human resource economics and agricultural economics.

ISET undertakes surveys and produces regular economic indices. The most well-known is the monthly Khachapuri index, modelled after the Big Mac index used by the international journal *The Economist*. Indices are also produced for consumer confidence, GDP forecasts and other topics. An economics blog is getting increasing attention.

ISET plays a role in the development discussion in Georgia through hosting meetings and discussions on actual economic topics. Very often high-level government officials or politicians participate in these discussions. ISET is a repository for World Bank, IMF and Asian Development Bank publications.

ISET had enough financing during the period 2006-2013, but then the main core of donors ended their financing of the master’s programme. The need for long-term financial security for ISET has been discussed for a long time, for example in the governing board. The risk of an immediate financial crisis for the institution after 2013 has given a push to renewed efforts, and ISET has embarked on exploring several avenues to secure long-term funding.

2 Findings

2.1 RELEVANCE

The question of relevance is about if ISET has chosen the right sectors and topics for its education and policy research from the perspective of the Georgian development priorities. It is also about relevance from the point of view of the priorities in the Swedish strategy for support to Georgia and for other donors. The ability of ISET to adapt to changing demands from stakeholders has also been examined.

In the beginning, ISET concentrated on building up a master's programme focused on theoretical skills in economics. Later, the so-called concentrations were introduced with the support of donors. Norway, for example, supported an energy concentration and Sweden a concentration on international trade and regional integration. Energy is an important sector in the region, especially for Azerbaijan. The road towards signing a trade agreement with the European Union, DCFTA, was a good motivator for a trade concentration.

In 2012, a new government in Georgia presented new priorities, which were also manifested in the development strategy 2014-20, Georgia 2020. More emphasis was given to agriculture, the social sectors and sustainable development, some of which had for a long time been given little attention. The DCFTA was eventually signed, which gives an impetus to the trade and integration issues, especially as concerns the private sector.

ISET had already before the change of government given attention to issues in agriculture, trade and labour. With the establishment of ISET-PI, these priorities could be made very clear. ISET-PI will give priority to four policy research areas, which are well in line with the government priorities: private sector development, agricultural policy, social policy and energy and environment policy. In doing this, ISET shows a very good adaptation to the prevailing circumstances and to the changes in government policy.

The Swedish cooperation strategy for Georgia 2010-13 includes a focus on market development, trade issues and approachment to the European Union. The present regional strategy also focuses on issues such as economic integration with the European Union, and on energy and environment issues. The Swedish support to ISET fits reasonably well with the Swedish strategies, and the growth of ISET as a propagator of broad and evidence-based discussions is also in line with the Swedish priorities.

The support to ISET is also in line with the priorities of the European Union for Georgia, specifically as concerns economic integration.

2.2 EFFECTIVENESS

2.2.1 Master's programme

This evaluation looks at results from the period 2006-14. One set of results concerns the quality and appropriateness of the education offered by ISET. The quantitative indicators sought for this variable concern employment of ISET graduates, placement and return of PhD students, and gender balance concerning students and faculty (for details see the evaluation matrix in the inception report, Annex 2).

Since 2008, ISET has produced 176 graduates, all of which appear to be gainfully employed (for five students there is no information). 25 graduates have gone for PhD studies at European or American universities.

Most graduates that do not continue with a PhD are in Georgia (86) or outside the Southern Caucasus region (45). Only eight work in Armenia and 6 in Azerbaijan. Most of these graduates go to the public sector (59) and to academia (48). The private sector employs only 29 graduates. Lastly, 11 graduates work with international organisations or NGOs.

The employers interviewed were very satisfied with the ISET graduates. They mentioned characteristics such as efficient, hardworking, good economics background, professional, analytical skills, good working skills, do not need a lot of guidance, can explore all dimensions of a problem, good focus on detail, real “economic English” spoken and written, presentation skills, highly motivated, theoretical knowledge, and ability to adapt to new developments. ISET is consciously making efforts to give their students these skills, but has not explicitly documented these as the desired values.

On the other hand, employers also mention that graduates from ISET to begin with often lack enough experience of real life and the socio/political context, but that they are quick learners in their new jobs. ISET has given more emphasis to the internships, that take place between the first and the second year, to address this, and in the summer of 2014 all but one student did an internship.

The dominant employers are the central banks, and in Georgia the state auditor, the energy regulator, and the statistics office. The explanation is probably that with these employers the specific knowledge that the graduates have gained from ISET has a strong comparative advantage: macroeconomics, analytical skills, econometrics, mathematics, methodological knowledge for e.g., cost/benefit analysis, and international competence. Another reason can be that these employers are not ministries but agencies that are independent and can offer higher salaries.

It is remarkable that so many ISET graduates get such good feedback, after having spent only two years at ISET. One explanation is that ISET demands a lot from their students. The students and faculty interviewed see the training as being very tough. In spite of that the students before the first term get three weeks full-time preparatory training, especially in mathematics for students from non-economic faculties, they still consider the demands to be very high, and they have to work intensively. As one staff said in ISET: the first year the students get a shock, and many do actually drastically either lose or gain weight during the first months.

The number of applicants to ISET has increased over the years from 75 in 2009 to around 350 during the last few years. The quality of admitted students has according to ISET increased gradually, and 67 students were accepted in 2014, which was the highest figure yet.

ISET has had a regional mandate but this has been difficult to fulfil. Out of 176 graduated students, 12 have come from Armenia and 15 from Azerbaijan. There have been several impediments to recruitment, in spite of these students getting free tuition. Exemption from military service has been a difficulty for men (now lifted for Armenia), and some families have not accepted that their daughters live in Georgia.

There is also strong competition from good schools in these countries, and for example in Azerbaijan there is ample funding available for students who want to undertake masters and PhD programmes in the West. ISET made early strong efforts to increase recruitment from Armenia and Azerbaijan, with some success, but the last few years this has been given less attention – also because ISET can get enough very good students from Georgia itself. ISET is now also contemplating increased recruitment of students from other countries in the region.

The gender balance for admitted students has been good, with around 40 per cent female students. The female students seem to have more success as the proportion of female students generally increases during the two years of studies. The faculty is more male dominated. According to the faculty data on the ISET webpage, women are 23 per cent of the resident faculty, zero per cent of the affiliated international faculty, and 11 per cent of the visiting professors.

The effects of the work of the ISET graduates will probably increase over time as they get positions of responsibility. Already some graduates are heads of division or deputy heads of department in the public sector. The graduates doing international PhD studies will not come back until earliest in the 2015/16 academic year.

To summarise, ISET has gained a reputation for producing very high quality economic students, and the graduates are in high demand on the job market. The skills acquired are mainly suited for analytical jobs in the public sector. The students are gender balanced but regional recruitment has been difficult. With promotion, graduates will be able to guide decisions based on modern economic knowledge.

2.2.2 Faculty research

Apart from providing qualified graduates to employers, ISET can influence development by serving decision makers with up-to-date and reliable economic knowledge. One source of such knowledge is academic research by the faculty at ISET.

The ISET faculty is typically hired on three-year tenure contracts, which require them to engage in teaching and academic research as well as to participate in services provided by ISET and in administration. ISET started out with few resident faculty and many visiting professors. The resident faculty had to engage in building the institution and the master's programme, so they had little time for research. During the last few years about 10 faculty staff have been resident, and ISET plans to increase that number to perhaps 15 with the help of funds for ISET-PI.

According to the annual evaluation of faculty at the end of the academic year 2010/11, "all ISET faculty face considerable challenges in developing their research

portfolios. This is related to their junior status, relative isolation from the economics mainland, and preoccupation with teaching and service to the community.” All in all, since the start, eight faculty members at ISET have published 17 research papers. The information from the interviews with stakeholders is that faculty research at ISET has not made a major impression.

In addition, applied research has been made in connection with policy and project work and other activities (see 2.2.3 below).

The experience from similar schools as ISET in Moscow (NES) and Kiev (KSE) is that with time, perhaps 2020-2025, ISET could have a resident faculty that is active in research and publishing in international journals.² Their experience also suggests that it will only be a minority of the faculty that will be active in research.

The conclusion is that the faculty research has not been significant in the Georgian or regional context.

2.2.3 Policy work

One way for ISET to influence development is by influencing government policies. ISET did some policy work on a low level during the build-up period. The intent from the beginning was to emulate the experience from Moscow and Kiev and establish a policy think-tank aligned with the education programme of ISET. However, it took until 2011 for the ISET-PI to be formed, financed by an initial grant from the Open Society Institute. One reason for the delay was that the international academic representatives in the steering functions for ISET held back, to safeguard the quality in teaching and faculty research.

The policy and outreach functions in ISET were transferred to the Policy Institute, which is a separate organisation from ISET but has the same director and governing board. PI has a deputy director and an academic director and at the moment 11 full-time junior research staff, mainly successful graduates from ISET. PI also contracts inputs from the ISET faculty.

The intent is to establish four main Policy Research Centres within PI, tailored to the priority areas in the Georgian 2020 development strategy (agriculture, private sector, social sector, energy). Each centre would be led by a PhD.

The intention is that these centres will in the future also make a more sizeable and focused contribution to research. Until now, mostly small, scattered, externally financed applied research projects have been realised. In the academic year 2012/13, nine projects financed by different donors were ongoing in PI.

Sida has been approached for core support to the Policy Institute from 2015. The Policy Research Centre for agriculture has recently been started with start-up support from USAID. Six staff, including a PhD, have been recruited to the agriculture centre

² USAID, Strategic Options for ISET: A Discussion Document, June 2009, p 16

for a number of tasks: applied research, monitoring of the sector, policy work, seminars, data collection, consultancies, training, participation in donor-financed projects in agriculture, and teaching at ISET. The experience from the agricultural centre will be used when starting the other centres.

As PI is a new organisation, there is not much evidence of its influence on policies. However, several stakeholders have mentioned a few examples. One was when the government wanted to impose strong restrictions on foreign investment in land. Through policy work at PI and a high-level seminar, economic arguments against strong restrictions could influence Georgian decision-makers.

ISET has offered a service to interested parties in Georgia in the form of surveys and indices. The work with these surveys has been transferred to ISET- PI. Government agencies and international organisations follow mainly the Consumer Confidence Index, the Leading GDP indicator and the Monthly Economic Review for Georgia. Most well-known among the general public is the Khachapuri index of the price movements for a popular food. Several new indices are being developed, for example a real estate price index and an index for food prices. The stakeholder interviews suggest that the indices produced by ISET-PI are considered reliable.

In sum, ISET has as of now not produced a large amount of policy research outputs that would influence development in Georgia or the region. The indices produced by ISET are considered trustworthy and are used by a number of organisations and parts of the general public.

2.2.4 Outreach

In addition to producing graduates and doing policy work, there are a number of other ways in which ISET can reach out and influence development, especially in Georgia. With the creation of the Policy Institute, the outreach activities of ISET have been boosted. They now include organising public seminars and policy discussions, teaching in other universities, a blog, an e-bulletin, presence in social media and articles in newspapers.

The Teaching Fellowships Programme started already in 2008/2009 and is continuing. It is financed by the Czech CERGE-EI foundation. ISET graduates work as junior instructors in more than ten partner universities in Georgia, Armenia and Azerbaijan. In total, 82 fellowships have been supported teaching more than 2000 undergraduate students. The students generally give the fellows positive evaluations. 34 of the teaching fellows are still in academia. The idea with the fellowship outreach is to increase the access to modern economic thinking and teaching methods at the partner universities, while at the same time giving the graduates teaching experience. ISET professors also participated in a three-year project (Regional Seminar for Excellence in Teaching) financed by the Open Society Institute aimed at improving junior faculties' teaching abilities.

ISET has since the start organised public seminars and policy discussions. In the period December 4, 2013 to June 5, 2014 ISET organised 36 different events. Visiting scholars or economic experts are invited to give lectures and conduct seminars. Research products are presented. International organisations get help from ISET in organising events. Supported by the Swiss cooperation, a Growth Dialogue series of

seminars have been held with participation of government agencies, international organisations, NGOs, academics and independent experts. ISET has proved that it has “convening power” as many decision-makers for example from parliament committees and ministries participate in ISET seminars. Interviewed stakeholders appreciated ISET seminars and events.

Since the start of the Policy Institute, internet-based outreach has become an important feature. The ISET Economist Blog was started in 2011 and has averaged two new posts per week. Between July 2012 and June 2013 it had 12089 unique visitors and over 69000 page views. Of the page visitors, 58,5 per cent had returned for a second visit. The language was originally English but in 2013 many posts were translated into Georgian, and now all posts are published in both languages. In March 2012, a monthly newsletter was introduced. It runs the regular ISET surveys, a lead article, popular blog posts and ISET highlights. The mailing list for the newsletter includes more than 5000 people.

ISET is also present in media. ISET has published 137 articles in The Financial since May 2011. In Georgia Today 18 articles were published during the first half 2014. ISET also has other media partners, has participated in TV programmes and has a Facebook page, with 4104 fans in May 2014.

Other activities can also be counted as outreach such as the student internships. An alumni association has also been formed recently. And the work of the graduates with different employers is of course also a way of reaching out to society.

The sector in society that ISET considers needs more effort in outreach is the private sector. Placement of graduates is mostly in the public sector. A business advisory council was formed already in 2008 but did not function. Discussions have been held about revitalising the council, but lately ISET has opted for including representatives for the business sector in its governing board.

ISET-PI does some training for the private sector. In 2012/13 two small courses were given to two private sector entities, and to a donor and an NGO, in statistics, data analysis and macroeconomic indices. According to a technical assistance project by USAID, ISET-PI has good prospects to develop more such training.³

To summarise: ISET outreach activities have picked up substantially during the last few years, after the creation of ISET-PI. ISET has convening power and in-

³ "To sum up, professional , professional training programs should be a top priority for ISET, given that: 1) ISET has relevant staff and faculty (graduates, tenure track and adjunct faculty); 2) the courses contribute to ISET's mission and help convince the public and private sectors of ISET's relevance and importance; 3) the courses facilitate research- based collaboration with, and labor market placement of ISET graduates in partner organizations, and 4) and the courses seem likely to recover their costs."

USAID, Forecast project, Medium-term Strategic Plan, ISET, December 2009

creased media and internet-based outreach. The business sector has been given less attention.

2.2.5 Regional issues and international links

ISET was formed as a regional institution, placed in Georgia but also serving Armenia and Azerbaijan. From the beginning it also had the objective to ensure that economists from Georgia and the Southern Caucasus would be recognised and listened to in the global economic policy discourse. Indicators for the latter objective can be participation in international conferences, partnerships outside the region, publication in international journals, and placing of graduates in PhD programmes.

Students from Armenia and Azerbaijan constitute only 15 per cent of the graduates, and the percentage is shrinking. ISET has high-level representatives from Armenia and Azerbaijan on its governing board, but these individuals have not participated in board meetings during the last few years. The board has also with time become more Georgian than regional and international. The Policy Institute is in practice only focused on Georgia. The political relations between Armenia and Azerbaijan are not conducive to closer regional cooperation.

The teaching fellows programme has a clear regional effect. In the past the leadership in ISET proposed closer and continuous teaching partnerships with the two countries, but the board turned it down.

International recognition of ISET economists has not been easy. The resident faculty has been small and mostly occupied with teaching. The present faculty has over the years made a total of 34 presentations at international conferences. ISET has the following partnerships with non-regional academic institutions: Stockholm Institute of Transition Economics, Norwegian School of Economics, the Institute for Public Policy Research in the UK, CERGE-EI, the Leibniz Institute of Agricultural Development in Central & Eastern Europe, and the Bielefeld university. ISET does not organise any large international conferences.

To summarise, instead of the regional profile that was originally meant to characterise ISET, it is becoming increasingly oriented towards Georgia. And the objective of international recognition has not yet been fulfilled.

2.3 MANAGEMENT AND MONITORING

The basic management structure is that there is one governing board for both ISET and ISET-PI (formally through an international NGO in the US, PEER) and one executive director. There are two advisory bodies: ISET has an International Faculty Committee (IFC) and PI has a Policy Expert Committee (PEC). In the past there have sometimes been tensions between the different outlooks represented in ISET, but with recognition of the difficult financial situation and other factors, a consensus on the future direction has emerged.

In 2013 Sida commissioned an audit of the internal management and control system of ISET and PEER. It had a positive effect and ISET responded with corresponding system changes. Still outstanding is that ISET/PEER should develop and imple-

ment an anti-corruption policy and a comprehensive risk assessment. In 2014 Sida commissioned a special audit of Sida funds, which did not have any remarks.

The application for Sida support for the period 2006-11 did not include a systematic planning structure, for example in the form of an organised results framework. A strategic planning process was however foreseen to be started. In the application it was also foreseen that a monitoring system to follow up on the extent to which ISET was reaching its goals would be set up to collect and present data and indicators on a number of factors.⁴

The application for Sida funds 2011-14 included a detailed results framework with indicators, a similar matrix for partnerships, and a risk analysis with measures to be taken to mitigate possible risks. A resource development plan for financial sustainability was to be presented during the period.

With the help of USAID, a basis for strategic planning was developed but was not considered fully adequate by ISET and did not result in a new planning system. Monitoring data are collected by ISET, especially on the placement of graduates and data on admission. Financial data are available. Data collected are not related to the results framework. Data on partnerships and risk issues are not systematically collected.

The existing data are not put together in consecutive time series with analysis. Instead, every year the data available are presented in tables for the present or last few years in the “Board Book”, a collection of a number of documents that are presented every year to the Governing Board. This entails the risk that the data collected are not used systematically for management purposes.

In summary, ISET is better in putting together well-written applications for funds than having a consistent system running for planning, data collection, monitoring and analysis. A comprehensive approach to results based management is not yet in place.

2.4 SUSTAINABILITY

2.4.1 Financial sustainability

The issue of financial sustainability is prominent in the Terms of Reference for this evaluation, and has been a theme for discussion in the ISET governing board at practically every meeting.

In the original plans for ISET there was recognition that the centre of excellence model would be more expensive than other academic education. This was accepted as

⁴ Such as teaching and research, cost-effectiveness, financial management, efficiency, development of institutional capacity, sustainability, local ownership, “rootedness” in the Caucasus, local and international reputation, placement of graduates, use of research results.

ISSET had generous core support from several donors, and with time the costs were expected to go down with the establishment of a permanent lower cost faculty.

With the inevitable decrease of donor funding over time, several possible sources of income were put forward in the original plans: economic support from the government and the university, increased contribution from tuition fees paid by students, donations from wealthy Georgians, contributions from Armenia and Azerbaijan, grants and contracts for research, and eventually donations from the alumni.

As it turned out, none of these sources generated any sizeable contribution to ISET's revenue. The government has not contributed, tuition fees have been provided limited net income due to subsidies and stipends to the students (especially students from the region who do not pay any tuition), no donations have been forthcoming from wealthy Georgians, Armenia and Azerbaijan have not provided support, and alumni have not worked long enough to contribute. During the last few years, with PI, research contracts have given some income.

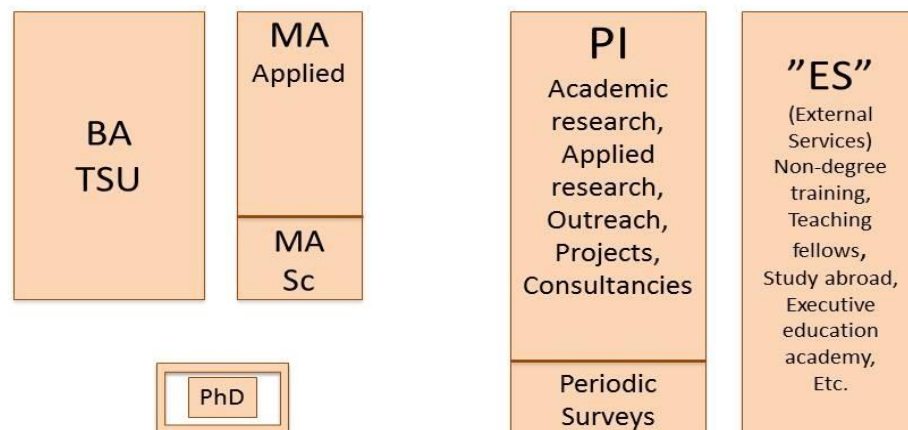
ISSET managed to get generous funding also for the second phase, 2011-14. That funding included funding (from Open Society Institute) for creation of the PI. In 2013, the three major core-funding donors of ISET gave the message that they would end their funding. The prognosis in early 2014 was that there would be a deficit for the academic year 2014/15 of at least 890 000 USD. An emergency budget with salary cuts and renegotiation of contracts was discussed.

Eventually, the budget for 2014/15 was salvaged, mainly by generous matching contributions from the family of the governing board chairman, by drawing down an existing cash surplus and by getting project funds from other donors. But for 2015/16 more income has to be found. How to do this is discussed in a Transition Plan from January 2014.

2.4.2 The transition plan

The main challenge for ISET is how to finance the master's programme. The alternatives are illustrated in Figure 1.

Figure 1: Future financing options



The transition plan proposes two clusters, one concerning education and one on linking ISET more to the actual needs in the region. The education cluster consists at present only of the master's programme. The main fundraising proposal is to initiate, in cooperation with TSU, an undergraduate programme in applied economics. It would be taught in English by instructors from ISET's core PhD faculty and students enrolled in an ISET/TSU PhD programme. The programme would cater to the best TSU students and also international students from a larger region than Southern Caucasus.

The undergraduate programme would have an intake of 100 students or more per year. The transition plan calculates that the programme would, when fully developed, contribute between 0,7 and 1,6 million USD annually to ISET's income. The programme would include a liberal arts component delivered by TSU, constituting one fourth of the programme, financed by the Millennium Challenge Corporation.

In addition to the undergraduate programme ISET entertains plans to start up a small PhD programme in collaboration with the Biedenfeld University in Germany. This would however not contribute to ISET's overhead (but might increase possibilities to get PhDs in the future to return as faculty).

A prerequisite for starting up and getting accreditation for the bachelor's programme is that an agreement is concluded between ISET and TSU. As long as ISET had ample funding, this relation has been cordial but distant. When ISET now urgently needs more funding, both parties are becoming more active and an agreement seems possible. A caveat is that to be really profitable, the cap on tuition fees set by the Georgian government for this type of programme has to be raised.

Another way of raising funds is to change the master's programme. It has hitherto been focused on theory and possible future advancement to PhD programmes. This has been tempered by more practical specialisations during year two in subjects such as energy and human resource economics.

One possibility according to the institutional plan is to split the master's programme in two parts. One would be a smaller Master of Science program similar to the present master's, geared towards preparing students for research and academic careers. The larger part would be a master's programme in applied economics, catering to people aiming for professional careers, which would have greater possibilities for getting financing from outside sources.

Both the bachelor's programme and the master's programmes would generate tuition fees. The present annual fee of 8000 USD for the master's programme will now be increased to 10 000 USD. The increase of qualified English-speaking undergraduates will also increase the pool of candidates for ISET's master's programmes.

The idea has been put forward that Georgians returning with international PhDs could lower the cost for ISET by getting a more "Georgian" salary. This would however go against the basic idea of ISET being a centre of excellence with international quality. ISET has recently recruited a Georgian PhD from Switzerland, at an international salary.

The second cluster consists of the Policy Institute and non-degree training (here called "external services"). The Policy Institute has already been active during three years and the applied research, projects and consultancies undertaken by the PI give a

surplus that can contribute to finance the master's programme. The plan is that PI would contribute 400 000 USD to ISET's income by 2016/17.

The agriculture area is an example of synergies within PI. With US funding the centre has now been established, and there is also financing from participating in agricultural projects financed by the European Union. Also, policy work is being offered on a commercial basis, and training courses are planned for the Ministry of Agriculture. ISET-PI has plans for continued development of this component of the organisation according to this model, and has applied for core funding from Sida for that purpose.

The continuous products from PI (blog, surveys) are now bi-lingual. This increases the access to stakeholders in Georgia and may increase financing possibilities. The change of government has also increased the market for think tanks like PI. The present government is said to be open to take in more policy advice before making decisions on implementation. It could also be possible, perhaps after a market study, to look into more possibilities in the regional market, given similarities in the economies. ISET has a competitive edge in its high quality knowledge in economics and methods.

External Services is a group of activities now included in the Policy Institute. It is however of a somewhat different nature – more of a profit centre for selling services, mainly training, adapted closely to client needs. At present only small courses in, for example, statistics are given to businesses and other organisations. But ISET has plans for doing more, possibly in the form of an Executive Education Academy in separate localities. Other ideas are hosting Study Abroad programmes for US students, and training for civil servants such as those financed by the Swiss development cooperation. It might be warranted to recruit more of an entrepreneur type than an academic to spearhead the external services.

Even if ISET and ISET-PI manage to increase their income substantially, it will probably not be possible to survive without donor financing. After the shortfall of the three major core donors, ISET has managed to generate interest among new donors, and the Policy Institute seems to have particular potential to attract donor funds for different purposes. When the institutional plan is finalised and implemented – with more developed planning and monitoring systems – it might be easier to get donor funds and generate more interest from business circles.

To summarise, ISET has major funding problems. It tries to solve these by branching out in two directions. One is broadening the tuition generating base by introducing an undergraduate programme that will give ISET income that can contribute to defray the costs for the master programme. The other direction is to increase the income from PI's work with donor projects, consultancies and applied research. To this could be added selling mainly training services to clients in the private and public sector. It is however improbable that ISET could survive without considerable continued donor funding in the medium term.

2.4.3 Academic and organisational sustainability

Academic sustainability is hard to define. In a report on strategic options for ISET financed by USAID in 2009, it is said that a faculty of 10 might be sustainable.⁵ ISET has reached that size and has a relatively stable resident faculty. In ISET's own publications a figure of 12 faculty is mentioned as desirable, and 15 as good.

The introduction of an undergraduate programme could strengthen the basis for a larger faculty, and the creation of ISET-PI has the same effect. ISET is beginning to employ two different kinds of faculty – traditional tenure track contracted faculty with retention conditioned on research performance, but also faculty with fixed term contracts to teach applied courses, do policy analysis or deliver professional training.

It is possible that in a few years' time a few of the students that went for international PhDs will return, even if it is uncertain. The policy of paying international salaries will help.

The academic sustainability is supported by the stable demand for master's training from students with increasingly good qualifications. The number of graduates has grown during the last four years from 27 to 37, and the attrition rates have gone down continuously from around 50 per cent in the early years to 26 per cent in 2014.

The organisation needed to run the master's programme was not very complicated, even if the international committee and board created some challenges. With the creation of the Policy Institute as a separate entity from ISET but with joint steering functions, things are more complex. The same faculty and some staff are essentially working in both organisations. And with the creation of an undergraduate programme jointly with TSU, and with added external services to clients, the organisational challenges will increase.

A system for registration of staff and faculty time has been introduced, which will help. The observed lack of developed systems for planning and monitoring will be felt more in the more complex organisation, and risks will increase if this is not effectively addressed.

2.5 COMPARISON WITH SIMILAR INSTITUTES

In the Terms of Reference for this evaluation there is a question on how similar institutes have handled the issues of financial and institutional sustainability, and if lessons can be drawn for ISET from their experience.

ISET was modelled after the successful experiences of other economic schools in Budapest, Prague, Moscow and Kiev. These had been active for more than a decade when ISET was initiated. The two graduate programmes that are most relevant for

⁵ USAID, Strategic Options for ISET, June 2009, p 18

comparison for ISET are the New Economic School in Moscow (NES) and the Kiev School of Economics (KSE). They are however bigger with a larger market that is purely national. About a third of their graduates have enrolled in PhD programmes at universities in North America and Western Europe, and the permanent faculty at the schools has been recruited from this contingent.

In 2000, a separate policy institute, CEFIR, was set up in Moscow (with support from the Swedish Institute for Transitional Economics, SITE). From 2009 CEFIR is integrated with NES. Similarly, Kiev Economics Institute, KEI, was started in 2005 with support from Sida. It was integrated in 2013 with KSE.

ISET, NSE and KSE are all part of a network of similar institutes, run by SITE and financed by Sida.

NES has been financed from three main sources: tuition fees, support from the business sector (for example endowments for professorships) and donor contributions. KSE was mainly financed by official donors until an oligarch came forward with sizeable funds. KSE then split from its host university, which led to severe conflicts. The oligarch later stopped his funding. Sida stopped financing KEI after a very critical evaluation was published but has continued to support KSE with declining funds.

ISET's leadership state that they have learnt valuable lessons from the two other institutes. They say that ISET could have started its Policy Institute earlier, and that the experience from the other countries is that there should be a close liaison between the school and the policy/research institute. The example from Kiev is said to show that the link with the host academic institution is very important and should be nurtured. The return of former graduates should be encouraged.

From Moscow ISET could also emulate the multi-product model, high tuition fees, and close relations with the business sector. One conclusion from both countries is that donor funding needs to be a component in the financing package for a long time.

With the creation of the Policy Institute, parallels can be drawn between ISET/PI and existing Georgian think tanks in the same field. They are also confronted with the issue of financial sustainability. The Policy and Management Consulting Group has a strong consultancy arm, together with a research department. The consultancy part is lead by a Business Development Director.

The Caucasus Research and Resource Centers has had financing for regional activities but as that is diminishing, they have started selling services on the Georgian market (such as research for the business sector, selling data to television stations, and bidding for donor-financed projects). Their target is for two thirds of their work to be self-financing.

A lesson to be learnt from the Georgian think tanks as concerns financial sustainability is that it is necessary to have close contacts with the market for research products, training and consultancy services, especially in Georgia. And that reaching a reasonable financial situation demands focus on and planning for the sale of services.

3 Conclusions

The teaching and outreach work at ISET is **relevant** for Georgia's development. There has been a strong need, as in other states from the former Soviet Union, for new economic thinking and enhanced quantitative and statistical skills for policy-making – which is what ISET has been supplying. The sectors chosen for more applied courses have also been relevant.

When the government changed in Georgia in 2012, ISET and especially the Policy Institute focused on the new government priorities, for example more emphasis on agriculture. The work of ISET and ISET-PI has also been relevant from the perspective of engagement with the European Union and in relation to the Swedish cooperation strategy.

The effectiveness of the **master's programme** has been very high. Students have had to pass tough tests for admittance, and they have been challenged to develop new attitudes and new ways of working. The graduates from ISET are in high demand especially in the public sector in Georgia, for example the central bank, the state auditor, the energy regulator and the statistical agency (all of which can pay higher salaries than the ministries).

A number of the graduates have been promoted, which means that they will have even more possibilities to influence the work of their employing organisations. 25 graduates have been accepted at PhD programmes in Europe and America. The gender balance in the student group has been good, less so in the faculty.

Sida has financed 30 per cent of the costs for the master's programme but not costs for regional students and for the Policy Institute. The positive results of the master's programme can be attributed to Sida financing in the same measure as its part of the financing. Only 15 per cent of the graduates come from Armenia and Azerbaijan. Students from these countries have other competing options in their countries or internationally.

The influence on Georgian development of **faculty research** is not strong, and the faculty have had little time to do research. However, when the Policy Institute has been strengthened, there may be more opportunities to do applied research in the four core priority areas.

The **Policy Institute** was started only in 2011 but will now probably expand its activities. It offers an opportunity for both researchers and graduates to get contacts with Georgian policy processes. Some studies made at the institute have been mentioned in interviews as having an impact on the economic policy discussion in Georgia. ISET has started collecting data on several **indices** that are published regularly. The work is now transferred to ISET-PI. The indices are well used and considered reliable by central government agencies and international financial organisations. The Khachapuri index on price movements for a popular food item is well known by the general public.

With the creation of the Policy Institute, the **outreach** activities have been boosted considerably. A programme for supplying graduates as teaching fellows reaches more than 2000 students at ten universities in the region. ISET has since the start organised public seminars and discussions, and has the convening power to attract high-level persons to the meetings. It also has a reputation for being independent.

ISET and ISET-PI are also increasingly present on the internet with an economist blog, a monthly newsletter and its indices. Material that used to be presented only in English is now also published in Georgian, with better outreach. ISET also has good contacts with national media and has, for example, published 137 articles in *The Financial* during the last three years.

The outreach to the business sector has been less effective. One option for the future that ISET is considering is to increase its offer of training courses for companies.

The **regional mandate** of ISET has been a prominent objective but difficult to fulfil. The number of students admitted from these countries is not increasing. The governing board has become more dominated by Georgians. The Policy Institute is in practice focused overwhelmingly on Georgia. The objective of generating international recognition of economists from Southern Caucasus has also been difficult for ISET to achieve.

The management of ISET and ISET-PI follows normal rules for financial routines and procurement and has responded well to a system audit commissioned by Sida. The institution still lacks sufficiently systematic **planning and monitoring** of results. This will be even more essential with the intended broadening of ISET's activities, and is probably also important to attract donor and business funding.

A major issue over the life span of ISET has been **financial sustainability**. The initial plans to access several sources of income have proven unrealistic. ISET had enough donor funding 2006-13 to continue as before, but in 2013 three major core donors ended their funding, leading to a difficult situation.

The main immediate issue is how to finance the master's programme. ISET wants to increase income through a bachelor's programme together with TSU, increased income from the Policy Institute, higher tuition fees and broader international recruitment of students, a master's programme in applied economics, and profit-making training courses for the Georgian market. These initiatives are laudable, but it seems improbable that ISET can survive without continued donor funding in the medium term. ISET with ISET-PI has reached a minimum faculty size for academic sustainability, and with an addition of an undergraduate programme and recruitment of PhDs to the Policy Institute the faculty can increase.

In **comparison with similar institutes** in Moscow and Kiev, ISET has been confronted with similar types of challenges. There are a number of lessons to be learned from the other institutes such as nurturing the links with the host university, close cooperation between the school and the policy institute, expansion to a multi-product model, and promoting good relations with the business sector and donors. The experience from think tanks in Georgia in the same field is that planning for sustainability and a strong focus on contact with the market for research products, consultancies and sale of training services is needed.

4 Recommendations

4.1 RECOMMENDATIONS TO ISET

- ISET is recommended to **continue investing to maintain high quality** in all its activities. ISET has a high reputation for technical quality, integrity and independence. This is its main asset that should be cherished, and quality should also be the leading principle for new activities that are started. Quality is what gives ISET and ISET-PI an edge in the market and credibility with important stakeholders and it should be preserved.
- ISET is recommended to **redefine its role away from having a strong regional mandate** to adapt to the actual situation where ISET and specifically ISET-PI is increasingly focusing on Georgia in its student body, research and policy engagements.
- The initiatives recorded in the institutional plan to **increase income over the medium term** should be continued in an organised manner, beginning with the undergraduate programme. ISET should increase its contact with the market for PI products and for selling services, and ISET should have personnel with ability to work with an entrepreneurial focus.
- ISET is recommended to introduce and use a basic **planning and monitoring system** with result indicators, data collection in time series and systems for drawing conclusions for future decisions. The planning system should include forward financial planning. Having these systems in place will probably also support efforts to engage donors and the business sector in future financing.

4.2 RECOMMENDATIONS TO THE SWEDISH EMBASSY AND SIDA

- Sida has been the main donor to ISET during the first nine years. The experience from similar institutes shows that it takes a long time for these centres of excellence to come near to self-sustainability. In a small country like Georgia the government does not have ample funds, and there are few large-scale businesses that can provide for example endowments for professorships. ISET is producing an increasing number of qualified graduates and is reinforcing its policy capacity and outreach in Georgia. ISET works in priority areas with high quality. It has started serious initiatives to increase its self-financing. These suggest a need for **continued Sida financing over the medium term**. There are different potential forms for financing, but it is recommended that Sida should have a core funding perspective for the combined activities of ISET and ISET-PI.
- This evaluation has recommended ISET to make the perspectives for the medium term more clear by elaborating plans and results frameworks which should be followed up systematically. Sida and the embassy are **recommended to consider short-term financing to ISET** for the purpose of strengthening systems for planning and monitoring.

5 Annex 1 – Terms of Reference

Terms of Reference

Evaluation of International School of Economics (ISET) at Ivane Javakhishvili Tbilisi State University

Background

International School of Economics Tbilisi State University-ISET was established in 2006 through collaboration of Georgian Government and five donors. Sida has been one of the largest donors contributing to this project since 2006. In 2011 Sweden decided to give core support to ISET through the donor consortium Partnership for Economics Education and Research (PEER) that aimed to create a new generation of economics for the Caucasus, build sustainable local community for economic research and training and foster cross-border communication and cooperation

The project covered three year 2011-2014 into the amount 3 MSEK per annum. Sweden support allowed PEER/ISET to expand the scale and scope of the school's activities.

The overall goal of the project is to strengthen the local capacity for economic policy analysis, economic research and teaching in Georgia and the South Caucasus region with the specific objectives:

1. Educate a new generation of economists in and for the South Caucasus region
2. To build a sustainable economic community that can represent the South Caucasus countries in the international economics profession
3. Reach out to regional private and public sector agencies and academic institutions through applied research, training and teaching partnership
4. Build the institutional foundations for ISET's longer-term programming and financial sustainability.

ISET has progressed towards realising its far-reaching ambition of becoming an internationally recognised regional centre of excellence in the field of economics.

According to the agreement between Sweden and PEER, two external evaluations (2012-2013) were planned, but did not take place due to other evaluations and reviews conducted at ISET. It was agreed to conduct an evaluation in 2014 after the end of the project. According to the agreement the evaluation shall summarise obtained and expected results in relation to the Results Framework and contain an analysis of any deviation from there.

Objectives and scope of assignment

The Objective of the assignment is to make sense of the overall effectiveness, efficacy and impact of the ISET project, particularly the core support 2011-2014. An im-

portant point is to make recommendations to the ISET/PEER management. Results of the evaluation will feed into ISET's elaborations of the short- and long term strategy.

Thus, the evaluation objectives are the following:

- (i) . Review the progress and results of ISET activities 2006-2014.
- (ii). Assess the prospects for organisational and financial sustainability of ISET and the Policy Institute and provide recommendations for the future.

The evaluation shall summarise the experience of the project as compared with the project goals and identify achievements and problems. It should contain clear recommendations for both organisational and financial sustainability of ISET and ISET Policy Institute.

Possible Questions

The following questions should be used by the consultant as guidance for collecting information from all stakeholders: researchers, project partners, government officials, policymakers, academic community, media, and other resource organisations working in the same field (existing think-tanks and research institutions) and donors.

- 1) To what degree were the objectives set forth by the ISET project document fulfilled?
- 2) How relevant are the output produced by ISET to economic transition processes in Georgia and in the Caucasus region?
- 3) Identify main achievements of ISET plus main areas where ISET has not yet achieved expected performance.
- 4) What are the products and services, offered by ISET to government, business and society in general, and what added value has ISET delivered to the respective stakeholder?
- 5) Are there other products and services that ISET should consider?
- 6) Is the existing funding of ISET sufficient to cover the organisational cost of ISET and ISET Policy Institute? If not – what strategies could be suitable in order to reach a match?
- 7) What are the expected future demands from stakeholder?
- 8) Is the integration with the Tbilisi State University realistic?
- 9) Is the cost-sharing arrangement between the ISET and State University beneficial to both organizations and their sustainability?
- 10) Are there other institutional models that ISET could consider?
- 11) Are there any system changes ISET should undertake to increase its effectiveness/sustainability?

- 12) Compare ISET to other similar institutes, which could be other entities, but also other institutes in the ISET network in other countries or other institutes more generally.
- 13) Are ISET and the ISET Policy Institute moving towards self-sustainability?

The list of questions is only TENTATIVE and by no means exhaustive. At the consultants' discretion, additional or different questions can be devised to address the twofold objective of the Evaluation.

Methodology

The assignment is to be carried out through

- 1) Desk study of project documents, project reports, evaluations, reviews, lessons learnt exercises and assessments as well as other documents deemed pertinent for the assignment.
- 2) Interviews with the cooperation partner ISET, ISET Policy Institute and PEER. Other stakeholders should be consulted as well, e.g. Ivane Javakhishvili State University, Ministry of Education, Ministry of Finance, Ministry of Economy, National Bank of Georgia.

The Swedish Embassy in Tbilisi is responsible to provide information related to the contribution in the portfolio and will forward available relevant reports/data (electronically) to consultant team.

Time frame and reporting

The assignment should to be implemented during June 2014.

A draft report should be presented to the Embassy of Sweden in Tbilisi by June 25, 2014. The Embassy should provide feedback to the draft report. The final report should be submitted no later than July 10, 2014.

The report should be written in English. Format and outline of the report should follow the guidelines in Sida Evaluation Manual "Looking Back, Moving Forward, annex B, Format for Sida Evaluation Reports. The complete evaluation manual including annexes is retrievable from Sida's home page.

Budget

The budget shall include fees and reimbursable costs. The level of fees shall be in the accordance with those stated in the framework agreement. The proportion between fees and reimbursable costs should be realistic and cost-efficient. The assignment is expected to be implemented during the period June-July and include: desk study and an in-country mission in Georgia. The cost shall not exceed 250 000 SEK.

Reporting

The consultant shall write a report of maximum 20 pages (excluding appendices) with an executive summary. The consultant first will produce a draft report that will be shared with the Embassy of Sweden and after receiving comments and questions from

the Embassy the draft will be finalized. The report should be submitted in Microsoft Word format.

The Consultant/s shall have:

- Expertise in organizational assessment, project management, capacity study methodologies and sustainability evaluations
- Fluency in oral and written English
- Knowledge of development cooperation, its themes, policies, issues. Prior involvement in assessments of similar kind (think-tanks, academic institutions) is desirable

Knowledge of Georgia and its context is desirable

6 Annex 2 – Inception Report

1. Executive summary

This is an end-of-project evaluation of ISET in Georgia. The Terms of Reference (ToR) state two objectives for the evaluation: 1) to review the progress and results of ISET activities 2006-14 and 2) to assess the prospects for organisational and financial sustainability of ISET and its affiliated Policy Institute and provide recommendations for the future.

Recommendations are solicited on elements for a strategy on organisational and financial sustainability, on alternative institutional models for ISET, alternative products and services and possible system changes to better relate to potential demand, possibilities to increase utility of research outputs and possible steps to increase international academic cooperation.

The main users of the review will be ISET and the Swedish Embassy in Georgia.

This inception report deducts a theory of change for the project and specifies evaluation questions, method and approach to be used. The report also proposes persons to be interviewed and literature to be studied, and the work plan to be followed. A field visit is planned August 31-September 6. A draft report will be delivered September 19, 2014.

2. Assessment of Scope of the Evaluation

2.1 THE ASSIGNMENT

The evaluation is looking back at the experiences by ISET from the start-up in 2006 to the end of the academic year 2013/14. ISET is a school of economics that in many respects replicates similar schools in for example Moscow and Kiev. The idea with these schools has been to introduce modern economic thinking in the former CIS (Commonwealth of Independent States) area. ISET trains Master students and conducts research. An affiliated Policy Institute was created in 2011, ISET-PI. The Policy Institute should serve as an independent policy think tank, providing rigorous analysis to inform decisions in the society.

The assignment is to undertake an end-of-project evaluation in view of Sida ending its support to ISET's master courses. Sida is considering possible support in the future to ISET-PI. The objectives of the evaluation are to review the progress and re-

sults of ISET activities 2006-14 with emphasis on the core support to the Master training 2011-14; and to assess the prospects for organizational and financial sustainability of ISET and its affiliated Policy Institute and provide recommendations for the future.

Recommendations are solicited on elements for a strategy on organisational and financial sustainability, on alternative institutional models for ISET, alternative products and services and possible system changes to better relate to potential demand, possibilities to increase utility of research outputs and possible steps to increase international academic cooperation.

In this inception report, the proposed scope and limitations for the evaluation are presented, as well as a framework and method for the review.

2.2 SCOPE OF THE EVALUATION

2.2.1 Background to the project

Out-dated economic training and research has been considered a major impediment to economic growth, regional and international integration, and the development of modern societies in the Caucasus. Paradoxically perhaps, economics is one of the most demanded disciplines in the region, yet the vast majority of students enrolled in the various “economics” programs have in fact been majoring in business administration. For these students, economics training is limited to an introductory level course offered during the first year of study.

The second, equally problematic aspect of teaching economics that was defined was the lack of emphasis on policy relevant models, empirical analysis and quantitative methods. Thus, a large gap was defined between the skills and knowledge of local economists and the complex economic issues confronting the region.

To continue to progress towards fully functioning market economies a new generation of economists—policymakers, academics, researchers, business leaders, and government officials—was deemed needed. In 2005, the Government of Georgia asked the World Bank for help in instilling modern economic thinking in the region. In response, the World Bank worked with the Government and Tbilisi State University (TSU) to replicate a model that has worked well in Moscow, Kiev, Budapest, and Prague: “centers of excellence” in graduate economics.

With the financial support of international and local donors, including the Georgian Government, which has itself made available a building, the International School of Economics at Tbilisi State University (ISET) opened its doors in fall 2006. Designed as a regional “center of excellence”, ISET is an autonomous graduate school of Tbilisi State University. It serves the entire Caucasus region, not just Georgia, and consists of:

- A two-year Master's program in economics, adhering to international academic standards and taught in English by an international faculty;
- An affiliated research center – ISET Policy Institute that provides research, policy analysis and training addressing public and private sector needs in the Caucasus;
- A regional capacity building program that seeks to retrain faculty and strengthen the quality of economics education and research throughout the region.

To facilitate the creation of the International School of Economics, a donor consortium—the Partnership for Economics Education and Research (PEER)—was incorporated as a tax-exempt charitable foundation in the United States. PEER collects, safeguards, and disburses donor resources meant to create sustainable local capacity for economic research and training in Georgia, Armenia, Azerbaijan, and neighbouring countries. The PEER Governing Board, consisting of representatives of the major donors, the beneficiary governments, the university, and the international economics profession, holds legal and fiduciary responsibility for ISET's assets and oversees the School's development. An International Faculty Committee comprised of ISET faculty and senior economists from around the world serves as the guarantor of ISET's academic quality and integrity.

ISET has been granted the right to use for 10 years the building where it is housed in Tbilisi. ISET has close cooperation with the Tbilisi State University, TSU. ISET receives no regular funds directly from the government budget. The main external donors have been Sweden, British Petroleum, the Open Society Institute, and Norway.

During the first 8 years, donor funds covered most of ISET's total operating costs. The remaining part was financed from tuition fees and research and consultancy activities.

2.2.2 Scope of the evaluation

The issue of sustainability, especially financial sustainability, is emphasised in the ToR. Also, the future financial situation for ISET is at present uncertain in view of the fact that three major donors are terminating their core funding. The actions by ISET to attain sustainability will therefore be a major issue for the evaluation. This is also the case for a question in the ToR on comparisons with similar institutes, as the embassy has stated that the strategies used by these institutes to attain financial sustainability is of major interest. Efficiency will be assessed as a central aspect of financial sustainability.

The Swedish financing is not explicitly directed to other countries in the region than Georgia, so the evaluation will focus on the effects in Georgia.

The period 2006-2010 was a build-up period. The evaluation will give more focus to the last period 2011-14, for which also more detailed plans were made than for the first period.

It is foreseen that the main users of the review will be ISET and the Swedish Embassy in Georgia.

3. Evaluability and evaluation questions

3.1 THEORY OF CHANGE

The project was justified by the notion that in Georgia, as in many other CIS countries, prevailing training, research and access to national expertise for policy advice in economics had become out-dated and did not well serve the needs for economic growth and regional and international integration.⁶ ISET was established to remedy this problem and was preceded by similar initiatives in other CIS countries.

The proposals for Sida funding for 2006-10 or 2011-14 do not contain explicit theories of change (Impact-Outcome-Output-Activities). The proposal for 2011-14 includes a Logical Framework Matrix that gives ample information on the way objectives have been formulated and information about outcomes, outputs and activities. Mainly based on this latter information, the following theory of change has been deducted.

Impact

The development objective in the proposal 2011-14 is formulated thus: “The general development objective behind this ambitious project was and remains to provide economics education and research so as to facilitate economic growth and democratic development in the South Caucasus, promote economic and political integration in the region, and its openness to the rest of the world”.

Outcomes

The 2011-2014 proposal does not specify desired changes at outcome level as the four objectives of the proposal are framed as activities and relate to results that can be best judged as outputs and only partly as outcomes. But it can be implicitly extrapolated that the following three outcomes are expected:

⁶ The New Caucasus School of Economics, Request for Funding Submitted to the Swedish International Development Cooperation Agency, no date (referring to the period 2006-2010).

4. Georgian and regional educational and research institutions offer up-to-date and high quality training and research in economics
5. Decision-makers in public and private sectors in Georgia and the region take decisions based on up-to-date knowledge in economics
6. Economists from Georgia and South Caucasus are recognized and listened to in the global economic policy discourse

The first two outcomes will be brought about by changes of attitudes, practices and norms among (a) Georgian and regional economic higher education and research institutions; (b) key Georgian and regional public and private sector decision-makers; and (c) public and private organisations that are capable, through enhanced human resource capacity due to the employment of ISET graduates, or through uptake of ISET research, to understand and adopt new practices. A precondition is that ISET has secured organisational and financial sustainability for the long term so that it can continuously provide trained economists and research.

The third outcome about recognition relies on ISET maintaining high recognised academic standards and leveraging this recognition to develop international and regional cooperation and partnerships and links within the economic profession and institutional frameworks. Recognition is also supported by placement of PhD students, academic placement of ISET graduates, international media coverage and through publication in international academic publications.

Outputs

- A new generation of high quality economists with Masters degrees from ISET who obtain employment in key institutions;
- Research at ISET and PI that is of high quality and useful for economic development;
- ISET does effective outreach to appropriate decision-makers in the public and private sectors;
- ISET takes initiatives for sustainable financing, such as accessing increased financing from Georgian government sources and increased income from tuition fees, research financiers, commissioned studies (primarily through the ISET-PI) and other relevant sources;
- ISET maintains and takes new initiatives to forge professional links with the region and internationally;

Evaluation questions and the period 2006-10

The period 2006-10 was a building up period, focussed on setting up the school, creating a faculty, building the governance framework, recruiting students, and making agreements with TSU. Focus was on getting the Master training going.

There was no results framework for the first period created from the beginning, just an activity plan ending with the first graduation of students in May 2008.

The proposal to Sida from 2006 mentions the ideas of placing graduates in PhD programmes and on the job market, and of recruiting a sizeable part of the students from Azerbaijan and Armenia. Also, the idea of introducing concentration subjects in the second year and forming a research institute are mentioned, and the issue of securing long-term financing.

The outputs for the first period are in the main covered by the evaluation questions based on the results frameworks for the first period, for example placing of graduates, regional recruitment, and sustainability issues. Other issues specific for the first period will be separately analysed and described.

The period 2006-10 was a period during which ISET was being established, focussed on setting up the school, creating a faculty, building the governance framework, recruiting students, and making agreements with TSU. The priority was to get the Masters degree training up and running.

There was no results framework for the first period when the project was initiated, just an activity plan ending with the first graduation of students in May 2008.

The proposal to Sida from 2006 mentions the ideas of placing graduates in PhD programmes and on the job market, and of recruiting a sizeable part of the students from Azerbaijan and Armenia. Also, the idea of introducing concentration subjects in the second year and forming a research institute are mentioned, and the issue of securing long-term financing.

The outputs for the first period are in the main covered by the evaluation questions based on the results frameworks for the first period, for example placing of graduates, regional recruitment, and sustainability issues. Other issues specific for the first period will be separately analysed and described.

3.2 EVALUATION QUESTIONS

Relevance

How relevant are the outputs produced by ISET-PI to economic transition processes in Georgia and in the Caucasus region?

PROPOSED INDICATORS:

- The sectors given priority in ISET training and research are in line with priorities for economic development in the region
- Institutions employing economists trained by ISET consider the economists and ISET research relevant for their work, as a proxy indicator that they recognise the relevance of the knowledge of these individuals

What are the expected future demands from stakeholders? We suggest reformulating this question as follows: “Is ISET taking steps to respond to changing demands from

stakeholders and does this reflect a considered analysis of future scenarios in Georgia and the region?”

PROPOSED INDICATOR:

- Scenarios (as described by informed observers) compared to ISET strategy documents and statements from ISET leadership regarding plans for the future

How did the project contribute to Swedish cooperation priorities? (Question added by the evaluators)

PROPOSED INDICATOR:

- Comparison with the objectives of the Swedish cooperation strategy for Georgia

Effectiveness

Review the progress and results of ISET activities 2006-14. Identify main achievements of ISET plus main areas where ISET has not yet achieved expected performance. To what degree were the objectives set forth by the ISET project document 2011-14 fulfilled?

PROPOSED INDICATORS:

Outcome 1 (high quality training):

- Number of PhD graduates in PhD programs at western universities
- Number of PhD economists returning to the region and assuming teaching and research positions
- Number of gainfully employed MA graduates
- Number of approved research papers produced and communicated
- Number of teaching partnerships with regional universities
- Gender balance in recruitment and employment of students and the ISET faculty and at PI

Outcome 2 (decisions based on up-to-date knowledge):

- Number of policy consultancy reports, policy reviews and other contributions produced
- Number of research papers produced
- Number of subscribers to quarterly research bulletin
- Number of seminars, dialogues, conferences and other activities (including use of social media) intended to reach key decision-makers
- Perceptions of the credibility and utility of policy advice from these sources from interviewees among key decision-makers and other observers
- Number of ISET graduates placed in professional positions
- Number of visits and downloads from the ISET and PI websites
- Number of partnerships with private and public agencies

Outcome 3 (economists from region recognized):

- Number of international conference presentations by ISET graduates, research and teaching staff
- Number of international conferences organised by ISET
- Number of partnerships outside the region with teaching and research institutions
- Number of publications in international refereed journals
- Number of interviews or other references to ISET work in international media
- Number of ISET graduates placed in top 50 economics PhD programs around the world

To what extent can the results be attributed to Swedish support?

PROPOSED INDICATORS:

- Share of Swedish financing for ISET's main activities
- Views of key stakeholders regarding Sweden's influence and added value in relation to ISET's overall development trajectory

What are the products and services, offered by ISET to government, business and society in general, and what added value has ISET delivered to the respective stakeholder?

PROPOSED INDICATOR:

- The products delivered by ISET are included in the indicators for the three outcomes above. The question of added value will be ascertained through interviews with the stakeholders concerned (see 3.2.4)

Sustainability

Is the existing funding of ISET sufficient to cover the organizational cost of ISET and ISET Policy Institute? If not – what strategies could be suitable in order to reach a match?

PROPOSED INDICATOR:

- ISET's plans for future financing show that ISET will in the long term have access to sufficient resources to maintain the current or increasing levels of research and training, and plausibility of these plans is corroborated by involved stakeholders

Is the integration with the Tbilisi State University realistic? Is the cost-sharing arrangement between the ISET and State University beneficial to both organizations and their sustainability?

PROPOSED INDICATOR:

- ISET and TSU express consensus on which arrangements for future integration of ISET with TSU should be made and how costs should be shared
- Are ISET and the ISET Policy Institute moving towards self-sustainability?

As the financial sustainability is treated in the first question under Sustainability, the evaluators propose that the question is rephrased: Are ISET and the ISET Policy Institute moving towards organisational sustainability?

PROPOSED INDICATORS:

- Ability to retain stable and qualified faculty and staff
- Increased number of faculty from region
- Number of PhDs with international degrees returning to ISET
- Stable or increasing number of students applying for admission
- Share of tuition and (non-core) project revenues in total resources as an indicator of income generation capacity
- Stable or increasing number of faculty and staff sharing their time between ISET and ISET-PI activities (as an indicator of the synergetic effect between the two pillars of the institution)

Compare ISET to other similar institutes, which could be other entities, but also other institutes in the ISET network in other countries or other institutes more generally. The evaluators, after guidance from the embassy, suggest that the question is rephrased as follows: “How do similar institutions strive towards and achieve financial and institutional sustainability and what lessons can be drawn for ISET regarding the effectiveness of current strategies and prospects for the future?”

PROPOSED INDICATOR:

- Review of the strategies applied by the institutes most similar to ISET (NES and KSE) and their applicability in the ISET context.

Priority areas for lessons learning and recommendations

From the ToR and the evaluation questions formulated above, the evaluators understand the following areas as being of priority for making recommendations:

- For an institute such as ISET including PI, what are the key elements of a financial and organisational development strategy that will sustain and maintain quality in current and planned activities, given the likelihood of declining international donor financing? Are there elements of other institutional models that ISET could consider?
- Are there other products and services that ISET should consider to satisfy future demands from stakeholders?
- Are there any system changes ISET should undertake to increase the relevance of the skills of its Masters graduates to potential employers in the public and private sectors respectively?
- How can ISET enhance the utility and accessibility of its research outputs for decision-makers and key institutions?
- What steps can ISET take to ensure its cooperation with the regional economics research community in the Southern Caucasus and with internationally highly ranked universities?

3.3 LIMITATIONS TO THE EVALUATION

This evaluation faces certain limitations. There is a Logical Framework for the period 2011-14 but not for the start-up period. This impedes on the possibilities to do a precise description of the results for this earlier period. Also, the absence of a clear-cut theory of change makes it more difficult to describe the results.

The added value to stakeholders and the influence of ISET on policies and institutions will be especially difficult to ascertain in a precise and rigorous manner given the limited time available for in-country interviews. The outcomes of such influence will also be difficult to map. The evaluation will in this regard be mainly based on qualitative information collected in a limited number of interviews.

As ISET has received considerable funding from other donors and from the government of Georgia, the attribution of results to the Swedish support is likely to be difficult and based largely on subjective perceptions.

The comparison with other institutes will mainly be based on existing reporting on other institutes and selected interviews. The focus will not be on comparing the academic results but on the financial and organisational sustainability. At the outset it is recognized that the conditions for sustainability may be very different for these other institutes due to (a) state commitments to cover core costs, (b) markets for masters education, and (c) markets for commissioned research. Other factors such as broader reliance on aid and openness to western support and influence on the national education system are also likely to be different in Georgia than in other countries. Therefore, in addition to direct comparisons to ‘comparable’ institutions, the evaluation will draw on research into the development of think tanks and related institutions in Eastern Europe.

4. Proposed Approach and Methodology

A combination of quantitative and qualitative methods will be used for the collection of data and information. The evaluation questions and the indicators are systematized in the Evaluation Matrix in Annex 1. The evaluation questions and the matrix constitute the basis for elaboration of interview protocols (see example of interview questions for stakeholders in Annex 5)

In addition to a review of the available documentation on the project and relevant documentation that will be sourced from external sources (including the 2012 mid-term review) the point of departure will be the two proposals for Sida financing for the periods 2006-10 and 2011-14, and the Logical Framework Matrix included in the 2011-14 proposal. Information on the results will mainly be scoped from the two reports to Sida from October 2011 and from January 2014. In addition actual material reported to the Board meeting in July 2014 will be important. In addition ISET has produced also other material that will be used as sources. The comparisons with other

institutes will be based on material from ISET and from the respective institutions and other external information and research.

Stakeholder interviews will focus on the following groups that have been identified by the evaluation team:

- Swedish Embassy in Georgia
- Government representatives
- ISET director and staff
- ISET faculty
- ISET students
- Policy Institute
- Representatives for ISET's International Faculty Committee and the Governing Board
- Institutions employing students from ISET
- Donor representatives
- NGOs and think tanks

The review team may identify further potential key informants prior to the start of the in-country work. See further a preliminary programme for the in-country work in Annex 4.

5. Workplan

Phase 1: Desk research (August/September 2014)

Desk research started during the inception phase and will continue until the draft report is written.

Phase 2: Collection of Data (August/September 2014)

Data collection will include reading of reports and interviews with stakeholders. Swedish representatives in the International Faculty Committee and the Governing Board of ISET will be interviewed.

The team leader plans to visit Tbilisi September 1-6 for interviews and for consultations with the Embassy. A mini-seminar with ISET and Embassy representatives is planned.

Phase 3: Analysis and reporting (September 2014)

After the fieldwork the evaluation team will proceed with the data analysis and reporting and will develop the draft report, which will be shared with the Embassy for comments. The report will be finalised taking the feedback into consideration. The team will be available for a discussion of the review with the Embassy via videoconference.

Milestones and deliverables

- Field work in Georgia: 1-6 September, 2014
- Submission of the Draft Report: 19 September 2014
- Written feedback/comments on the Draft Report: 6 October 2014
- Submission of the Final report: 17 October, 2014

Annex 1 – Evaluation Matrix

Questions	Indicators to be used in Evaluation	Methods	Sources	Availability and Reliability of Data /comments
Relevance: <i>How relevant are the outputs produced by ISET-PI to economic transition processes in Georgia and in the Caucasus region? What are the expected future demands from stakeholders?</i>				
Relevance of choice of sectors by ISET	The sectors given priority in ISET training and research are in line with priorities for economic development in the region	Review of strategies for economic development for example Georgia 2020	Strategies for economic development	Georgia has a recent strategy. Azerbaijan has a strong focus on energy issues
Relevance of ISET training and research	Institutions employing economists trained by ISET consider the economists and ISET research relevant for their work, as a proxy indicator that they recognise the relevance of the knowledge of these individuals	Interviews with institutions employing ISET economists and using their research	Interviews mainly in Georgia with stakeholders and ISET	The data will for time reasons be very selective with a bias from ISET suggesting interviewees. Corroboration made with independent stakeholders such as donors
Steps taken by ISET to respond to changing demands from stakeholders	Which steps have been taken by ISET to respond to changing demands and do these reflect a considered analysis of future scenarios in Georgia and the region?	Review of ISET strategy documents. Interviews with ISET staff. Interviews with informed observers on the quality of scenarios proposed by ISET	ISET documents, interviews	The future scenarios are scenarios and not statements of facts
Support to ISET conformity with Swedish cooperation strategy	The support to ISET is included in priority sectors and statements in the Swedish strategy	Review of Swedish strategy, interviews	Swedish strategy, Interviews with embassy staff	
Effectiveness: <i>Which were progress and results of ISET activities 2006-14? Which were main achievements of ISET plus main areas where ISET has not yet achieved expected performance? To what degree were the objectives set forth by the ISET project document 2011-14 fulfilled? Which</i>				

<i>is the value added by ISET to the respective stakeholders</i>				
Outcome 1 Georgian and regional educational and research institutions offer up-to-date and high quality training and research in economics	1.Number of PhD graduates placed in top 50 economics PhD programs in the world 2.Number of PhD economists returning to the region and assuming teaching and research positions 3. Number of gainfully employed MA graduates 4.Number of approved research papers produced and communicated 5.Number of teaching partnerships with regional universities 6.Gender balance in recruitment and employment of students and the ISET faculty and at PI	Overall outputs to be gleaned from document review; the quality of the outcomes to be assessed based also on the perspectives of students and graduates, stakeholders and external experts.,	ISET and PI documents and statistics, external rating documents, interviews with employers and other stakeholders	ISET has most of the data required
Outcome 2 Decision-makers in public and private sectors in Georgia and the region take decisions based on up-to-date knowledge in economics	1.Number of policy consultancy reports, policy reviews and other contributions produced 2.Number of research papers produced 3.Number of subscribers to quarterly research bulletin 4.Number of seminars, dialogues, conferences and other activities (including use of social media) intended to reach key decision-makers 5.Perceptions of the credibility and utility of policy advice from these sources from interviewees among key	Quantitative outputs to be gleaned from document review; the quality of the outcomes to be assessed based also on the perspectives of stakeholders and external experts. The value added by ISET for the respective stakeholders will be solicited in interviews	ISET and PI documents and statistics, interviews with decision-makers and other stakeholders	The link between input from ISET and knowledge in economics among decision-makers is tenuous, and also the contribution of their knowledge in economics to their decisions can only be assessed through subjective conjecture given the limited timeframe for the evaluation

	decision-makers and other observers 6.Number of ISET graduates placed in professional positions 7.Number of visits and downloads from the ISET and PI websites 8.Number of partnerships with private and public agencies			
Outcome 3 Economists from Georgia and South Caucasus are recognized and listened to in the global economic policy discourse	1.Number of international conference presentations by ISET graduates, research and teaching staff 2.Number of international conferences organised by ISET 3.Number of partnerships outside the region with teaching and research institutions 4.Number of publications in international refereed journals 5.Number of interviews or other references to ISET in international media 6.Number of PhD graduates placed in top 50 economics PhD programs in the world	Quantitative data to be found in document review, qualitative data from interviews in and outside ISET	ISET statistics and reports, interviews with stakeholders and ISET leadership, board and faculty committee	Recognition is a vague concept, as is being listened to. The judgment from external sources will be decisive
To what extent can the results be attributed to the Swedish support?	1.Share of Swedish financing for ISET's main activities 2..Views of key stakeholders regarding Sweden's influence and added value in relation to ISET's overall development trajectory.	Financial data will be found at ISET. The views of stakeholders will be asked for in interviews	Financial data at ISET, interviews with stakeholders knowing both about ISET and something about the Swedish contribution	As Sweden has contributed heavily and specifically to the general Masters training, the contribution will probably be similar to the general results

Sustainability: <i>Is the funding of ISET sufficient to cover the costs for ISET and PI? Do ISET's plans for future financing show access to enough resources to maintain or expand training and research? Is the cooperation and cost-sharing with TSU beneficial and can it be developed further? How sustainable is ISET compared with similar institutes?</i>				
Funding is sufficient now and in the future	ISET's plans for future financing show that ISET will in the long term have access to sufficient resources to maintain the current or increasing levels of research and training, and the plausibility of these plans is corroborated by involved stakeholders. This includes information on the share of tuition and project revenues in financing, as and indicator of income generation capacity.	Financial data will be asked for at ISET and gleaned from reports. The reliability of plans for future financing and business plans will be checked in interviews with ISET, donors and other stakeholders	Financial data will come from ISET books and from reports and board presentations	The possibilities to get new revenues or future donor financing are difficult to verify
The relationship with TSU is valuable for both ISET and TSU and can be expanded	ISET and TSU express consensus on which arrangements for future integration of ISET with TSU should be made and how costs should be shared	Interviews with ISET and TSU	ISET and TSU	The extent of future availability of government funds for TSU is difficult to verify
ISET and PI move towards academic and organisational sustainability	1.Ability to retain stable and qualified faculty and staff 2.Increased number of faculty from region 3.Number of PhDs with international degrees returning to ISET 4. Stable or increasing number of students applying for admission 5. Stable or increasing number of faculty and staff sharing their time between ISET and ISET-PI activities (as an indicator of the synergetic effect between the two pillars of the institution)	Interviews with visiting and resident faculty and staff, access to quantitative data at ISET and PI	ISET data and interviews at ISET and stakeholders	The ability to retain staff is very much related to the market for skilled faculty and researchers and their perceptions of ISET's future sustainability

ANNEX 2 – INCEPTION REPORT

How do similar institutes strive towards financial and institutional sustainability and can lessons be drawn for ISET?	Review of the strategies applied by the institutes most similar to ISET(NES and KSE) and their applicability in the ISET context	Data from ISET and other institutes on sustainability strategies and analysis of the applicability of strategies for ISET. Review of literature on the development of think tanks and related institutions in Eastern Europe	Data published from other institutes, research on think tanks, and international comparisons, and interviews	The variability of the history and context makes comparisons and drawing lessons difficult
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7 Annex 3 – Documents Reviewed

1. International School of Economics at Ivane Javakhishvili Tbilisi State University: Three Year Request for Core Funding 2011-14
2. Sida, Assessment memo ISET request, 2011-11-04
3. Sida decision on support to International Trade and Economic Integration Concentration at The International School of Economics Tbilisi State University –ISET, 2010-04-29
4. Proposal International Trade and Economic Integration Concentration at ISET to Sida, no date
5. ISET, Annual Progress Report, October 2011
6. ISET, Progress Report, January 2014(for the period July 2012-June 2013)
7. Krister Eduards, SITE, Stockholm Institute of Transition Economics, Östekonomiska institutet vid Handelshögskolan i Stockholm, En översyn inför beslut om eventuell fortsatt statlig finansiering från och med den 1 juli 2014, 27 april 2014
8. USAID, Strategic Options for ISET: A Discussion Document, June 2009
9. Sida Audit – Management Response / Action Plan – Official Version. Revised October 1, 2013, Update – October 11, 2013, Update – January 27, 2014
10. Ernst & Young, Report on the review of the internal management and control system of ISET and PEER, July 2013
11. PEER, CONSOLIDATED FINANCIAL STATEMENTS for the years ended June 30, 2013 and 2012
12. Bennet & Associates, Independent Accountant's Report on Applying Agreed-Upon Procedures, February 26, 2014
13. ISET's communication strategy, no date
14. ISET Board Books, January and July, 2012-2014

15. General agreement between Tbilisi State University and The Partnership for Economics Education and Research, 14/3/2007
16. ISET Policy Institute: promoting Georgia's economic development and modernization through independent policy analysis, training and civil society engagement, draft proposal to Sida 2014
17. Sida evaluation 2013:16, Vera Devine Jessica Rothman Ian Christoplos, Review of the Results of Sweden's Development Cooperation Strategy in Georgia
18. James G. McGann, Ph.D. Director Think Tanks and Civil Societies Program University of Pennsylvania Philadelphia, PA USA, 2013 GLOBAL GO TO THINK TANK INDEX REPORT
19. World Bank, Terms of reference for Swedish Trust Fund for establishment a Graduate Program in Economics in Georgia From January 15 2006 to June 30 2007
20. USAID/GEORGIA HUMAN AND INSTITUTIONAL CAPACITY DEVELOPMENT (HICD) PLUS PROJECT ANNUAL REPORT #2 SEPTEMBER 19, 2012 – SEPTEMBER 18, 2013, Contract No. AID-114-C-11-00002, October 2013
21. Diane Stone, Private philanthropy or policy transfer? The transnational norms of the Open Society Institute, 2009, Link to published version: <http://dx.doi.org/10.1332/030557309X458416>
22. Recycling Bins, Garbage Cans or Think Tanks? Three Myths Regarding Policy Analysis Institutes, Diane Stone Marie Curie Chair1, Central European University and Politics & International Studies, University of Warwick, 2007
23. Diane Stone, "Learning Lessons, Policy Transfer and the International Diffusion of Policy Ideas", CSGR Working Paper No. 69/01 April 2001
24. Government of Georgia, Socio-economic Development Strategy of Georgia "GEORGIA 2020", (Draft) november 2013
25. Samarbetsstrategi för utvecklingssamarbetet med Georgien januari 2010 – december 2013

8 Annex 4 – Preliminary Programme Field Visits

Monday 1 Sep.	Tuesday 2 Sep.	Wednesday 3 Sep.	Thursday 4 Sep.	Friday 5 Sep.
	10:00 David Lezhava Ministry of finance of Georgia, Deputy Minister. Tel.: +995 32 2 261 420. Gorgasali Str 16. (confirmed)	10:00 Marine Chitashvili. TSU, Vice Rector. Chavchavadze ave. 1. First Block. Room #105 599296758. ma-rine.chitashvili@tsu.ge (Maia Menteshashvili cell: 577 50 00 85)	10:00 Alex Aleksishvili & Lasha Meskhia. Policy and Management Consulting Group, CEO Chairmen of the Board & Business Development Director respectively. D. Uznadze 57, IV floor. (confirmed)	10:00 Irina Milorava. Georgian National Energy & Water Regulatory Commission, Chairperson. Mitskevichi 19. (Remind her 1 week before the meeting. Nugzar, secretary). (confirmed)
11:00 Eric Livny and Nino Papava. International School of Economics. 16 Zandukeli Street, 0108, Tbilisi. Tel: +(995 322) 50 71 77 ext. 101. Mob: +(995 598) 31 12 66 (confirmed)	11:30 Giorgi Kadagidze National Bank of Georgia, President. Sanapiro Street 2 (left wing of Justice House). Nino secretary 599 587860 . (confirmed)	11:30 Ilia Kvitaishvili (offered, waiting for response)	11:00 Ruedi Schoch. Swiss Cooperation Office for the South Caucasus, Regional Director of Cooperation. 12 Radiani Street. Phone: +995 32 225 36 82 , 25 36 83, 25 20 47 (confirmed).	11:30 Kathy Julian. Asian Development Bank - Georgia Resident Mission, Georgia Country Director. 1, G. Tabidze Street, Freedom Square. Tel: 995 322 250619 ; Cell: 995 599 736166 (confirmed)
12:00 Khatuna Zaldastanishvili; Eva Smedberg (offered, waiting for response)	12:30 Lunch	12:30 Lunch	12:00 Lunch or meeting with Eric.	12:30 Zviad Zeginidze, National Bank of Georgia, Head of Macroeconomic Research Division. 2 Sanapiro str. +995 322 406 262 ; +995 599 145 744 (confirmed)

ANNEX 4 – PRELIMINARY FIELD VISITS

13:00 Lunch	13:00 Rezo Ormotsadze. <i>(offered, waiting for response)</i>	13:30 Nugzar Beridze & Vano Pirveli <i>(offered, waiting for response)</i>	13:00 Fady Asly. International Chamber of Commerce, Chair. 3/29 Kakabadze str. Mta-stminda. If he is not in Tbilisi meeting with E.D Mike Martley. <i>(confirmed)</i>	14:00- 16:00 mini seminar with the concerned Sida people in the embassy invited. Khatuna Zaldastanishvili & Eva Smedberg participating.
14:00 ISET	14:30 Lasha Tordia & Tata Kheta-guri <i>(offered, waiting for response)</i>	15:00 Rusudan Medz-mariashvili. BP Georgia, Social Responsibility Manager. <i>(not confirmed, have to call 2 days before the meeting)</i> . 599 53 67 07 S. Tsintsadze 24 (former Saburtalo str.) Gia Gvaladze will not be in Tbilisi);	14:00 Guenter Baechler. Embassy of Switzerland in Georgia, Ambassador. Krtsanisi 11. Tel.: +995 32 275 30 01/02 <i>(confirmed)</i>	16:30 Jacques Fleury. Marussia Georgia, Director. waiting for address. <i>(confirmed)</i>
15:00 ISET	16:30 Levan Karsaulidze & Tengiz Tsekvava. Georgian Statistic Agency, Head of Price Statistics Department & Acting Chair respectively. Cotne Dadiani 30. Tel: (+995 32) 2367210 (003 Tengiz) <i>(confirmed)</i>	16:30	15:30 Juan Echanove <i>(offered, waiting for response)</i> out of office until September 3.	
16:00		17:30 Koba Turmanidze. Caucasus Research and Resource Centers, Head. Kavsadze 3. Second	17:00 Sascha Graumann. UNICEF Georgia, Head. 9 Eris-	

ANNEX 4 – PRELIMINARY FIELD VISITS

		floor. (confirmed) (<i>Remind in the end of August</i>).	tavi str. (Vake). UN House, IV floor. Lela Akiashvili, Assistant. Phone: +995 32 232388/251130 Cell +995 591 225281 (confirmed).	
17:00 Irakli Kasrashvili. Mercy Corps-Georgia, Head. G. Gegechkori 6, Shanghai, Saburtalo. (confirmed)				

9 Annex 5 – Interview Protocols

Interview protocol: stakeholders

Name:

Organisation:

Date:

1. How does your organisation contribute to the development in Georgia and the region?
2. Have the activities of ISET and ISET-PI contributed to your results? How?
3. Does ISET provide reliable data and professional advice?
4. Which contribution do you find that economists from ISET employed by you
5. have made?
6. In what way can ISET in general contribute to development in Georgia and the region?
7. Is ISET responsive to changes in your needs or the general development panorama?
8. Have the research and policy papers produced by ISET been useful to you?
9. How useful are the outreach events where ISET shares the responsibility?
10. Has ISET contributed to changed policies in Georgia or the region?
11. Has ISET contributed to economists from the region being more recognized and listened to?
12. Have you any experience of Swedish values, policies or economists being part of the contributions made by ISET?
13. Do you think ISET has a stable organisation and funding and will be a sustainable institution?
14. Have you any views on the relation between ISET and TSU or other academic organisations in Georgia or the region?

Interview protocol: ISET

15. How have ISET and PI contributed to development in Georgia and the region? Which are the main contributions by ISET-PI?
16. How does ISET adapt to changes in the political and policy environment and changing development needs?
17. Give examples of changed policies or decisions where ISET-PI research and /or economists trained at ISET have contributed
18. Which research papers have given most effect in the form of new decisions or policies?
19. Which consultancies have had most influence on development?

20. Which outreach activities have been most successful? Why?
21. How has the partners benefited from teaching collaborations between ISET and other academic institutions outside TSU?
22. How have ISET and TSU benefited from their collaboration? Have any parts of the collaboration been problematic?
23. Which ISET-PIs partnerships are most successful?
24. Has ISET contributed to gender equality or improved rights? How?
25. Have the steering functions for ISET (Board, Faculty Committee) been useful and productive for ISET objectives?
26. What has the Swedish funding meant for ISET's results?
27. Has Sweden apart from funding provided useful input to ISET?
28. Which are the most prominent examples of economists from the region being recognized and listened to?
29. Which are the risks that ISET's plans for future financing will not result in long-term access to enough financial resources to maintain training and research at least at the present level?
30. How will the distribution of financing from different sources look a few years from now?
31. How will the agreement with TSU change and what will be the net financial gain for ISET?
32. How can ISET and PI move towards academic and organisational sustainability?
33. Which is the difference between ISET and similar institutes as concerns sustainability strategies and what can be learnt from other institutes?

10 Annex 6 – People Interviewed in Georgia

<i>Monday 1 Sep.</i>	<i>Tuesday 2 Sep.</i>	<i>Wednesday 3 Sep.</i>	<i>Thursday 4 Sep.</i>	<i>Friday 5 Sep.</i>
11:30 Khatuna Zaldastanishvili; Eva Smedberg . 15 Kipshidze str.	10:00 David Lezhava Ministry of finance of Georgia, Deputy Minister. Tel.: +995 32 2 261 420. Gorgasali Str 16.	10:00 Marine Chitashvili. TSU, Vice Rector. Chavchavadze ave. 1. First Block. Room #105 599296758. ma-rine.chitashvili@tsu.ge (Maia Menteshashvili cell: 577 500085).	10:00 Aleksi Aleksishvili, general director. Tamar Jugheli, research director. Lasha Meskhia , business development director. Policy and Management Consulting Group, CEO Chairmen of the Board & Business Development Director respectively. +995 322 92 11 71 Cell: +995 599 27 29 57 D. Uznadze 57, IV floor.	10:00 Gocha Shonia & Nugzar Beridze. Georgian National Energy & Water Commissioner & Director of Electricity Department. Mitskevichi 19.
13:00 Eric Livny and Nino Papava. International School of Economics. 16 Zandukeli Street. Tel: +(995 322) 50 71 77 ext. 101 . Mob: +(995 598) 31 12 66	11:30 Giorgi Kadagidze National Bank of Georgia, President. Sanapiro Street 2 (left wing of Justice House). Nino secretary 599 587860 .	11:30 Lunch	12:00 Eric Livny	11:30 Kathy Julian. Asian Development Bank - Georgia Resident Mission, Georgia Country Director. 1, G. Tabidze Street, Freedom Square. Tel: 995 322 250619 ; Cell: 995 599 736166

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14:00 Lecture listening. For 15 min. 16 Zandukeli Street.	12:30 Lunch	13:45 Sophia Gujabidze. Dean of Students. ISET 16 Zandukeli Str. Room 3.14.	13:30 Michael Martley, executive director, Maya Eristavi, deputy executive director, International Chamber of Commerce. 3/29 Kakabadze str. Mta-stminda.	12:30 Zviad Zedginidze, National Bank of Georgia, Head of Macroeconomic Research Division. 2 Sanapiro str. +995 322 406 262 ; +995 599 145 744
14:15 Karine Torosyan. ISET faculty member. 6th floor, room number 6.5. 16 Zandukeli Str.	13:00 Rezo Ormotsadze. USAID. 11 George Balanchini St. US embassy building. +995 599 578031	15:00 Rusudan Medzmariashvili. BP Georgia, Social Responsibility Manager. 599 53 67 07 S. Tsintsadze 24 (former Saburtalo str.)	17:00 Anastasia Mshvidobadze, UNICEF Georgia. 9 Eristavi str. (Vake). UN House, IV floor. Lela Akiashvili, Assistant. Phone: +995 32 232388 /251130 Cell +995 591 225281	14:00- 16:00 mini seminar in ISET. With guests from ISET, Khatuna Zaldastanishvili & Eva Smedberg participating.
14:45 Yaroslava Babych. ISET faculty member. 16 Zandukeli Street.	14:30 2nd year Students: Mikayel Sukiasyan, Eka Tsopurashvili. Graduates: Levan Pavlenishvili, Natia Katsia, Saba Devdariani. ISET-16, Zandukeli St.	16:30 Inga Paichadze. World Bank, PR Department. Nino Ramishvili 5A. +995 32 2913096 (246).		16:30 Juan Echanove . European Union, Agricultural Attaché. 38 Nino Chkeidze str. 2943760; 2943769
15:15 Tornike Kadeishvili. ISET faculty member. 16 Zandukeli Street.	15:00 Adam Pellillo. ISET faculty member. 16 Zandukeli Str.	17:30 Koba Turmanidze. Caucasus Research and Resource Centers, Head. Kavsadze 3. Second floor.		18:00 Lasha Tordia (Auditor General), Tata Khetaguri (Head of Budget Audit Division), Marika Natsvlishvili (Director of State Budget Analysis & Strategic Planning Department).. State Audit Office. 96 Saint Queen Ketevan Ave.Tel: +995 322 438 118 Cell phone: +995 5 77 549 779 .

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15:45 Lasha Labadze – Deputy Director, ISET-PI. 16 Zandukeli Str.	15:30 Nino Papava			
16:15 Pati Mamardashvili – Head of the Agricultural Policy Research Center, ISET-PI. 16 Zandukeli Str.	16:30 Levan Karsaulidze , Georgian Statistic Agency, Head of Price Statistics Department & Acting Chair respectively. Cotne Dadiani 30. Tel: (+995 32) 2367210 (003 Tengiz)			
17:00 Irakli Kasrashvili. Mercycorps-Georgia, Head. G. Gegechkori 6, Shanghai, Saburtalo.	17:30 Nino Papava. ISET, 16 Zandukeli Str.			
18:00 Ilia Kvitaishvili. Former Deputy Minister of Agriculture. +995 599 533052. Café Canape, 7 Kazbegi ave.				



Evaluation of International School of Economics (ISET) in Georgia

This is an evaluation of the International Economics School(ISET) in Georgia covering the period 2006-2014. Sida has financed 30 per cent of the costs for the master's education at ISET, corresponding to 25,45 mSEK. ISET has produced very high standard graduates that have all obtained good employment or continued with PhD studies in Europe or America. Little research has been made but ISET produces well used economic indices and has very good outreach through seminars and via internet.

ISET is recommended to focus on Georgia in the region, to continue vigorously its efforts to increase income, and to introduce a planning and monitoring system. Sida is recommended to continue to finance ISET and its affiliated Policy Institute.

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