
Seminar on the Evaluation of the Commission's Aid Delivery through
Development Banks and EIB

9/12/08

Participants :

Evaluation Unit:

Jean Louis Chomel

Silvia Orrù

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Leonie Feldman

Anna Hemmingsson

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Chantal Donatoni

Representative of Cabinet of Ferrero Waldner

Representative of various European Commission's DGs

Representative of the Secretariat of the COBU European Parliament

Representative of the European Investment Bank

Representative of the World Bank

Representative of various UN bodies

Representative of various ONGs

Representative of various permanent representations of Member States

Representative of various Member States

Various

ADE :

Edwin Clerckx, Tanguy de Biolley, Vincent Coppens, Antoine Hanin, Fuencisla Carmona Blanco

A. Morning session

1) Opening speech by Mr Vincent Guerend Cabinet Ferrero Waldner –

Mr Guerend underlined that our partnership with development banks and EIB is based on common values and that it would be unthinkable not to work together.

Through this partnership with development banks and EIB, we seek to pursue common objectives through mutually beneficial cooperation in multiple sectors related to a long EU policy agenda.

He highlighted that this evaluation deals with a controversial issue. Many of our Member States ask why they fund the external programmes managed by the Commission only to see that the Commission pays around 10 % of the funds to the development banks and EIB for implementation – there is a risk to lose the European character of our actions by doing so. Similar questions are raised by the European Parliament, and as well as the issue of Europe's visibility, there are concerns about the use of the funds.

Co-operation between the Commission and development banks play a valuable role in delivering aid. Mr Guerend pointed out as channelling funds through the WB and EIB is done on the basis of their specific expertise and competence in various situations.

The Commission has already started to work in some of these issues, in particular defining explicitly a strategy, improving visibility, clarifying mutual obligations and administrative issues. One of the main questions is visibility, a highly political question; it should be strengthened particularly at headquarters level.

2) Introduction by Mr Chomel (Head of the Joint evaluation unit) on the report

Mr Chomel underlined as this evaluation is one of the three evaluations reviewing the channelling of EC aid. The first evaluation reviewed the channelling through the United Nations family (seminar held on the 1 July 2008) and the second one through civil society organisations (seminar held on the 4 February 2009). He then gave the floor to the consultants for the presentation.



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3) Presentation of the study (ADE: Clerckx Edwin, Coppens Vincent)



Coffee break

4) Introduction to the discussion-: Jean-Louis Chomel (Evaluation Unit)

Discussion

§ Intervenient DG RELEX :

- ü Is the current way of working with the IFIs the correct one?
- ü Why should the EC sub-contract to the WB, when it can sub-contract TA to do the job?
- ü What is the added value for project or programme implementation?

Answer:

Consultants stated that evaluation question one examines the rationale behind why the EC uses the WB. Reasons include: the need to harmonise behind a multi-donor instrument; to utilise WB expertise; the WB is present where the EC is not (e.g. East Timor); using the WB enables the EC to support a broader range of sectors in-country. Also the wider context of the Paris Declaration explains why the EC goes through the WB TF jointly with other donors.

Concerning the EC added value: the EC was not present where the WB was present as for the Trust Funds and often other donors joined because of the EC participation in.

Answer:

The WB representative pointed also out that they are not sub-contractors and do not carry out implementation.

§ Intervenient: Mr. Andrea Mogni-DG Relex – Coordination and Analysis Unit

- ü As a member of the RG, he recognised that this evaluation was not easy but has produced some good results.
- ü Since 2006 (the end of the evaluation period) there has been some major developments in relations with the WB and EIB. The text should be amended to reflect this.

Answer

Mr. J-L Chomel (Evaluation Unit) pointed out that the ToRs clearly state that the evaluation should only cover the period up to 2006. It is not the role of the Evaluation Unit to update the data.

- ü Too often the report does not have complete information and frequently uses phrases such as 'it is unclear', or 'there is not enough information'. More efforts should be made to get this information; especially in the financial area.

Answer:

Consultants felt that collecting the current set of information was time consuming and difficult enough and that they had gone as far as they could in data collection for this evaluation. Outcome of evaluation: channelling of TFs has increased and information on channelling funds is not easily available.

- ü Regarding SDTFs, it is not correct that there has not been enough effort in this area. The Single Donors Trust Funds are absolutely important, costs more and it is difficult to justify why do we need to be in charge with them; The report should also include more on SDTF exit strategies.

Answer:

Consultants recommended that the key exit strategy for SDTFs was to avoid them. The evaluation team was not asked to cover an exit strategy for each SDTF.

- ü It is correct that the EC currently works on a case-by-case basis with the WB? Many TFs deal with emergencies and it is not clear if the WB has enough experience to deal with it. To what extent should the EC work with the WB in this area? The report should also reflect the need to manage the transition from emergency to rehabilitation and development programmes. The emergencies last short time.

Answer:

Consultants argued that the WB had proved to be effective in emergency situations, in such areas as infrastructure.

- ü Agree that the EC must improve with the WB management and organisation. The EC has a financial and reporting obligation to the European Parliament. Also agree on the need for a strategic framework. However, this must be taken forward together with the strategic frameworks currently under development for the IMF and OECD.

§ Intervient: Danish Representation Office

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- ü He remarked that it seemed strange to him that the presentation from the Cabinet of Ferrero Waldner did not mention the poverty reduction while speaking about sharing common values, supporting peace and democracy. This would not have been the case if DG Dev had given the presentation.

Answer:

Consultants pointed out that the intervention logic for the evaluation was clearly focused on poverty reduction.

- ü Denmark does not accept that Member State development funding should be used for greater EC visibility. This is foreign policy, not development policy.

Answer:

Consultants were aware of the differing views on visibility between the EC and some Member States and the report reflects this. However, there is a difference between political visibility and accountability visibility. Focusing on static visibility, such as flags and stickers is not effective. Visibility needs to move from passive to strategic. Visibility is ensured by proactive role, then it is more efficient and constructive.

- ü EC has stated that it will use country systems as a default (there is an ACP budget support target of 60-70%). If country systems were used then there would be no need for TFs, as funding would be given directly to the government.

Answer:

Consultants explained that most interlocutors met indeed considered budget support as the first option. Trust Funds were considered the next option in cases where budget support could not be envisaged.

- ü Have Member States ever had a discussion on this modality? If they believed this to be an effective arrangement they could transfer their own funding directly to the WB without going through the EC first.

Answer:

Consultants pointed out the value-added in the EC channelling funding. This included the size of funding and the ability to generate a critical mass of support for a TF because of it.

§ Intervenient: CONCORD (ONG)

- ü In which areas does the EC work with the WB and in which areas does it not? Should EC support through the WB only focus on certain sectors?

Answer:

Consultants noted that an evaluation question covered this issue. If Member States want to channel money it is all right but the added value of the EC is the critical mass, power in negotiation, etc. The evaluation concludes that there are more important factors to consider than just what sector to support. However, the WB does tend to have a comparative advantage in areas such as debt, PFM and capacity building.

§ Intervenient: Head of Evaluation – French Treasury

ü WB priorities have changed over the period of 1999 to 2006. How does the EC deal with this?

Answer:

Consultants pointed out that both the EC and WB have had changing priorities over the period. While the evaluation does not tackle this issue directly, evidence suggests that there is a growing convergence of approaches over time (e.g. on policy dialogue linked to budget support).

ü What is the EU influence on the WB in areas such as fragile states, good governance etc?

Answer:

Consultants noted that the EC was not present in WB donor meetings. However, the EC does play a key role in the governance mechanisms of TFs and in the development of policy decisions (e.g. the EC was very active in focusing HIPC discussions on poverty reduction).

Intervenient: European Parliament – Secretariat of committee on Budget Control (COCOBU)

ü So far, there has been little said on results. Is this type of support a good approach to achieve better development in the fight against poverty?

Answer:

Consultants stated that in general the results were satisfactory. However, for SDTFs they were bad. Efficiency and visibility were also satisfactory.

ü Why was it so difficult to get information for the evaluation?

Answer:

Consultants highlighted the need for improvement here. Current EC databases are not suitable for getting data on WB funding and information was not centralised. The inventory note has more information on this. There is a lack of institutional memory, weaknesses of databases. This exercise was taken for the first time, before the data was not systematised nor organised.

§ Intervenient: Mr. Andrea Mogni – Coordination and Analysis Unit (DG RELEX)

ü Do EIB interest rate subsidies provide funding for activities that would have taken place without them?

Answer:

Consultants found it was very difficult to provide a conclusive answer on this. Under the assumption that without interest rate subsidies loans would not take place, interest rate subsidies help the EIB to provide a loan at a lower cost to the borrower. Whether or not it is the key factor in the borrower taking the loan it is unclear. However, it does appear to have a clear leverage effect in encouraging loans. It is also not easy to work out who is the beneficiary of the interest rate subsidy. Is it the EIB, who get a comparative advantage in the financial market? Finally, the link to the beneficiaries can sometimes be difficult (e.g. would cheap loans for utility companies result in better services?).

§ Intervenient: Ministry of Foreign Affairs – Finland

ü Why did the consultants only look at TFs and not co-funded projects?

Answer:

Consultants noted that the scope of evaluation only covered EC funding through the WB.

ü Is there a direct answer to the sustainable development issue in the evaluation questions?

Answer:

Consultants pointed out that evaluation question three tackles the issue of sustainability. Sustainability did appear to be a problem in a number of TFs, where HIPC could be an example.

B. Afternoon session- Ongoing work and perspectives: Commission services

Introduction into the second part of seminar- M. Jean-Louis Chomel (Evaluation Unit)

1) EC services: presentation of ongoing work and perspectives, Andrea Mogni (DG RELEX)

Evaluation enable us to draw lessons. Some relevant issues were raised this morning. RELEX's comments concern strategic perspective of programming and implementing.

In the perspective of a new budget and new regional strategies there is need for more IFIs collaboration and mixing of instruments.

Evaluation raised some relevant financial, programming and strategic issues.

The EC needs to work more closely with multilateral organisations such as the WB. There has been a degree of short-termism in EC arrangements. However, the EC has been able to use WB expertise and improve aid effectiveness. Over this period there have been two main experiences:

- HIPC;
- Emergencies (for example situation in Iraq, Timor, Palestine).

The EC are currently thinking about new TFs for climate change and the financial crisis.

The consultants have produced good work on identifying black spots. There is a need to develop a strategic guidance document and to further development synergies between the EC and WB organisations. The EC should also be ready to close SDTFs (still valid and useful), look for new solutions and improve its organisation and management tools. There is indeed the need for strategic guidelines within the Commission.

We should begin to think in a new way regarding the WB: find out what are the cooperation possibilities, considering the EU priorities and WB strategies and policies, than prepare solid strategic analyses. The EC should consider the ABM, with new budget and new resources on how to better organize the cooperation with the WB.

The EC have asked that the WB improve visibility of EC funding, for example through the active coordination. Also new lay-out would lead to the improvement of the cooperation. There is also a need to focus more on results in the next programming period.

The EC has also launched recently a number of initiatives with the EIB in order to strength the cooperation.

The cooperation between MS, banks and NGOs should leave some room for synergies.

2) Presentation of ongoing work and perspectives: Commission services, by Mr Martyn Pennington (DG AIDCO)



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3) Presentation of ongoing work and perspectives: Commission services, by Peter Craig Mc Quaide (DG DEV)

Mr Craig Mc Quaide welcomed the evaluation. It is clear that the EC and WB must cooperate closely. The EC and WB relationship is not just financial:

- Although there is no EC representation at board meetings, there is rising EU consensus and an increase in common positions;
- Close working relationship with the WB at all levels; and
- Cooperation in areas of comparative advantage, such as budget support and infrastructure.

The most important recommendation is the need to have a strategy. The DAC peer review also recommended that it should be an EC-WB strategy. The question is how to take this forward? Issues such as a new treaty could change the way the EC works.

Conclusion five contains a positive assessment of the value-added in channelling funding through the WB. The EC could also look at explicit political support in channelling funding to multi-lateral organisations. This should be considered when the strategy is developed. A way to coordinate better with Member States in this area is also required.

The organisational set-up issues are valid. For issues such as the database, the EC should be able to find a way to improve this.

Why do we act on a case by case basis? because it is political support with money and each case is different.

The budget support is useful material to work together.

Static visibility is limited and the recommendations in the report on visibility should be taken forward.

4) World Bank : presentation of ongoing work and perspectives, Christain Rey (Global Partnership and Trust Fund Policy Unit)

The evaluation is an excellent paper. Considering the size and complexity of the organisations, the WB and EC are doing well.

The growth in the amount the WB manages through TFs is enormous. In 1999 the WB managed \$1 billion but by 2008 this had grown to \$26 billion in signed agreement and a further \$38 billion in commitments. The WB has a team of 30

people working on this issue. There are two focal points in the WB for the EC, as well as a Brussels-based office.

Agree on the need for a strategy to improve the way WB and EC staff work together. Disagree on completely stopping SDTFs, as they can still play a useful role. Also agree that the WB must be better at providing reports to the EC (recommendation 5) and will commit to improving this. Do not view static reporting as important as the partnership involved in TF management.

The evaluation did not contain much on the beneficiaries and there is a country dimension that needs to be considered. On delays in implementation: in many cases the countries where the TFs operate have capacity problems. While delays in signing administration agreements has also been a factor. Staff exchange is encouraged, along the same lines as the WB does with other agencies.

In summary, there is a need for a:

- Strategy (alignment with policy);
- Framework-risk and results management; and
- MoU (making impact out of cooperation).

5) European Investment Bank: presentation of ongoing work and perspectives, Mr. Guido Prud'homme (Unit for Operational Policies)



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6) Discussion on the presentations

§ Intervenient: European Parliament – Secretariat of Budget Control

ü In recommendation four on organisational set-up: how will it take place without dealing with the artificial split between DG Development and Relex?

Answer:

Consultants noted that this was not part of the evaluation mandate. However, the report highlights the need to centralise issues in a single unit that can coordinate the flow of information.

Answer:

Evaluation Unit added that it is not just a question of merging DG's but on the flow of information in the external relations family.

Answer:

AIDCO noted that the EC could build on what they learnt from the UN experience (e.g. annual meetings). They have asked Delegations to report back more systematically on joint management

arrangements. Some meetings over the 6 month period of time were introduced also to exchange and encourage best practise.

Answer:

From RELEX perspective: the network exists between the RELEX DG and the World Bank. For example for the TSUNAMI case, there were different desks involved as well as cabinet of Mme Ferreiro-Waldner and the World Bank top managers. But in order to search for new ideas and new priorities it seems necessary to dialogue within the network of regional banks. The technical support comes from the World Bank, however there is a cooperation between different DGs in different areas (ex. ECFIN, ENV, RTD are often involved).

§ Intervient: AIDCO - Macroeconomic Unit

ü There is an issue of achieved results. What is funding channelled through the WB achieving at a country level? This is the ultimate accountability. Does the WB have a comprehensive document and methodology that can clearly trace and link donor inputs to outputs achieved?

Answer:

WB confirmed that they had a results framework in place. After each TF is completed a report is produced and submitted to a quality assurance group. The work of the WB is summarised in an annual report. There is also an Independent Evaluation Group. This group reviews the work of the WB and reports on an annual basis to the WB and to the general public.

Comment on need of coordination: the WB Brussels office commented that they organised over 300 meetings a year with the EC. They welcomed the need for clearer rules of engagement with the EC and the framework agreement for better coordination.

Concluding Remarks – J-L Chomel (Evaluation Unit)

At the start of this evaluation, it was assumed that the EC was using the WB to avoid EC procedures but in reality this has turned out to be a very small reason why the EC channels funding through the WB. Also noted that:

- The evaluation has also answered why it is still effective to channel funding from Member States to the EC and onto the WB, rather than the Member States channelling funding directly to the WB themselves;
- It is surprising to see how strong the visibility of the EC was;
- The evaluation generated information on what support the EC has been challenging through the WB. This is a result in itself;
- Results and impact are very important. What is EC aid doing for beneficiaries? Evaluation cannot stop at outputs; and
- EC has helped multilateral organisations to be more rational and efficient.

The recommendations on the strategy, organisational set-up and visibility are all viewed as fair. The question is now how the EC is going to implement them? The Lisbon treaty, European elections and new EC are all issues that could have an impact on how this evaluation will be taken forward.

Thank you to the consultants who did a good job in difficult circumstances, for the five speeches, for the views of those attending and to my colleagues in the Evaluation Unit.

Key documentation on this evaluation can now be found on the EuropeAid website.