

Evaluation of European Commission's aid delivery through Development Banks and EIB



Evaluation for the European Commission

Presentation of Final Report
Dissemination Seminar

9 December 2008



Agenda

- **Evaluation objective and scope**
- **Mapping of interventions**
- **Evaluation methodology**
- **Conclusions and Overall Assessment**
- **Recommendations**

Object, purpose and scope of the evaluation

Evaluation Object	Commission's channelling of funds through the DBs and EIB during the period 1999-2006
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Evaluation Purpose	<ul style="list-style-type: none"> • Identify key lessons from past experience for future decision-making • Strategic-level thematic evaluation <i>“to assess to what extent the Commission interventions through the development banks and EIB have been relevant, efficient and effective and visible and what is their impact on sustainable development of the partner countries”</i>
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Scope

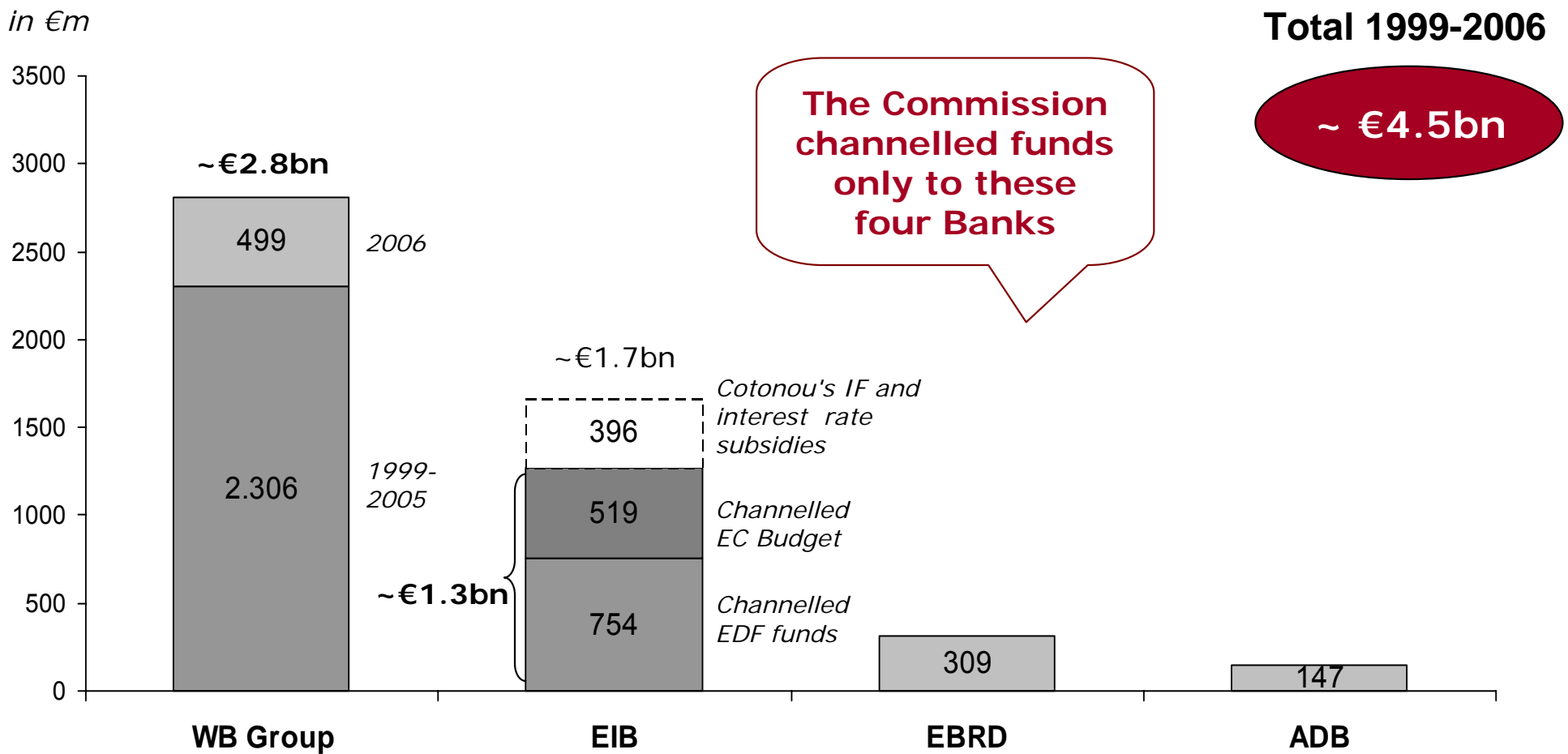
Period	Institutions	Countries	Funds
1999 – 2006	WB and EIB	All countries, excl. ENLARG/ OECD	RELEX-DEV-AIDCO, Commission's Budget + EDF

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The Commission channelled €4.5bn through Banks during 1999-2006, mainly through the WB and EIB

Funds channelled by the Commission to Development Banks and EIB, 1999-2006 - Overview



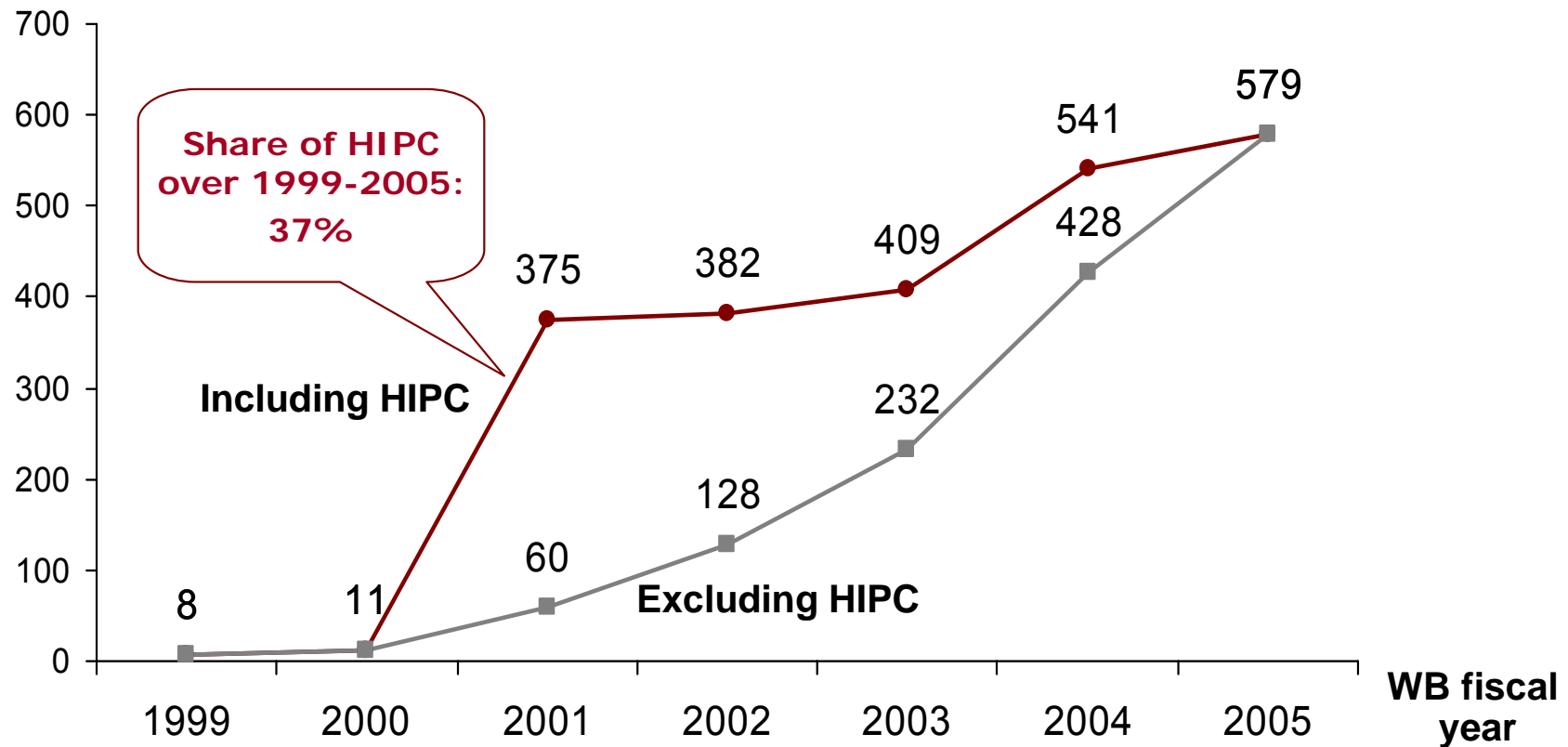
This figure aims at presenting an order of magnitude of the channelling of funds

Source and details: see Inventory Note

WB: Strong increase in Commission's channelling

Commission/EDF payments received by the WB Group, 1999-2005

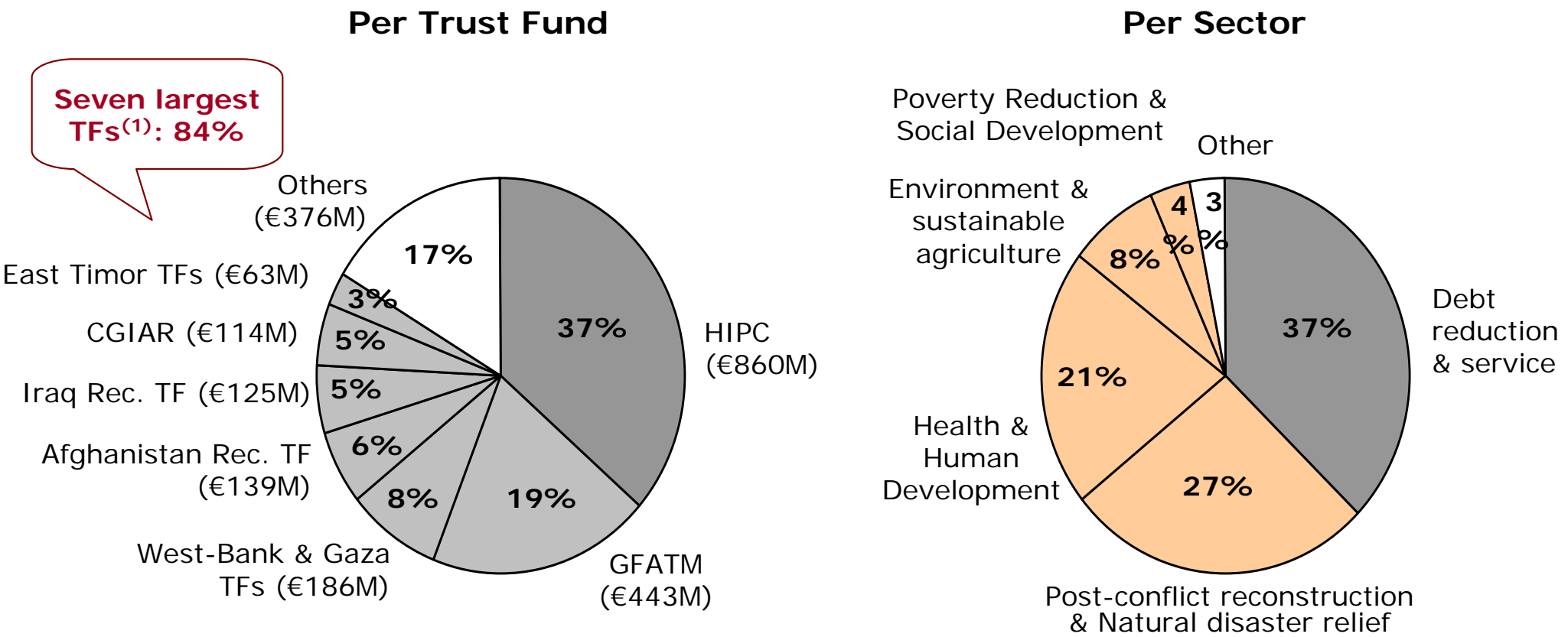
Payments 1999-2005
€m



Total funds channelled through the WB between 1999-2006 amounted to €2.8bn

WB: The Commission's funding was concentrated on less than ten major contributions

Commission/EDF payments received by the WB Group 1999-2005⁽¹⁾
 (Total €2.3bn)

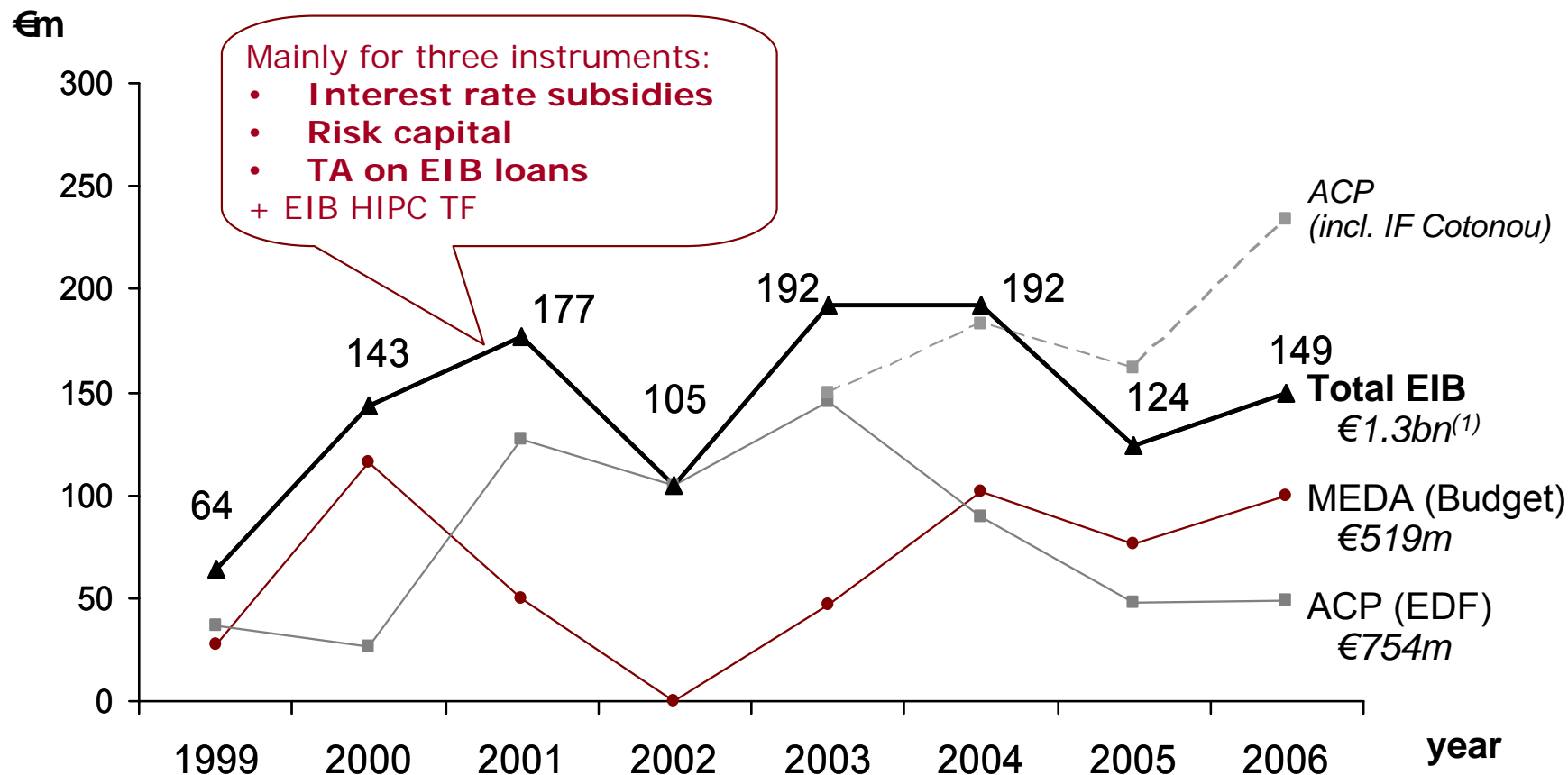


The Commission contributed to 83 WB TFs over the period 1999-2006

(1) In 2006, a further €136m was committed to reconstruction following the Indian Ocean tsunami
 Sources and details: See Inventory Note

EIB: A more irregular evolution of channelling, owing to different trends for MEDA and ACP

Commission budget/EDF funds channelled through the EIB from 1999 to 2006

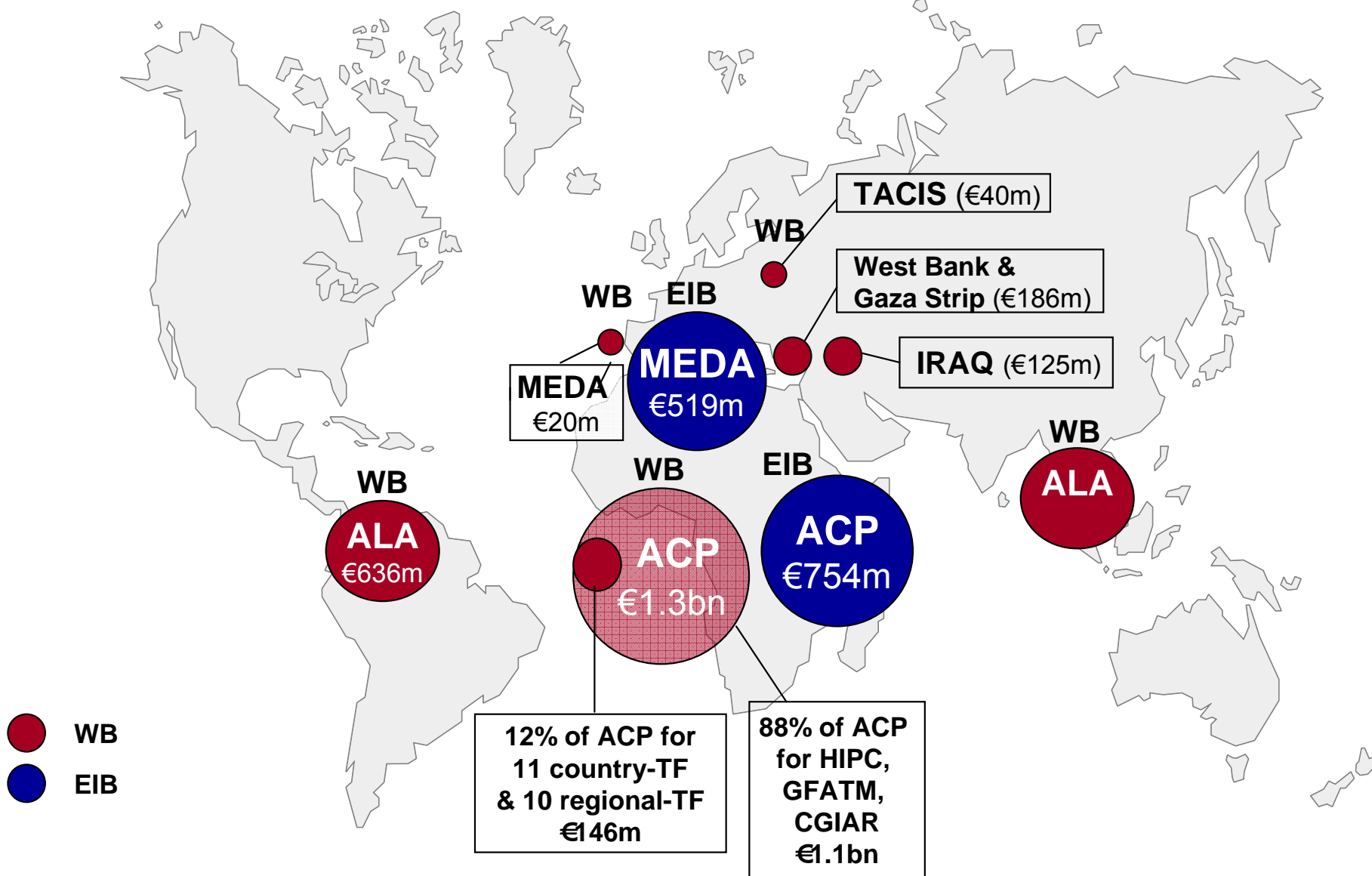


Total funds channelled through the EIB between 1999-2006 amounted to €1.3bn

(1) Excluding Cotonou's Investment Facility
 Source and details: see Inventory Note

The Commission channelled funds through the WB and EIB mainly in different regions

Geographical coverage of Commission funds channelled through WB and EIB



Source and details: see Inventory Note

Note: EIB in ACP includes funds under Lomé IV and IV bis + HIPC EIB TF

Agenda

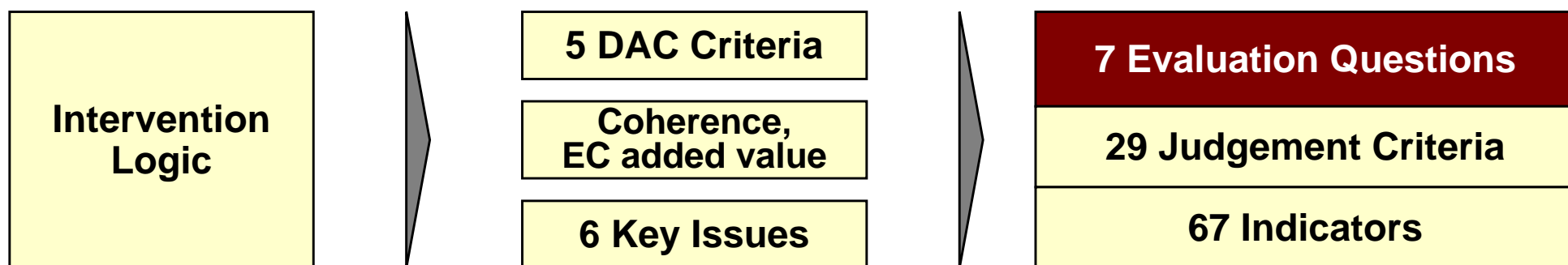
- Evaluation objective and scope
- Mapping of interventions
- Evaluation methodology
- Conclusions and Overall Assessment
- Recommendations

A structured evaluation approach lead to evidence-based conclusions and recommendations

Inventory



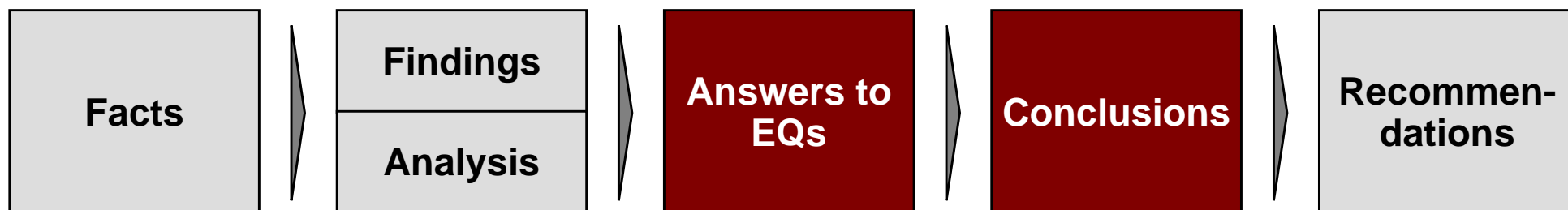
Definition of evaluation framework



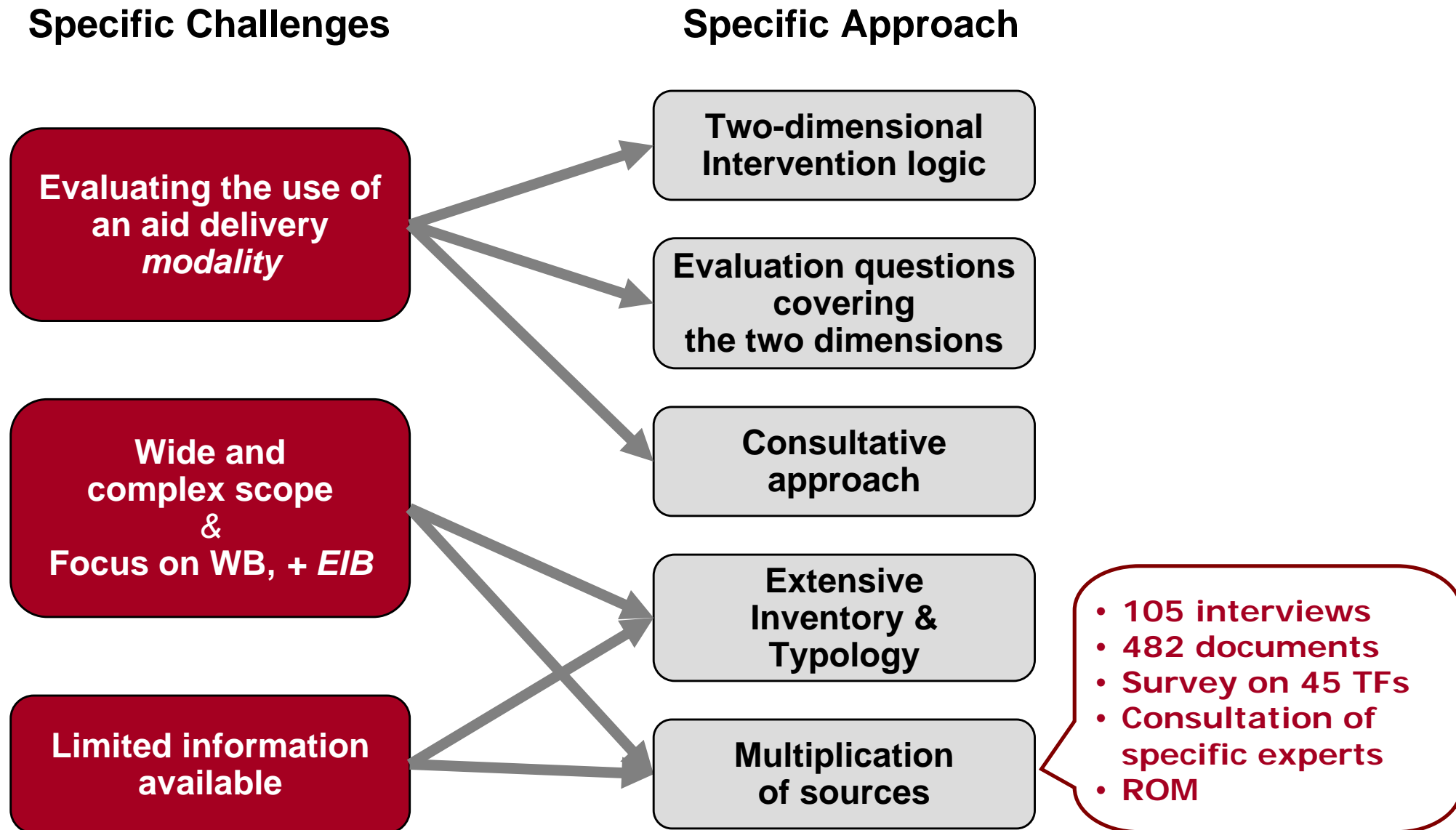
Data Collection



Analysis



A specific evaluation approach allowed tackling the main challenges



Agenda

- Evaluation objective and scope
- Mapping of interventions
- Evaluation methodology
- Conclusions and Overall Assessment
- Recommendations

Overall assessment

- **The Commission has channelled a substantial share of its aid through WB and EIB**
- This brought **added value to the different parties**.
 - E.g. for the Commission it allowed intervening in certain sectors/countries, with a critical mass of resources and expertise
- **The WB and EIB were not regarded as interchangeable channels.**
 - **WB**: for broader development issues, through a multilateral approach:
 - Satisfactory results and efficiency in cost terms for MDTFs, less for SDTFs
 - Difficult interaction Commission-WB in some cases
 - Visibility maintained at country level, but low in terms of overall cooperation
 - **EIB**: for its banking function (financial instruments) as the EU financing institution:
 - Results generated at low costs, with few exceptions
 - Strengthening EU visibility, though lower in terms of the overall cooperation
- The **organisational set-up** within the Commission did not allow the Commission to have readily-available sound knowledge of its aid delivery through the WB and the EIB.

13 Conclusions in five groups

Groups	Conclusions
<i>Rationale and evolution of channelling</i>	C 1: Increase in funding
	C 2: Strategic approach
	C 3: Different use of WB and EIB
	C 4: Coordination with EU MS
<i>Added Value</i>	C 5: Added value for the different parties
<i>Effectiveness</i>	C 6: Promotion of EU policies
	C 7: Attainment of results
<i>Implementation and follow-up</i>	C 8: Commission's organisational set-up
	C 9: Framework Agreement
	C 10: Delays and cost reduction
	C 11: Single-donor WB TFs
C 12: Interaction with the WB	
<i>Visibility</i>	C 13: Visibility and awareness

C1: Channelling through the WB and EIB reached substantial levels, reflecting the Commission's commitment to reinforce multilateralism (WB) and provide beneficiaries with a larger range of financial instruments (EIB).

WB + EIB: €650m in 2006 (10% of total aid)
WB + EIB + UN: €1.6bn in 2006 (23% of total aid)

WB

- Increased Commission willingness for pooled funding, harmonisation, alignment
- Facilitation of contracting by FA in 2001
- Large WB-managed initiatives
- Possibility to disburse funds

**€500m in 2006
(8% of total aid)**

EIB

- Strategic cooperation agreements between EU and MEDA/ACP countries
- Offer beneficiaries a larger range of financial instruments

**€150m in 2006
(2% of total aid)**

C2: Channelling through the WB was not based on a specific and documented Commission strategy, but took place on a case-by-case basis in a sound manner. Channelling through the EIB was based on strategic EU cooperation agreements.

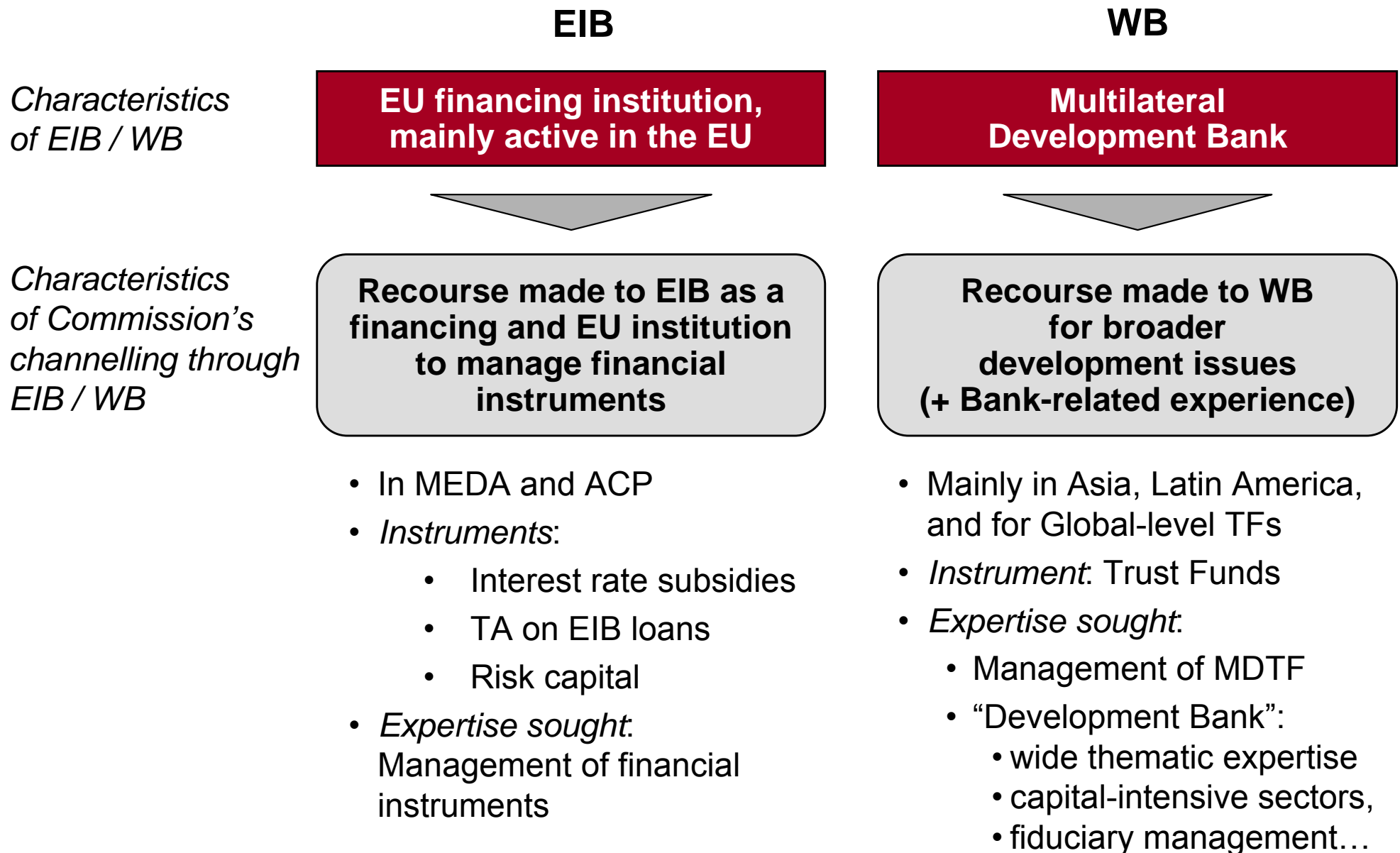
■ Channelling through WB TFs:

- took place within the larger strategic context of growing multilateralism and the FA signed in 2001 in that spirit
- but was not grounded in a Commission strategy document specific to cooperation with the WB
- Commission contributions to WB TFs based on case-by-case although well-considered decisions

■ Channelling through the EIB :

- was based on strategic regional cooperation agreements, between:
 - EU, incl. Commission and EIB
 - Mediterranean / ACP countries
- funded EIB financial instruments as provided in these agreements

C3: The EIB and WB were not regarded as interchangeable channels.



C4: While the willingness of a multilateral approach was a key objective for channelling through the WB, coordination between the Commission and EU MS was not systematic.

**Pooled funding, donor harmonisation, and alignment:
key objectives of channelling through WB TFs**

**Expectation: prior consultation between the
Commission and EU MS**

- **Consultation occurred in a majority of cases**
- **But was not systematic:**
 - Notably poor for smaller contributions (below €10m), managed from Commission HQ
 - Commission and EU MS did not always use the same “modality”
 - Commission and EU MS had different positions on certain issues
 - *E.g. ‘fiscal agent’ role, earmarking, visibility requirements*

C5: The Commission's channelling of funds through the WB and the EIB brought added value to the different parties concerned in specific contexts or countries, in certain thematic areas, and in terms of expertise (1/4)

For the Commission

For Commission through WB

- Possibility of intervening:
 - In global initiatives
 - When cooperation was interrupted
 - When direct budget support was not possible
- Promotion of donor harmonisation and alignment
- WB expertise and experience
- Facilitation of absorption of funds

For Commission through EIB

- Strategic European approach
- Broader range of instruments to offer to beneficiaries
- EU visibility
- EIB expertise and experience
- Strengthened EC-EIB co-operation

C5: Added value for the different parties (2/4)

For partner countries

For Partner Countries through WB

- Single interlocutor and unified procedures
- Access to Commission's financial resources when direct funding not possible
- WB expertise and experience

For Partner Countries through EIB

- Larger array of instruments in economic cooperation with EU
- Better lending conditions in less productive sectors
- EIB expertise and experience

C5: Added value for the different parties (3/4)

For the WB and the EIB

For the WB

Added value of TFs in general

- Support to WB poverty reduction efforts
- Preparation of WB lending programs; reestablishment of countries' creditworthiness
- WB response when lending was not feasible and in new areas
- Augmentation of core activities, e.g. analytical work, project appraisal, TA

Added value of Commission's channelling:

- Substantial amounts of funds to ensure critical mass for TFs
- European representation in TFs, broader constituency

For the EIB

Added value of grants in general

- Larger EIB operations, not possible with own resources
- Better implementation of EIB loans
- Higher attractiveness of EIB loans

Added value of Commission's channelling

- Substantial amounts of funds
- Emphasised European dimension
- Strengthened EC-EIB co-operation
- Lever for developing projects with environmental dimension

C5: Added value for the different parties (4/4)

Commission added value

Commission added value, through WB

- Capacity for mobilising large funding:
 - Critical mass for set-up of TF
 - Leverage effect on other donors
 - EU presence in TF governance mechanisms
- Providing European and multilateral character to TF
- Comforting presence in WB TFs, notably for follow-up
- Strengthening of European consensus

Commission added value, through EIB

- Capacity to conclude large European strategic regional agreements
- Capacity for mobilising large funding
- Strengthening of European consensus

C6: For both the WB and EIB, the Commission ensured that funds were used in line with its objectives. But it gave rise to a perception of a donor-driven approach in several WB TFs.

Commission actions - WB

- **Alignment with WB TF objectives:**
 - Involvement in TF set-up
- **Earmarking**
 - which gave rise to perception of donor-driven approach
- **Presence in TF governance mechanisms**

Commission actions - EIB

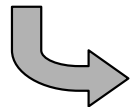
- **Common objectives in terms of policies and priorities**, agreed formally in the large cooperation agreements
- **Presence in governance mechanisms** (Committees)

C7: Positive results were achieved for the majority of the Commission's funding through the WB and the EIB.

But for small or medium contributions to WB TFs results were mixed and sustainability was problematic in some major cases.

WB

- **Satisfactory results for most of the Commission's funding:**
 - Major contributions
 - Global-level programmes
- **Mixed results for small or medium Commission contributions**
- **Sustainability problems in some major cases**
 - e.g. HIPC, GFATM, PSNP



Positive factors:

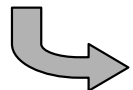
- WB expertise and experience
- Capacity to manage large MDTF

Negative factors:

- see C10 on Efficiency

EIB

Positive results for the three main instruments, based on available information



EIB expertise in managing these financial instruments.

C8: The organisational set-up within the Commission did not allow the Commission to have readily-available sound knowledge of its aid delivery through the WB and the EIB.

- **Databases and information systems:**
 - structural issues, hampering retrieval of adequate information on channelling
 - not homogeneous and user-friendly
 - no specific database conceived for providing global overviews

- **At task manager level:**
 - lack of number of resources and right expertise in governance bodies
 - lack of institutional memory

- **At Commission HQ level:**
 - “channelling structure” not commensurate with amounts at stake, not centralised
 - focus on HQ-level relations with WB/EIB
 - no centralised information on channelled interventions
 - no Commission-wide mechanisms for capitalising on channelling

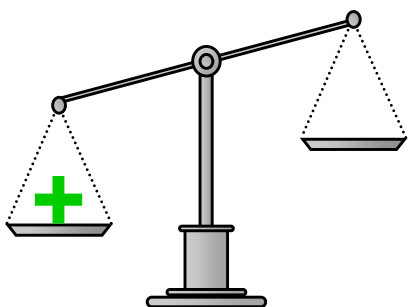
C9: Globally, the FA provided a useful framework for managing the operational aspects of channelling through the WB. But concluding specific AAs remained difficult.

- **The 2001 Commission-WB Framework Agreement proved a useful framework:**
 - Common principles and rules
 - Facilitation of cooperation

- **However, a number of difficulties remained**, for concluding Administration Agreements and in applying these agreements, owing to:
 - Limits in the text (deliberately not developed in detail)
 - Lack of compliance
 - Commission-specific requirements
 - Cumbersome decision circuits

C10 - WB: Channelling through the WB generally promoted efficiency in terms of costs of overall aid delivery, with exceptions. Delays were however frequent.

Costs

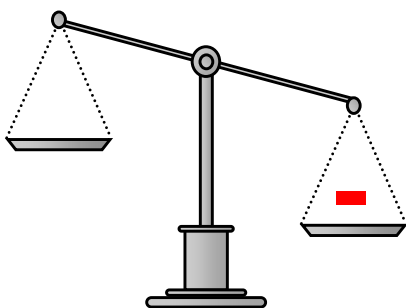


- Low WB administration fees
- Reduced Commission management time
- Reduced beneficiary transaction costs
- WB TF approaches



- When country-level TFs managed at WB HQ
- When high project costs
- Whenever delays occurred

Time



Delays in half the cases: when...

- Difficulties in reaching WB-Commission agreements
- Reporting not compliant with Commission requirements
- Time-consuming coordination
- Centralised WB management
- Weak capacity of governments; Heavy conditionalities (HIPC)

C10 - EIB: Channelling through the EIB generally proved efficient in terms of costs and time, except for delays connected with interest rate subsidies.

- **Costs:** Channelling through the EIB proved generally efficient in terms of costs throughout the whole channelling process, owing to:
 - low EIB management fees, if not zero
 - significantly reduced Commission management time
 - no reported difficulties in terms of transaction costs
 - EIB banking experience and expertise

- **Delays:**
 - *TA*: Few delays were mentioned
 - *Interest rate subsidies*: frequent delays
 - Governments' difficulty regarding EIB conditionalities on loans

C11: Single-donor WB TFs often faced delays and disappointing results.

Characteristics of Single-Donor WB TFs

- 3%-5% of channelled funds (>€67m), increasing number (>25 SDTF)
- Small to medium contributions, at country, regional and global levels
- Mainly on demand from the Commission, sometimes through complex structures:
 - Need to comply with certain regulations and procedures
 - WB sector expertise and TF management capacity
 - Reduction of Commission management costs

Most SDTF

encountered problems :

- results below expectations
- delays in implementation
- reporting delays or inadequacies
 - insufficient visibility, etc.

explained by:

- Higher Commission requirements and expectations from these SDTF
- Less priority given by WB to SDTF in comparison with larger MDTF

C12: Interaction of Commission and WB task managers presented problems in a number of cases in terms of access to information and to WB representatives.

Interaction between Commission and WB task managers repeatedly presented problems, in :

- Concluding Administration Agreements
- Receiving information on TF progress
- Interacting with team leaders based in Washington D.C. (for country-level TFs)
- Tackling issues: cumbersome decision circuits

C13: For channelling through the WB, TF stakeholders' awareness of Commission funding was high, owing essentially to participation in coordination mechanisms. But awareness at a more general level was low. Through the EIB, the EU character of the funding was central.

WB

- **High awareness at country-level**
 - Agreed static visibility requirements generally fulfilled (but not systematic)
 - Owing to participation in coordination mechanisms (more than to 'static visibility' actions)
- **Low awareness at more general level**
(EC HQ, EU MS, international community, etc.)
 - Owing to scarce efforts for visibility of overall cooperation
- **Commission's visibility requirements were questioned in the light of the 2005 Paris Declaration**

EIB

- **Common EU visibility approach was central**
- **High awareness at country level**
- **Lower awareness at more general level** (owing to limited number of initiatives)

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Reminder:

Main messages from Conclusions

Different use of WB and EIB and different strategic approach

**Unique possibility to deliver aid in specific contexts
or to provide specific instruments**

**Promotion of harmonisation and alignment;
Absorption of funds**

**Tangible results for majority of funding, but SDTFs posed problems
Efficient aid delivery in cost terms, but delays**

Visibility at intervention level but not at general level

**Commission organisational set-up
not commensurate with magnitude of channelling**

11 Recommendations in four groups

Groups	Recommendations
<i>Strategy and Framework</i>	R 1: Make the strategy explicit
	R 2: Update FA and facilitate contracting AAs
	R 3: Systematise coordination with EU MS
<i>Organisational set-up and interaction</i>	R 4: Ensure adequate organisational set-up
	R 5: Improve WB-Commission interaction
	R 6: Improve internal communication flows on EIB
<i>Management to improve efficiency and effectiveness</i>	R 7: Provide guidance for decision-making
	R 8: Avoid single-donor TFs
	R 9: Set-up capitalisation mechanisms
<i>Visibility</i>	R 10: Focus on visibility of the cooperation
	R 11: Leverage EIB instruments in policy dialogue

Recommendations 1, 2, and 3: Strategy and Framework

Recommendation 1

Define explicitly the channelling strategy:

- Make the Commission's overall strategy clear with respect to channelling through the WB and the EIB;
- Make clear whether case-by-case approach or longer-term partnership
- Specify the objectives pursued via each organisation:
WB, EIB, UN...

→ on WB, EIB

Recommendation 2

Update the FA and facilitate concluding AA:

- Update the FA on problematic issues
- Examine solutions for procedural and Regulatory constraints
- Facilitate conclusion of specific AA:
 - training on FA
 - *vade mecum*
 - updated FAQs
 - help desk
 - clear decision circuits for solving issues

→ on WB

Recommendation 3

Systematise coordination with EU MS:

- Organise systematic consultation before contributing to WB TFs
- Ensure it is the case:
 - for smaller contributions,
 - for contributions made at HQ level.
 - when multilateral approach is central
- Ensure alignment in the choice of intervention modality in a country

→ on WB

Recommendations 4, 5, and 6: Organisational set-up and interaction

Recommendation 4

Ensure an adequate organisational set-up within the Commission for the channelling:

- Adequate databases, complete and duly updated
- Reporting to central unit on interventions
- Strengthened institutional memory
- Sufficient and centralised human resources at HQ for dealing with channelling
- Appropriate human resources in governance mechanisms

→ on WB, EIB

Recommendation 5

Improve the interaction between the Commission and WB:

- *for concluding AAs:* see R2 (training, updating FA, etc.)
- *during implementation:* agree with WB on clear cooperation modalities at the outset of the intervention
- *reporting:* ensure common understanding of requirements and adequate WB reporting

→ on WB

Recommendation 6

Improve internal communication flows on funding of EIB instruments:

- Improve communication flows within Commission between HQ and Delegations
- Explain clearly Delegation's role
- Ensure that Delegation staff are aware of all ongoing EIB operations
- Ensure optimal interaction with EIB for large funding

→ on EIB

Recommendations 7, 8, and 9:

Management to improve efficiency and effectiveness

Recommendation 7

Provide guidance for decision making:

- Develop a simple written guidance document to decision-makers:
 - clarifying value added of channelling through each organisation (WB, EIB, UN...)
- Systematise good practices with respect to identification of interventions, e.g. identification fiches

→ on WB, EIB

Recommendation 8

Avoid single-donor TFs:

- Avoid use of SDTF when not strictly required
- Examine solutions for procedural and Regulatory constraints (see R2)
- Include provision on avoidance of SDTF in guidance document (see R6).

→ on WB

Recommendation 9

Set-up capitalisation mechanisms:

- Ensure that current and future lessons learned on channelling are drawn and shared
 - See R 2, 3, 4, 5, 9
- Set-up mechanisms to capitalise on task managers' practical experience with WB TFs.
- Disseminate to all Delegations and central units

→ on WB

Recommendations 10 and 11: Visibility

Recommendation 10

Focus on visibility of the cooperation with the WB / EIB:

- Focus efforts on visibility of the cooperation, rather than on elements of “static visibility”
- *At intervention-level:*
 - Ensure active participation in coordination mechanisms
 - Establish overall Commission communications plan in country, region or thematic area
 - Reconsider position on ‘static’ visibility requirements
- *At a more general level:*
 - Define general communications plan on channelling through WB and EIB
 - Supplement few existing measures with wider array of means and audiences

→ on WB, EIB

Recommendation 11

Leverage EIB instruments in policy dialogue:

- Leverage to the extent possible on instruments funded, for policy dialogue with partner countries (easy opportunity)
- Improve therefore communication flows between Commission HQ and Delegations

→ on EIB

Prioritisation of Recommendations

R1	Make the strategy explicit
R2	Update FA and facilitate concluding AAs
R3	Systematise coordination with EU MS
R4	Ensure an adequate organisational set-up
R5	Improve interaction with WB
R6	Improve internal communication on EIB
R7	Provide guidance for decision-making
R8	Avoid single-donor TFs
R9	Set-up capitalisation mechanisms
R10	Focus on visibility of cooperation
R11	Leverage EIB instruments in policy dialogue

Importance

