

***EVALUATION OF COMMISSION'S AID  
DELIVERY THROUGH DEVELOPMENT  
BANKS AND EIB***

Final Report

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### **Volume IIb – Annexes 11 to 12 on Evaluation Methodology**

Annex 11 – Evaluation methodological approach

Annex 12 – Evaluation tools and checklist

The **Inventory Note** realised at the start of this evaluation provides a mapping and typology of the Commission's funds delivered through the Development Banks and EIB. The evaluators consider that this inventory provides information most useful for the evaluation and that it offers the best available overview and typology to date of Commission interventions conducted via the Development Banks and EIB. It consists of a separate document which forms an integral part of the deliverables of this evaluation.



# Acronyms

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<b>\$</b>	US Dollars
<b>\$bn/€ B</b>	Billion US Dollars
<b>\$m/€ M</b>	Million US Dollars
<b>€</b>	Euro
<b>€bn/€ B</b>	Billion Euro
<b>€m/€ M</b>	Million Euro
<b>AA</b>	Administration Agreement (between the Commission and the WB for a specific TF)
<b>ACP</b>	Africa, Caribbean and Pacific (countries)
<b>ADB</b>	Asian Development Bank
<b>ADE</b>	Aide à la Décision Economique S.A.
<b>AfDB</b>	African Development Bank Group
<b>AFLEG</b>	Africa forest law enforcement and governance
<b>AIDCO</b>	EuropeAid Co-operation Office
<b>ALA</b>	Asia and Latin America
<b>ARTF</b>	Afghanistan Reconstruction Trust Fund
<b>BWI</b>	Bretton Woods Institutions (IMF and WB)
<b>CGIAR</b>	Consultative Group on International Agricultural Research
<b>CRIS</b>	Common RELEX Information System
<b>DAC</b>	Development Assistance Committee of the OECD
<b>DG</b>	Directorate General of the European Commission
<b>DG DEV</b>	Directorate General for Development
<b>DG RELEX</b>	Directorate General for External Relations of the European Commission
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>ECFIN</b>	Directorate General for Economic and Financial Affairs
<b>EDF</b>	European Development Fund
<b>EIB</b>	European Investment Bank
<b>EQ</b>	Evaluation Question
<b>EU</b>	European Union
<b>EU MS</b>	European Union Member States

<b>FA</b>	Framework Agreement (between the Commission and the WB)
<b>FAFA</b>	Financial and Administrative Framework Agreement (between the Commission and the United Nations)
<b>FAQ</b>	Frequently-Asked Questions
<b>FEMIP</b>	Facility for Euro-Mediterranean Investment and Partnership
<b>GFTAM</b>	Global Fund for tuberculosis, AIDS and malaria
<b>HEMA</b>	Support to the Health Care Fund for the Poor under the Health Care Support to the Poor in the Northern Uplands and Central Highlands Project (Vietnam)
<b>HIPC</b>	Highly Indebted Poor Countries
<b>HQ</b>	Headquarter
<b>IBRD</b>	International Bank for Reconstruction and Development
<b>IDA</b>	International Development Association
<b>IF</b>	Investment Facility
<b>IFC</b>	International Finance Corporation
<b>IFI</b>	International Finance Institution (referring, in the Inception Note, to the WB Group and the EIB)
<b>IMF</b>	International Monetary Fund
<b>IRFFI</b>	International Reconstruction Fund Facility for Iraq
<b>IS</b>	Interest rate subsidies
<b>ITF</b>	Iraq Trust Fund
<b>JAM</b>	Joint Assessment mission
<b>JC</b>	Judgement Criteria
<b>MDF</b>	Multi Donor Fund for Aceh and Nias
<b>MDTF</b>	Multi Donor Trust Fund
<b>MDGs</b>	Millennium Development Goals
<b>MEDA</b>	Euro-Mediterranean Partnership Programme; Mediterranean members of the partnership.
<b>MIGA</b>	Multilateral Investment Guarantee Agency
<b>MN</b>	Meeting Notes
<b>MoU</b>	Memorandum of Understanding
<b>ODA</b>	Official Development Aid
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OLAS</b>	On Line Accounting System
<b>PFM</b>	Public Financial Management Modernisation in Vietnam

<b>PFMR</b>	Public Financial Management Reform (West Bank and Gaza Strip)
<b>PIU</b>	Project Implementation Unit
<b>PRSC</b>	Poverty Reduction Support Credits (Vietnam)
<b>PRSP</b>	Poverty Reduction Strategy Paper
<b>PSNP</b>	Productive Safety Nets Programme (Ethiopia)
<b>RC</b>	Risk Capital (operations)
<b>RG</b>	Reference Group
<b>ROM</b>	Result-Oriented Monitoring (EuropeAid)
<b>SDTF</b>	Single Donor Trust Fund
<b>SME</b>	Small and Medium-sized Enterprises
<b>SWAps</b>	Sector-wide approach
<b>TA</b>	Technical assistance
<b>TACIS</b>	Technical Aid for the Commonwealth of Independent States; related countries
<b>TF</b>	Trust Fund
<b>TFET</b>	Trust Fund for East Timor
<b>TFF/VCF</b>	Support to the Vietnam Trust Fund for Forest and Support to the Vietnam Conservation Fund
<b>ToR</b>	Terms of Reference
<b>UN</b>	United Nations
<b>UNDG</b>	UN Development Group
<b>UNDP</b>	United Nations Development Programme
<b>WB&amp;GS</b>	West Bank & Gaza Strip



# **Operational definitions of key terms<sup>1</sup>**

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**Channel:**

Any entity through which the European Commission delivers its aid to beneficiaries, e.g. World Bank, European Investment Bank, United Nations, etc.

**Channelling of funds:**

Financial flows from the European Commission through a channel.

**Fiscal agent\*:**

An exceptional arrangement under which the World Bank's sole responsibility is to transfer donors' funds to third parties upon instruction from the donors. In this situation, the trust fund recipient/executing agency is fully accountable to the donor on the funds' usage. The trust fund's objectives and the third party's fiduciary framework must be acceptable to the Bank, which undertakes to provide the donor limited reporting on the holding, investment, and transfer of the funds.

**Interest rate subsidy:**

A subsidy for reduction of the interest rate of a loan, based on grants.

**Multi-donor trust fund\*:**

A mechanism which combines the contributions of multiple donors, generally for a program of activities over a number of years. This arrangement includes essentially standard legal agreements with all donors, which specify governance procedures covering management, operational and financial reporting, and uses of the funds.

**Risk capital:**

Revolving instrument using grants to support high-risk activities, such as investment in equity funds, loans in local currencies, direct participation in companies, etc.

**Single-donor trust fund:**

A fund financed by a single donor and administered by the World Bank to support development-related activities or programs.

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<sup>1</sup> This list aims at providing operational definitions of key terms used in the report. Some have been established by the evaluation team, some other, marked by a star, come from the World Bank 2006 Trust Funds Annual Report.

**Static visibility:**

Visibility material such as stickers, flags, signs and other visible indications of donor's presence in activities or programs.

**Trust fund\*:**

A fund established to be administered by the World Bank with contributions from one or more donors to support development-related activities or programs. A trust fund can be country-specific, regional or global in scope. It can finance recipient activities, Bank activities, partnership activities, or a combination of these. It can be set up as a programmatic fund to cover a series of activities, or on a free-standing, single-purpose basis. A trust fund may be executed by either a recipient agency external to the Bank, or by the Bank itself.

**Trustee:**

A person or institution to whom a resource is legally committed to be administered for the benefit of the beneficiary.

# Executive Summary

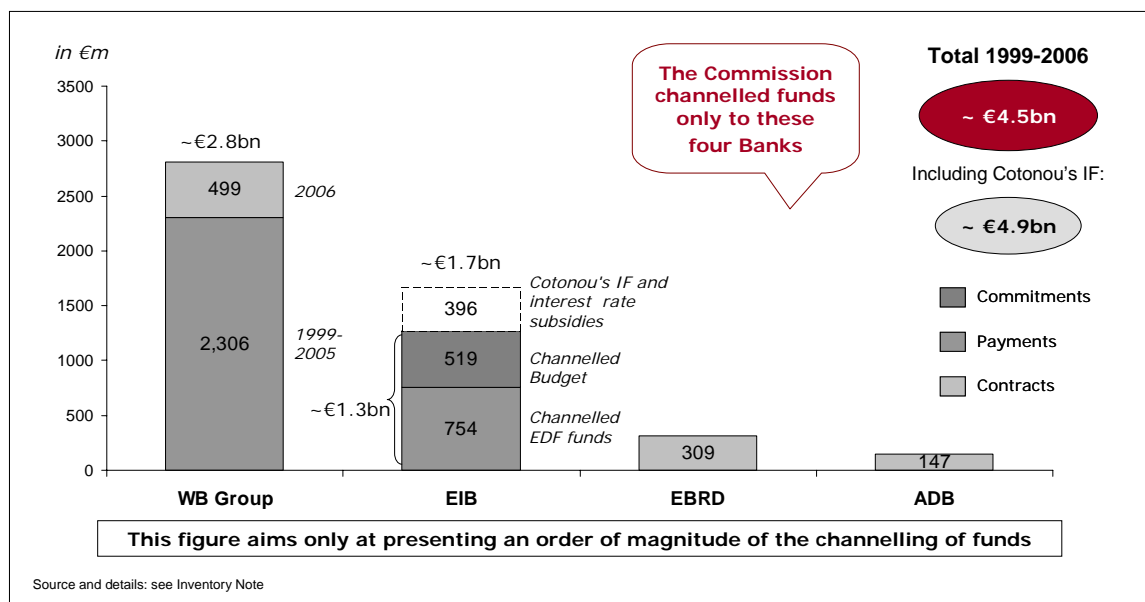
## 1. Subject, Objectives and Scope of the Evaluation

This evaluation commissioned by the European Commission aims at providing an overall independent assessment of its aid delivery through Development Banks and the EIB during the period 1999-2006. It concerns financial flows or “channelling” from the Commission to the aforementioned institutions and covers all geographical areas where such aid delivery took place, except for OECD countries and countries within the mandate of Directorate General Enlargement. It focuses on the funding provided by the Commission’s Directorate General for External Relations (DG RELEX), Directorate General for Development (DG DEV), and EuropeAid Co-operation Office (AIDCO) to the World Bank (WB) and the European Investment Bank (EIB).

## 2. Context of the Evaluation

An in-depth inventory and typology conducted by the evaluation team at the start of the evaluation showed that channelled funds amounted during the period 1999-2006 to €4.5bn and related mainly to the WB and the EIB.

**Figure 1 – Funds channelled by the Commission through Development Banks and EIB, 1999-2006 – Overview**

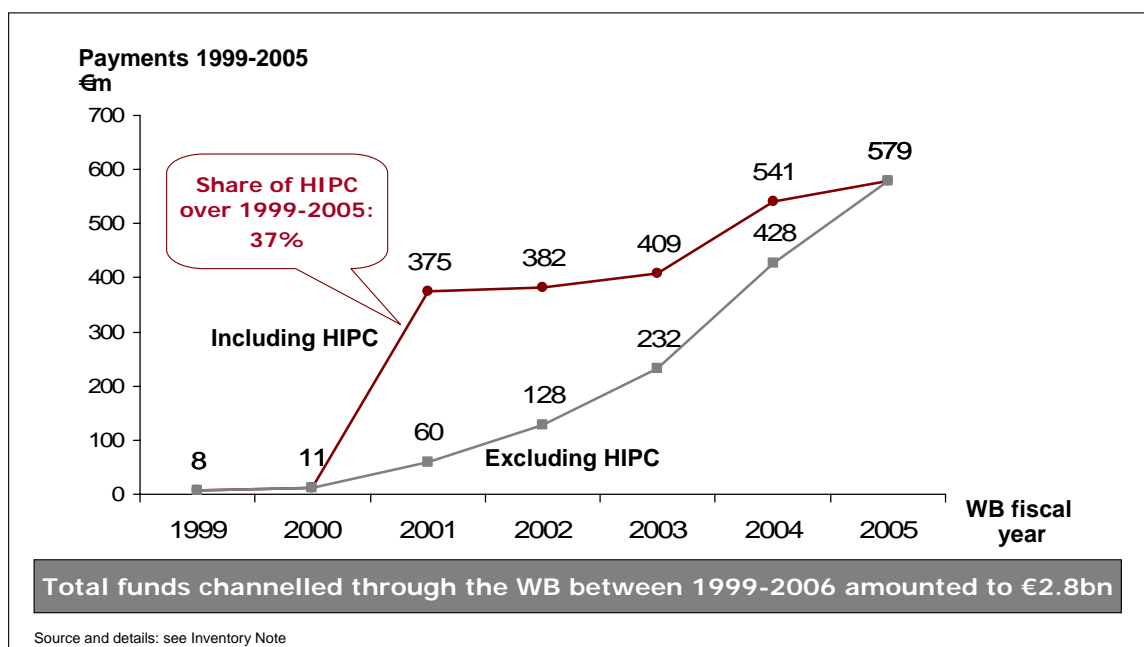


This channelling of funds, especially through the WB, took place within a wider context of a rethinking of development priorities and modalities, notably with *inter alia* the Millennium Declaration (2000) and the Paris Declaration on Aid Effectiveness (2005). An important step for such cooperation with the WB was the signature in 2001 of a *Trust Funds and*

*Co-financing Framework Agreement (FA)*. For the EIB the channelling was organised on the basis of long-term EU cooperation agreements.

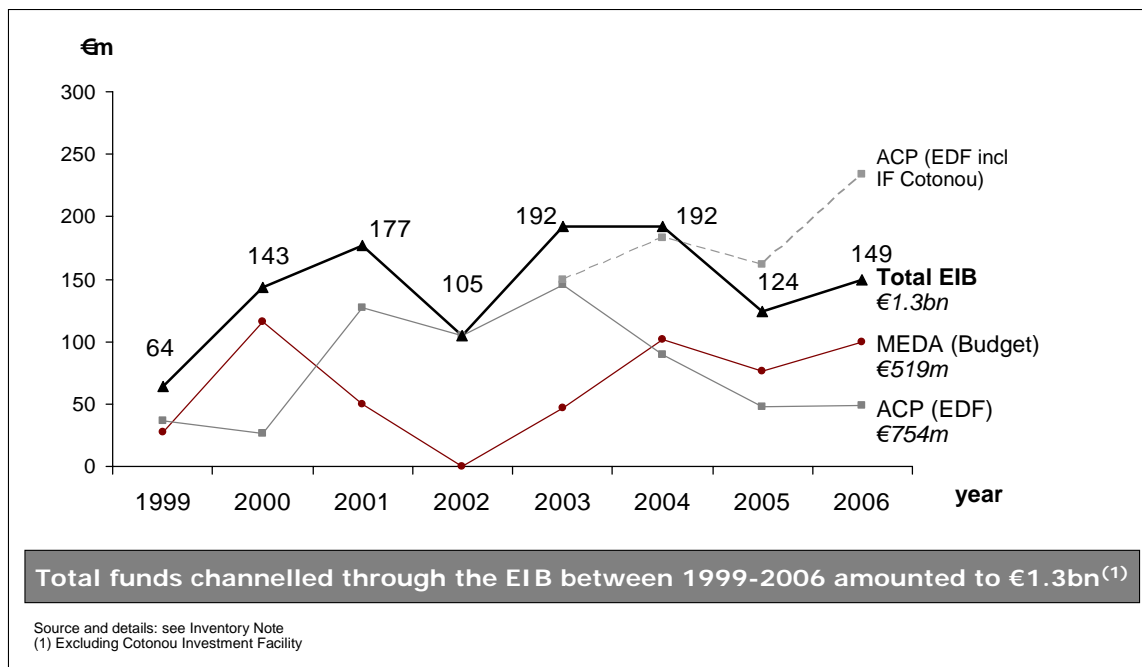
The European Commission (hereafter referred to as the Commission) contributions to the WB have strongly increased since 2001, reaching a level of €500m in 2006 or 8% of total RELEX-DEV-AIDCO aid. The contributions went exclusively to 83 WB administered Trust Funds (TFs), of which the seven largest absorbed until 2005 about 84% of the funding. They related mainly to debt relief, global initiatives notably in the health and agricultural sectors, large reconstruction interventions in countries such as Iraq and Afghanistan, but also to several smaller interventions involving the Commission as the sole donor (Single-Donor Trust Funds).

**Figure 2 – Trend in Commission funds channelled through the WB, 1999-2005**



Funds channelled through the EIB exhibited a more irregular trend over the years, but reached a level of €150m in 2006 or 2% of total RELEX-DEV-AIDCO aid. This activity concerned the Africa, Caribbean and Pacific (ACP) and Mediterranean (MEDA) regions, with interventions in risk capital and debt relief for the ACP, and technical assistance, risk capital and interest rate subsidies in the MEDA region.

**Figure 3 – Trends in channelling of Commission funds through the EIB, 1999-2006**



#### 4. Methodology and challenges

The evaluation was innovative as it aimed at assessing the use of an aid delivery modality and accordingly needed to focus both on the Commission's objectives in terms of aid delivery and on its objectives in doing so through another institution. The approach followed was based on the methodology and tools recommended by the Joint Evaluation Unit of RELEX-DEV-AIDCO.

The evaluation was conducted in three main phases:

- a desk phase, which served to provide a detailed inventory and typology of the funds channelled; to set out the methodological framework; to conduct a documentary study; and to conduct a Survey of Commission task managers;
- a field phase including visits to EIB and WB Headquarters (HQs) and three focused country missions;
- a synthesis phase to cross-check and analyse information collected from different sources (482 documents, 105 interviews, 45 Survey responses, 21 Result-Oriented Monitoring reports).

The evaluation was confronted with the following main challenges:

- Availability of information within the Commission on channelling was limited; accordingly an inventory and typology of channelled funds were prepared by the evaluation team.

- The aim was to evaluate an aid delivery *modality*, which was tackled through the reconstruction of a two-dimensional intervention logic and a consultative approach with the WB and EIB.
- The scope was wide and complex, involving two different institutions and a range of sectors covered, instruments used, and geographical intervention zones. This challenge was tackled by combining different data collection tools and analytical methods, allowing broad coverage of the prescribed scope of the study.

## 5. Main conclusions

### *Rationale and evolution*

During recent years, the Commission has channelled a substantial share of its aid delivery through the WB and the EIB. **These institutions have not been used interchangeably.** For the EIB the focus was on specific banking functions (notably for providing financial instruments), while recourse was made to the WB for broader development issues. The strategic grounds were also different: channelling **through the EIB was grounded in strategic EU cooperation agreements**, whereas channelling **through the WB was undertaken on a case-by-case basis** rather than being grounded in any specific documented Commission strategy.

### *Added value and effectiveness*

Channelling of Commission funds through the WB and the EIB brought about **accrual of added value to the different parties concerned.** For instance channelling through the WB allowed the Commission to intervene in global initiatives or whenever direct cooperation was interrupted for one reason or another. By doing so it could promote harmonisation and alignment and provide access to specific WB expertise, but also facilitate absorption of its funds. Channelling through the EIB allowed the Commission and partner countries to benefit from specific EIB expertise, while retaining a common European approach. **Tangible results were achieved for the majority of funds channelled** through both institutions, **but results were mixed for small or medium Commission contributions to WB TFs, particularly single-donor TFs.**

### *Implementation and follow-up*

The **Framework Agreement** with the WB for managing the operational dimension of the channelling of funds **proved useful, but difficulties remained when agreements on individual contributions needed to be concluded.**

Difficulties were also observed in terms of follow-up. Indeed, the **organisational set-up within the Commission was not commensurate** with the importance channelling of funds had acquired over the years. **In practice it did not allow the Commission to have readily-available and sound knowledge of the Commission's aid delivery through the WB and the EIB.**

### *Visibility*

When channelling funds through both the WB and the EIB, **the Commission's visibility remained high at country level, but was lower at a more general level.** In channelling through the WB the high visibility was due mainly to the Commission's participation in coordination mechanisms, while in its interventions through the EIB it was more linked to the fact that both institutions were pursuing a common EU visibility. The lack of visibility at a more general level was in both cases explained by the limited number of initiatives taken in this respect.

## **6. Main recommendations**

### *Strategy and framework*

The Commission should explicitly define the strategy it is following when channelling funds through other organisations. It should explain for each organisation the objectives pursued, its specific characteristics, and the expected added value. It is also essential to **clarify the extent to which the channelling of funds through a specific organisation should be based on a case-by-case approach or rather on longer-term partnerships.** In addition, measures should be taken to **facilitate conclusion of specific Administration Agreements** for Commission contributions to WB TFs (for instance through training of staff, simplification of decision circuits, etc.).

### *Organisational set-up within the Commission*

It is also essential that **the Commission adjusts its organisational set-up** so as to **ensure that sound knowledge of the channelling of funds through the WB and EIB is readily available to its staff** on a centralised basis. This includes ensuring that adequate information systems are in place, that the required institutional memory exists, that sufficient human resources are available, and that information is centralised at HQ level.

### *Management with a view to improving efficiency and effectiveness*

With a view to improving the management of the Commission contributions, it is recommended that the Commission should **provide a simple written guidance document to aid decision-making by its task managers** whenever they envisage channelling of funds. This document should refer to the general strategy, and to lessons learned from channelling through different organisations.

**Avoid channelling through WB single-donor TFs** as far as possible, given the difficulties encountered in that regard.

### *Visibility*

To ensure the widest possible awareness of the Commission's aid delivery through the WB and the EIB, **focus efforts on the visibility of the Commission's cooperation with those organisations, both at intervention level and at a more general level.** At the level of individual TFs, this implies in the case of the WB the development of a comprehensive communications strategy and active participation in TF coordination mechanisms, while however respecting the principles of the Paris Declaration. These initiatives should also be integrated into a wider communications plan.



# 1. Evaluation objectives, scope and context

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This evaluation is part of the 2006 evaluation programme approved by the External Relations Commissioners and commissioned by the Joint Evaluation Unit common to the Commission's Directorates-General (DGs) for External Relations and Development and the EuropeAid Cooperation Office (hereafter referred to respectively as RELEX, DEV and AIDCO).

The evaluation report is structured in five sections, as required by the Terms of Reference:

- section 1 provides a brief overview of the evaluation objectives, the scope covered, and the subject of the evaluation;
- section 2 presents the main features of the methodology applied and the challenges and limits of the evaluation;
- section 3 provides the answers to the seven evaluation questions. For each question a self-standing summary box with the answer is proposed;
- section 4 presents, on the basis of the findings and analysis of section 3 an overall assessment, and the conclusions of the evaluation;
- section 5 presents the recommendations.

## 1.1 Evaluation objectives and scope

The purpose of the evaluation according to the Terms of Reference (ToR) is “to assess to what extent the Commission's interventions through the Development Banks and the EIB have been relevant, efficient, effective and visible and what their impact is on the sustainable development”.

**Diagram 1.1 – Scope of the evaluation**

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

The scope of this evaluation was the channelling of funds through the World Bank (WB) and the European Investment Bank (EIB) during the period 1999–2006<sup>2</sup>. The evaluation covers all funds managed by RELEX, DEV and AIDCO in all geographical regions where

<sup>2</sup> The first stage of the evaluation (the inventory and typology channelled through all Development Banks and the EIB) showed that Commission funding was provided mainly by RELEX, DEV and AIDCO and to the WB and the EIB. It was therefore decided to cover only these DGs and the WB and EIB during the next stages of the evaluation. It was further decided not to include the Cotonou Investment Facility, as funding for this facility is transferred direct from the EU Member States (EU MS) to the EIB, without transiting through the Commission.

the Commission's co-operation was implemented through Development Banks and the EIB, except for regions and countries within the mandate of DG Enlargement and of the Organisation for Economic Co-operation and Development (OECD). "Channelling of funds" refers to financial flows direct from the Commission to the aforementioned institutions.

**This evaluation assesses the Commission's channelling of funds through the WB and through the EIB. It does not seek to compare the WB and EIB in this respect, nor to evaluate the activities of these institutions as such.**

## 1.2 Overall framework of the cooperation

A separate "Inventory Note"<sup>3</sup> describes the general context of the Commission's channelling of funds through the Development Banks and EIB, as well as the legal and administrative frameworks for the cooperation. The present section summarises the main elements of the overall framework of the cooperation.

### WB

Direct Commission funding through WB interventions was exceptional in the past, but increased strongly from 2001 (*see figure 1.3 below*). This increase took place in the context of a rethinking of development priorities and modalities which started with the Millennium Declaration (2000) including the Millennium Development Goals (MDGs), followed by several other events including the Paris Declaration on Aid Effectiveness (2005), the European Consensus on Development (2005), and the United Nations Millennium Review Summit (2005).<sup>4</sup>

In this context, the Commission issued a number of Communications, two for strengthening cooperation with the United Nations: COM(2001) 231 and COM(2003) 526<sup>5</sup>. However this communication mainly concerned the UN family, although in a footnote the latter referred to the Bretton Woods Institutions (BWI, i.e. WB and IMF) as part of the UN family.

The Commission and the WB Group<sup>6</sup> also signed in 2001 a *Trust Funds and Co-Financing Framework Agreement* (FA), slightly revised in 2003. This FA addressed the operational aspects of co-operation between these two large organisations. It applied to all types of funding channelled through the WB Group, which consisted essentially of contributions to

<sup>3</sup> Although this Inventory Note is a separate document, it forms an integral part of the deliverables of this evaluation.

<sup>4</sup> Other important events in this perspective were: the Monterrey Conference on Financing for Development (2002), the World Summit on Sustainable Development in Johannesburg (2002), the Good Humanitarian Donorship (GHD) in Stockholm (2003).

<sup>5</sup> European Commission. 2003. *COM(2003) 526 Final, The European Union and the United Nations: The choice of multilateralism*, Communication to the Council and the European Parliament in September 2003.

<sup>6</sup> The WB Group is composed of the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the Multilateral Investment Guarantee Agency (MIGA), the International Finance Corporation (IFC), and the International Centre for Settlement of Investment Disputes (ICSID). Most TFs to which the Commission contributed were administered by the IBRD or IDA, with payments typically made to IBRD accounts. When mentioning "the World Bank" in this evaluation, it generally refers to the WB Group entities, notably the IBRD and IDA.

multi-donor or single-donor Trust Funds (TFs) administered by the WB. The FA also included a template to be used for signing specific Administration Agreements (AA) between the Commission and the relevant World Bank Group entity for each contribution to a WB TF. The FA was complemented in June 2006 by an interpretative letter aimed at clarifying the scope of visibility clauses.

Besides the agreements relating to channelling of funds, several Memoranda of Understanding (MoU) were concluded during the same period with a view to strengthen cooperation in certain regions. They involved several international (financial) institutions including the Commission and the WB. Joint high-level initiatives were also organised, such as the so-called Limelette Process (annual workshops with the Africa region and EU MS) and the annual visit of European Executive Directors from the WB to the European Institutions in Brussels.

## EIB

The Commission is closely linked with the EIB, which is the EU's financing institution. For decades the Commission provided funding through the EIB for specific EIB-managed instruments. This took place in the context of major regional cooperation agreements between the then European Community (including the Commission and the EIB) and the Mediterranean or ACP countries.

As regards the **Mediterranean** countries, the EIB has been active since the 1970s as part of the cooperation agreements between the EU and the individual countries of the region. In 1992 the Commission signed a Convention with the EIB, mainly concerning provision of risk capital operations and interest rate subsidies in Mediterranean countries<sup>7</sup>. In 1995, the Barcelona process gave a new impetus to EU cooperation with the Mediterranean region. In 1997 the individual EIB mandates were replaced by a general mandate for the region, the EUROMED mandate, focusing on infrastructure and private sector development. At the Barcelona European Council on March 15, 2002, the Council decided to establish the Facility for Euro-Mediterranean Investment and Partnership (FEMIP), with the overall objective of stimulating private sector development in the Mediterranean Partner Countries, and thereby facilitating higher economic growth consistent with the growth of the labour force in the region. Since then all EIB activities in the region have taken place under the FEMIP umbrella. The FEMIP Support Fund was set up in 2003 for funding technical assistance (TA) operations linked to EIB loans.

For the **ACP** countries the funds channelled by the Commission through the EIB fell within the Lomé Convention, which set out the principles and objectives of EU<sup>8</sup> cooperation with ACP countries through a combination of aid, trade and political aspects. The resources channelled were the European Development Funds (EDF), the 7<sup>th</sup> EDF (1990-1995, Lomé IV) and the 8<sup>th</sup> EDF (1995-2000, Lomé IV bis). The Lomé Convention was followed in 2000 by the Cotonou Agreement (9<sup>th</sup> EDF, 2000-2007) and the revised Cotonou Agreement (10<sup>th</sup> EDF, 2008-2013). As mentioned above, under the Cotonou

<sup>7</sup> The "Convention between the European Commission and the EIB regarding the management of financial aid granted within the framework of financial protocols with Mediterranean third countries and of horizontal cooperation related to all those countries", 1992.

<sup>8</sup> « European Community » at the time.

Agreements the EU MS transfer their funds direct to the EIB; these funds do not transit through the Commission. The resources from the Lomé IV financial protocols were mainly transferred to the EIB's Risk Capital Facility, the predecessor of the Cotonou Investment Facility. These EDF funds were managed and disbursed by the Commission to the EIB on a project-by-project basis depending on need and degree of advancement. Moreover a Convention was signed in 2000 between the Commission and the EIB on debt relief initiatives.

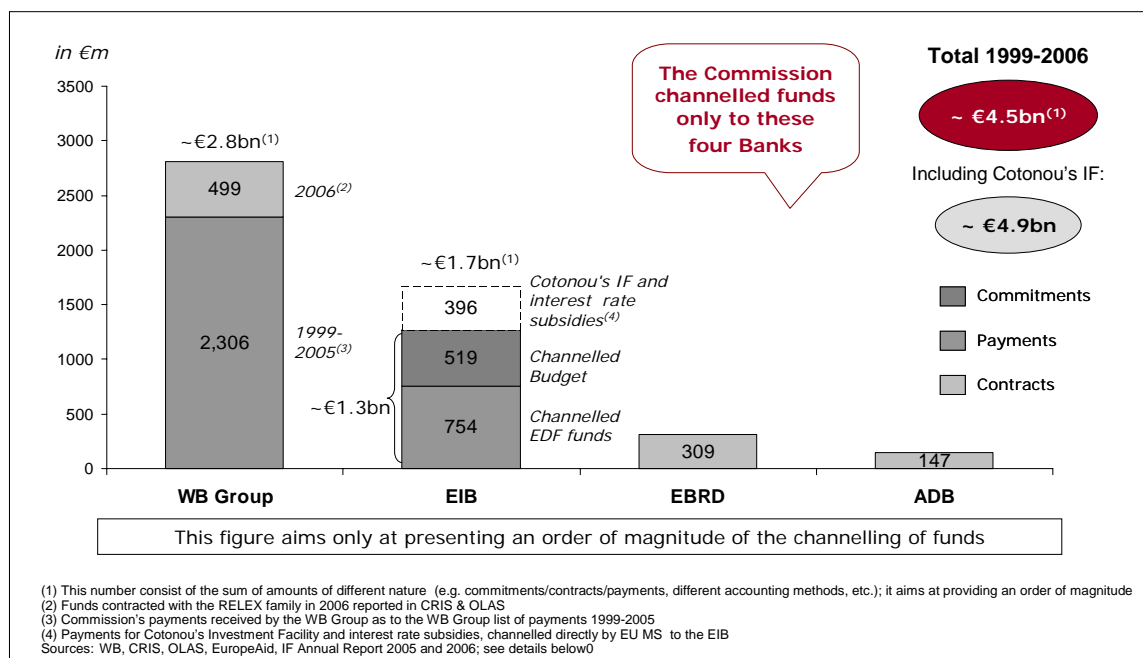
### 1.3 Inventory of funds channelled

The above-mentioned Inventory Note provided as a first output of the evaluation a detailed **inventory and typology** of the funds channelled through the Development Banks and the EIB. No such overview was available prior to the start of the evaluation. It provides the most complete overview and typology to date of Commission interventions conducted *via* these institutions. A summary is provided here, presenting an overview of (i) funding overall through the different Banks; (ii) funding through the WB; and (iii) funding through the EIB.

#### Overall

A total of €4.5bn aid for third countries was channelled through Development Banks by the Commission over the evaluation period, as shown in the figure below.

**Figure 1.1 – Funds channelled by the Commission through Development Banks and EIB, 1999-2006 – Overview**



The amounts of funds channelled by the Commission through the WB and the EIB have evolved over the years (*see table below*), in 2006 reaching levels of €500m for the WB and €150m for the EIB. These amounts represented respectively around 8% and 2% of total RELEX-DEV-AIDCO aid.

**Table 1.1 – Evolution of the Commission's funds channelled through the WB and the EIB compared with the total Commission's aid, 2001-2006**

<i>in € millions</i>	2001	2002	2003	2004	2005	2006
Total Commission external aid -commitments <sup>1</sup>	9,729	10,206	12,192	9,888	11,364	12,124
Total Commission external aid -payments <sup>1</sup>	n.a	7,904	8,951	10,203	10,702	10,439
Total RELEX-DEV-AIDCO aid -commitments <sup>1</sup>	n.a	6,001	7,841	7,052	7,662	7,801
Total RELEX-DEV-AIDCO aid -payments <sup>1</sup>	n.a	5,589	5,894	6,319	6,369	6,612
Commission aid channelled through the WB <sup>2</sup>	370	380	410	540	580	500
Commission aid channelled through the EIB <sup>3</sup>	120	105	192	192	124	149
Commission aid channelled through WB and EIB	490	485	602	732	704	649
Share of channelled funds through WB over total RELEX-DEV-AIDCO aid payments	n.a	6.8%	7.0%	8.5%	9.1%	7.6%
Share of channelled funds through EIB over total RELEX-DEV-AIDCO aid payments	n.a	1.9%	3.3%	3.0%	1.9%	2.2%
Share of channelled funds through WB and EIB over total RELEX-DEV-AIDCO aid payments	n.a	8.7%	10.2%	11.6%	11.1%	9.8%

(1) Source: Annual Reports on the European Community Development policy and implementation of external aid, 2003-2007

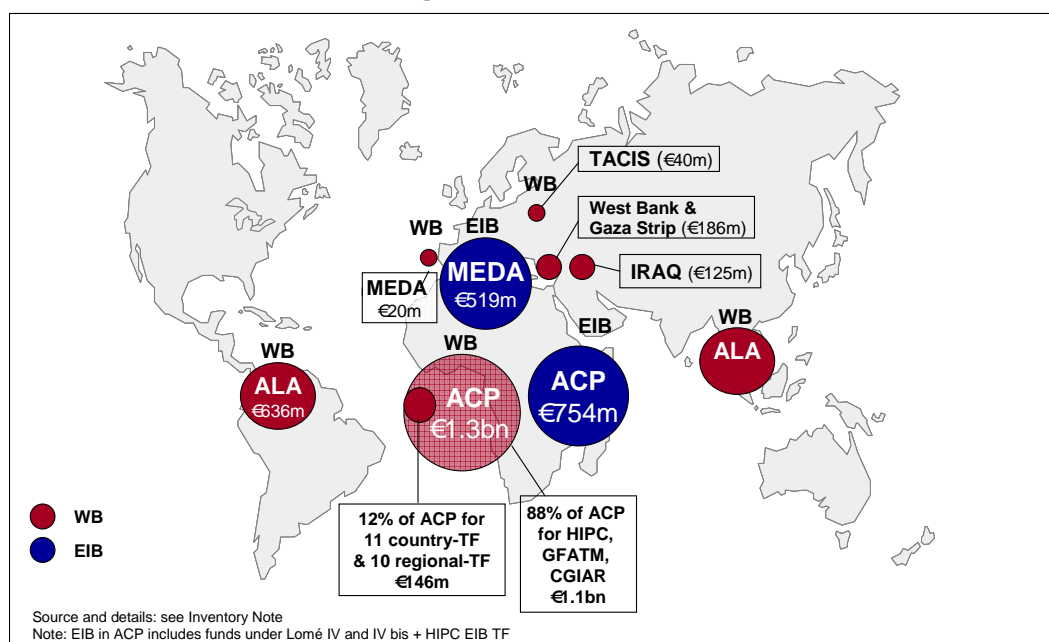
(2) Payments received by the WB from the Commission for 1999-2005; contracts for 2006 as reported in CRIS & OLAS

(3) Commitments from Commission Budget + EDF payments excl. Colono's Investment Facility

Sources: see Inventory Note. These figures aim at presenting an idea of the order of magnitude of the channelling of funds

In the case of the EIB, funds were channelled by the Commission exclusively to MEDA and ACP countries (see figure 1.2 below). In the case of the WB, funds were channelled to all regions but essentially to country-level TFs in the Asia and Latin America region (ALA), in addition to specific TFs for Iraq and the West Bank & Gaza Strip (WB&GS). Resources through the WB for ACP countries were also substantial but concerned essentially global initiatives (Highly Indebted Poor Countries TF (HIPC), Global Fund for tuberculosis, AIDS and malaria (GFATM), Consultative Group on International Agricultural Research (CGIAR) rather than regional or country-level TFs in the ACP area.

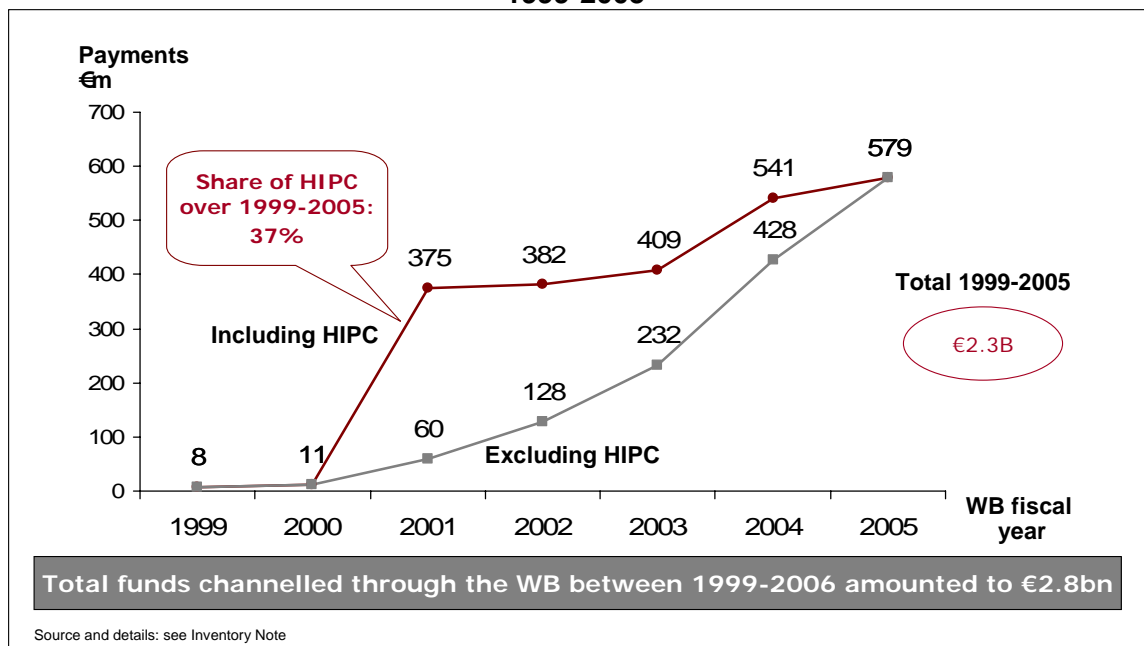
**Figure 1.2 – Geographical coverage of funds channelled by the Commission through the WB and EIB**



**WB**

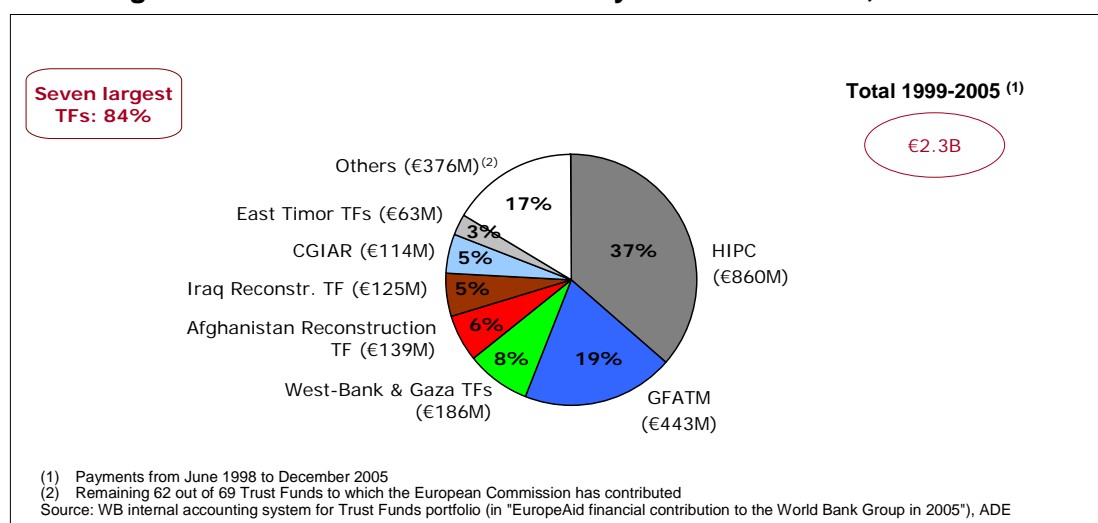
Funds channelled by the Commission through the WB TFs amounted to **€2.8bn** over the **evaluation period 1999-2006**<sup>9</sup>. It concerned contributions both from the Commission Budget and from the European Development Funds (EDF) based on EU MS resources. The graph below shows the trend in payments from 1999 to 2005.

**Figure 1.3 – Evolution of the Commission’s funds channelled through the WB, 1999-2005**



This concerned 83 Trust Funds administered by the WB. As shown in the graph below, 84% of this funding related to seven contributions, concerning debt relief (HIPC), global initiatives to fight Aids, tuberculosis and malaria (GFATM), agricultural research (CGIAR), and large reconstruction programmes (in the West Bank & Gaza Strip, Afghanistan, Iraq, and Timor-Leste - formerly East Timor). In 2006 a further €136m was committed to reconstruction following the Indian Ocean tsunami.

**Figure 1.4 – WB TFs’ contributions by the Commission, 1999-2005**

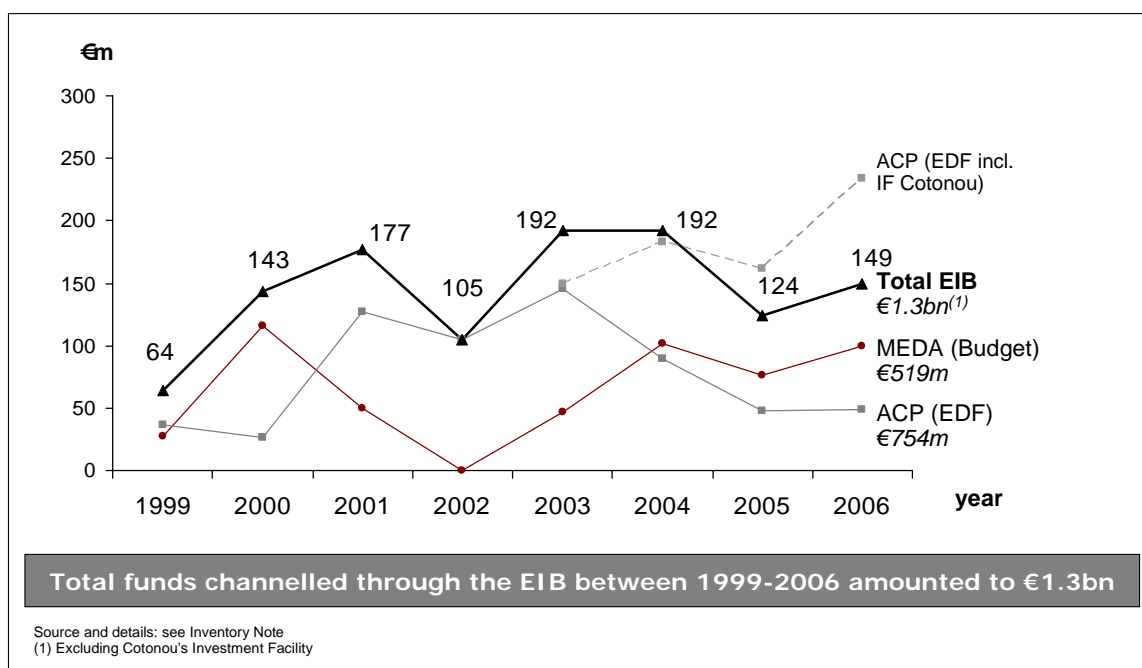


<sup>9</sup> Including €499m committed in 2006 as reported in the Commission’s databases CRIS & OLAS.

## EIB

Funds channelled by the Commission through the EIB amounted to **€1.3bn over the evaluation period 1999-2006**. For MEDA countries it consisted of €519m from the Commission's Budget for risk capital operations, interest rate subsidies on EIB loans, and TA on EIB loans. For ACP countries it consisted of €754m from the EDF (that is EU MS resources managed by the Commission) used for risk capital operations and debt relief through the HIPC EIB TF. The figure below shows the trend from 1999 to 2006<sup>10</sup>, which is rather irregular in terms of total contributions.

**Figure 1.5 – Evolution of the Commission's funds channelled through the EIB, 1999-2006**



<sup>10</sup> It also shows payments to the Cotonou Investment Facility (IF) and for interest rate subsidies, albeit channelled direct by the EU MS to the EIB, in order to provide an idea of the trend in EDF funding through the EIB which followed the Lomé IV financial protocols.



## 2. Evaluation Methodology

The evaluation employs a carefully-designed approach. The methodology and tools used were in accordance with the guidelines and toolbox of the Joint Evaluation Unit<sup>11</sup>.

This evaluation was innovative in that it was evaluating an *aid delivery modality*, consisting of delivering aid through other agencies, in this case Development Banks and the EIB. The requirement was to examine the degree of achievement of the Commission's objectives in terms of development aid, but also – and indeed foremost – the *process* of channelling aid funds through Banks. This challenge was addressed by specific measures, as detailed below.

A separate volume of this report (Volume IIb on Evaluation Methodology) details the methodological aspects and approaches used for the evaluation. It is composed of:

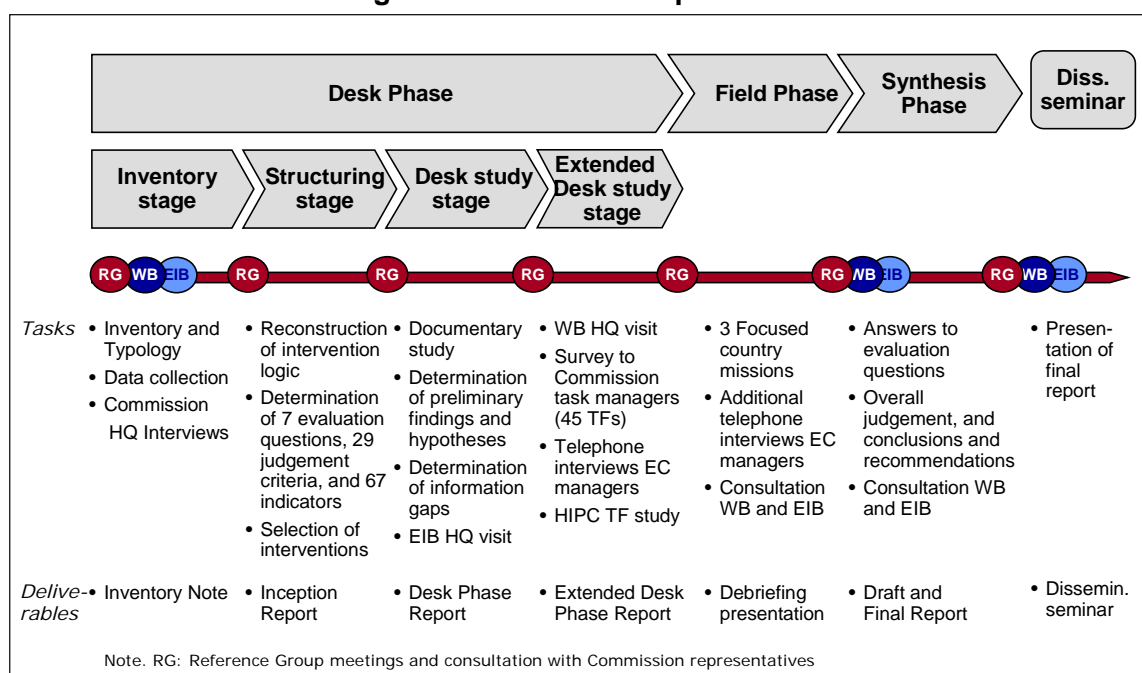
- Annex 11 – Evaluation methodological approach;
- Annex 12 – Evaluation tools and checklist.

The present section provides a summarised overview of the applied methodology.

### 2.1 Evaluation process and structure

The **evaluation process** was structured in different phases. Figure 2.1 below provides an overview of these phases, specifying for each the activities carried out and the deliverables produced. The evaluation was supervised by the Joint Evaluation Unit. The progress of the evaluation was closely followed and validated by a Reference Group (RG) consisting of members of the Commission's DGs RELEX, DEV, AIDCO, and ECFIN, and chaired by the Joint Evaluation Unit. In addition, consultative meetings were organised with the WB and EIB at key stages of the evaluation process, as described below in Section 2.2.

**Figure 2.1 – Evaluation process**

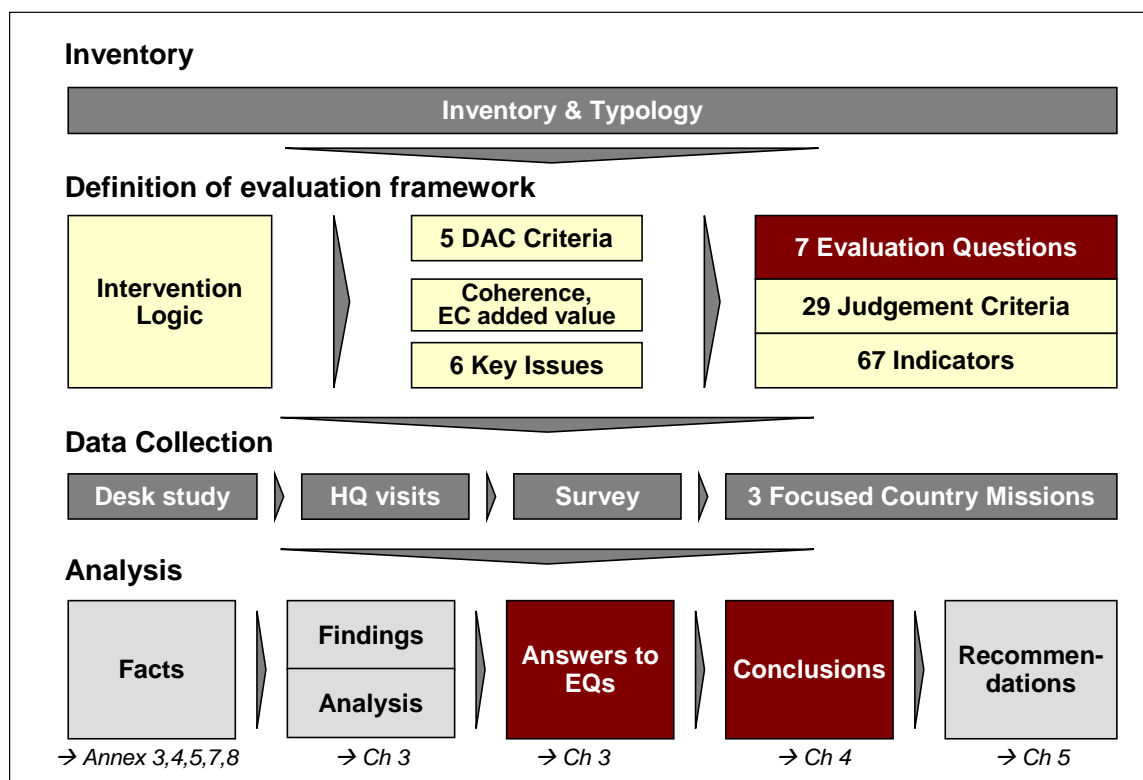


<sup>11</sup> The overall approach to this evaluation was defined in the ToR. It was further specified in the evaluators' Launch Note, and also partially revised after the desk phase, notably in respect of undertaking a Survey and focused country missions (see Annex 1).

## 2.2 Evaluation approach and information sources

### 2.2.1 A structured approach

Diagram 2.1 – Structured Evaluation Approach



As shown in the diagram above, the evaluation consisted of structured stages aiming at providing sound evidence-based answers to the Evaluation Questions, and useful conclusions and recommendations. The main elements can be summarized as follows:

- The first step aimed at obtaining a comprehensive overview of the subject of the evaluation. To this end a **detailed inventory and typology** of funds channelled through Development Banks and the EIB was constructed.
- The second step aimed at defining precisely the issues to be investigated as well as the manner in which they needed to be tackled. This was based on two elements, constituting the basis for the **evaluation framework**. First a reconstruction of the objectives the Commission pursued through its channelling of funds and, second, the identification of targeted evaluation questions on this basis. The exact data to be collected for answering the evaluation questions was also predefined by specifying the judgement criteria and indicators on which answers to the evaluation questions would be based.

- The third step consisted in the **data collection** as such, which took place through four stages:
  - first **desk study** was undertaken, based on document and data analysis, as well as interviews at EC headquarters;
  - **headquarters visits** were also undertaken to the WB and EIB;
  - then, an extensive **Survey** among Commission task managers was organised (complemented by telephone interviews with respondents), with targeted questions building on the preliminary findings and hypotheses from desk study and headquarters visit;
  - finally, three **focused country missions** were organised to fill remaining information gaps and test preliminary findings and hypotheses from previous stages with experience at country-level.
- The last step was dedicated to the **analysis** of the data collected with a view to construct answers to the evaluation questions. For each evaluation question, the team constructed balanced answers using the building stones that are the indicators and judgement criteria. Information from mainly document analyses, the Survey and interviews conducted at different levels were combined and cross-checked; this served as basis for developing the argumentation. The findings obtained in this manner were tested on their factual accuracy with representatives of the Commission, the EIB, and the WB. On that basis conclusions and recommendations were formulated and an overall assessment provided.

The factual information on which the evaluation is based is provided into detail in the following documents:

- Annex 3 – Description Fiches for the selection of interventions;
- Annex 4 – Data Collection Grid for the selection of interventions;
- Annex 5 – Study of the EC contribution to the HIPC Initiative;
- Annex 7 – Survey results;
- Annex 8 – Country missions' debriefing presentations;
- Inventory Note;

## 2.2.2 Detailed description of the different building stones of the evaluation

### *Inventory*

As mentioned above, the evaluation started with an in-depth inventory of the funds channelled through Development Banks and the EIB in order to gain an understanding of the funding being evaluated. The resulting Inventory Note provided a detailed inventory and typology of these funds and is a separate output of the evaluation.

### *Definition of the evaluation framework*

The backbone of the evaluation consisted of a reconstructed intervention logic aimed at determining the objectives pursued by the Commission when delivering aid through the WB and the EIB (*shown in Chapter 3*). As this evaluation concerned an *aid delivery modality*, the evaluation team reconstructed a **two-dimensional intervention logic**, with objectives in terms of delivery of aid to beneficiaries and in terms of cooperation with the WB and EIB (*see below*). This intervention logic also helped define a set of Evaluation Questions (EQs), further structured with the aid of a set of Judgement Criteria (JC) and Indicators (*see Annex 2*). The table below provides for each question the theme to which it relates.

**Table 2.1 – Evaluation Questions<sup>12</sup>**

EQ 1	Guiding Criteria
EQ 2	Scaling-up
EQ 3	Results/Impact
EQ 4	Specific Expertise
EQ 5	Cost Reduction & Implementation
EQ 6	Visibility
EQ 7	Coordination & Complementarity

The EQs also addressed the five **evaluation criteria** (**relevance, efficiency, effectiveness, impact and sustainability**) of the Development Assistance Committee (DAC) of the OECD, along with **coherence**<sup>13</sup> and **EC added value**. They also addressed a number of **key issues** of particular importance for this evaluation, as detailed in Annex 11. These linkages are illustrated in the table below.

**Table 2.2 – Coverage of the DAC evaluation criteria, coherence, EC added value, and Key Issues by the Evaluation Questions**

<i>DAC evaluation criteria</i>	EQ1 Guiding Criteria	EQ2 Scaling-Up	EQ3 Results & Impact	EQ4 Expertise	EQ5 Implement. & Cost Red.	EQ6 Visibility	EQ7 Coordin. & Complem.	All EQs
Relevance	■			■			□	■
Effectiveness		■	■	□	■			■
Efficiency			□		■		□	■
Impact		■	■					■
Sustainability			■					■
<i>Coherence, EC added value</i>								
Coherence	□				□			■
EC added value		■	■		■		■	■
<i>Key issues</i>								
KI.1 Evolution	■							■
KI.2 Accountability			■		■	■		■
KI.3 Visibility		□				■		■
KI.4 Added Value		■	■	■	■	■		■
KI.5 Management			■					■
KI.6 Financial Instruments		□		■				■

■ Largely covered      □ Tackled

<sup>12</sup> See Annex 2 for more details.

<sup>13</sup> Defined as “the extent to which the intervention logic is not contradictory / the intervention does not contradict other intervention with similar objectives”.

### Data collection

Data was collected and cross-checked *via* a number of information sources and employing several evaluation tools<sup>14</sup> (as described above under 2.2.1). The table below provides an overview of the different sources and tools used; indication is thereby provided of the funding covered by each source and tool, through both the WB and the EIB.

**Table 2.3 – Indicative coverage of funding by the evaluation approach<sup>15</sup>**

Elements of evaluation approach	WB		EIB	
	# TFs	€	Instruments <sup>16</sup>	€
<b>Inventory and Typology</b> (of Total funding)	83 TFs	€2.8bn	IS, TA, RC, Debt	€1.3bn
<b>Desk study</b> on selection of interventions (including specific study on HIPC)	14 TFs	€2.2bn	IS, TA, RC, Debt	€1.0bn
<b>Survey on WB TFs</b> (to Commission task managers)	45 TFs	€2.2bn	<i>n.a.</i>	<i>n.a.</i>
<b>Telephone interviews</b> (with task managers of TFs surveyed)	9 TFs	€491m	<i>n.a.</i>	<i>n.a.</i>
<b>Focused country missions</b> (of desk study interventions)	5 TFs	€165m	IS, TA	€62m
<b>Monitoring reports (ROM)</b>	16 TFs	€201m	5 IS	€36m
<b>General study of transversal and strategic-level issues</b>	Overall (482 documents consulted of which 315 used)			
<b>Interviews at Commission, WB and EIB HQ</b>	Overall (105 interviews with 158 persons met)			
<b>Consultation of specific experts</b>	Overall (3 sessions held involving 5 senior experts)			
<b>Consultative approach with EIB and WB</b>	Overall (triple consultation at key stages of evaluation)			

These information sources and evaluation tools are described hereunder:

- **Inventory and Typology:** for the inventory and typology, data collection aimed at being comprehensive and accordingly covered all Development Banks and the EIB.
- **Desk study on a selection of interventions:** seventeen WB and EIB interventions were selected for desk study<sup>17</sup>, with a view to covering a large proportion of the funding (including the eight largest contributions to WB TFs), as well as major types of TF, instrument, region, theme, and so on. For the large contribution to the HIPC Initiative, a specific study was realised<sup>18</sup>. The table below provides an overview of this selection; information regarding these interventions is provided in Annexes 3 and 4.

<sup>14</sup> See Annex 12: Evaluation tools and checklist.

<sup>15</sup> Figures are detailed in the Annexes. These numbers cannot simply be added as they partially cover same interventions. As an example, desk study covered contributions to 14 WB TFs, of which all the largest, for an amount of €2.2bn; the Survey covered 45 TFs, including most but not all the 14 TFs from the desk study, which happened to represent also an amount of €2.2bn (as one relatively large contribution of the desk study was not part of the Survey).

<sup>16</sup> Interest rate subsidies (IS), technical assistance (TA), risk capital operations (RC), debt relief.

<sup>17</sup> The selection at the desk stage consisted of 12 WB and EIB interventions, complemented by a desk study for the additional interventions in the countries visited.

<sup>18</sup> See Annex 5: Study of the EC contribution to the HIPC Initiative.

**Table 2.4 – Selection of interventions for desk study / country mission<sup>19</sup>**

<b>WB/ EIB</b>	<b>Intervention abbreviation</b>	<b>Desk/ Country</b>	<b>Intervention full name</b>	<b>Commission contribution</b>
<b>WB</b>	<b>ARTF</b>	Desk	Afghanistan Reconstruction Trust Fund	€142m
	<b>PFMR</b>	Desk	The Public Financial Management Reform Trust Fund in West-Bank and Gaza	€80m
	<b>TFET</b>	Desk	Trust Fund for East Timor	€55m
	<b>WB ITF</b>	Desk	World Bank Iraq Trust Fund	€120m
	<b>MDF</b>	Desk	Multi-Donor Fund for Aceh and Nias (relating to the Indian Ocean tsunami)	€203m
	<b>CGIAR</b>	Desk	The Consultative Group on International Agricultural Research	€114m
	<b>GFATM</b>	Desk	The Global Fund to fight Aids, Tuberculosis, Malaria	€443m
	<b>HIPC TF</b>	Desk	Highly Indebted Poor Country WB Trust Fund	€934m
	<b>AFLEG</b>	Desk	Support to the Africa Forest Law Enforcement and Governance process	€1m
	<b>PSNP</b>	Desk+ Country	Productive Safety Nets Programme (Ethiopia)	€98m
	<b>PRSC</b>	Desk+ Country	Poverty Reduction Support Credits (Vietnam)	€52m
	<b>PFM</b>	Desk+ Country	Public Financial Management Modernisation in Vietnam	€2m
	<b>HEMA</b>	Desk+ Country	Support to the Health Care Fund for the Poor under the Health Care Support to the Poor in the Northern Uplands and Central Highlands Project (Vietnam)	€11m
<b>TFF/VCF</b>	Desk+ Country	Support to the Vietnam Trust Fund for Forest and Support to the Vietnam Conservation Fund	€3m	
<b>EIB</b>	<b>FEMIP Support Fund</b>	Desk+ Country	The Support Fund for the Facility for Euro-Mediterranean Investment and Partnership	€105m
	<b>Interest rate subsidies MEDA</b>	Desk+ Country	Interest rate subsidies in MEDA countries through the European Investment Bank	€155m
	<b>Risk capital Lomé IV</b>	Desk	Risk capital operations under the Lomé IV Convention through the European Investment Bank	€534m

<sup>19</sup> See description fiches for the selection of interventions in Annex 3 and data collection per indicator in Annex 4.

- **Survey on WB TFs:** *see box below*

### Box 2.1 – Survey on WB TFs

A Survey on WB TFs was organised by the evaluation team to collect the views of Commission staff in charge of follow-up of TFs in HQ and Delegations. It aimed at covering to the maximum extent possible the Commission contributions to WB TFs of all sizes, in all regions, in all sectors, and so on. Commission task managers could be identified for 60 TFs out of the 83 TFs. Responses to the Survey were received for 45 TFs, representing 54% of the 83 TFs and 92% of the funds channelled during the period 1999-2005. Details of the Survey set-up and Survey data can be found respectively in Annexes 6 and 7.

Nine complementary telephone interviews with Survey respondents were organised to further investigate issues related to Survey responses and the overall evaluation.

- **Focused country missions:** Three focused country missions were undertaken, one in Morocco for EIB interventions, and, as recommended by the Commission, in Vietnam and Ethiopia for WB TFs. They allowed completion of information from the desk study and Survey with the experience of Commission staff in the Delegations and stakeholders in the country capitals (national authorities, local WB and EIB staff, WB HQ staff through video-conference, EU MS, other donors, etc.). Extensive briefings and debriefings with Commission Delegations were held during the country missions.
- **Monitoring reports:** A study was undertaken on the available Commission's Results-Oriented Monitoring (ROM) reports on contributions to WB TFs and on interest rate subsidies on EIB loans. It provided information complementary to the other information sources and a number of concrete examples.
- **General study of transverse and strategic-level issues:** nearly 500 documents were consulted for this evaluation, of which more than 300 were used<sup>20</sup>. In addition to intervention-specific documents, key information was identified through a review of transversal assessments and evaluation reports, as well as through a review of a wide array of strategic documents such as Communications, Declarations and Regulations, and legal agreements relating to cooperation between the Commission and the Development Banks and EIB.
- **Interviews at Commission, WB and EIB HQ:** more than a hundred interviews were conducted for this evaluation<sup>21</sup>, notably through headquarters visits, in Brussels for the Commission, in Washington DC for the WB and in Luxembourg for the EIB, in addition to the country mission interviews.
- **Consultation of specific experts:** meetings were organised by the evaluation team at different stages of the process with several experts of particular interest for this evaluation. It consisted notably in meetings with evaluators from the recently completed "*Evaluation of Commission's external cooperation with partner countries through the*

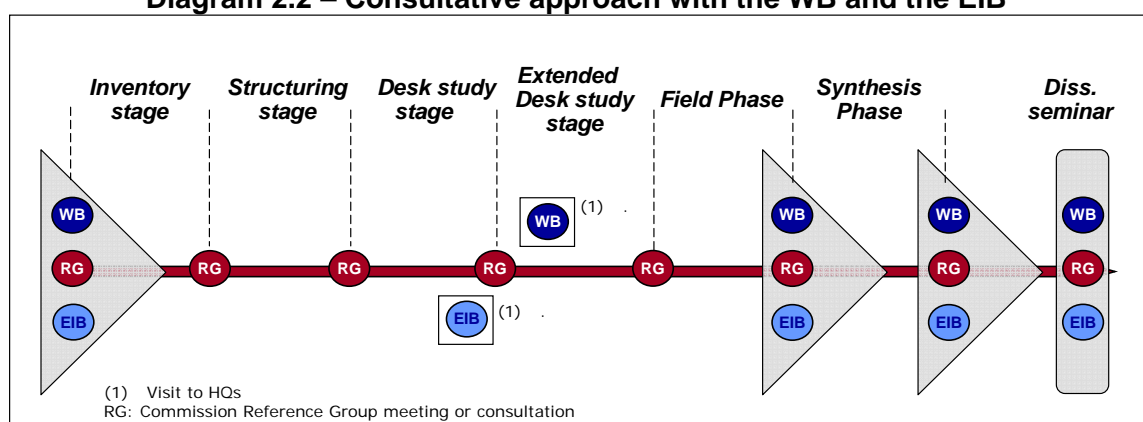
<sup>20</sup> See Annex 10 Bibliography.

<sup>21</sup> See Annex 9 List of persons interviewed.

organisations of the UN family”<sup>22</sup> and from the on-going “Evaluation of the Council Regulation N° 2698/2000 (MEDA II) and its implementation”, both realised by ADE. It allowed cross-fertilisation from various experiences and cross-checking of facts and findings common to those evaluations.

- **Consultative approach with EIB and WB:** in addition to the Commission Services consulted throughout the whole evaluation process, the WB and the EIB were informed and consulted at key moments of the evaluation. This took place essentially at three stages: (i) at the inception of the evaluation exercise; (ii) following the data collection process; and (iii) during preparation of the draft final report. It allowed the team to receive suggestions and insights from the WB and the EIB.

**Diagram 2.2 – Consultative approach with the WB and the EIB**



### 2.3 Challenges and limits

The evaluation was confronted with a number of challenges and limits, some of which derived from its specific characteristics. They related mainly to the following:

- **Limited existing knowledge on the channelling:** The evaluation had an exploratory nature in that there was limited existing knowledge within the Commission on the detailed composition of the financial flows evaluated. Only limited and general information on the Commissions’ channelling of funds through Development Banks and the EIB was available at the start of the evaluation. The characterisation of the subject to be analysed constituted an integral part of the evaluation exercise itself. As a consequence and given the limited availability of information (*see below*), the evaluation team had to devote substantial efforts to providing an inventory and typology of the channelling of funds.
- **Evaluating an aid delivery modality:** as mentioned above, the evaluation also had an exploratory character in respect of the need to define an approach to evaluating an *aid delivery modality*, requiring not only assessment of degree of achievement of the Commission’s objectives in terms of aid delivery, but also a focus on the *process* of

<sup>22</sup> The final report of this evaluation was released in May 2008.

channelling aid through other agencies. This challenge was addressed mainly through the two approaches already explained, namely:

- reconstruction of a two-dimensional intervention logic: objectives in terms, first, of delivery of aid to beneficiaries and, second, of cooperation with the WB and EIB; grasping both dimensions through a single hierarchy of objectives allowed provision of a solid reference framework for the evaluation and facilitated the definition and structuring of relevant Evaluation Questions;
  - consultative approach with the WB and the EIB (*see above*).
- **Scope and complexity:** the evaluation encompassed the channelling of funds through all Development Banks and the EIB for the inventory, and through the WB and the EIB for the evaluative assessment as such. This represented a considerable amount of funding (€4.5bn). It covered two large organisations of a different nature. Moreover, it covered several regional cooperation agreements (such as the Lomé IV Convention in the ACP region), a variety of themes and sectors (e.g. post-conflict reconstruction, debt relief, health, environment), a variety of instruments (e.g. trust funds, interest rate subsidies, risk capital operations), and so on. The definition of the evaluation approach needed to take account both of the scope and complexity and of the available budget; the instruments and tools used in this context nevertheless allowed broad coverage of the scope and substantiation and cross-checking of detailed findings.
  - **Focus:** Both the WB and the EIB were systematically covered throughout the evaluation approach, in accordance with the scope defined for this evaluation. It should however be clear that, while also covering the EIB, this evaluation had a clear focus on the WB since its launching (including in the requests of the ToR). Accordingly the evaluation dedicated more resources to Commission contributions to the WB (e.g. a Survey on WB TFs, two field missions on WB TFs, etc.). This allowed on some issues a more detailed and illustrated coverage of channelling through the WB.
  - **Access to accurate and readily available information:** obtaining adequate information from within the Commission on aid channelled through the Development Banks and EIB proved difficult and costly in time and resources. First, information available in Commission databases was not easily retrievable and not very detailed or complete (the Inventory Note provides more clarification on this issue). Second, the team was confronted by “institutional memory” limits at both Commission HQ and Delegation levels (*see 3.3.1*). The evaluation team compensated for these two limitations by the inventory and typology exercise undertaken at the start of this evaluation and by cross-checking information with various sources.



### **3. Answers to Evaluation Questions**

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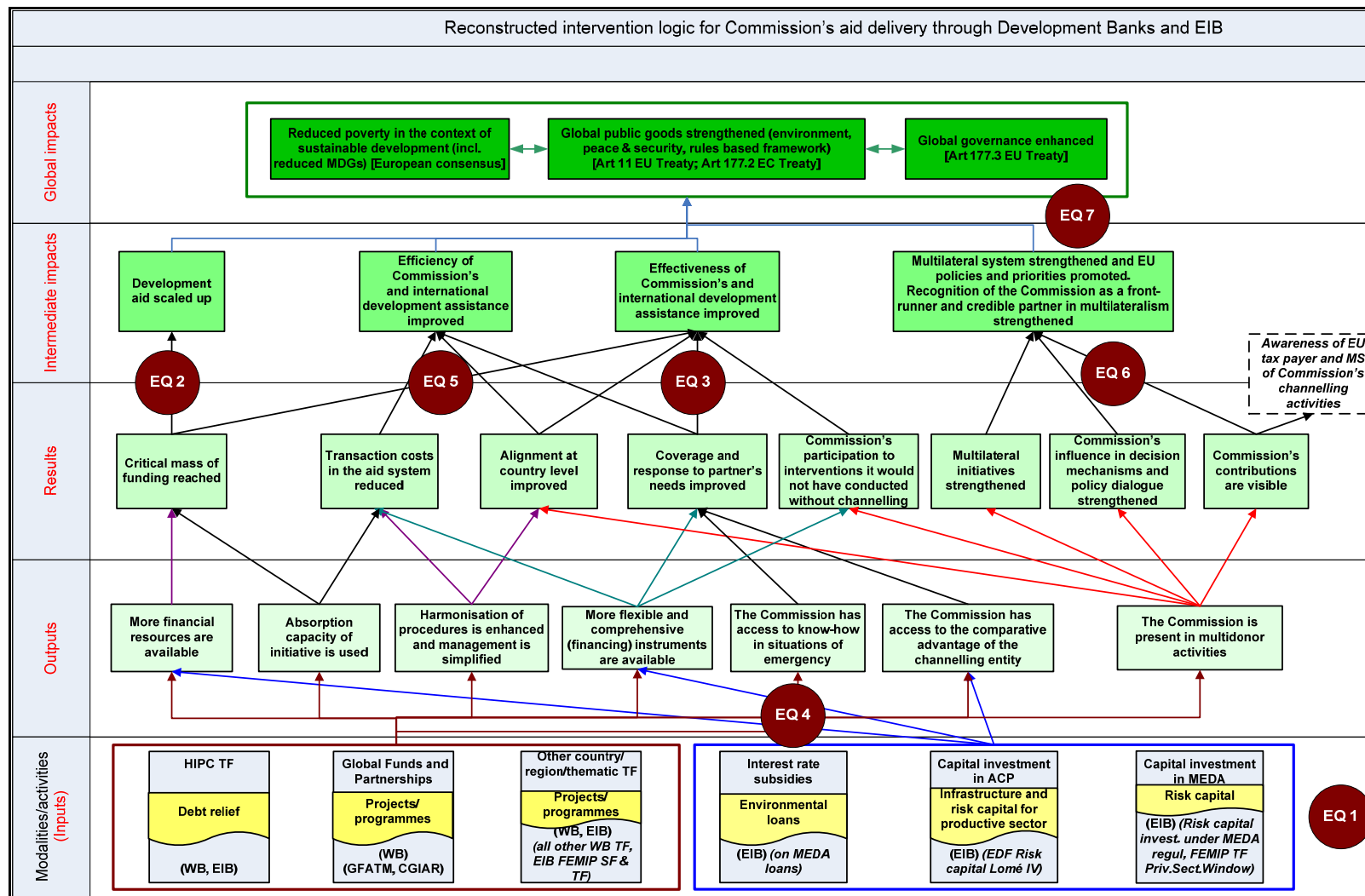
The answers to the seven Evaluation Questions (EQs) are presented in this section. Additional factual data on which the answers are based can be found in Annex 4 (data collection grid) under the Judgement Criteria (JC) to which the different sections of this chapter refer. Annex 3 provides further background information on the interventions studied and Annex 7 presents the responses to the Survey.

The different Evaluation Questions are related to the intervention logic underlying the delivery of Commission aid through the Development Banks and EIB. This intervention logic was reconstructed by the evaluation team with a view to describing as faithfully as possible the rationale that developed along with, and sometimes prior to, the international thinking on how to improve aid effectiveness that led to the Paris Declaration. It thus does not represent an ideal rationale for channelling aid but describes the result of a pragmatic process which the Commission has gradually developed. As mentioned earlier, this intervention logic is two-dimensional as it reflects both objectives in terms of delivery of aid to beneficiaries and objectives in doing so by channelling this aid through the WB and the EIB.

This reconstructed intervention logic, which is presented in detail in annex 11, was a prerequisite for the evaluation since it permitted both an understanding of the hierarchy of objectives assigned to the channelling of funds for development aid delivery *via* the Development Banks and EIB, and also a demonstration of how this particular process of delivering aid was expected to contribute to the overall objectives pursued through the development cooperation policy of the Commission. It served as a basis for formulating the Evaluation Questions and as a benchmark against which to evaluate the interventions.

**Summary boxes provide self-standing answers to each Evaluation Question. More information on the factual evidence and analysis on which each summary box is based is provided in the remainder of the text.**

Figure 3.1 – Intervention logic of Commission's aid delivery through DBs and EIB – Expected impact diagram



### 3.1 Evaluation Question 1 on the rationale behind the channelling

**EQ1: To what extent are decisions to channel aid explicitly motivated and based on formal guidance criteria? Do these formal guidance criteria provide the rationale for the observed evolution of channelled aid?**

*The purpose of the question is to examine the rationale behind the channelling of aid through the WB and the EIB, as well as the factors explaining the observed increase in channelled aid. These issues are tackled in three main steps:*

- *an analysis of the decision-making process and the guidance on which it was based (Judgment Criterion (JC) 1.1);*
- *an overview of the reasons behind the channelling through the WB and EIB (JC 1.2 and 1.3);*
- *an examination of the main factors that explain the observed increase in channelled aid (JC 1.4).*

#### EQ1 on Results/Impact – Answer Summary Box

**The decision processes for channelling were different for the WB and EIB. While for the WB they were neither based on formal guidance criteria, nor always explicitly motivated, for the EIB these elements were present at the level of the instruments:**

- Decisions to channel through the **WB** were sound, but were neither always explicitly motivated, nor based on formal guidance criteria which in any case were not available. Indeed, although channelling through the WB took place within a wider strategic context of growing multilateralism, decisions were taken on a case-by-case basis and were not grounded in specific strategy documents which, indeed, did not exist. Nevertheless these decisions were generally based on sound analyses relying on joint donor assessments, prior documented analyses and – albeit less systematically – examination of alternatives.
- For channelling through the **EIB**, decisions were explicitly motivated and based on specific criteria at the level of the financing “instruments” (interest rate subsidies, TA, risk capital). Indeed the possibility of the Commission to contributing to these “instruments” was grounded in long-term strategic EU cooperation agreements and included a prior analysis of needs. At the level of individual interventions, the initiative lay with the EIB while the Commission intervened mainly in approval of proposals.

The **rationale for channelling** through the **WB** was mainly linked to the willingness of a multilateral approach (and to a certain extent the absorption of funds) and, within this context, the will to benefit from advantages expected to be provided by the WB:

- use of existing mechanisms where it was not realistic to envisage alternatives;
- compliance with an explicit demand from country authorities;
- benefits from specific WB expertise;
- benefits from WB experience in the field.

The availability of a legal and administrative framework which facilitated contracting with the WB was also a reason for funding WB TFs.

Channelling through the *EIB* took place mainly on two grounds:

- its technical expertise as an investment bank, notably in the provision of specific financial instruments in filling the gap between grant assistance and capital borrowing;
- the benefits arising from the fact that the EIB is an EU institution.

The EIB however possesses some characteristics (related for instance to its mandate) which delimited the scope covered.

The **increase of aid channelled** through the *WB* is not related to specific and explicit guidance criteria. It rather reflects certain major events, and illustrates, beyond these events, a more general trend. It is important to distinguish here between:

- factors explaining the **evolution** (a context in favour of pooled funding and alignment, specific circumstances and the existence of a legal and administrative framework);
- factors explaining the **magnitude** (major initiatives and specific events).

The irregular trend in the flow of funds channelled through the *EIB* (covering a range of regions) is explained mainly by the existence and combination of several over-riding agreements.

### 3.1.1 Decision-making process and guidance

#### WB

**Decisions to contribute to WB TFs were taken at Commission HQ or Delegation level on a case-by-case basis and were not grounded in specific guidance or strategy documents; such documents did not exist at the time and have not been developed since.** Both the *Trust Funds and Cofinancing Framework Agreement* (FA) and COM(2003) 526 *The European Union and the United Nations: The choice of multilateralism*, are not considered here as strategy or guidance documents for cooperation with the WB. The first concentrates indeed on the administrative, legal and financial aspects; the latter is entirely focused on the UN system, although it specifies in a footnote that it also includes the Bretton Woods Institutions. Despite the absence of such strategic documents, decisions were taken in a specific strategic context of growing multilateralism with implicit incentives, as further explained above in section 1.2.

**The majority of decisions were nevertheless based on sound analyses, through joint donor assessment, prior documented analyses and – although less systematically – examination of alternatives; thus:**

- For large contributions to WB emergency TFs, or global funds such as the CGIAR, decisions were taken collectively with other donors, at high political level and generally based on joint needs assessments and joint donor strategies. In the same way contributions to the HIPC Initiative took place in the framework of formal long-term multi-donor agreements binding on all partners and subject to formal procedures.

- For 60%-70% of respondents to the Survey<sup>23</sup> (representing 57%-60% of the funding when HIPC is excluded<sup>24</sup>), prior documented analyses on the WB TFs were conducted by Commission task managers.<sup>25</sup>
- Before contributing to a WB TF, the Commission examined alternatives in at most 40% of cases (representing 46% of the funding when excluding HIPC), according to the Survey. This concerned for instance interventions through other organisations, interventions directly administered by the Commission, or no intervention at all. Examining alternatives was however not a systematic practice as between 22% and 31% of respondents (depending on the type of alternative envisaged) stated explicitly that such analysis did not take place. There are also some specific good practice examples, notably in Vietnam, where decisions were taken on the basis of three possible scenarios from which a choice needed to be made.

**Although more guidance would have been deemed useful in a number of cases, Commission representatives underlined the importance of maintaining flexibility.** About 40% of respondents to the Survey stated that they would welcome formal guidance on whether or not to channel funds and on which channel to use, while around 20% explicitly stated the opposite. Commission representatives at Delegation level explained that broad guidance could indeed be useful, but that too detailed and constraining guidance should be avoided, so as to allow flexibility at country level.

## EIB

**For Commission contributions to the EIB, a distinction should be made between decision-making at respectively “instrument” level, where decisions were formalised in long-term EU cooperation agreements, and at “intervention” level, where the initiative lay mainly with the EIB.** Indeed, the use of Commission funds for EIB-managed “instruments” such as risk capital, interest rate subsidies and TA was regulated through major cooperation agreements between the EU (Council, Commission and EIB), and respectively the MEDA and ACP countries.<sup>26</sup> These agreements defined the strategy, laid down the procedures to be followed at intervention level, and were binding. At the level of each specific intervention, the identification, implementation and follow-up of the project was the responsibility of the EIB. The Commission was mainly in charge of approving and providing the funds; it also monitored EIB loans benefiting from interest rate subsidies on Commission grants.

These major EU cooperation agreements included a **prior analysis of needs** at instrument level, whereas this was done by the EIB at intervention level. Alternatives were examined at general level – for instance initially creation of a Euro-Mediterranean Development Bank

<sup>23</sup> Annexes 6 and 7 provide respectively the Survey questionnaire and the Survey results.

<sup>24</sup> A “do not know” answer was indeed provided for HIPC.

<sup>25</sup> The percentages vary, depending on whether the analysis related to the needs to which the TF was intended to respond, the TF's objectives, its governance mechanisms, or its implementation mechanisms.

<sup>26</sup> As explained in the Inventory Note, these agreements concerned mainly for MEDA countries the 1992 Convention and the Facility for Euro-Mediterranean Investment & Partnership, and for ACP countries the Lomé IV Convention.

was envisaged, instead of the FEMIP<sup>27</sup>). Alternatives to specific interventions were generally not examined by the Commission.

### 3.1.2 The rationale behind the channelling

**WB**

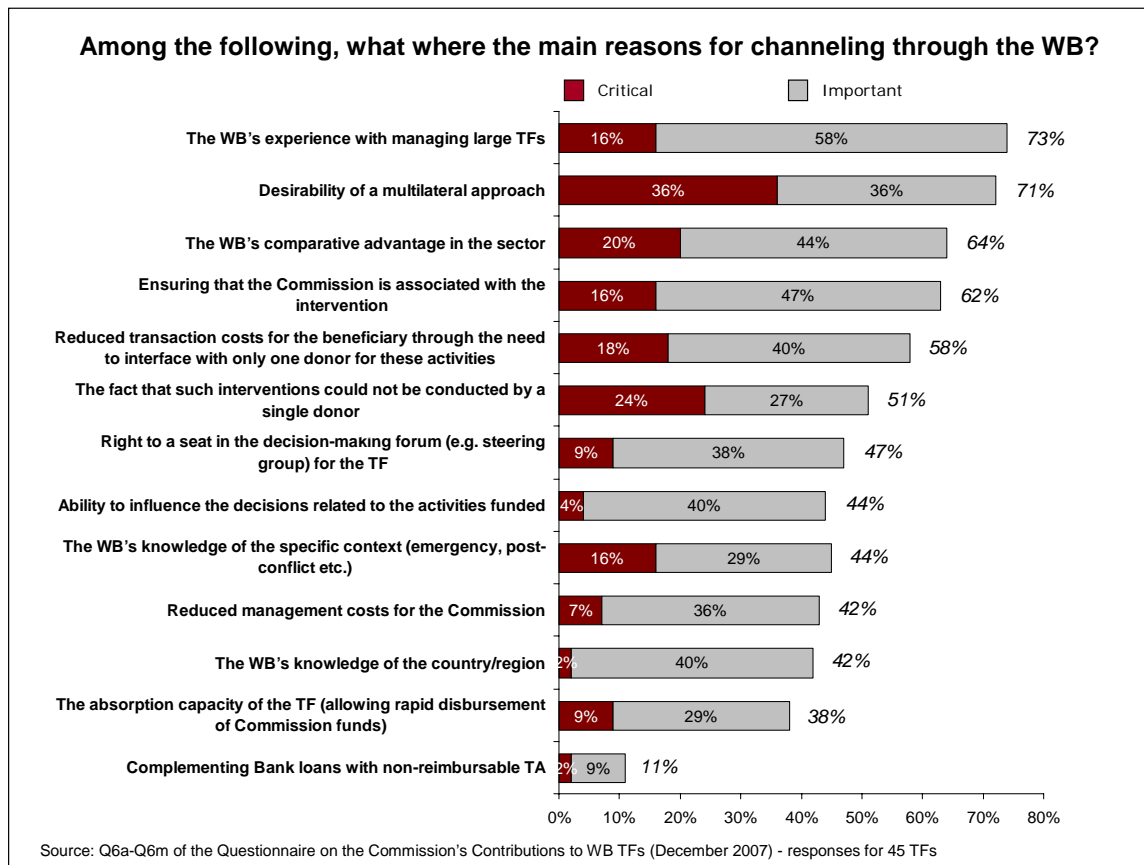
*When considering the reasons for channelling Commission funds through WB TFs, a distinction should be made between the reasons for channelling funds and the reasons for doing so through the WB.*

The first motivation for channelling funds was the willingness of a multilateral approach; the need to absorb funds also played a role to a certain extent. Indeed, Commission representatives explained that a decision to channel was taken in the first place to favour “pooled funding”, harmonisation, and alignment within the context of the process leading to the Paris Declaration and the related growth in multilateralism. This is also confirmed by the Survey (*see figure 3.2 below*), where 72% of respondents mention the desirability of a multilateral approach as a key motivation for channelling through the WB (the second most important reason in terms of number of responses and the first in terms of funding levels). One-half even considered it a *critical* reason (making it by far the main reason among the “critical” reasons quoted). Commission representatives explained that, within this context, the WB was seen as one possibility among others, but that direct budget support and sector-wide approaches remained the preferred choices. This multilateral dimension was also present in about half of the contributions to single-donor TFs (SDTFs), notably when they were created to allow the Commission to join an already-existing multilateral initiative. That said, the multilateral dimension was less important for SDTFs, as illustrated by the results of the Survey which showed that only 58% of respondents for SDTFs invoked the desirability of a multilateral approach as a key motivation for channelling (compared to 75% for respondents in charge of MDTFs). A secondary but nevertheless not negligible reason to channel was the need to absorb funds, as further explained in EQ2.

**Within this overall context of “pooled funding”, several reasons explain the decision to channel specifically through WB TFs.** Figure 3.2 below summarises the results of the Survey in this respect.

<sup>27</sup> See European Commission. 2003. COM(2003) 587, *Shaping support for private sector development in the Mediterranean*.

**Figure 3.2 – Reasons of channeling through the WB considered as critical or important**



When gathering results from different information sources, five main categories of reason can be distinguished:

1. **Use of existing or internationally agreed mechanisms**, where it was not realistic to envisage alternatives. This occurred at both global level (for instance for the CGIAR or HIPC) and country level (e.g. the Poverty Reduction Support Credit (PRSC) in Vietnam or the Support to the Vietnam Trust Fund for Forest and Support to the Vietnam Conservation Fund (TFF/VCF). In most of these cases TFs were already established and operational, and the Commission could benefit from joining them. In other cases the WB TFs were created on demand from the international community, and sometimes together with a UN multi-donor intervention, for instance for the large emergency TFs in Iraq, and Afghanistan.
2. Compliance with **an explicit demand from the country authorities**, such as for the Afghanistan Reconstruction Trust Fund (ARTF) and the Productive Safety Nets Programme (PSNP) in Ethiopia.
3. Benefits from **specific WB expertise**. Whereas the *ex post* assessment of expertise provided by the WB is detailed under EQ4, the expertise expected *ex ante* from the

WB TFs can be summarised here in three categories (in addition to the country experience mentioned below):

- a. The WB's capacity to manage large TFs (invoked by 74% of respondents, making it the main reason for channelling through the WB).
- b. The recognised thematic expertise, which was also mentioned by a large share of respondents (64%); interviews showed that this mainly concerned Budget Support, reconstruction and rehabilitation, public finance management, and debt reduction, in addition to the WB's experience in building government capacity.
- c. The WB's capacity to offer satisfying guarantees in terms of compliance with international standards, offering "fiduciary comfort". This was particularly the case where, for various reasons, an alternative to direct Budget Support by the Commission needed to be found (for instance in Vietnam and Ethiopia).

It is interesting to note that benefiting from specific "banking expertise" other than that mentioned in the above categories was not a major motivation for channelling funds through the WB.

4. Benefits from the WB's **specific experience in the field, also facilitation of access to dialogue with the Government**. Knowledge of the country or the specific context were mentioned as important reasons by respectively 42% and 45% of the respondents to the Survey. In several cases the WB was indeed a major donor with a critical mass of resources in the field, which made it a "natural" candidate for managing the TFs (for instance the Trust Fund for East Timor (TFET) and the PRSC in Vietnam). Through the channelling process the Commission aimed also at participating more easily in the dialogue with partner countries' Governments.
5. Finally, the fact that **the Framework Agreement offered a legal framework for channelling** through the WB should not be neglected. Indeed, such a framework was not available for possible alternatives (except for the UN) and it facilitated the channelling, as stated by 73% of the respondents to the Survey (*see also EQ 5*). Alternative approaches were said to be possible, but more complicated.

For SDTFs, the main reason for channelling according to the Survey was the WB's comparative advantage in the sector, followed by the WB's experience with managing large TFs. Reduced management costs for the Commission was cited in one-half of the cases, more than for MDTFs.

## EIB

**The Commission channelled funds through the EIB mainly for two reasons: its technical expertise as an Investment Bank in filling the gap between grant assistance and capital borrowing and the fact that it is an EU institution.** The first reason is further developed under EQ4 which shows that, through its overall agreements, the Commission called on the EIB on account of its competence as a Bank, in particular in the use of financial instruments. The second main reason related to the fact that the EIB is an EU institution which as such supports EU priorities and policies. Four main elements should be highlighted in this respect:

- the EIB is owned by EU MS;
- the Commission has close links with the EIB; for example it prepares proposals for EIB mandates jointly with the EIB, it has to deliver a “no objection” for individual project proposals and, through its seat on the Board of Directors, it has a voice in decision-making;
- Commission grants and EIB loans together provide a comprehensive array of EC financial solutions;
- the Commission and the EIB pursue a common approach to EU visibility.

**The EIB presented, however, a number of characteristics which delimited the scope covered in terms of cooperation through channelling of funds.** The factors, highlighted by interviewees, can be summarised as follows:

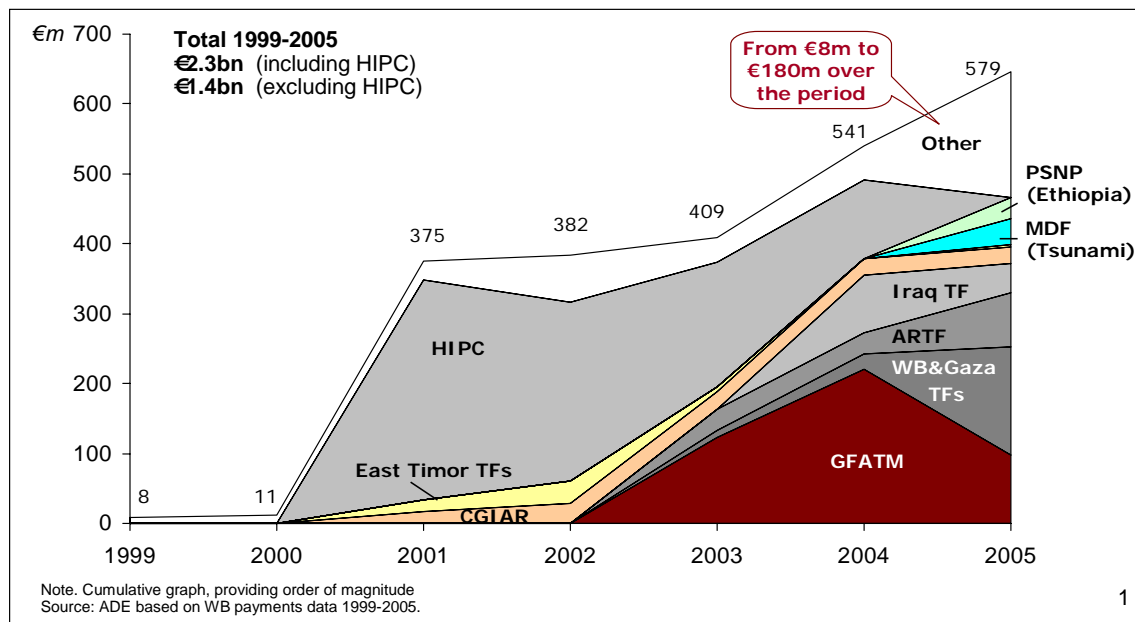
- the EIB only provides project finance – budget support activities are outside its remit, for instance;
- it is not the EIB's mission to conduct extensive policy dialogue with partner countries;
- the EIB uses centralised management, with limited local offices and staff;
- operations outside the EU represent 10% of the EIB's lending mandate and are not its "core business".

### 3.1.3 Reasons for the observed evolution in channelled aid

#### WB

**The increase of aid channelled through the WB reflects some major events, but it also denotes a more general trend.** As shown in figure 1.3 of section 1.3, and detailed in the Inventory Note, the Commission's contributions to WB TFs increased continuously from €8m in 1999 to €579m in 2005. As explained previously (*see section 1.3*), the Commission contributions are absorbed by a limited number of TFs. Indeed during the period 1999-2005 the Commission contributed to 69 TFs, but the seven largest contributions absorbed about 84% of the funds. These relate to major initiatives and events (*see below*). Nevertheless, the increase in funding cannot be explained by these events alone. Indeed, even when subtracting the major contributions, channelled aid still increased from €8m to €180m between 1999 and 2005 (*see the white area in figure 3.3 below*). In addition one should note that the *number* of new Commission contributions to WB TFs increased continuously every year, from six in 1999 to 25 in 2005.

**Figure 3.3 – Commission payments (Budget/EDF) received by the WB Group, 1999-2005**



To understand this trend, one should distinguish between factors explaining the *evolution* and factors explaining the *magnitude* or *scale* of the funding.

The increase in channelling can be explained by numerous factors which can be summarised as follows:

- A general context in favour of pooled funding and alignment, and the Commission's willingness to favour this approach in the context of the process leading to the Paris Declaration (as well as the need to absorb funds). The WB explains in this perspective that since 2002 the proportion of Official Development Aid (ODA) channelled through TFs rose from 5% in 2002 to 11% in 2006. In the Bank's financial year 2007 the total number of funds under management increased to 1,015, and by June 30, 2007, the total stock of funds held in trust by the Bank Group had reached \$21.4 billion<sup>28</sup>.
- Specific circumstances for which the WB appeared to be the appropriate channel for several reasons (see section 3.1.2 on the motivation to channel through the WB).
- As of 2001, facilitation of contracting with the WB through the Framework Agreement.

The **magnitude** (the amounts at stake), on the other hand, is due to participation in large initiatives (such as HIPC, CGIAR and GFATM) and significant reconstruction programmes for which the WB received a coordination mandate from the international community, as in Iraq, Afghanistan, Timor-Leste, or for the Indian Ocean tsunami.

<sup>28</sup> See WB Audit Committee. October 2007. *A Management Framework for World-Bank-Administered Trust Funds*, 2.02 and 2.03.

**EIB**

**The Commission's channelling of funds through the EIB showed a more irregular pattern over the evaluation period; one should differentiate between regions and instruments in this respect.** In the MEDA region, the global trend over the evaluation period was rather irregular, as shown in figure 1.5 of section 1.3, with high levels in 2000 (€117m) and between 2004 and 2006 (roughly around €100m). In the ACP region the Commission's channelling through the EIB was at its highest level between 2001 and 2003 (varying between €105m and €145m). EDF funding through the EIB has however continued to increase (as the dotted line in figure 1.5 shows) but the funds are no longer channelled by the Commission (the EU MS have been directly transferring their funds to the EIB since the Cotonou Agreement). The combined effects of these trends in respect of MEDA and the ACP generated an irregular pattern of funds channelled by the Commission.

**This irregular evolution – globally and by region – can be explained mainly by the combination of different cooperation agreements in different regions.** Indeed in the MEDA region the Convention permitted from 1992 the use of Commission-funded risk capital and reinforced the use of interest rate subsidies on EIB loans; the creation of the FEMIP in 2003 allowed the EIB to manage TA on its loans on the basis of Commission grants<sup>29</sup>. For the ACP countries the envelopes for risk capital, excluding the HIPC Initiative, have increased over recent decades in line with the higher EDF resources allocated to consecutive cooperation agreements with the EU.

### 3.2 Evaluation Question 2 on scaling up of aid

#### ***EQ2: Did the channelling contribute to the scaling up of aid?***

*The purpose of the question is to assess whether the financial contributions channelled by the Commission and its presence in IFI interventions contributed to the scaling-up of aid. It addresses three issues:*

- *the evolution of Commission's ODA and the link with channelling (JC 2.4);*
- *facilitation of disbursement by the Commission and to beneficiaries (based on JC 2.1);*
- *the leverage effects of the Commission's financial contributions (JC 2.2 and JC 2.3).*

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<sup>29</sup> See Inventory Note for details.

### EQ2 on scaling up of aid – Answer Summary Box

Although a variety of factors can explain *in general* the increase over the evaluation period, of committed and disbursed Commission ODA, several elements show that the channelling of Commission funds through the WB has impacted on the scaling-up of aid in *specific cases*. This was less the case for the EIB.

The channelling of Commission's funds through the **WB** has indeed contributed to a scaling-up of aid in some countries and in some sectors:

- The absorption capacity of WB TFs played a role in the Commission's decision to channel funds and facilitated their disbursement. In this sense the Commission was able to provide significant contributions and accordingly scale up in post-crisis and emergency situations; for global issues needing global solutions; in cases where direct budget support was not an option for the Commission; and for the HIPC Initiative.
- This scaling-up was significant, as the Commission provided a critical mass of funding for the major MDTFs and was one of the major donors to the WB TF portfolio.
- The Commission's presence in multi-donor interventions contributed to attracting other donors in a number of cases, mainly EU MS, providing additional scaling-up of aid.
- Finally, aid could be delivered to beneficiaries with satisfactory disbursement rates for the greater part of Commission funds channelled through WB TF. However, disbursement difficulties occurred in smaller WB TFs and for SDTFs.

The possibility of having the **EIB** manage Commission funds allowed the use of idle funds, in particular EDF resources for debt relief. "Scaling-up" of aid only took place with respect to risk capital and was not a key objective of this type of channelling. Indeed:

- Disbursement rates were relatively high for Lomé IV risk capital but not particularly so for TA and even less so for interest rate subsidies in the MEDA region.
- The participation of the EIB in risk capital operations had a leverage effect on other sources of finance, but the effect in respect of interest rate subsidies and TA was less clear.

### 3.2.1 Evolution of ODA and the link with channelling

The present question does not aim at tackling the issue of scaling up of aid in general, but concentrates on Commission ODA. Over the period evaluated, there has been an increase in committed Commission ODA, in Commission disbursements of ODA and, in parallel, in channelling through the WB and EIB<sup>30</sup>. Indeed, figures show that:

- the Commission's (RELEX-DEV-AIDCO) committed ODA increased worldwide, from €6bn in 2002 to €7.8bn in 2006;

<sup>30</sup> In this respect the WB states that « *Over the past five years, TFs have emerged as an important vehicle for channelling ODA as well as other sources of finance to lower and middle-income countries. The proportion of ODA channelled through TFs rose dramatically from five percent in FY02 to 11 percent in FY06* » (WB Audit Committee, October 2007. *A Management Framework for World-Bank-Administered Trust Funds*, 2.19).

- the disbursements of ODA from the Commission (RELEX-DEV-AIDCO) increased between 2002 (€5.5bn) and 2006 (€6.6bn);
- the channelled funds through the WB and the EIB increased from €485m in 2002 to €649m in 2006.

It would be wrong to conclude from these figures that the observed increases of Commission ODA worldwide in terms of commitments and disbursements are a direct consequence of the increase of its channelling of funds through the WB and the EIB. Indeed, too many factors can have an impact here, such as for instance a change of policy leading to higher commitments or an overall improved efficiency leading to higher disbursements.

It is however possible to examine to what extent channelling has had impacts in terms of leverage of aid under specific circumstances, as it is shown hereafter.

### 3.2.2 Facilitation of disbursement by the Commission and to the beneficiaries

WB

The absorption capacity of WB TFs has played a role in decisions to channel Commission funds. It has facilitated disbursement of its funds, particularly in post-crisis and emergency situations; for global issues needing global solutions; in partner countries where Commission's direct budget support was not an option; and for the HIPC Initiative.

In general, as mentioned under EQ1, the absorption capacity of WB TFs (allowing rapid disbursement of Commission funds) has played a role in the decision to channel funds, although it was not the main motivation. This is reported by 38% of the respondents to the Survey, representing 33% of total funding, and was also confirmed by Commission staff interviewed during missions and by phone. An interviewee mentioned for instance that the channelling was "*a means to disburse the 9th EDF, while responding to the need of multilateralism*".

This can be substantiated by the following cases:

- When the Commission wanted to intervene in **post-crisis countries or areas** where it had little experience or human resources in the field, the existence of large post-crisis MDTFs enabled the Commission to respond rapidly and with large amounts of funds. This is the case for instance in Timor-Leste, Afghanistan, Iraq and for the Indian Ocean tsunami.
- When the Commission wanted to participate in **global initiatives** for tackling global issues such as Aids, tuberculosis, malaria, and agricultural research, the existence of **global funds** such as GFATM and CGIAR facilitated the disbursement of large amounts of Commission funds at a high rate compared to direct interventions from the Commission for similar issues<sup>31</sup>.

<sup>31</sup> As indicated in the Survey and confirmed by interviews, the disbursement rate of direct interventions from the Commission in Aids, Tuberculosis and Malaria projects/programmes is lower than through the GFATM.

- When **direct budget support** from the Commission to partner governments was not possible or suspended, channelling through WB TFs allowed the deployment of Commission funds while still benefiting from fiduciary comfort. This was for instance the case in Ethiopia, Vietnam and the West Bank & Gaza Strip<sup>32</sup>.
- For the **HIPC Initiative**, channelling facilitated mobilisation of funds that had remained idle until then. The Commission allocated to this Initiative a total of €1.6bn<sup>33</sup> of which the major share came from unallocated resources from previous European Development Funds<sup>34</sup>.

**For the majority of Commission funds disbursed to WB TFs the disbursement rates to the beneficiaries have been satisfactory.**

The Survey shows that for 78% of Commission funds channelled through WB TFs disbursement rates of the TFs to the beneficiaries were considered to be in line with the Commission's expectations. This percentage includes the major MDTFs to which the Commission contributed more than €100m, except for the Iraq Trust Fund (ITF) where disbursement rates are considered below expectations. When compared to the disbursement rates for similar interventions implemented directly by the Commission, WB TFs are considered to be in line for 57% of the funding and above for 20% of the funding. The disbursement rates appear to be relatively good for MDTFs (compared to SDTFs) and for global TFs (compared to country or regional TFs).

These satisfactory disbursement rates from WB TF to the beneficiaries were also observed through document analysis and interviews during the desk phase and country missions. For instance, the eight major WB TFs to which the Commission contributes experienced high disbursement rates<sup>35</sup>, except for the ITF.

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<sup>32</sup> As an example, in the West Bank & Gaza Strip, because of the sensitive political situation after the second Intifada and the impossibility of the Commission supporting the Palestinian Authority directly, a MDTF managed by the WB (Public Financial Management Reform) was created to maintain support for the Palestinian public financial management reform. The Commission was the major donor to this TF.

<sup>33</sup> €934m has been allocated to the WB HIPC TF and €680m to the EIB HIPC Fund.

<sup>34</sup> ACP-EU Council of Ministers. December 1999. *Decision n° 1/1999 on exceptional aid for highly-indebted ACP countries*, article 1: "Unallocated programmable resources from the eight EDF and earlier Funds may be used in the form of grants for the following purposes (i) meeting the outstanding debt and debt servicing obligations to the Community of the first ACP countries which qualify under the HIPC initiative (€320m); (ii) contribution to the overall financing of the HIPC initiative by providing up to €680m for the HIPC Trust Fund managed by the World Bank."

<sup>35</sup> The ARTF has received a total amount of contribution of \$1.4bn of which \$ 1.2bn had been disbursed up to September 2006, i.e. an 85% disbursement rate. For the PFMR, the amount disbursed by the TF was \$123m in February 2005 for \$151m of total contributions from nine donors (including the Commission), i.e. an 81% disbursement rate. Total contributions from the donors to the TFET amounted to \$178.6m of which \$177.57m had been disbursed in March 2005, i.e. a 99% disbursement rate.

**However, for WB TFs to which the Commission has contributed for smaller amounts, the disbursement rates from these WB TF to the beneficiaries have been mixed. Disbursement rates for SDTFs posed a problem.**

The Survey shows that for WB TFs to which the Commission contributes less than €100m (representing 17% of the funds), 41% of respondents consider that disbursement rates are in line with Commission expectations, but 46% of respondents think they are below. Analogous results were observed for a comparison with similar interventions administered by the Commission.

For SDTFs the Survey, as well as document analysis and interviews carried out at country level and by phone, showed that disbursement rates were in the majority of cases below Commission expectations and below those for similar interventions implemented direct by the Commission. Further details on the reasons for unsatisfactory disbursement rates are set out in EQ5.

## EIB

**The possibility of management of Commission funds by the EIB allowed the use of idle funds, in particular EDF resources for debt relief.** Article 66 of the 2000 ACP-EC Cotonou Agreement states, with respect to support for debt relief, that *“the use of resources which have not been committed in the framework of past indicative programmes shall be accelerated through the quick-disbursing instruments provided for in this Agreement”*.

**Disbursement rates were relatively high for Lomé IV risk capital but not particularly so for TA and even less so for interest rate subsidies in the MEDA region.**

For **risk capital** resources channelled through the EIB under the first and second financial protocols of Lomé IV (1990-2003), 91% of the mandate envelope was committed and 77% (corresponding to 84% of commitments) disbursed. The 2006 EIB Evaluation on individual loans<sup>36</sup> concluded that this ratio of commitment to mandate was high when compared to that of loans from EIB's own resources (74%).

For the **FEMIP Support Fund**, the Commission staff working document *Assessment of the FEMIP and Future Options* notes that, at the end of 2005, more than 100 technical assistance operations were identified for a total amount of €105m<sup>37</sup>. Up to the end of August 2006, only part of the envelope had been used: 64 service contracts amounting to €42m had been concluded with consulting firms<sup>38</sup>.

With respect to **interest rate subsidies** for the MEDA region through the EIB, analysis of the evaluation team based on AIDCO working data indicated that, as at 31 December 2006, almost all funds committed in 1999-2003 in the region had been effectively transferred (paid or pre-financed) to the EIB, and around 60% had been effectively used by the EIB (*“consummations”*). For funds committed in 2004-2005, by 31 December 2006 less than 5% had been transferred by the Commission to the EIB, although this level was reported to have increased to 66% one year later. These slow disbursement rates relate

<sup>36</sup> EIB Operations Evaluation. 2006. *Evaluation of EIB financing through global loans under the Lomé IV Convention*.

<sup>37</sup> The figure includes Turkey as it could not be substantiated from the total.

<sup>38</sup> An EIB interviewee specified in this respect that the amount of €105m for three years might be too high and that in his opinion €15m/year would be sufficient to cover needs.

essentially to the time needed by the Governments to comply with EIB conditionalities on the loans (conditionalities could be even stronger when loans were complemented by interest rate subsidy), and to disbursement by tranches.<sup>39</sup>

### 3.2.3 Leverage effects of the Commission's financial contributions and presence

WB

**For the major MDTFs in which the Commission was participating, its financial contributions played an important role in terms of reaching critical mass of funding:**

- The Commission is the 2<sup>nd</sup> major donor to the WB TF portfolio after the USA, based on cumulative contributions between 2001 and 2005<sup>40</sup>.
- For the eight largest Commission contributions to WB TFs<sup>41</sup>, the Commission is one of the major donors providing 13% to 39% of total TF contributions.
- Together with the EU MS, these shares increase to 85% for Multi Donor Fund for Aceh and Nias (MDF), 69% for TFET, 65% for HIPC and 55% for the ITF.
- According to the Survey, 39% of respondents for MDTF, representing 14% of funding, think that the TF activities would not have been implemented without the Commission contribution. This is mainly explained by the fact that for some TFs the Commission provides a critical mass of funds in the total TF budget in comparison with other donor contributions.

**The presence of the Commission in WB TFs contributes to attracting other donors, but not systematically so. Consultations between donors are mostly undertaken before taking decisions to support multi-donor interventions.**

- **55%** (representing 84% of funding) of respondents to the Survey claim that the *Commission contribution stimulated EU MS* to contribute to WB MDTF. Such leverage effect is recognised for all six contributions over €100m, while it is also recognised for 44% of the other MDTFs, representing 40% of the funding.
- Interviewees at Commission Headquarters, Delegations and also in EU MS representation offices at country level highlighted several factors which explain a catalytic effect of the Commission's participation:
  - it is often the first donor to pledge funds;
  - it offers a "seal of approval";
  - it contributes to conferring a multilateral character to the TF;
  - it provides comfort in the field for smaller EU MS cooperation agencies<sup>42</sup>.
- However, about **one-quarter** of respondents to the Survey stated that the **Commission contribution did not play a specific role in terms of attraction of EU MS**. In this respect some interviewees underlined that in certain cases EU MS consider that there is no reason to join if the Commission is already present. EU MS

<sup>39</sup> A pre-financing modality introduced in 2004 allowed however faster disbursement by the Commission, which relieved disbursement of those funds from the "D+3 rule" (see 3.5.1).

<sup>40</sup> Source: World Bank. 2006. *The World Bank Group 2005 Trust Funds Annual Report*.

<sup>41</sup> HIPC, GFATM, PFMR, ARTF, ITF, CGIAR, TFET and MDF.

<sup>42</sup> For example, the Swedish aid agency SIDA in Ethiopia decided to support the PSNP after having assessed the Commission's past experience in this TF. It now relies on the Commission to impart weight to the discussions.

also participate (or decline to) for reasons other than the Commission presence and mainly to promote their own priorities (e.g. in Vietnam for the Poverty Reduction Support Credit, and Trust Fund for Forest). In the case of HIPC, EU MS provide nearly 50% of all resources channelled by bilateral donors; but their contributions to the Initiative reflect their adherence to the objectives and approach of the HIPC Initiative rather than because of the Commission's influence.<sup>43</sup> Generally, joint decision-taking is a more important factor in a decision to contribute to a TF than the catalytic effect of a specific donor. As one interviewee stated, "*nobody moves alone*".

## EIB

**The participation of the EIB in risk capital operations provided a leverage effect on other financing institutions. But the leverage effect was less clear for interest rate subsidies and TA.**

- EIB financing of **risk capital** facilitated co-financing by other banks in several private sector projects, in both ACP and Mediterranean countries<sup>44</sup>. The EIB's involvement provides an implicit "quality stamp" to the project which gives comfort to other financing intermediaries. It allows engagement of private investors in projects that would otherwise not materialise. For investment funds it thereby has a high leverage effect, of the order of 1:12 in the best cases<sup>45</sup>. It also extends EIB operations to areas with a higher risk level than that allowed for the EIB's own resources in its mandate.
- **Interest rate subsidies** in the MEDA region essentially aimed at softening lending conditions so as to facilitate activation of loans in a less productive sector, namely the environment. In a certain sense grants have a leverage effect on loans: a 2001 evaluation estimated global leverage effect of the Commission's interest rate subsidies in the MEDA region at 1:6 on EIB loans and at 1:11½ on external funds<sup>46</sup>. A similar rate was observed within the evaluation period for interest rate subsidies in Morocco. But the extent to which it corresponds to practice is questionable. While some staff acknowledge that interest rate subsidies were crucial, a number of interviewees from the Commission, the EIB, and from partner countries' authorities, mentioned that most of these EIB loans would probably still have been contracted without the interest rate subsidy. The subsidy can then be considered a kind of 'fringe benefit', in the sense of increasing the financial attractiveness of the loan in a less productive sector<sup>47</sup> or with a higher environmental value. Interest rate subsidies are further reported to improve the environmental conditions for certain loans.
- For the **TA of the FEMIP Support Fund**, there is no clear general leverage effect as such. Different stakeholders mentioned that the loan would have been agreed even without the TA. But there are also some examples where the loan would most probably not have been granted without the consultancy provided, such as in the EIB assistance

<sup>43</sup> Indeed, EU MS requested that in progress reports on the Initiative, contributions from the EDF to the TF should be subdivided by EU MS in order to make the contribution of each MS visible.

<sup>44</sup> Source: EIB Operations Evaluation. 2006. *Evaluation of EIB financing through individual loans under the Lomé IV Convention*, and interviews with stakeholders in MEDA countries.

<sup>45</sup> €1 of EIB investment is likely to generate €12 of capital and debt money from other investors and borrowers.

<sup>46</sup> €1 interest rate subsidy allows mobilising €6 of EIB loans and €11.5 of total resources (EIB loans and loans/grants from other banks/donors). Source: EIB Operations Evaluation. 2006. *Evaluation of Financial Assistance for the Mediterranean Countries managed by the EIB on behalf of the EC*.

<sup>47</sup> While lowering the cost of the loan, interest rate subsidies reduce the project cost. This can be reflected in prices (e.g. of water supply and treatment), leading to cheaper products and services.

to the health sector in Morocco and one of the water projects and a SME credit facility in Syria. It can also be noted that a relatively small Commission contribution can enhance the quality of a larger intervention.

Finally, as the FEMIP Support Fund and interest rate subsidies on EIB loans in the MEDA region were open only to funding from the Commission, there could not be a leverage effect on EU MS grants.

### 3.3 Evaluation Question 3 on Results/Impact

***EQ3: To what extent did channelling through International Finance Institutions (IFIs) contribute to achieving sustainably the intervention objectives the EC targeted when channelling its funds?***

*The purpose of the question is to assess whether the interventions generated in a sustainable manner the results and impacts the Commission expected when contributing to the intervention. The answer to this question starts with the assessment of the extent to which the objectives pursued by the TFs were in line with the objectives of the Commission for channelling through these TFs (JC 3.1. and JC 3.6). It then addresses the level of achievement of these objectives, including implementation results (JC 3.4). It finally examines the availability of information for such assessment (JC 3.2, JC 3.3, and JC 3.4).*

#### EQ3 on Results/Impact – Answer Summary Box

**WB: For the majority of the funds channelled through WB TFs, the Commission achieved the intervention objectives it pursued:**

- The Commission generally ensured consistency of its objectives with those of the WB TF, finding solutions where needed.
- Results were achieved for most of the Commission's funding to WB TF, as represented by some major contributions. Commission task managers were satisfied with the results in the sense that they considered them in line with those achieved by interventions administered direct by the Commission, and also in line or even better when compared with other organisations. Results were also globally positive for WB TFs relating to (worldwide) global-level programmes.
- But results for small or medium Commission contributions to WB TF are mixed. SDTFs in particular experienced problems in terms of results.
- Sustainability was challenged in some major cases. But no clear overall picture emerges on sustainability. This is primarily because a large part of the funding concerned emergency or crisis situations, in which sustainability is not the highest priority. But the WB TFs also typically had sustainability potential as they worked essentially with national authorities and aimed at promoting capacity-building in that context.
- Information within the Commission on the funds channelled was neither complete nor readily available. These gaps can be explained by several factors, which relate to the management of funds both within the Commission and the WB as well as to the interaction between the two institutions.

**EIB: Available information showed positive effectiveness of the instruments funded by the Commission:**

- Globally the Commission and EIB agree on the intervention objectives pursued.
- Available information shows positive results from funds channelled through the EIB for risk capital operations, interest rate subsidies and TA on EIB loans.
- There were gaps in the availability of information within the Commission on the funds channelled through the EIB, owing mainly to management issues within the Commission.

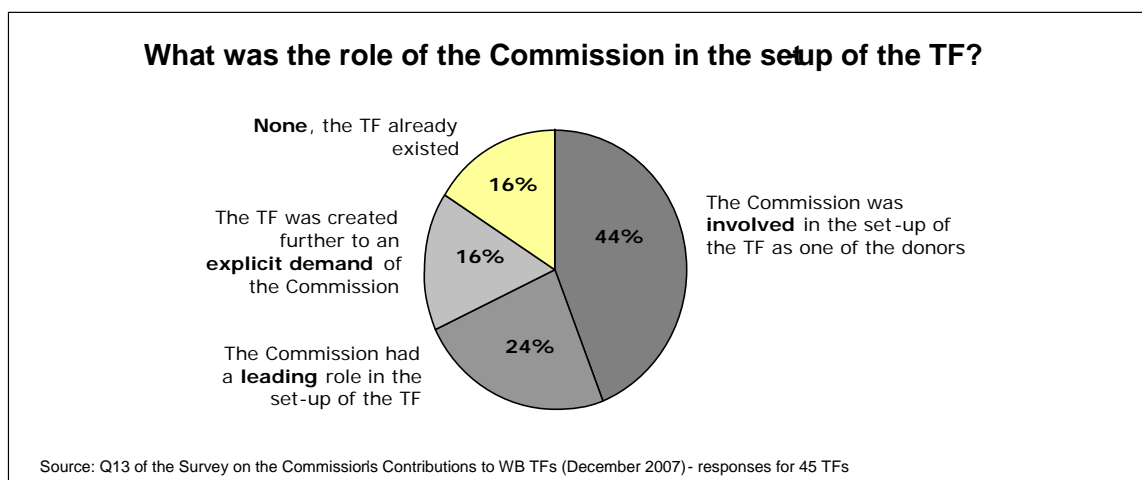
### 3.3.1 Coherence of objectives

#### WB

The Commission generally ensured consistency of its objectives with those of the WB TF, finding solutions where needed. It achieved this by:

- Being directly involved in the **identification and set-up of the TF**. This was done in one way or another according to 84% of respondents to the Survey (representing 74% of the funding). A typical example is the Commission's participation in joint needs assessments for the set-up of large WB emergency TF or global funds, sometimes as one of the key actors. In Timor-Leste for instance, a Joint Assessment Mission (JAM) was carried out in September 1999 by the WB, the UN, the Commission, and seven other donors.

**Figure 3.4 – Role of the Commission in the set-up of the TFs**



- Being widely active in the **governance of the WB TF** to which it contributed, notably through donor committees, thereby promoting European values and priorities (*see 3.6.3*). More than a quarter (27%) of respondents to the Survey also stated that they undertook specific actions to ensure conformity with the TF's objectives or, if that proved impossible, to interrupt or stop the activity.
- **“Earmarking”** the use of its funds, as detailed in the box below.

### Box 3.1 – Earmarking

The Commission often “earmarked” its contributions to WB TFs in the sense that it restricted the use of its funds to specific activities or in specific regions or countries. It did so to ensure that funds were used in line with its strategies and priorities, or because the Regulations such as the Financial Regulation allowed no other use of the funds (e.g. EDF funds for ACP countries). More than half (26/45) of the respondents to the Survey indicated that there was “earmarking” in one way or another. Variations can be distinguished:

- **Creation of separate TFs** (12/45 respondents): the Commission created in a number of cases a specific SDTF for its own funding, to ensure compliance with its requirements and Regulations. As an example, within the global WB TF on avian and human influenza, the Commission created several distinct TFs (e.g. one for EDF resources).
- **Allocation of funds** (14/45 respondents<sup>48</sup>): the Commission defines in its WB TF Administration Agreements (AA) provisions for specific use of its funds (in certain regions/activities/...) within the wider TF operations. Two cases should be distinguished:
  - **Under the Framework Agreement signed in 2001 and before** it was possible to allocate Commission funds precisely to certain uses within the multi-donor TF operations. Most of the HIPC contribution (funded on EDF resources) was for instance explicitly allocated to reimbursement of the African Development Bank’s claims on poor African countries.
  - **Under the Framework Agreement amended in 2003** the Commission can specify a preferred use of its funding (also referred to as the “**notional approach**”). This change is in line with the WB’s policy for MDTF which stipulates that donor contributions may not be earmarked. The Commission accepts thereby that its money is fungible, while the TF ensures that it utilises at least a proportion of the TF’s total budget equal to the Commission’s contribution to the “preferred” activity. This was for instance the case with the ARTF: €30m was committed in the AA<sup>49</sup>, with preferred use of €20m for the “recurrent & capital expenditures window” and €10m for the Law and Order Trust Fund (LOTFA)<sup>50</sup>. Other examples include the WB Iraq TF and the PSNP in Ethiopia.

Earmarking in its different forms was an issue. Several stakeholders mentioned that it distorted the provision of pooled funding by **fragmenting aid** and favoured a “**donor-driven approach**”. As an example, the CGIAR aimed at promoting a global research agenda on the basis of pooled funding, but several donors restricted their funding to specific uses. The Commission for instance assigned in the 2003 AA specific amounts to two programme clusters (genetic resources and international policies) and to certain regions. As a result some parts of the research agenda were “over-financed” while other priority areas received zero or a lower level of funding.

Earmarking additionally involved **administrative complications** and additional workload, and thus costs. This occurred when it consisted of the creation of several Commission-specific TF, such as for avian flue and influenza, but also when it involved managing Commission funds separately in multi-donor operations.

Stakeholders underlined, however, that in most cases **solutions were found**, such as the “notional approach” mentioned above and the possibility to fund specific components or windows in certain WB TFs.

<sup>48</sup> This number excludes responses for which it was stated that a separate TF was created specifically for the Commission.

<sup>49</sup> Signed in 2002 but already in the spirit of the 2003 amendment of the 2001 Framework Agreement.

<sup>50</sup> Law and Order Trust Fund of Afghanistan (part of the ARTF).

Apart from the CGIAR, few **exceptions** were noted in respect of consistency between Commission and WB TF objectives. Commission staff nevertheless questioned the contribution to the WB Iraq TF. Accordingly, subsequent Commission contributions were made to the UN Development Group (UNDG) Iraq TF (the other component of the International Reconstruction Fund Facility for Iraq (IRFFI)<sup>51</sup>).

**EIB**

**Globally the Commission and the EIB agree on the objectives pursued by the interventions.**

The overall objectives of the use of instruments have generally been laid down in the general agreements such as the 1992 Convention and FEMIP in the MEDA region, and the Lomé IV convention for ACP, as mentioned above (*see 3.1.1*). The Commission's target sectors or regions for its funds were specified to a certain level, such as for interest rate subsidies which were made available to all Mediterranean partners for projects in the field of environment following the end of the financial protocols.

At the level of interventions, stakeholders met at HQ and country levels reported that the Commission and EIB globally agree on the objectives of individual interest rate subsidies (refusals are rare) as well as FEMIP Support Fund operations. A large TA operation on an EIB loan in the health sector was an exception: considerable effort was required by both institutions before an approach was agreed (*see 3.5.1*).

### 3.3.2 Sustainable achievement of results

**WB**

The present section on the achievement of results through WB TFs is structured as follows:

- results for major contributions to WB TFs;
- results for contributions to global-level TFs;
- results for small or medium contributions to WB TFs;
- factors affecting attainment of results;
- sustainability.

**For major contributions to WB TFs, representing the majority of the Commission's funding through the WB, satisfactory results have been achieved. Commission task managers were satisfied with results in the sense that they considered them to be in line with those achieved in interventions administered direct by the Commission, and moreover in line or even better when compared with other organisations.**

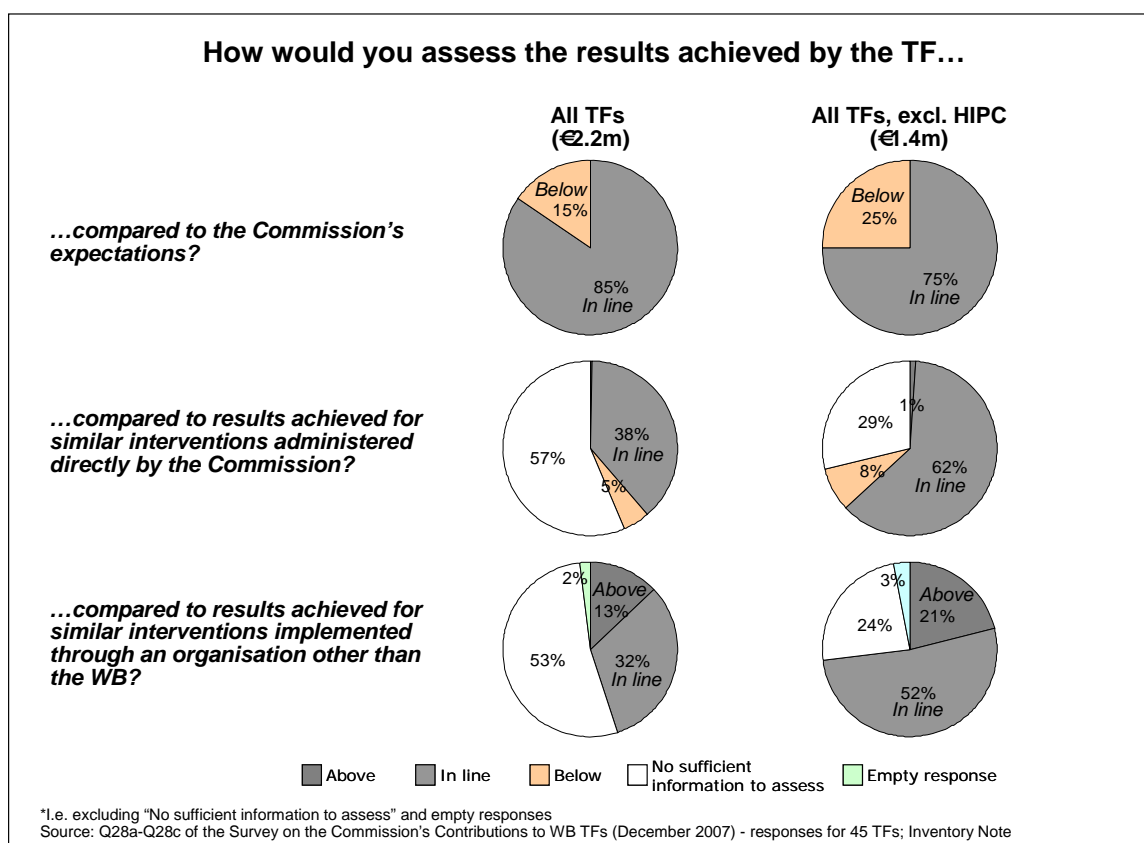
**Survey results** show that for 85% of the Commission's funds channelled through WB TF, results achieved by the TF were considered in line *with Commission expectations* (*see figure 3.5*). This is mainly due to the high satisfaction rate (five out of six) expressed for TF contributions above €100m. Furthermore, for a large majority of the funding for which an

<sup>51</sup> International Reconstruction Fund Facility for Iraq, which has two trust funds for donor contributions (the WB ITF managed by the World Bank and the UNDG ITF administered by the United Nations Development Programme (UNDP) – *see Annex 3*).

answer to the question was provided<sup>52</sup>, respondents consider that results were in line *with results achieved for similar interventions directly administered by the Commission*.

Similarly but even more strongly, for almost all of the funding for which an assessment could be provided<sup>53</sup>, respondents consider that results through WB TFs were *in line or even above with those achieved for similar interventions implemented through other organisations*.

**Figure 3.5 – Assessment of results, by amount of contribution to WB TF**



These relatively positive results are confirmed by **documentary analysis and interviews** for the larger contributions to WB TF. The table below, based on information available summarises, for the major Commission contributions, the main achievements of the WB TFs concerned.

<sup>52</sup> 62% of the total had results in line (excl. HIPC): this represents 89% of the funding for which assessment was provided (62% out of 70% of the funding).

<sup>53</sup> 52% of the total had results in line and 21% above (excl. HIPC): this represents 99.7% of the funding for which assessment was provided (52%+21% out of 52%+21%+3%).

**Table 3.1 – Summary of main achievements of largest Commission contributions to WB TF**

WB TF	Main achievements (outputs/ results/impact)
<b>HIPC</b>	<ul style="list-style-type: none"> <li>• Reduction of African Development Bank debt level</li> <li>• Improved macro-economic policies</li> </ul>
<b>TFET</b>	<ul style="list-style-type: none"> <li>• Rehabilitation of basic services and productive assets in Timor-Leste</li> <li>• Re-establishment of administration (incl. structures)</li> </ul>
<b>MDF</b>	<ul style="list-style-type: none"> <li>• 1m m<sup>3</sup> post-tsunami waste cleared</li> <li>• 620h of rice fields cleared</li> <li>• Network of 13,000 facilitators for local community projects</li> </ul>
<b>ARTF</b>	<ul style="list-style-type: none"> <li>• Enhanced PFM in Afghanistan</li> <li>• Better service delivery</li> <li>• Community development projects</li> </ul>
<b>ITF</b>	<ul style="list-style-type: none"> <li>• Rehabilitation/reconstruction of civil works in Iraq</li> <li>• Economic development projects</li> <li>• Capacity-building for officials</li> </ul>
<b>PFMR</b>	<ul style="list-style-type: none"> <li>• Simplified procedures for Palestinian Authority</li> </ul>
<b>GFATM</b>	<ul style="list-style-type: none"> <li>• 1.25m lives saved by 2006 from aid, tuberculosis, and malaria<sup>54</sup></li> <li>• 9.4m people reached with HIV counselling and testing</li> <li>• Malaria treatment delivered to 23 million</li> </ul>
<b>CGIAR</b>	<ul style="list-style-type: none"> <li>• Genetic improvements through agricultural research</li> <li>• Collection of germplasm</li> <li>• Improved policies</li> </ul>

A recent evaluation<sup>55</sup> concludes in the same way that large **post-crisis** WB TFs were instrumental in improving effectiveness, in particular by managing the high risk levels inherent in post-crisis environments. As regards the **HIPC** initiative, EU funds contributed to improving the African Development Bank Group (AfDB) financial situation (its primary objective), but the results of the Initiative as a whole proved less sustainable than expected (*see below*).

#### **Satisfaction levels regarding WB TFs related to (worldwide) global-level programmes were positive in general.**

Survey respondents indeed considered results “in line with Commission expectations” for seven out of eight global-level TFs, for both small and large Commission contributions. Desk study findings on the large contributions to the HIPC, GFATM and CGIAR are in the same vein. A 2004 study by the WB’s evaluation unit<sup>56</sup> also found that global public-goods programmes rated well in terms of their impacts on reducing poverty or on focusing on the constraints developing countries face in achieving sustainable economic growth.

<sup>54</sup> GFATM. 2006. *GFATM results report*.

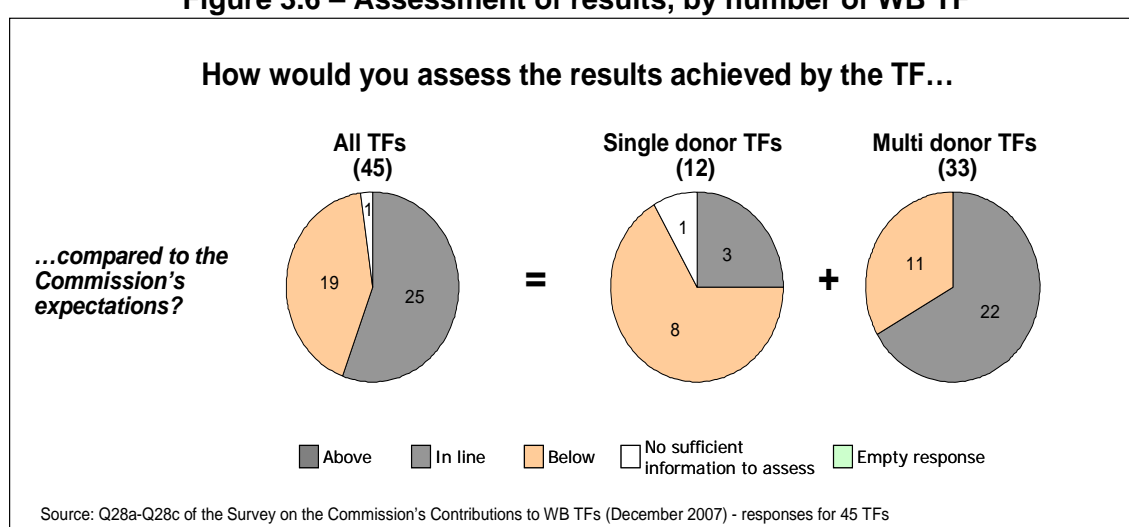
<sup>55</sup> Scanteam. 2007. *Review of post-crisis multi-donor TFs*.

<sup>56</sup> WB’s Operations Evaluation Department (OED), now the Independent Evaluation Group (IEG). *An Independent Evaluation of the World Bank’s Approach to Global Programs*.

### Results for small or medium Commission contributions to WB TF are mixed. SDTFs in particular pose a problem.

The picture emerging on satisfaction with results is more two-sided with regard to small or medium contributions (referring here to contributions between €200,000 and €35m, i.e. all Commission's contributions except the eight largest). Indeed, 56% of respondents to the Survey considered results to be in line with Commission expectations<sup>57</sup>, while 42% considered them below (*see figure below*)<sup>58</sup>. Almost half of the negative cases (8/19) concern SDTFs, despite the fact that they account for only one-quarter of the total number of responses.

**Figure 3.6 – Assessment of results, by number of WB TF**



Commission result-oriented monitoring (**ROM**) reports, available for 16 TFs<sup>59</sup>, yielded additional evidence of mixed results for small or medium Commission contributions to WB TF, showing that, in terms of effectiveness, problems or serious deficiencies were noted in seven out of 16 cases. They provide the following picture:

**Table 3.2 – Study of available ROM reports for WB TF**

Total: 16 WB TF	Effectiveness	Potential Impact	Potential sustainability
Very good (a)	2	0	1
Good (b)	7	11	11
Problems (c)	6	5	4
Serious deficiencies (d)	1	0	0

<sup>57</sup> Respondents (in number and not amounts covered) represent mainly small or medium contributions, as only 8 of the 83 contributions are excluded as large contributions.

<sup>58</sup> A relatively similar picture to figure 3.6 emerges regarding the assessment of results achieved, compared to similar interventions administered directly by the Commission and through other organisations.

<sup>59</sup> The 16 available ROM reports cover all small or medium Commission contributions to WB TFs (see Annex 10).

**To a certain extent, the results observed can be linked to the fact that the Commission channelled its funds.** Indeed, this allowed benefiting from WB expertise and experience in certain fields and countries, as well as its capacity to manage large TFs, which contributed to the effectiveness of interventions (*see details in EQ4 on Expertise*). On the other hand delays in reaching Commission-WB agreements had a negative impact in this respect (*see EQ5*). Some lack of results is further inherent in the WB's approach of relying on Governments, which sometimes have capacity shortcomings (e.g. in Iraq).

**No clear picture emerges in terms of sustainability. While WB TF typically had sustainability potential through their capacity-building activities, a large part of the funding concerned emergency or crisis situations for which the emphasis was on rapid action rather than sustainability.**

Governments are generally the direct beneficiaries of WB TF, and capacity-building is generally their central component, both of which are favourable factors in terms of sustainability potential. In the same way the available ROM reports, for small or medium Commission contributions to WB TFs, provide a rather positive picture; with good potential sustainability scores in 12 of the 16 reports (*see Table 3.2 above*).

Nonetheless, sustainability is questioned in some major cases, for example:

- The sustainability of debt reduction for highly-indebted poor countries through the **HIPC** Initiative was a key issue during the evaluation period<sup>60</sup>. Indeed, many debt ratios again deteriorated shortly after countries had benefited from debt relief operations under the Initiative (although this is also related to other factors<sup>61</sup>). There is also no evidence that the increased spending in social sectors resulted in a reduction in poverty. Improvements in the macroeconomic policy of HIPC countries proved more resilient, however.
- The sustainability potential of the **GFATM** was questioned in the 2005 report "*Added Value of Global Partnerships and Global Funds to Development cooperation*". It stated that there was clearly a relationship between the light-touch administrative approach stressed by the GFATM and its inadequacy in horizontal cross-donor programmes at country level. While the hands-off, quick-delivery focus had been instrumental in quickly mobilising resources to attack HIV/AIDS, the limits of the approach were tangible at country level.
- The sustainability of the **PSNP** was also raised as an issue during country missions. Indeed, although objectives were being met, doubts existed as to the intended graduation of beneficiaries out of the food security system.

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<sup>60</sup> See Annex 5 specifically on the HIPC initiative, in addition to the data collection grids in Annexes 3 and 4.

<sup>61</sup> A study by the WB's evaluation department *Debt relief for the poorest. An evaluation update of the HIPC Initiative* (IEG, 2006) specifies that debt reduction is not a sufficient instrument to affect the multiple drivers of debt sustainability: "*sustained improvement in export diversification, fiscal management, the terms of new financing, and public debt management are also needed, measures that are outside the ambit of the HIPC Initiative*".

When assessing sustainability, it is also important to consider that a large part of the funding relates to WB TFs in **contexts of emergency or crisis**, such as those relating to Iraq, Afghanistan, West Bank & Gaza, Timor-Leste, and the Indian Ocean tsunami. Recovery is a more central issue in those cases than sustainability; but WB TFs typically include longer-term activities, in contrast for instance with humanitarian aid carried out in those contexts by other agencies. The 2007 *Review of Post-Crisis Multi-Donor Trust Funds* notes that phasing out is often more challenging than expected in such cases, for instance for the ARTF and the MDRP Great Lakes<sup>62</sup>.

## EIB

### Available information shows tangible results for funds channelled through the EIB.

ROM reports available for five EIB loans with **interest rate subsidies** in Morocco indicate that most of these projects attained results<sup>63</sup>, although with delays, confirming interviews in this sense. Potential impact and sustainability are also rated positively<sup>64</sup>. The fact that (subsidised) EIB loans are requested by national authorities and that they should be economically viable, with Government guarantee, fosters national ownership of the operation. Key achievements include water and sanitation in several city centres, improvements in the environmental conditions of water treatment units, and environmental enhancement of a power plant.

The EIB's 2007 *Mid-term Evaluation of the FEMIP Support Fund* concludes that the majority of **TA operations** in the MEDA region are performing well and have the potential to improve considerably the quality of the EIB loan portfolio, with several indications of positive impact on the beneficiaries. This was confirmed by stakeholders during the country mission to Morocco for the present evaluation.

All three ROM reports available for the **Risk Capital Facility** in the MEDA region<sup>65</sup> further rate effectiveness as good, which confirms the positive results reported by interviewees. The Risk Capital Facility is also interesting with regard to sustainability, in that the EIB has used it via the local financial sector, banks or investment funds and accompanied with a strengthening and an improvement of the governance of these intermediaries.

### 3.3.3 Availability of information

The availability of information on the channelling of funds proved a specific challenge, which went even beyond the assessment of results, and accordingly deserves specific attention.

<sup>62</sup> Multi-Country Demobilisation and Reintegration Program (MDRP) in the greater Great Lakes region of Central Africa.

<sup>63</sup> Scores for Effectiveness to date: 1 « very good », 3 « good » and 1 « problems ».

<sup>64</sup> Scores for Impact Perspectives: 1 « very good », 3 « good » and 1 « problems »; Scores for Potential Sustainability: 2 « very good » and 3 « good ».

<sup>65</sup> MR-10097.01 – 03/12/02; MR-10097.03 – 09/07/04; MR-104446.02 – 09/10/07.

**WB**

There were gaps in availability of information within the Commission on the funds channelled:

- **A comprehensive and detailed overview of the Commission's contributions to WB TFs did not exist.** The evaluation team itself was confronted with major difficulties in building such an inventory and typology based on available information.
- **Information on individual WB TF was not centralised in the Commission.** Finding information on the funding of individual WB TF proved difficult.
- **A complete and accurate list of Commission task managers in charge of contributions to WB TF was not available.** For the Survey, out of the list of 83 WB TF to which the Commission was contributing, Commission task managers could be identified for 65, using data from several sources including the CRIS database and information provided by geo-coordinators and members of the RG of the present evaluation. This was however not possible for 18 TF. Moreover five of the list of 65 replied that they were the wrong person to be contacted and were unable to indicate whom to contact instead.
- **The proportion of "do not know" answers in the Survey was significant.** It includes a number of questions where information could have been expected to be readily and systematically available (*see table below*). In addition, 44% of respondents to the Survey answered that they did not have *documentary* information on sustainable achievement of results, and 27% answered that they did not have sufficient information on activities and results in general.

**Table 3.3 – "Do not know" answers to questions on readily available information (% of 45 TF)**

Questions on readily available information	"Do not know"
Q3(a-c) – Initial documented analysis of needs, TF objectives, TF governance?	22%-24%
Q4(a-d) - Analysis of alternatives?	27%-40%
Q7 - Official documents providing a justification for the decision to channel?	33%

These information gaps can be explained by several factors which relate to the management of funds within both the Commission and the WB, to the institutional memory in the Commission, as well as to the interaction between the two institutions:

- **Commission databases and information systems are confronted with structural issues.** There is no specific database for providing global overviews. Existing systems are moreover neither homogeneous nor user-friendly, which hampers easy and rapid retrieval by Commission staff of adequate information on channelling through WB TFs. These issues are explained into detail in the Inventory Note of this evaluation (under section 2.1 *Data sources and limits*).
- **Commission resources to monitor TF activity and appropriate in-house sector expertise were not always sufficient.** This was mentioned as an issue by respectively 33% and 24% of respondents to the Survey; both are better for multi-donor programmes than for SDTFs. Commission staff also reported lack of the necessary resources for active participation in governance bodies for some TFs (*see 3.6.2*).

- **The resources at Commission HQ level dedicated to channelling through the WB were limited.** Staff specifically dedicated to relations with the WB are spread across different units within RELEX-DEV-AIDCO. Their number has not increased commensurately with the increase in funding. They are in charge of HQ-level relations with the WB, while the management of contributions to WB TFs is the responsibility of the authorising officers in the various geographical services (including Delegations) and of staff managing budget lines.
- **Capitalisation on channelling through WB TF at the level of Commission task managers was scarce.** Delegations in Asia organise meetings for sharing experience in their cooperation areas, including experience with WB TF; according to participants met, these meetings are most useful. However, similar initiatives in other parts of the world or at a global level have not been encountered.
- **Information and reporting from WB was insufficient or received with delays:**
  - Answers to the Survey show that 71% of Commission task managers received all or most of the **agreed documents** from the WB (including for five of the six largest TF contributions). But 24% of respondents answered negatively, in particular at Delegation level (33%) and for SDTFs (42%).
  - **Reporting** was a problem<sup>66</sup> (*see 3.5.3*). Delays in reporting were for instance mentioned by 42% of respondents overall (*see 3.5.1*). It is a much more serious issue for SDTFs (82%) than for MDTFs (24%). It should be noted that in some cases such as the PSNP in Ethiopia, delays are due to shortcomings of reporting by the Government to the WB.
- **Interaction between Commission and WB managers was difficult.** Interaction was considered sufficient by 60% of Commission staff surveyed; but 31% considered it insufficient, which represents a significant proportion of funds<sup>67</sup> as it applied to some major contributions. The fact that WB team leaders were based at headquarters in Washington DC was considered a difficulty for TFs at country level, as well as the fact that WB team leaders had to split their time between several TFs (*see 3.5.1*).

## EIB

There were gaps in terms of availability of information on the funds channelled through the EIB within the Commission, similarly as for funding through the WB:

- **A comprehensive and detailed overview of all Commission's contributions to the EIB** did not exist and was difficult to build up.
- **Information on individual EIB operations** was not easily obtainable in the Commission.

<sup>66</sup> It posed difficulties in terms of delays but also for instance when not matching with the original budget, when expressed in Dollars rather than Euros, when accompanied by too limited supporting documentation, or when done for several TFs at once.

<sup>67</sup> 57% of the funding to WB TF (when excluding the empty answer for HIPC).

These information gaps are mainly explained by the management of funds within the Commission:

- **Commission databases and information systems face structural issues**, as mentioned above and explained in detail in the Inventory Note.
- **Information on funding of EIB instruments is not centralised** within the Commission.
- **Specific mechanisms for exchange of information and capitalisation within the Commission between Delegations and HQs on channelling through the EIB were not encountered.** Delegation staff met in the field exhibited limited awareness of obligations in terms of reporting and on the results of operations in their country.
- **The role of the Commission in follow-up of individual operations was generally limited**, as EIB mechanisms apply (*see 3.1.1*).

Different views were recorded on exchange of information between the EIB and the Commission. While reporting worked well in general, according to several sources, for both the MEDA and ACP regions and for the different instruments, some Commission representatives indicated that obtaining information was not always easy, for instance on the underlying operations.

### 3.4 Evaluation Question 4 on Expertise

**EQ4: *To what extent did channelling through IFIs enable the Commission to offer a broader range of expertise and instruments to the beneficiaries?***

*The question aims at verifying the extent to which the channelling of funds allowed the Commission to gain access to specific expertise or instruments so as to better respond to the needs of beneficiaries. The answer is based on the three judgement criteria for this question (JC 4.1, JC 4.2, JC 4.3).*

#### EQ4 on Expertise – Answer Summary Box

Channelling through the WB and the EIB allowed the Commission to offer a broader range of expertise and instruments to beneficiaries, albeit in a different manner for each institution. In both cases the Commission has relied on financial institutions of which the core business is lending whereas the Commission itself is supporting development with grants. However, the expertise made available by the channelling through the WB related to broader development issues, in addition to more banking-related activities, while for the channelling through the EIB the emphasis was more on the provision of expertise related to specific financing instruments.

Indeed, the **WB** is a development bank. When the Commission channelled its funds through the WB, it did so to allow beneficiaries to benefit from the WB's expertise in banking or in specific development matters, relating mainly to its:

- role in financial markets (HIPC, huge investments);
- thematic expertise (debt-reduction, public finance management, reconstruction and rehabilitation) and government capacity-building;
- capacity to manage large TFs;

- knowledge of the specific context or country;
- compliance with international standards, offering “fiduciary comfort”.

The **EIB** is the EU's financing institution, not a development bank as such. The Commission accordingly channelled funds for specific financial instruments. This allowed beneficiaries to benefit from the EIB's expertise, directly related to the institution's banking activities, and more specifically:

- financial instruments (interest rate subsidies, risk capital, TA linked to loans);
- operational management, including rigorous appraisal of project conditionality;
- sector expertise (infrastructure, environment, energy, Small and Medium-sized Enterprises);
- risk assessment.

When the Commission is channelling its funds through WB TF or the EIB it is using financial institutions of which the core business is lending, whereas its own function is supporting development with grants<sup>68</sup>. However its approach in respect of the WB and the EIB differs.

## WB

**Channelling through the WB allowed the Commission to offer beneficiaries leading expertise and experience from a Development Bank, in specific themes, in administration of large TFs, in certain countries and contexts, and in fiduciary comfort.**

As explained under EQ1, among the reasons for channelling through the WB several relate to the expertise or experience to be provided to beneficiaries. Although it is not within the scope of the evaluation to assess the WB's expertise *per se*, several sources indicate that expectations in terms of expertise and experience were generally met with regard to the following:

- ***The WB's role in financial markets: the recourse to the expertise of the WB in general cannot be disentangled from this characteristic which is in several cases a major determinant for choosing this particular partner.*** The choice of the WB for its expertise in international banking and financial markets is indisputable in the case of the HIPC. The World Bank and the International Monetary Fund are indeed in the lead in the design and implementation of structural adjustment (in addition to being the biggest creditors of HIPCs). Moreover, in many large development operations the choice of channelling funds through the WB is justified by the fact that the problems addressed require massive investments (e.g. large sector and structural adjustment programmes in Iraq) that can only be funded with medium-to-long-term loans. The role of the WB as an actor capable of mobilising funds to this end, thanks to its triple-A rating on international markets, is the key determinant. WB-managed MDTFs financed with donor grants strengthened the countries' base for future financing, once they are again eligible for IDA loans. When channelling its funds through the WB, the Commission is frequently working with an institution that is involved, often apart from

<sup>68</sup> The Commission may provide balance of payments support loans but this is not a normal instrument of its development policy.

the TF or the particular operation funded with Commission participation, with substantial financial loans in complementary operations targeted on the same objectives.

- ***The WB's thematic expertise:*** the role of the WB as a development bank capable of mobilising funds on international markets has given the WB recognised technical expertise **in a wide range of sectors**. Additionally, the WB's main thematic expertise in the TFs concerned lay in, besides structural adjustments related to **debt reduction** mentioned above, **reconstruction and development financing, post-conflict rehabilitation**, and its capacity to address **major emergency situations**, for instance for its TFs relating to the Indian Ocean tsunami, Timor-Leste, Afghanistan and Iraq. The WB's focus on building **core public sector administrative systems and capacities** (central activities in those TFs) proved essential in such cases.<sup>69</sup> The WB could help **stabilise the macro-economy** and get the **private sector** going again, as acknowledged by the 2007 *Review of Post-Crisis MDTFs*.
- ***The WB's experience, capacity and leadership in administering MDTFs*** are widely recognised as providing efficient coordination structures. The 2007 independent *Review of Post-Crisis MDTFs* notes that, while the UN would be a logical MDTF administrator on several grounds, nearly three-quarters of the MDTFs have been entrusted to the WB. Such experience was further acknowledged for different TFs examined.<sup>70</sup> Moreover 72% of Survey respondents considered the WB's experience with managing large TF a key reason for the Commission to contribute (*see EQ1*). Several interviewees also referred to the fact that the WB is a single organisation *vis-à-vis*, for instance, multiple UN agencies, funds and programmes. These overall views are confirmed by the fact that satisfaction with results and efficiency were broadly speaking in line with expectations, and particularly for the larger contributions (*see EQ 3 and 5*).
- Channelling through the WB offered access to significant **country presence or experience**, when the Commission was either not present or was present with less critical mass in terms of human resources. This was the case for instance in Timor-Leste and for the Indian Ocean tsunami; also in Iraq and Afghanistan, the Commission had no bilateral relations with the Government prior to the fall of regimes or at the early stage of the transition phase. In these cases, the WB had either a lasting presence in the country as a development bank, or received a mandate for donor coordination in the country from the international community. Its country presence allowed the WB to accumulate specific know-how and experience<sup>71</sup>.
- Finally, ***the WB's compliance with international standards and good fiduciary management*** were also mentioned by different interviewees as offering 'fiduciary

<sup>69</sup> Schiavo-Campo underlines in this respect that "*post-conflict reconstruction is first and foremost an institutional challenge*" Schiavo - Campo. 2003. *Financing and Aid Management Arrangements in Post-Conflict Situations*.

<sup>70</sup> Regarding the ARTF, for instance, a recent evaluation mentions that "*the WB is recognised as an experienced interlocutor for multi-donor funding as it has a long experience in managing funds this manner*" (Scanteam. February 2007. *Review of post-crisis multi-donor TF*). For the PFMR, the WB reported that "*the request by the Palestinian Authority (PA), and its endorsement by donors, reflects the view that the WB has the capacity and global reach to lead an international effort in support of the PA's budget*" (World Bank. 2003. *West Bank and Gaza. Proposed Public Financial Management Reform Trust Fund*).

<sup>71</sup> This was for instance the case with the PFMR in the West-Bank and Gaza Strip. The WB had indeed administered the Hols Fund from 1994 to 2001, the instrument that served as the main conduit for budget support to the Palestinian Authority in its start-up years. Also for the MDF, the long in-country presence of the WB brought about strong relations with the Government, including contacts with the President's Office.

comfort' to donors, in both post-conflict and other countries. The WB respected internationally accepted standards of accounting, audit, internal control and procurement procedures (i.e. the "four pillars")<sup>72</sup>. The WB-administered MDTF funds are moreover not treated very differently from IDA credits within the Bank policy framework, according to the *Review of Post-Crisis MDTFs*. The fiduciary comfort offered through the WB was notably underlined during country missions in Ethiopia and Vietnam; it led the Commission to provide finance for budget support through the WB in conditions where direct budget support by the Commission could not be envisaged. Risk management by the WB as well as budgetary and fiduciary assurance were further considered important benefits in post-crisis contexts, as acknowledged in the ARTF and PFMR.

The **case of Iraq** illustrates several of the above-mentioned fields of expertise and experience<sup>73</sup>.

### **Box 3.2 – The case of the IRFFI in Iraq: involving both the WB and UN<sup>74</sup>**

The International Reconstruction Fund Facility for Iraq (IRFFI) was established in 2004 by the international community to support the reconstruction of Iraq. It is based on a "two-window" concept consisting of two trust funds: the UNDG ITF<sup>75</sup> and the WB ITF. It is the first time that the UN and the WB managed TFs simultaneously and within a single mechanism. The UNDG ITF and the WB ITF were intended to function as independent but coordinated entities. Despite the fact that the WB and Iraq Government remained isolated from each other for 25 years (1979-2003), the WB was chosen for administering part of the IRFFI owing to its technical and project management expertise. It was indeed recognised for its expertise in reconstruction and development financing, its ability to address large emergency situations, and its administration of MDTFs and donor coordination. Although there is no established division of labour in foundation documents between the WB ITF and the UNDG ITF, the WB ITF is mainly in charge of aspects relating to rehabilitation, reconstruction, infrastructure, and private sector development. The UNDG ITF on its side is particularly active in the fields of refugees, electoral process, governance, health, education, and agriculture. The UN also played an important political, convening and technical role during the process leading to the set-up of the IRFFI, while the WB focused on convening and technical support.

**Access to *additional financial instruments* was seldom at the heart of Commission contributions through the World Bank.** The TFs to which the Commission contributed were generally not providing instruments such as interest rate subsidies and technical

<sup>72</sup> Cf. the *International Organisations compliance analysis with internationally accepted standards* for the WB commissioned by EuropeAid and realised by Ernst & Young as external auditors.

<sup>73</sup> The case of the LOTFA, a UNDP TF funded via the WB-managed ARTF, is further detailed in section 3.5.2 (*footnote*).

<sup>74</sup> Information provided in this box is largely based on the case study of the Iraq Trust Funds in the Annexes of Scanteam's 2007 *Review of Post-Crisis Multi-Donor Trust Funds*. See also Annexes 4 and 5 of the present evaluation for further details.

<sup>75</sup> United Nations Development Group (UNDG) Iraq Trust Fund (ITF), administered by the UNDP (UN Development Programme).

assistance on WB loans or equity investments. They were generally self-standing operations financed through grants, not combined directly with World Bank Group loans. But the very fact that the Bank is a provider of large loan funding has been a major reason for relying on it. This was notably true for the HIPC, but also for a variety of operations for which, aside from the trust funds established to channel other donors' grant funding, the Bank was itself lending substantial funds to finance infrastructure or complex sector or structural reforms.

It is important to note also that the WB itself highlights different types of expertise that it could offer through its TF-administration activity<sup>76</sup>. More specifically this consisted of:

- magnifying its ability to support poverty reduction efforts at the country, regional, and global levels;
- helping recipient countries establish creditworthiness to resume or expand WB borrowing, comply with WB's policies, and prepare programs that are financed through WB lending;
- responding in settings where lending would not be feasible (e.g. in the West Bank and Gaza strip) or where financial assistance must be delivered rapidly (e.g. after the Indian Ocean tsunami);
- scaling up WB support for "what works" (for instance, through cofinancing of WB loans and credits) and harmonising and aligning country-level assistance programs;
- leveraging donor financing in support of capacity building and innovation in areas that are new to the Bank (e.g. gender equality, participatory governance);
- augmenting core WB activities such as analytical work, project appraisal and supervision, and TA;
- providing the financial underpinnings for some very large and visible multilateral partnerships in health and the environment.

## EIB

**The EIB is the EU's financing institution, not a development bank as such.** It has been set up to further the objectives of the European Union by making long-term lending available for sound investment, in particular in regional development, trans-European network, and so on. Outside the EU the EIB with its lending contributes to European development co-operation policy in accordance with the terms and conditions of various EU mandates (ACP, Mediterranean, etc.). However, outside the EU, operations do not exceed 10% of the EIB's lending mandate, with limited local EIB offices and staff<sup>77</sup>.

**The contributions of the Commission to the EIB served for filling a gap between grant assistance and capital borrowing at market conditions by offering the beneficiaries services (TA), incentives (interest subsidies) and the financial underpinning for risk capital operations.** The mandate of the EIB allows it to use its own resources only for loans. As explained in the Inventory Note, the grant money provided by the Commission (from its Budget and the EU MS' EDF) was used to offer additional funding modalities, more attractive conditions, and resources in operations too risky for traditional financing. For the interest rate subsidies and TA related to EIB loans, and for the risk capital operations – all managed by the EIB –, the Commission and the

<sup>76</sup> See WB Audit Committee. October 2007. *A Management Framework for World-Bank-Administered Trust Funds*.

<sup>77</sup> See below, and also EQ 1 and the Inventory Note.

EIB joined forces to provide the regional agreements for the MEDA and ACP countries with a comprehensive array of EC long-term financial solutions, at conditions more favourable than those of the market but not market distorting. It permitted a more flexible and comprehensive response to partner countries' needs than Commission grants or EIB loans alone could have provided.

**The expertise and experience that was offered by the EIB for the provision of these instruments was widely recognised and related to the following, which are directly related to the institution's banking activities:**

▪ **Financial instruments**

- **Management of financial products and complex financing structures.** This was particularly the case for instruments generating reflows such as loans and risk capital operations. Commission staff reported for instance that the Commission itself had managed risk capital operations in the past, but that it had proved more efficient for the EIB to do it. Regarding TA on EIB loans, despite the EIB's limited experience with managing TA prior to the creation of the FEMIP Support Fund, interviewees recognise that the EIB was in the best position to identify and manage the TA necessary for the loans it provided, albeit with support from the Commission in one reported case<sup>78</sup>. The same is true for the Commission's contribution to the HIPC Initiative *as a creditor* through the EIB HIPC Fund; the claims under consideration were special loans and risk credits which had been granted by the Community through the EIB.
- **Specific benefits of EIB loans.** These include very long maturities often not readily available in third countries; fund-raising and lending capacity in local currency for some countries, which appear to have contributed to the development of local capital and financial markets; and competitive standard interest rates owing to its triple-A rating on international capital markets<sup>79</sup>.
- **Flexibility** in the management of some instruments, in particular for risk capital.

▪ **Operational management**

- **Thorough technical-economic competence**, for instance with regard to reviews of environmental studies.
- **Involvement in projects at an early stage** and assisting with project preparation and implementation (particularly public sector promoters).
- **Rigorous appraisal of project conditionality**, notably ensuring the application of EU environmental and procurement standards<sup>80</sup>.

<sup>78</sup> A large TA for an EIB loan for the rehabilitation of hospitals in Morocco (*see 3.5.1*).

<sup>79</sup> On the latter it should be noted that the attractiveness of the EIB's interest rates has declined over the last years in some countries such as Morocco, at least in the more profitable sectors, owing to the increased liquidity of their financing markets and the subsidised interest rates offered by a number of development banks.

<sup>80</sup> EIB project conditions also cover other important issues such as pricing and tariff policies, improvements in management capacity, cessation of non-profitable activities, productivity targets and asset disposal, and so on. But the EIB is said to look primarily at project conditions and only to a limited extent at sector, development or other conditions.

- **Project management and expertise**, which has even increased according to a Commission interviewee, owing to more staff and the use of EU-funded TA.
- **Sectors:** EIB expertise lay in particular in the – public as well as private – sectors of "viable infrastructure", environment and Small and Medium-sized Enterprises (SMEs), where it sought to pass on to project promoters its technical and economic know-how.
- **Risk assessment:** the EIB has decades-long experience in the MEDA and ACP regions, including risk capital operations and interest subsidies, resulting in knowledge of local actors and national authorities. This proved an essential factor in assessing the national and sector environment in which particular investments are funded and in assessing the risks involved in these operations. A number of external representation offices were also created<sup>81</sup>. But projects remain generally managed from EIB HQs.

### 3.5 Evaluation Question 5 on Cost Reduction & Implementation

**EQ5: To what extent did the Commission's channelling of funds contribute to swifter implementation and lower transaction costs?**

*The purpose of the question is to assess whether channelling through IFIs is an efficient alternative to the Commission's own direct interventions in terms of time for aid delivery and cost reduction. The answer to this question is structured as follows: Delays and disbursement (JC 5.1); Transaction costs (JC 5.2); Procedures: FA and AA (JC 5.3).*

#### EQ5 on Cost Reduction & Implementation – Answer Summary Box

**WB:** Channelling through WB TFs has generally promoted cost-efficiency in terms of costs of aid delivery for both Commission and beneficiaries. Efficiency was lower in terms of timeliness, as delays were observed in about half of the cases, notably for SDTFs. The FA and AA templates facilitated contracting, although difficulties were observed in respect of concluding specific agreements. More specifically the following findings emerged in respect of efficiency in terms of time and costs and the regulatory framework:

- **Delays** in contracting or implementation were reported in about half of the cases. Single-donor TF experienced frequent implementation delays. Several factors explained the different types of delay, some relating to the channelling: (i) difficulties in reaching WB-Commission agreements; (ii) inadequate reporting by the WB; (iii) administration of the TF (time-consuming coordination and donor constraints, WB management); (iv) weak capacity of governments; *and* (v) heavy conditionalities (HIPC).
- For most contributions to WB TFs, channelling through the WB promoted **cost-effectiveness** of aid delivery for both the Commission and beneficiaries, owing to various factors: (i) low WB administration fees; (ii) reduced Commission management time; (iii) reduced beneficiary transaction costs (coordination, procedures); *and* (iv) WB TF approaches favouring efficiency in cost terms (harmonisation, fewer donor Project

<sup>81</sup> To facilitate enhanced coordination with local public authorities, borrowers, the banking sector and lenders, and to improve identification and monitoring of projects, the EIB has opened small external representation offices: Rabat, Cairo, and Tunis in the Mediterranean; and Nairobi, Dakar, Pretoria, Fort-de-France, and Sydney for ACP countries.

Implementation Units (PIUs), expertise, TF structure). But the cost-efficiency of channelling through the WB was challenged in some cases: when delays occurred, when WB administration posed a problem, when government implementation capacities were weak, and when the TF organisation proved expensive. The WB from its side calculated that administration fees were not sufficient to cover its costs.

- The **Framework Agreement** and its Administration Agreement template are globally considered useful instruments, although some Commission-specific requirements posed a problem. A number of difficulties remained also in respect of conclusion of agreements owing to: (i) limitations of the text; (ii) lack of compliance; (iii) Commission-specific requirements; *and* (iv) cumbersome decision circuits.

**EIB:** Funding EIB-managed instruments proved efficient in cost terms, but delays were frequent for interest rate subsidies. In particular:

- **Delays** in loans with interest rate subsidies were frequent, owing to Governments' difficulties in meeting conditionalities. For the FEMIP Support Fund few delays were observed, with one notable exception.
- Channelling through the EIB generally proved **efficient in cost terms** throughout the whole channelling cycle, owing to: (i) relatively low EIB management fees; (ii) significantly reduced Commission management time; (iii) no reported difficulties in terms of transaction costs; (iv) EIB banking expertise and expertise. The EIB HIPC Fund was said to be an exception, however.

No major difficulties were mentioned regarding **procedures** for channelling through the EIB, but Commission staff were not all aware of these procedures.

### 3.5.1 Delays and disbursement

#### WB

**Delays in terms of contracting or implementation were reported in about half of the cases. SDTFs experienced frequent delays in implementation.**

Almost half of the respondents to the Survey (22/45 or 49%) stated that they encountered a delay at one stage or another prior to signature of implementation contracts by the WB, while less than one-third (13/45 or 29%) stated that they did not encounter any delay<sup>82</sup>. Delays were more often mentioned at the time of signature of implementation contracts and of reporting by the WB (respectively 33% and 83%). Interviewees, notably from the WB, explained in this respect that there is a trade-off between speed of implementation and capacity-building. Delays in reporting are discussed below.

In all cases the incidence of delays was significantly higher for SDTFs than for MDTFs. Country missions and desk analyses also provided examples of both smooth implementation and delays. Examples of other delays mentioned (for seven TFs) included delays in reception of financial accounts or in reporting from partner agencies.

Available ROM reports show similar results. In eight of the 16 cases the efficiency of implementation was rated "very good" (1) or "good" (7), while in the remaining cases it was rated as revealing "problems" (7) or "serious deficiencies" (1). The latter eight scorings

<sup>82</sup> "No delay" answers to the three Survey questions on delays between the identification study and the signature of implementation contracts (the three first categories in the figure).

are essentially related to delays relating to (i) the administrative procedures of the WB for appraisal of activities and mobilisation of TA (5 TFs); (ii) implementation problems with TF activities arising from disbursement difficulties on the WB's side (2 TFs); and (iii) lack of staff (1 TF).

**Several factors explained those delays, some of which relate to channelling:**

- **Reaching WB-Commission agreements:** a number of activities did not start or started after substantial delays relating to the signature of AAs (*see reasons below under 3.5.3*). For instance, for the WB ITF and the TFET the time between the Joint Assessment Mission and the signature of the Administration Agreement with the Commission was respectively 10 and 14 months. For the GFATM, three years elapsed between identification of the intervention and signature of the AA with the Commission. Interviews show that this concerned not only the Commission but also other donors. The 2007 Review of Post-Crisis MDTFs explained that, for the MDF, donors were quick to pledge funds, but when it came to signing a standard agreement prepared by the WB, several donors made special requests, notably for ensuring that agreements were in line with their own legislative requirements and policy decisions.
- **Reporting:** reporting by the WB to the Commission has been a source of problems (*see 3.3.3 and 3.5.3*), leading to discussions and delays in the payment of additional tranches.
- **Administration of the TF:** a WB 2002 working paper underlined that the WB-wide project preparation time was 15 months on average; it was cut to 3.5 months for the TFET without adverse impact on quality standards<sup>83</sup>. Delays related to the administration of TFs were mainly related to the coordination and WB management:
  - **Coordination:** interviewees mentioned that some delays occurred at the start of the TFs' activities as a result of the need to organise coordination between donors.
  - **WB management:** TF administration by team leaders based in Washington DC was repeatedly reported as a source of difficulty for TFs at country level, as recorded during field missions, telephone interviews and comments to the Survey. This did not concern TFs at regional or global level, on which a Commission representative observed that, on the contrary, it was useful to have the team leader close to central units such as the Legal Department. Cumbersome decision circuits within the WB for solving administrative issues were also reported (*see 3.5.3*). Interviewees also explained that WB team leaders had to deal with different TFs, and questioned whether they had sufficient time to attend to certain TFs, in particular smaller or single-donor TFs. Improving internal WB capacities to support MDTF is also a recommendation of the 2007 *Review of Post-Crisis MDTFs*. The WB is indeed dealing with an increasing portfolio of TFs, more than a thousand currently. The WB's 2007 *Management Framework for WB-Administered TFs* reports that administering such large and complex TF portfolio posed a range of fiduciary, financial, operational, administrative, and strategic challenges.

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<sup>83</sup> Other positive examples of relatively rapid set-up of the TFs are the ARTF and the PFMR according to reports.

- **Weak capacity of governments:** the WB is working directly with the partner government. When a government had weak capacity, delays and low disbursement rates were observed. A clear example is Iraq: according to a review of the WB ITF in 2007, donors did not expect to make further contributions to the ITF, on account of low disbursement rates. For the PSNP in Ethiopia, weak local government capacity hampered the quality of the financial follow-up of donors' funds, leading to delays in disbursement by donors. In 2006 the Commission decided to withhold its disbursement pending an acceptable quality of financial reporting. In Vietnam the WB had difficulty in reaching an agreement with the local authorities in the health sector.
- **Conditionalities:** this specifically concerned the HIPC initiative, in which delays have occurred owing to the conditions set by beneficiaries<sup>84</sup>. Even though the Enhanced Initiative introduced a little more flexibility into these processes, it remained a complex mechanism, implementation of which was inevitably slow. Moreover, several HIPCs faced difficulties, and therefore needed more time than initially planned to fulfil the conditions for reaching the Decision Point and then the Completion Point.

## EIB

**Delays in loans with interest rate subsidies were frequent, owing to Governments' difficulties in meeting conditionalities.** ROM reports available on interest rate subsidies in Morocco indicate that most projects funded through EIB loans with reduced interest rates were rated positively on implementation efficiency (4 "good" and 1 "problem" ratings). Nevertheless, comments in those reports show that delays occurred repeatedly, notably at project inception, as confirmed by different stakeholders. The main reason is that Governments faced difficulties in meeting EIB conditionalities on loans, which could be more stringent when loans were accompanied by interest rate subsidies. Such conditionalities include for instance EU environmental standards, pricing and tariff policies, and so on, which in some cases require that Parliaments amend existing laws. Delays were said to have precluded the Commission from disbursing the funds in some cases, as it was bound by the "D+3 rule"<sup>85</sup>.

**For the FEMIP Support Fund few delays were observed, with one notable exception.** Interviewees considered that the TA operations on EIB loans were generally running on time. This was however not the case for a large TA operation in the health sector in Morocco. The project was indeed delayed for two years, due to the need to design a suitable approach for this comprehensive TA and the need to reach an agreement in this respect between the Commission and the EIB. As foreseen by the procedures, consultation with the Commission Delegation took place when the draft Terms of Reference were proposed. At this stage a revision of the approach took place in close collaboration between the Commission Delegation and the EIB. The Commission Delegation regretted that it was consulted only at that stage in the process, given its experience and expertise in

<sup>84</sup> In brief, to reach the Decision Point a country must have a track record of macroeconomic stability, have prepared an Interim Poverty Reduction Strategy Paper, and cleared all outstanding arrears. To reach the Completion Point it must maintain macroeconomic stability under a PRGF-supported programme, carry out key structural and social reforms as agreed upon at the Decision Point, and implement a PRSP for one year (*see also Annex 4 on the HIPC Initiative*).

<sup>85</sup> The 2002 EC Financial Regulation provides in its Article 166 that the maximum deadline for signing the individual legal commitments implementing a financing agreement is D+3 years from the date of the global budgetary commitment. This threat was relieved in 2004 with the amendment of Article 6 of the 1992 Commission-EIB Convention, allowing Commission pre-financing of the EIB.

terms of TA. In this respect, it underlined that it did not have a clear understanding of the division of roles between the Commission headquarters and the Delegation with respect to such TA projects.

### 3.5.2 Transaction costs

#### WB

For most contributions to WB TFs channelling through the WB promoted efficiency in terms of aid delivery costs for the Commission and for beneficiaries overall. This was however challenged in some cases, such as when delays occurred (*see 3.5.1*). Different factors contributed to this, in particular:

1. Commission management time;
2. WB administration fees;
3. beneficiary transaction costs (coordination, procedures);
4. WB TF characteristics (harmonisation, fewer donor PIUs, expertise, TF structure).

These factors are further detailed below:

**1) Less management time from Commission staff was generally needed** when funds could be channelled through WB TFs. Commission staff stated that channelling aid through WB TFs meant a reduction in their workload as tender exercises were not needed (also increasing the rapidity of disbursement of Commission funds – *see 3.2.2*); although their involvement was required, it was clearly less than when funds were administered direct. The responses to the Survey are in the same vein (*see below*).

**2) WB administration fees were globally low.** Article 6 of the FA determines the different levels of WB administrative cost recovery envisaged according to the types of TF<sup>86</sup>. In many cases they are 2% but the scale runs from 0% to 5% and *ad hoc* cost recovery may also be agreed upon. The 2003 amendment of the FA specifies that fees for administering TFs shall not exceed 7%. Higher fees have nevertheless been observed for several TFs; additional management costs were also requested during implementation of some TFs, such as for consultancy work, monitoring missions, and background studies.

These administration fees are considered low by most Commission staff interviewed. Two important considerations should be made with regard to the WB administration fees:

- **The target of keeping administration costs below 2% is unique. But WB fees aimed at covering the costs of administering TFs ('secretariats'), not the costs incurred by the WB in implementing TF activities.** Indeed generally it was the Government that implemented WB TF interventions, in the sense that it was managing the projects. One should be careful when comparing WB TF fees with those for interventions managed by other organisations. For instance UN fees are in the 5%-12% range, typically 7%. These fees include both types of cost, as UN bodies are in charge

<sup>86</sup> For TFs that provide co-financing for a country-specific investment project or adjustment program assisted by IBRD or IDA for instance, the "Trust Funds and Co-financing Framework Agreement" from 2001 and amended in 2003 states in pp. 2 and 6 that the administrative cost recovery provision shall be 2%, up to US\$30m equivalent, or be determined for each trust fund above that amount, up to a maximum of 7%.

of both administration of interventions and overall project administration<sup>87</sup>. One should further note that there is no generally agreed benchmark for realistic fee levels.

- **The WB considers that there has been a structural under-recovery of costs<sup>88</sup>**, in particular for small TFs which were often considered disproportionately costly to establish and administer. In this respect the WB underlines that “*continuation of the existing fee structure would result in an annual cost-share by IBRD/IDA of \$50 million in FY07 prices*”<sup>89</sup>. WB management recommends in that document the introduction of a number of fee policy revisions with the aim of recovering full costs<sup>90</sup>. Additionally, a PWC report indicated that for post-crisis MDTFs the secretariats have been kept too small and hence costs artificially low, reflecting the fact that the WB made a periodic point of charging low rates.

The majority of respondents to the Survey consider that the combined effect of WB administration fee levels and the management time needed by Commission staff has promoted efficiency in cost terms. Indeed:

- for 53% of respondents, these costs were considered lower than or comparable to those for interventions administered directly by the Commission;
- for 71% of respondents, these costs were considered lower than or comparable to those for the channelling of Commission funds through another organisation.

**3) Beneficiaries’ transaction costs were generally reduced.** Although there are exceptions such as for the CGIAR where interviewees stated that donors considered transaction costs to be very high, indications converge in respect of a reduction of transaction costs for beneficiaries, owing to reduced coordination costs and the interventions’ single set of procedures:

- **Coordination costs:** costs incurred by the beneficiary countries for donor coordination were reduced when donors participated in multi-donor TFs as the WB merely took over the role of coordinating donors.
- **Single set of procedures:** channelling of funds through WB TFs to a certain extent allowed beneficiaries to deal with a single set of procedures and a single interlocutor. This applied by definition more to multi-donor than single-donor TFs. For the ARTF for instance, the 2007 *Review of Post-Crisis MDTFs* notes that having the ARTF as a funding source has been extremely efficient for all parties, including the Government

<sup>87</sup> See ADE. May 2008. *Evaluation of Commission’s external cooperation with partner countries through the organisations of the UN family*.

<sup>88</sup> This concerns the WB’s TFs in general and not only those to which the Commission contributed.

<sup>89</sup> “*Cost recovery analyses suggest that the current levels of under-recovery are not sustainable. In FY06, the estimated level of under-recovery of TF administration costs by IBRD/IDA totalled \$45 million. This comprises an under-recovery of \$35 million in standard fees on TFs below \$30 million in size; and an additional under-recovery of \$10 million in customized fees, which are currently applicable to most TFs larger than \$30 million in size.*” (WB Audit Committee. October 2007. *A Management Framework for World-Bank-Administered Trust Funds*, p.iii-IV).

<sup>90</sup> The document explains on page v that management recommends: (i) raising the minimum threshold for establishing a new TF from \$200,000 to \$1m; (ii) introducing a start-up fee of \$35,000 for all new standard fee-based TFs; (iii) increasing the standard fee for co-financing TFs smaller than \$30m from 2% to 5%; and (iv) applying customised fee arrangements to all other TFs, regardless of size, in order to recover full costs.

of Afghanistan, as there was only one source of funding for the recurrent budget and thus only one actor with whom to interact. In the same way the PFMR completion report noted that the beneficiary was content to deal with only one institution and considered that this simplified procedures. Similar observations can be found with respect to the TFET and the MDF.

- **But in several countries where the above-mentioned MDTFs were active, national authorities needed to coordinate and handle the procedures of other (bilateral or multilateral) intervention modes.** The WB TF was generally only one of many interventions in a given country or theme. The WB TF did not always represent either the majority of aid provided to the country or the Commission's overall contributions. In Timor-Leste, there were several multi-donor initiatives in the country<sup>91</sup>. In Afghanistan the ARTF represented only 14% of the Commission's contribution to the country<sup>92</sup>. Partner country had hence to deal with only one interlocutor and a single set of procedures with respect to the WB multi-donor TF, but it may well be (and is most likely) that other procedures applied for the other interventions. Important in this respect are the overall coordination mechanisms in place in the country.

#### 4) WB TF approaches overall favoured efficiency in cost terms at intervention level, although there was a notable exception in terms of project costs:

- **Harmonised multi-donor initiatives** ensured alignment of the approaches of different donors, favouring efficiency of the overall response to beneficiary needs.
- **Reduced number of donor PIUs.** As the WB represented a single interlocutor for the beneficiary at least in the TF operation, the number of expensive donor project implementation units (PIUs) was reduced. This accorded with the objectives of the Paris Declaration to which the Commission subscribed. This might be partially offset however when WB TFs consisted of several windows or projects, each with a management unit (*see below*).
- **WB expertise** was a factor in efficiency in cost terms when the WB had leading expertise or experience in terms of countries, thematic areas or contexts (*see EQ4*). This can be illustrated by the example of HIPC, in which the Bretton Woods Institutions were in the best position to carry out the tasks involved in the Initiative at the lowest cost.

<sup>91</sup> Aside from the TFET, other interventions such as UN projects, bilateral aid and reconstruction programmes, and an United Nations Transitional Administration in East Timor Trust Fund (UNTAET-administered TF), were all operational.

<sup>92</sup> 27% when including the LOTFA, a UNDP TF funded via the WB-managed ARTF. Details on the LOTFA are provided in pp. 173-174 of the Annexes of the *Review of Post-Crisis Multi-Donor Trust Funds* (2007), LOTFA is administered by the UNDP, and is to provide funding for the internal security sector, primarily police and prison services. The reason for this is that the WB, by virtue of its mandate, cannot be directly involved in financing security sector organizations. LOTFA was thus set up as a sub-fund under the ARTF, where donors could provide the funding to the WB, which would then pass the funds straight on to UNDP. This arrangement had to go through a careful scrutiny by the WB's lawyers before it was found to be acceptable. The argument was that since this was a pure administrative "pass-through" mechanism, the WB could not be held accountable in any way, and was simply providing a transmission service. It provided the donors with the advantage of only having to provide funds to one fund, while the WB did not have to assume any kind of fiduciary responsibility for LOTFA. UNDP then takes on this responsibility, essentially as a Partner Agency as seen in other WB-managed multi-donor TFs.

- **TF structure:** Several WB TFs were recognised as being efficiently structured, based on international 'best practices' for TF management. This was notably the case for large emergency TFs, such as the ARTF in Afghanistan and the MDF for the Indian Ocean tsunami. Limits in the approach of the GFATM were however stressed (*see 3.3.2*). Some complex structures were also observed, partly to satisfy Commission requirements. Typical examples included multi-donor initiatives in which the Commission requested that its funding be set apart in a single-donor TF (e.g. for human influenza and avian flue), or when the Commission used the WB for one window of a larger intervention it managed itself (e.g. the use of the WB's HEMA in Commission's support to health in Vietnam).
- **Project costs:** available information specifically on project costs was limited in this exercise (*see also 2.3 and 3.3.3*), making an overall picture in this regard difficult to draw. One important case should be mentioned nevertheless (TFET), in which the TF organisation resulted in a large number of expensive PIUs and allocation of a significant share of the budget to TA and consulting services.

## EIB

**Channelling through the EIB proved generally efficient in cost terms throughout the whole process:**

- **EIB management fees are low, if not zero.** Interviewees in both Commission and EIB agreed that in general the management fees charged by the EIB to the Commission were low. The EIB did not for instance charge the Commission a management fee for interest rate subsidies. Also, for the FEMIP Support Fund no fee was charged as the Commission and EIB did not agree on a fee for administering and managing the Fund.
- **Commission management time was significantly reduced.** Commission staff at both HQ and Delegation levels had indeed a limited role with regard to decision-making and follow-up in terms of individual operations and relied largely on the EIB's expertise and experience with the management of those financial instruments. An exception was the large TA operation in the health sector in Morocco, in which Commission staff was substantially involved (*see 3.5.1*).
- **Beneficiaries met did not mention difficulties in terms of transaction costs.**
- **EIB banking expertise and expertise were efficiency factors,** in cost terms, in interventions funded by the Commission (*see EQ4*).

**The EIB HIPC Fund was said to be an exception<sup>93</sup>.** Commission staff members involved in the management of the EU contribution to the HIPC Initiative consider that the operational performance of the EIB in managing the EU contribution *as a creditor* has been poor during the evaluation period. The EIB was however the only possible channel for cancelling or reducing claims which consisted of special loans and risk credits granted by the European Community through the EIB. The conditions applied to these debt relief operations were nevertheless those defined by the BWI and the latter were made responsible for verifying that these conditions were actually met by beneficiary countries.

<sup>93</sup> See Annex 5: Study of the EC contribution to the HIPC Initiative.

### 3.5.3 Procedures: FA and AA

#### WB

The Commission's delivery of aid through the WB underwent significant change in 2001, with the signing by the Commission and the WB of the *Trust Funds and Co-Financing Framework Agreement*, amended in 2003<sup>94</sup>. This framework agreement deals essentially with the operational aspects of co-operation between both institutions. The Framework Agreement (FA) among other things defines the various types of eligible trust funds and sets out common principles and rules applicable to all of them. It also stipulates that, for each TF to which the Commission contributes, an Administration Agreement (AA) must be signed between the Commission and the relevant World Bank Group entity. The Commission-WB framework agreement is based on the principle that the WB may manage Commission contributions in accordance with the WB's own rules and regulations, in line with the 2002 Financial Regulation<sup>95</sup> (similarly as the Financial and Administrative Framework Agreement (FAFA) with the UN<sup>96</sup>). This is based on the understanding that these conform to internationally-accepted standards as regards accounting, audit, internal control and procurement procedures (i.e. the "four pillars")<sup>97</sup>.

The FA and its AA template are globally considered useful instruments, and an improvement over previous arrangements, with advantages over those offered by most other organisations.<sup>98</sup> They even played a role in a number of decisions to channel funds through WB TFs (*see EQI*), as confirmed by the Survey, in which between 69% and 76% of respondents (with higher percentages at Delegation than HQ level) stated for both the FA and AA templates that they are sufficiently clear, and that the prescribed rules and procedures are adequate for the channelling of funds through the WB and contribute to facilitating signature of an agreement with the WB.

A number of Commission-specific requirements posed a problem, however, for the WB but also for the Commission. Interviewees, notably at the WB, indicated that they considered the FA and its AA template as both a strength and a weakness as a basis for cooperation. Indeed these documents obviate the need for starting the process of reaching an agreement from scratch (for instance when joining an existing initiative); on the other hand their constraints hamper tailoring of agreements to some specific needs. Moreover it was explained that various features were regarded as obstacles, for example the financing of taxes, the impossibility of including "retroactive financing", and geographical restrictions (for instance the use of EDF money in ACP countries only).

<sup>94</sup> The amended FA was signed in March 2003 with a term of three years, renewed in 2006 for another three years. It expires in March 2009. Discussions are currently taking place on its revision.

<sup>95</sup> Cf. Article 53 of the Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities.

<sup>96</sup> Financial and Administrative Framework Agreement (FAFA) between the Commission and the United Nations signed in 2003.

<sup>97</sup> Cf. the *International Organisations compliance analysis with internationally accepted standards* for the WB commissioned by EuropeAid and realised by Ernst & Young as external auditors.

<sup>98</sup> Including other development banks, NGOs, etc. Exceptions are notably the UN and the EIB for which the cooperation is structurally eased as well.

**Difficulties remained at the point of conclusion of agreements, often leading to time-consuming negotiations.** These difficulties were related to:

- **Difference of interpretation** between the Commission and the WB on the FA or its AA template were reported by respectively 22% and 31% of surveyed Commission task managers (with higher levels at Delegation level and for SDTFs). These differences in interpretation can be explained by limits in the text, but also by lack of compliance:
  - *Limits in the text. The FA and the AA template were deliberately not developed in detail, leaving a certain degree of freedom to accommodate individual cases (more than for the FAFA with the UN for instance). Consequently this left room for discussion, during conclusion of individual AAs, on issues such as:*
    - **administration fee:** it is not clearly specified what “standard TF administrative services” exactly covered (see also below);
    - **amendments:** it is not clearly specified what kind of amendments can be made to the AA template;
    - **Visibility, Reporting, Indicators:** disagreement occurred on interpretation of the provisions on visibility, reporting, and inclusion of indicators;
    - **taxes and duties:** the fact that these items do not apply to the Commission is not mentioned in the AA template, with the consequence that WB staff members are not always aware of this point.
  - *Lack of compliance.* This proceeded mainly from insufficient knowledge of the FA and its AA template. Both Commission and WB managers reported that the other party was not always sufficiently aware of the standard formats or else interpreted them incorrectly. Several Commission representatives also reported that the WB did not feel bound by the provisions of the FA and its AA template, with different rules regularly being proposed by the WB.
- **Commission-specific requirements** (*see above*).
- **Cumbersome decision circuits.** According to interviews and comments from the Survey, the difficulty of contracting AAs with the WB owing to the above-mentioned issues was amplified by the heavy decision circuits in both institutions through which solutions had to be found. WB HQ in Washington DC generally needed to be consulted in tackling these difficulties, involving several departments, and also for TFs at country level. It also resulted in delays (*see 3.5.1*).
- **Changing the WB's role of trustee to that of fiscal agent also was a problem,** as explained in the box below.

### Box 3.3 – Fiscal agent

Based on the FA the WB acts for the TFs funded by the Commission as a *trustee*. This means that it has the responsibility for managing, investing and administering the funds on behalf of and for the benefit of others (including procurement, reporting on progress made, and so forth). A *fiscal agent*, on the other hand, has a more limited role than a trustee and is responsible for ensuring the disbursement of funds from one entity to another. It is not responsible for monitoring the use of funds by the recipient, but may provide limited reporting on the holding, investment and transfer of funds<sup>99</sup>. Such responsibility is however important for the Commission in terms of accountability for the use of its funds. For this reason the fact that the WB envisaged intervening merely as a fiscal agent for certain TFs (e.g. the CGIAR as explained below) was at the root of discussions between the Commission and the WB. Both parties however indicated that solutions were generally found. Interviewees further reported that the EU MS and the Commission were not coordinated *vis-à-vis* the WB regarding the fiscal agent issue. Most EU MS are said to accept the WB's role as a fiscal agent, whereas this is not possible for the Commission owing to the Financial Regulation applicable to the general budget of the EC, as laid down by the EU MS through the European Council. The Commission was therefore in a relatively isolated position *vis-à-vis* the WB on this issue.

#### Example: Commission's funding for the CGIAR

The case of the Commission's funding for the Consultative Group on International Agricultural Research (CGIAR) illustrates the discussions between the Commission and the WB on the latter's role as 'fiscal agent'. Interviewees indicated that until 2004 the CGIAR secretariat, which is headed by the WB, provided all the inputs in terms of management, reporting and so forth without charging any fee. In 2005, however, the WB resolved not to assume these responsibilities any more and instead to intervene as a fiscal agent rather than as a trustee (it should be noted that the WB has increased its role as fiscal agent in recent years from 25% of the budget in 2004 to 33% in 2005 and 38% in 2006). As this was not in line with the FA, the Commission decided to make no contribution to the TF in 2006. Interviewees indicated that in future the Commission will for this reason instead contribute to the CGIAR through a specialised UN agency (International Fund for Agricultural Development)<sup>100</sup>, which will act as a trustee<sup>101</sup>. According to interviewees this will have no impact on the magnitude of the Commission contribution.

<sup>99</sup> It should be noted that the WB distinguishes between Bank-Executed Trust Funds (BETFs), Recipient-Executed Trust Funds (RETFs) and Financial Intermediary Funds (FIFs). The precise meaning of these different notions is provided in the clarification note on the Survey of Annex 6.

<sup>100</sup> International Fund for Agricultural Development (IFAD).

<sup>101</sup> The option of contributing directly to the CGIAR system had to be ruled out from the start, as the CGIAR has no legal status as such, unlike, for instance, the GFATM. The informal status of the CGIAR appears to be seen as a major weakness, not only by the Commission, but also by other donors. A WB evaluation in 2004 notes in this respect that the lack of Memoranda of Understanding, constitution, legal statutes, or explicit bylaws at system level has constrained the ability of the CGIAR to speak with a single voice, and to develop system-wide policies and long-term strategies.

**EIB**

**No major difficulties were mentioned regarding procedures for channelling through the EIB.** For interest rate subsidies in the Mediterranean countries, no specific difficulties were mentioned by Commission or EIB staff in relation to procedures. For the FEMIP Support Fund, Commission staff reported they would like to be involved earlier in the identification process of specific large operations (even before draft Terms of Reference are produced); this demand originated mainly with relation to the large TA operation in the health sector in Morocco (*see 3.5.1*). Delegation staff also reported that the whole decision and follow-up circuit for FEMIP Support Fund operations in their country was unclear at their level in the Commission. They reported the same regarding risk capital operations.

### 3.6 Evaluation Question 6 on visibility and influence

**EQ6: *To what extent did EC channelling contribute to the visibility of EC support vis-à-vis its taxpayers, the beneficiaries, the partner countries, its MS and the international community? To what extent did it enhance its ability to promote EU policies and priorities?***

*The question aims at verifying the extent to which the visibility of the Commission's channelled funds was ensured, with a view to raising awareness of Commission development aid both among the home public and in the partner country, and also to promoting the accountability of the Commission to the EU MS and their taxpayers. It also examines the extent to which channelling of funds has enabled the Commission to promote EU policies and priorities. The answer is structured in three parts, which analyse the following elements:*

- *the evolution of the requirements in terms of visibility and the degree of compliance with these requirements (JC 6.1);*
- *the effects of the application of the visibility rules or the lack of it on the stakeholders' awareness of the Commission contributions both at country level and at European level (JC 6.2 and 6.3);*
- *the promotion of EU policies and values through the channelling (JC 6.4 and 6.5).*

#### EQ6 on Visibility – Answer Summary Box

**In general, the Commission has been able to maintain its visibility at country level** while channelling funds through the WB and the EIB, although this related more to participation in coordination mechanisms than to visibility actions. There was with some exceptions compliance with visibility requirements for funds channelled through the WB, but in several cases only following a request from the Commission Delegation. Visibility was easier to obtain when contributing to the EIB, as both the EIB and the Commission pursue a common EU visibility.

**Visibility was however low at the level of overall cooperation with both institutions** and actions at this level were scarce. Overall, some stakeholders questioned the visibility requirement in the light of the 2005 Paris Declaration.

**While channelling, the Commission took different initiatives with a view to maintaining its ability to promote EU policies and priorities. Satisfaction with the influence exerted was mixed but was high when multilateralism was a key motivation to channel.**

- As far as channelling through the **WB** is concerned, the Commission played an active

role with respect to the TF to which it contributed. It was satisfied with the “influence” exerted in the majority of cases, but less for some of the major TFs, representing more than half of the funding. It was actually considered satisfactory when multilateralism was a key motivation to channel, which indicated that expectations were met in terms of promotion of EU policies and priorities, although funding through another organisation.

- The *EIB* and the Commission pursue common objectives in terms of policies and priorities and the Commission was able to exert its influence at the level of the instruments. However, as conducting policy dialogue is not the vocation of the EIB; the Commission has generally not used this collaboration to promote EU policies and priorities directly.

### 3.6.1 Evolution of and compliance with the visibility requirements

#### WB

**Visibility is a growing concern for the EU. Requirements in this respect are laid down in overarching documents, and are evolving over time.**

The main documents that apply in this respect are specific to the WB (but requirements are largely similar to those applying to the UN) and include:

- The Commission-WB Framework Agreement dating from 2001 and amended in 2003, which required that a specific article on visibility be included in the AAs of all TFs. This requirement concerned mainly “static” visibility (stickers, panels, and other visible indications)<sup>102</sup>.
- An *Interpretative letter on the visibility clause of the EC-World Bank Group Framework Agreement* of June 2006. It specified the Commission’s requirements in terms of static visibility (e.g. display of the European Logo on equipment, vehicles, and major supplies) and went beyond static visibility by requiring for instance the inclusion of a visibility plan, the organisation of joint press conferences, and specific initiatives (TV spots, website management and development).
- The planned Joint Visibility Guidelines for EC-World Bank actions in the field<sup>103</sup>.

The emphasis on visibility increased over time, in accordance with the requirements laid down in consecutive documents. The increasing importance given to visibility within the Commission was also confirmed by interviews with Commission representatives, both at HQ and in the field. Other donors (incl. EU MS) met in the field stated that visibility was less of a priority for them. There are however examples of other donors dedicating substantial efforts to visibility. In Morocco for instance, the evaluation team was told that the US embassy had 20 full-time equivalents (FTEs) just for dealing with the press, while the Commission Delegation had only 1 FTE at its disposal with the same remit (of course

<sup>102</sup> Indeed, the FA specifies that (see article 4 of attachment 1): “All contracts or grant agreements entered into by the World Bank Group entity in relation to activities financed under the trust fund, all publications, training programmes, seminars or symposia financed under the trust fund, and all press releases or other information materials shall clearly indicate that the activities in question have received funding from the European Community”.

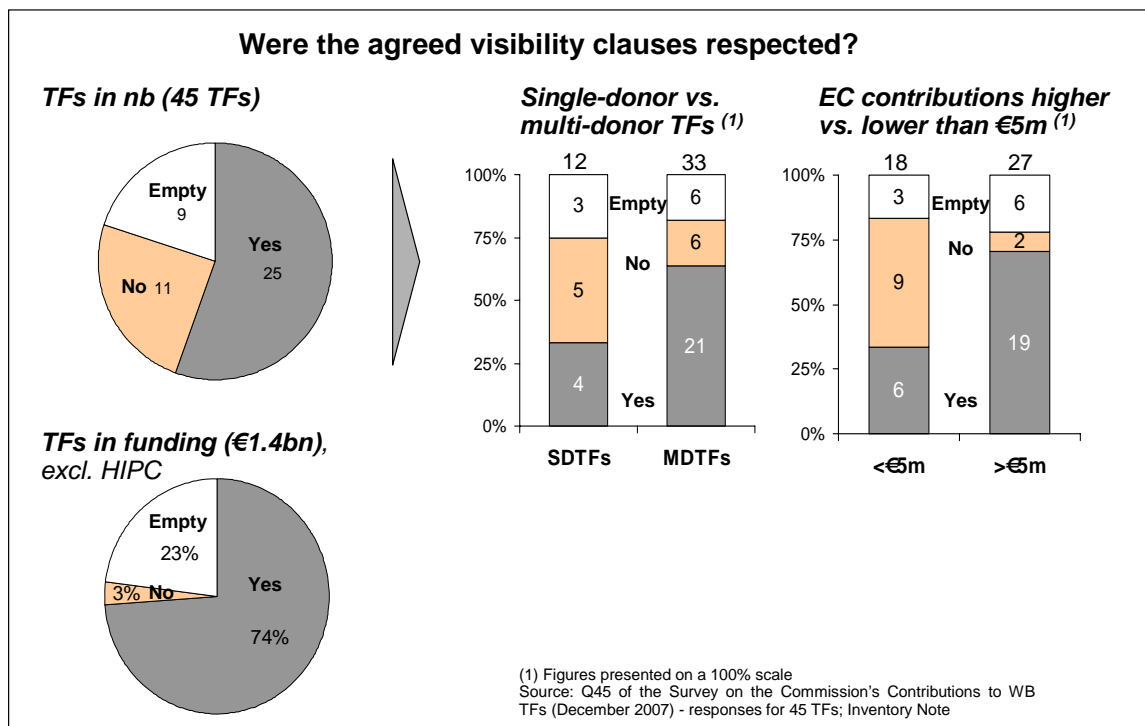
<sup>103</sup> See in this respect the 2008 European Commission’s manual *Communication and Visibility Manual for EU External Actions*, which includes a section on visibility with International Organisations and refers to the above mentioned key document (FA and interpretative letter on visibility).

this comparison does not take into account the activities of EU MS). It was interesting to note in this respect was the fact that a recent survey in Morocco commissioned by the Delegation showed that the US were considered by the population as the foremost donor in the country, followed by France and then by the Commission, whereas in fact the Commission was the largest donor.

**The static visibility requirements were fulfilled in a large number of cases at the level of specific TFs, although this was not the case for some, mostly relatively small, Commission contributions. Compliance with visibility rules in several cases took place only following the intervention of the Delegation concerned.**

The results of the Survey show that 56% of respondents stated that visibility rules were respected, while 24% stated that this was not the case. Figure 3.7 below displays these results in absolute figures. It also shows that negative responses are relatively speaking more frequent for SDTFs (5 out of 12 cases) than for MDTFs (6 out of 33), and for contributions lower than €5m (9 out of 11 cases) than for those above that amount (2 out of 27). The large majority of “no” responses concerns these smaller TFs (in 9 of the 11 “no” responses).

**Figure 3.7 – Compliance with visibility clauses**



These findings are even clearer when cross-checking the responses with the funding amount. If one leaves aside HIPC<sup>104</sup>, it transpires that for 74% of the funding covered by the Survey, respondents considered that visibility requirements were fulfilled<sup>105</sup>. Furthermore a screening of documents such as the “reports to donors” shows that the EU visual items (e.g. the EU flag) are generally present on the cover along with the reference to the Commission as a donor in the financial tables. It should also be mentioned that during the country missions Commission representatives did not mention major difficulties in terms of visibility (while underlining that increasing attention is being devoted to the issue).

Finally, in terms of compliance with visibility rules, the following elements should be taken into account:

- WB representatives underlined that they could accept visibility requirements that apply to them, not those that had to be imposed on the organisation in charge of the implementation, generally national authorities (e.g. EU logos on governmental cars and supplies).
- The Commission Delegations played a role in compliance with visibility. A 2005 EuropeAid questionnaire on visibility explained that standard visibility provisions were often respected, although “*only after systematic intervention from the Delegations*”. The comments of respondents to the questionnaire confirm this.
- There are also arguments for leaving room for a case-by-case approach in terms of visibility. Some specific situations required customised approaches in terms of visibility, the most extreme examples being those in (post-)conflict situations such as in Afghanistan or Iraq where security matters need to be taken into account.
- Working on visibility is often time- and resource-consuming.

#### **Initiatives in terms of visibility at a more general level remained scarce, from both WB and Commission sides.**

Examples of such initiatives from the **WB's side** are for instance the WB-EU website (published by the WB) or a WB-EU thematic and regional cooperation brochure. Also the WBG Annual Report (2006) and the WB Group Trust Funds Annual Report (2004 to 2006) quote the Commission systematically as a donor and in some cases acknowledge it as one of the main donors (i.e. top ten), but this happens mostly at the level of the financial tables and short texts in donor contributions, and without the EU visual items.

From the **Commission side**, reports are available on the Commission's financial contributions to the WB and UN on the EuropeAid website. EU MS authorities also received information through their participation in working groups in Brussels, where proposals for contributions were being discussed (e.g. contributions from the EDF to WB TFs and HIPC). However a screening of the EuropeAid annual reports, one of the main general communication tools on the development activities of the Commission, shows that,

<sup>104</sup> Some visibility appears to have been given to the initiatives, but it seems to have been limited. In fact, the World Bank issued a press release on Community support for the Initiative. But reports on implementation of the Initiative provide hardly any information on donor contributions to the HIPC Trust Fund. No reference is made in the text of the report to these contributions, which are only to be found in an annex table. At the request of the EU Member States, this table splits the contributions from the EDF between individual EU Member States.

<sup>105</sup> For 23% there was no answer and for only 3% (representing the above mentioned 11 TFs) had there been no compliance.

prior to the 2007 annual report<sup>106</sup>, channelling of funds through the WB is described only very briefly in their pages<sup>107</sup>. In addition, the channelling of funds is not mentioned in the 2006 "dice campaign" ("*Would You Leave It to Chance?*"), a general awareness campaign on external aid undertaken by EuropeAid.

**Finally, it should be noted that the principle of visibility is questioned in the light of the principles of the 2005 Paris Declaration.** Interviewees highlighted that visibility requirements are not always compatible with the desire for a common approach and underlined that the primary concern should be with effectiveness. In the same line, a recent evaluation on the Paris Declaration<sup>108</sup> stated that "*most donors have yet to prepare their publics and adapt their legislation and regulations as necessary to allow for putting less emphasis on visibility for their national efforts (...)*". It further notes that the pressure to maintain the visibility and attribution of individual donor contributions is a key obstacle "*to supporting country ownership*".

## EIB

**The EIB and the Commission pursue a common objective of EU visibility. Visibility rules have been applied at the level of the interventions, but at a more general level initiatives remained limited.** Indeed, the EIB considers the EU as the centre of its visibility. There are no specific rules between the Commission and the EIB on this issue, recourse being made to the general Commission recommendations on the subject (albeit neither stringent nor binding). The EIB and the Commission are indeed two European institutions which pursue *common visibility* (using the European flag, an "EU" terminology, etc.). This was mentioned by several stakeholders as value added *vis-à-vis* other Banks.

In this context, visibility at the level of *specific interventions* was not raised as an issue. At a more general level Commission-EIB cooperation is described in specific official documents and communications, such as COM(2006) 323 on EIB external lending mandates, COM(2006) 592 on the assessment of the FEMIP, the annual reports on FEMIP produced by the EIB, and so on. Nevertheless the coverage of Commission-EIB cooperation in the Commission's general communication tools is quite scarce (e.g. EuropeAid annual reports, EU Donor Atlas), but when the subject is tackled, channelling is at its centre. Commission staff also reported that the Commission's funding of interest rate subsidies is seldom mentioned in EIB press releases.

<sup>106</sup> This report indeed includes a two-page chapter specifically on co-operation with the WB and UN in addition to numerous other references.

<sup>107</sup> Except in the EuropeAid Annual Report 2002 when the Framework Agreement was initially signed.

<sup>108</sup> Wood, Kabell, Sagasti, Muwanga. July 2008. *Synthesis Report on the First Phase of the Evaluation of the Implementation of the Paris Declaration*.

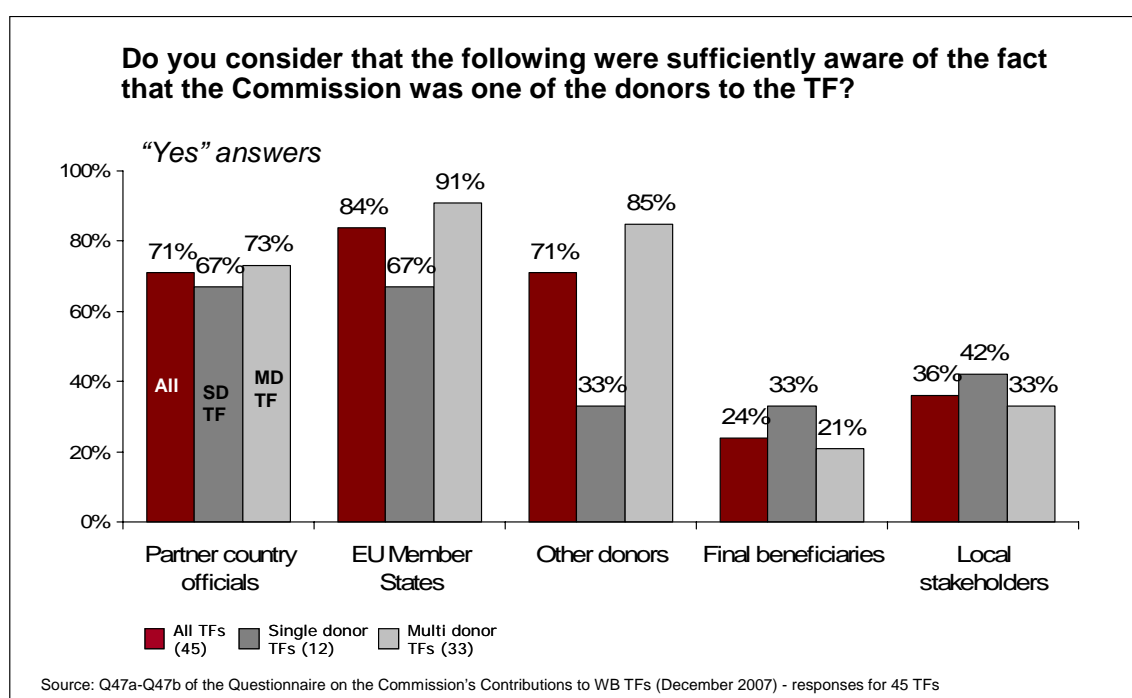
### 3.6.2 Effects of visibility actions on stakeholders' awareness

**WB**

At the level of the interventions (specific TFs), the Commission has safeguarded its visibility. Indeed, awareness of the Commission's contributions to WB TFs was generally high among partner country officials, EU MS and other donors. But it was much lower for the final beneficiaries and local stakeholders. This awareness level owed more to the coordination mechanisms than to visibility actions.

The results of the Survey and interviews with stakeholders (including those met during country missions) show that awareness of the Commission's participation to the TFs as a donor was high among partner country officials, EU MS and other donors. The figure below summarises the Survey responses in terms of awareness.

**Figure 3.8 – Awareness of channeling**



From these results it appears that:

- Respectively 71%, 84% and 71% of respondents consider that partner country officials, EU MS and other donors were aware that the Commission was one of the donors (*see figure*); in terms of funding, the levels are similar for partner country officials (71%), but much higher for the two other categories (respectively 99% and 97%).
- The “no” answers all concern SDTFs when it comes to EU MS (2) and other donors (5), but for partner country officials, the nine “no” answers also concerned some of the major contributions, having their own staff working directly in the field with the partner governments without necessarily involving donor staff present in the countries.
- Levels are much lower for final beneficiaries and local stakeholders, but that is only to be expected.

Results on the awareness of the *magnitude* of the Commission's contributions' exhibited a similar pattern; although they were uniformly about 10 percentage points lower.

These elements were also confirmed by other sources such as evaluation reports, or stakeholders met at country and HQ levels.

When inquiring into the reasons for this awareness, stakeholders generally referred not to the visibility actions (as these were merely a matter of static visibility such as stickers and panels), but rather to the coordination mechanisms and frequent interaction of the Commission and the WB with the different stakeholders concerned. It was also underlined that low effectiveness or significant delays in an intervention can be detrimental in terms of visibility.

**At a more general level, the visibility to taxpayers of the Commission's contributions to WB TFs was limited. Efforts to promote both channelled and overall Commission development aid were indeed scarce over the evaluation period.**

Visibility requirements do not aim only at increasing levels of awareness of the Commission's contributions within the country or for a specific TF, but also at a more general level, and notably to its taxpayers. Documented evidence is mostly not available on this issue. In order to provide a proxy for the general awareness of EU MS and taxpayers, an analysis was made by the evaluation team of the parliamentary questions on Commission and EDF funds channelled through the WB. It appeared that between 1 January 1999 and 31 December 2006 Members of the European Parliament (MEP) asked 27 questions (out of a total of 39,324 questions) on aspects of channelling of funds to the WB (two-thirds of them between mid-2004 and 2006). One third concerned the specific political conditions in beneficiary countries (West Bank & Gaza, Chad, Timor-Leste), five Commission influence inside the WB, and five transverse issues (debt, climate, education).

Stakeholders considered that the degree of awareness of the Commissions' channelling through the WB may safely be estimated as negligible. This also applied generally to the Commission's external aid according to Eurobarometer studies published by the Commission. Links between this limited awareness and activities in the field are difficult to establish, although they could exist in theory, notably through the use of media such as television. However, the fact that only few initiatives were taken at a more general level to enhance visibility explains, at least to a certain extent, the limited awareness level of the EU taxpayer.

Finally, as regards visibility at HQ level, although interlocutors at both HQ and Delegation levels within the Commission appeared aware of the channelling through the WB, they had no precise ideas of the overall magnitude of this funding. This finding corresponds to the lack of information on channelling during the evaluation period (*see 3.3.3*).

**EIB**

The awareness of stakeholders on the Commission funding through the EIB is generally high at the level of specific interventions. Less information is available at the more general level.

Stakeholders met stated that EIB projects which receive Commission funding are seen as EU projects. They explained that the EU had a clear visibility for the Government, promoters and the EU MS, but not for the wider public. Both the Commission and the EIB reinforce each other in this respect, as confirmed by the 2006 mid-term evaluation of the FEMIP Support Fund, which noted that *“undeniably, the TA operations have engendered an important image effect for the Bank”, and that with help of the TA, FEMIP became more visible, and thereby the programme in particular and the Bank in general, have found a much higher recognition than before”*.

### 3.6.3 The Commission's involvement through its channelling

**WB**

The Commission is not a member of the WB, but it played an active role with respect to the TFs to which it contributed. Although satisfaction with results in terms of “influence” exerted was mixed, it was high when multilateralism was a key motivation to channel.

The Commission has no representative at the Board of the WB as it is not a shareholder. It is hence channelling large amounts of funds through an organisation on which it has little direct overall influence (*see also EQ 7*).<sup>109</sup> The Commission has nevertheless an observer status in the Development Committee, in which it has a dedicated speaking slot.

The Commission intervened however in the TFs at different stages of the channelling process:

- In most cases the Commission was a proactive actor in the process leading to the set-up of the WB TFs (*see 3.3.1*).
- In the majority of cases the Commission was a member of the TF Steering Group or equivalent. This was reported by 75% of respondents to the Survey, and more often for MDTFs (82%) than for SDTFs (58%).<sup>110</sup> The Commission participated always, or with few exceptions, in such meetings for MDTFs (according to 82% of respondents), while this level drops to 25% for SDTFs. Commission staff reported, however, that they sometimes lacked the necessary resources for truly active participation in such governance bodies.<sup>111</sup>

<sup>109</sup> Similarly, the Commission is not a member as such of UN bodies.

<sup>110</sup> For the ARTF for instance, the main donors (including the Commission) are grouped in a Donor Committee (constituted of donors who have contributed at least \$5 million per year, plus two seats for representatives of other contributing donors); their role is to review overall ARTF performance, based on reports provided by the Management Committee. This latter committee is composed of the WB as Administrator, the ADB, UNDP and IsDB (Islamic Development Bank).

<sup>111</sup> For the ARTF for instance, staff indicated that the Commission lacks the means to be more involved at policy level in the Donor Meetings in terms of capacity, understanding and competence.

The results in terms of influence (on design, management, implementation, and evaluation) were mixed. Although in the majority of cases influence was judged satisfactory, for some of the TFs where the Commission had major contributions this was not the case. The results of the Survey in this respect provide a different picture, depending on whether one takes into account the number of TFs or the contribution amounts they represent. Thus:

- overall 69% of respondents (31/45) considered that, taking into account the level of its contribution, the Commission's influence on the TF was satisfactory, while 20% saw it as unsatisfactory;
- when expressing results in terms of contribution amounts the picture is different: for 44% of the funding the influence was said to be satisfactory<sup>112</sup>, while for 51% the contrary is stated, this being due to the fact that for three major contributions respondents stated that the influence was not satisfactory;
- satisfaction was expressed more often for MDTFs than for SDTFs (76% for the former; 50% for the latter) and similarly the dissatisfaction level was lower (15% vs. 33%);
- satisfaction was systematically lower for global-level TFs.

One factor that should be taken into account with respect to the observed low levels of satisfaction in terms of influence, is that channelling in a multilateral context inevitably implies limits to the influence specific donors can exert. Therefore it is particularly interesting to note that when multilateralism or the ability to influence decisions related to the activities funded were key motivations for channelling, rates of satisfaction in terms of influence exerted were higher (respectively 88% and 80%) than the above mentioned average of 69%.

**Through the channelling, the Commission has been able to promote its own policies and priorities, although this has not systematically been the case.**

Channelling through WB TFs has allowed the Commission to have better access to the policy dialogue with beneficiary authorities, notably in fragile states and in post-conflict countries. Examples relate for instances to the cases of Iraq, Afghanistan, and Timor-Leste. Another example is the PRSC in Vietnam, where the Commission joined an already existing initiative; the Commission participated actively in the policy dialogue with the Government through that channel. There are further examples where, through these processes, the Commission has been able to influence directly the TFs and the agreements between the WB and beneficiaries in this respect:

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<sup>112</sup> It is interesting to note in this respect that the above-mentioned 2006 interpretative letter on visibility specifies that « where the European Commission contributes more than 20% of a Trust Fund, it will expect to have a significant role in the governance of the Trust Fund, including, where appropriate, co-chairing any steering committee for the Trust Fund ». For the years 2004 and 2005, this appeared to be the case at least for the HIPC TF and for the ITF.

- regarding the HIPC Initiative, the Commission contributed to the revision of the Initiative in order to make it an instrument of poverty alleviation, as mentioned above<sup>113</sup>;
- for the MDF, the Commission played an important role in advocating more coordination and dialogue on policy issues within the MDF and the government agency.

## EIB

**For its channelling through the EIB, the Commission exerted its influence mainly at the level of the general cooperation agreements. Although it also played a role with respect to specific interventions, it mainly relied on the EIB's expertise at that level.**

As explained above (*see EQ1*), the decisions to channel through the EIB were taken jointly by the EIB and the Commission and were laid down in long-term EU cooperation agreements. At the level of the specific instruments the Commission relied mainly on the EIB which took the initiative in identifying and implementing projects. The Commission was nevertheless consulted, as shown in the examples below.

- For interest rate subsidies in the MEDA region and for the FEMIP Support Fund (but also for the other EU-financed instruments under FEMIP), there is consultation between the EIB and the Commission “at an early stage”. Proposals for interest rate subsidies are subsequently sent to the so-called “Article 14 Committee” for the Euro-Mediterranean partnership (consisting of representatives of the EU MS and in which the Commission also participates) and the EIB Board of Directors (on which the Commission has a seat). For the FEMIP Support Fund, the Commission also signs an annual implementation agreement. Furthermore, the eligibility of each individual activity needs to be submitted to the Commission for approval<sup>114</sup>.
- For risk capital under Lomé IV, the Commission exerts an influence on projects through the so-called “Article 28” committee of which it is a member.

**As conducting policy dialogue is not within the mandate of the EIB, the Commission has not used this channel to promote its own policies and priorities, except in very specific cases.**

Interviewees explained that the EIB is not really engaged in general policy dialogue, as it is essentially mandated to provide project finance (no sector support or reform programmes)<sup>115</sup>. Furthermore, impact on dialogue would not have been a reason for the Commission to choose the EIB as a channel, and the instruments funded hardly offer material for a dialogue (and are reported to have hardly been used for that purpose in practice). Nevertheless, interest rate subsidies have offered leverage to encourage gradual policy reforms in the environment sector, through increased conditionalities on the loans.

<sup>113</sup> The desk study shows indeed that for HIPC, for instance, the original design of the Initiative was not fully consistent with the Commission policies and priorities to the extent that it put financial considerations at the forefront, but the Commission contributed to a redesign of the Initiative to make it an instrument for poverty alleviation.

<sup>114</sup> See debriefing presentation of country mission to Morocco (annex 8).

<sup>115</sup> Nevertheless, the EIB leverages its financing on policy dialogue in the framework of certain interventions, for example through possible conditionalities attached to EIB loans or to related interest rate subsidies.

### 3.7 Evaluation Question 7 on Coordination & Complementarity

**EQ7: To what extent did aid channelling improve coordination between the Commission and EU MS and complementarity between the Commission and other donors?**

*The purpose of the question is to assess whether channelling facilitated coordination and complementarity. Channelling funds via a third institution is in itself a form of coordination and complementarity. The present question therefore does not address all aspects of coordination and complementarity. This question rather focuses on whether channelling is explicitly used as an instrument for improving coordination, and is not simply being used because the facility happens to be available. The answer to this question is structured as follows: (i) Consultation with EU MS (JC 7.1); (ii) Coordination of policy dialogue (JC 7.2); (iii) Coverage of beneficiaries' needs (JC 7.3).*

#### EQ7 on Coordination and Complementarity – Answer Summary Box

##### **WB**

- Channelling funds through the WB and in particular through its multi-donor trust funds was in itself a form of coordination and complementarity.
- EU MS were also consulted prior to Commission contributions in the majority of cases. However, coordination was weak in a number of cases.
- Assessing the extent to which coordination between the Commission and the EU MS was reinforced by channelling through WB TFs is difficult. But coordination happened typically when MDTFs were well coordinated between donors and governments.

##### **EIB**

- At a general level, funding EIB instruments was in itself the result of coordination between Commission, EIB and EU MS, with a view to concluding major EU regional cooperation agreements.
- At the level of individual interventions, it should be noted that the EIB did not have a coordination role between the Commission and the EU MS and that EIB operations benefiting from funds channelled by the Commission were not open to funding from EU MS. Several EU MS also have financing banks for development. Nevertheless, this did not preclude increasing coordination in some cases such as was achieved through the FEMIP Support Fund.

### 3.7.1 Consultation with EU MS

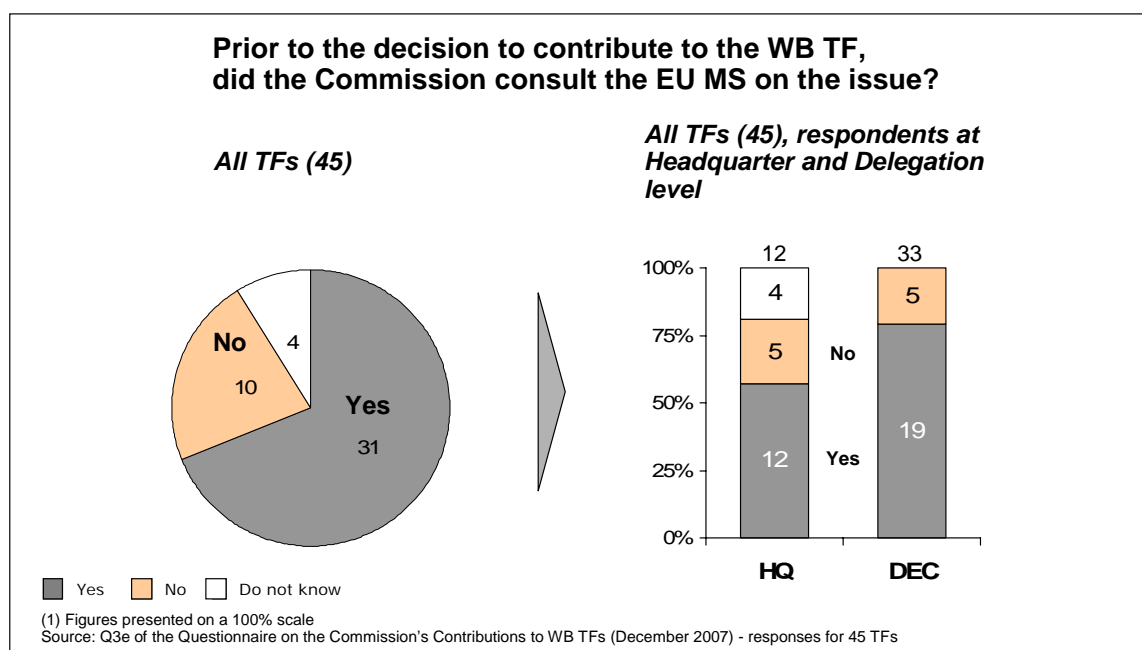
**WB**

EU MS were consulted prior to contributing to WB TFs in the majority of cases, but this was not systematic. Close to 70% of Commission task managers having responded to the Survey stated that EU MS were consulted prior to the decision to contribute to a WB TF (see figure below)<sup>116</sup>. This was more often the case for:

- task managers in Delegations (79%) than for those at EC HQ (57%);
- Commission contributions above €10m (82%) than for those below that level (57%).

For global TFs, however, figures were lower (3/8).

**Figure 3.9 – Prior consultation of EU MS**



Several examples from the desk study and field missions confirm that consultation took place between the Commission and (some) EU MS. As mentioned by the 2005-2006 Indicative Programme for the MDF (Indian Ocean tsunami), contributions to multi-donor TFs were indeed “a unique opportunity to deliver a best case example of coordination between Commission and EU MS”.

**Despite the existence of some coordination mechanisms at a more general level, low coordination was observed in a number of cases.** As explained under EQ 6, EU MS are all represented at the Board of the WB. Interviewees note that the Commission meets annually with EU MS' Executive Directors in Washington D.C. with a view to align positions and speak with a common voice on important political agenda points on development. EU MS' Executive Directors further organise weekly informal meetings, to which the Commission participates. For instance they reportedly produced thirty written European consensus documents in 2007. Furthermore, coordination took place also

<sup>116</sup> Survey results are not fundamentally different when considered in terms of share of funding: 'yes' answer for 69% of the funding.

through other mechanisms, such as G7 Summits and joint Councils of EC and EC-ACP Ministers for the HIPC initiative, or through the European Initiative for Agricultural Research for Development for the CGIAR. However, examples studied revealed the limits in terms of coordination, notably in terms of different priorities and positions between Commission, EU MS and other donors on earmarking (*see Box 3.1*) and on the fiscal agent issue (*see Box 3.3*) or in terms of visibility.

**Assessing the extent to which coordination between the Commission and the EU MS was reinforced by channelling through WB TFs is difficult. While MDTFs are coordination mechanisms as such, at least with the participation of EU MS, other donor coordination mechanisms and dynamics generally existed in parallel.** WB TFs were indeed seldom the only donor operation in the country. As mentioned under 3.5.2, interviewees indicated that in several cases EU MS funded alternatives to the TFs to which the Commission was contributing. For instance only a quarter of the funds for reconstruction went to these TFs. This was confirmed by the Survey, as 36% of respondents answered positively the question of whether there are *“EU MS that contribute to the intervention but not through the WB TF (i.e. direct intervention, intervention through another organisation, etc.)”*. 13 of the 16 cases related to TFs at country level. The Commission itself has also financed alternatives in countries where it was intervening primarily through WB TFs – for instance in Afghanistan (*see 3.5.2*). But there were few positive responses (3 out of 45) to the question whether *“there are EU MS that decided not to contribute as the Commission was already contributing”*, most responding either negatively (47%) or by saying that they did not know (42%).

Nonetheless, even though some donors do not participate in these TFs, interviewees indicate that they may coordinate with the WB TF to make their bilateral aid fit the TF's coordination exercise (e.g. as regards the MDF for the Indian Ocean tsunami). The coordination impact of a multi-donor TF may thus extend beyond the donors contributing to it.

## EIB

**As regards the EIB, four points should be made:**

- The major EU regional cooperation agreements were established in close collaboration between the Commission, the EIB, and EU MS. As an example, the Commission and the (then) EU MS were all signatories to the cooperation agreements with the ACP countries such as the Lomé IV Convention.
- The EIB has no coordination role between the Commission and the EU MS.
- EIB operations benefiting from funds channelled by the Commission were not open to funding from EU MS<sup>117</sup>.
- Some EU MS have their own Bank (AFD, KfW) which conducts actions similar to those of the EIB.

While channelling through the EIB did not aim at increasing the Commission's coordination with EU MS for the above-mentioned reasons, it did not of course preclude it from doing so. For instance the 2006 mid-term evaluation of the FEMIP Support Fund

<sup>117</sup> With the exception of the FEMIP *Trust* Fund (vs. FEMIP *Support* Fund), mainly funded by EU MS but with a symbolic €1m contribution from the Commission – *see Inventory Note*.

specifies in this regard that “the Support Fund succeeded in enlarging the collaboration with various other donors in TA policy, many of them are being bilateral (coming e.g. from Belgium, France or Germany). Some TA operations are executed in close coordination with them and other facilitated joint-investment projects between the Bank and Funding Agencies of various European Countries”.

### 3.7.2 Coordination of policy dialogue

#### WB

**In most cases there is coordination of activities with the beneficiary authorities.** 64% of respondents to the Survey considered that there is close coordination of activities with the beneficiary authorities of the country, amounting to 73% in the case of country-level TFs<sup>118</sup>.

As described above, WB TFs had the lead role in interacting with the Government on behalf of the international community in a number of MDTFs, in particular for large emergency TFs, possibly shared with another organisation (e.g. the UN in Iraq and the IMF for HIPC) as mentioned in EQ4. Nevertheless emergency TFs were frequently only one of many interventions in a country and represented only part of the total aid to that country; and in several cases the Commission's contribution to the TF was only a part of its total contributions to the country, such as in Afghanistan (see 3.5.2).

**There are both cases of weak and strong ownership and leadership of authorities on the WB TFs operations.** The WB typically works directly with the Government. This increases *de facto* the potential for capacity-building of national authorities, an issue at the centre of numerous TFs. Nevertheless, the cases studied show both positive and negative indications on the degree of improvement of beneficiaries' control and command over activities in the context of MDTFs. The Afghan Government was for instance a strong supporter of the ARTF and requested donors to participate through this means; Government leadership in Indonesia was also reported to be strong for the post-tsunami MDF. But in Timor-Leste, the Commission's 2004 Interim Evaluation states that the TFET failed to develop Timorese ownership of the reconstruction programme. For the GFATM, several sources indicated that it used its specific implementation mechanisms, not participating in national policy dialogue and being insufficiently engaged in horizontal cross-donor programmes at country level. For the HIPC Initiative, principles, rules and conditionalities for debt relief were defined and verified by the Bretton Woods Institutions.

#### EIB

This question is less relevant for the EIB as it does not concern multi-donor interventions. One may note nevertheless that interest rate subsidies and TA on EIB loans in the MEDA region are discussed with Governments when an intervention is eligible for such grant support, in accordance with the National Indicative Programme. The EIB is further a demand-driven banking institution; it is the Government which requests an EIB loan (possibly following an initial proposal by the EIB).

<sup>118</sup> The level of negative responses to this question was overall 16%, although higher for SDTFs (25%). In terms of budget, positive answers accounted for 92% of funds (if excluding the HIPC contribution as no answer was provided for this TF in the Survey).

### 3.7.3 Coverage of beneficiaries' needs

**WB**

When well coordinated between donors and governments, MDTFs allowed identification and coverage, in a comprehensive and strategic manner, of the needs of the beneficiary. Beneficiaries were for instance involved in several cases where there were prior joint needs assessments. An evaluation report states for instance that the Indonesian Government was recognised to be in charge of the process leading to the initial Damage and Loss Assessment shortly after the tsunami, as well as of the master plan which followed it. An exception is the ARTF, for which Afghan authorities were said to have called into question different assessments made by the international community (following the fall of the Taliban regime when there was no Government as such), on the basis that *inter alia* they were taken over by foreign investors.

**Comprehensive and strategic approaches to enhancing the response of the international community, through grouping of resources and use of complementary competences of donors to address beneficiary needs, were observed in several MDTFs.** An example among others is the HIPC initiative. The indebtedness of **HIPCs** could indeed hardly have been comprehensively addressed in the absence of a coordinated intervention by all the main donors under the leadership of the Bretton Woods Institutions. But one can conclude that the main achievement of the HIPC Initiative is, rather than a reduction in poor countries' external debt, the elaboration by HIPCs of poverty reduction strategies that provide a framework for better-coordinated cooperation between government and donors and within the donor community itself.

**On the other hand earmarking of Commission aid and fragmentation between different operations within a country or theme challenged the principle of pooled funding in multi-donor initiatives.** Earmarking of donor funds for specific parts of an overall approach was an issue in some cases, such as for the CGIAR (*see Box 3.1 on Earmarking*). And the use of WB TFs alongside other intervention modes within the country or theme (such as in Afghanistan or for the GFATM – *see 3.5.2*) again raises the question of the extent to which donors were coordinated in a comprehensive approach.

**EIB**

**Beneficiaries considered that the Commission's contributions through the EIB provided them with a more flexible, comprehensive and attractive response to their needs.** The Commission and the EIB joined forces to provide the regional agreements for the MEDA and ACP countries with a comprehensive array of EC financial solutions, as explained under EQ4. Beneficiaries met on mission confirmed that interest rate subsidies and TA on EIB loans offered them a more flexible, comprehensive and attractive response to their needs. The country's needs were also better reflected in risk capital operations under Lomé IV according to an evaluation, and individual EIB loans were better adapted to the changing lending environment, following the more flexible approach adopted during Lomé IV bis. The EIB indeed became less involved in details and required less rigid programming.

## 4. Overall assessment and conclusions

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Thirteen Conclusions emerge from the evaluation findings and analysis presented in Chapter 3 “Answers to the Evaluation Questions”. These Conclusions are structured so as to facilitate an overall synthesis and to draw lessons for the purpose of programming, design and implementation. They are presented in five groups:

- **Rationale and evolution of aid delivery through the WB and the EIB**  
(*Why aid delivery through the WB and the EIB?*)
  - Conclusion 1: Increase in funding
  - Conclusion 2: Strategic approach
  - Conclusion 3: Different use of WB and EIB
  - Conclusion 4: Coordination with EU MS
- **Added value of aid delivery through the WB and the EIB for the different parties**  
(*What was obtained that would otherwise not have been obtained?*)
  - Conclusion 5: Added value of the channelling through the WB and the EIB
- **Effectiveness of aid delivery through the WB and the EIB**  
(*What was achieved?*)
  - Conclusion 6: Promotion of EU policies
  - Conclusion 7: Attainment of results
- **Implementation and follow-up of aid delivery through the WB and the EIB**  
(*Did implementation work?*)
  - Conclusion 8: Commission's organisational structure
  - Conclusion 9: Framework Agreement
  - Conclusion 10: Delays and cost reduction
  - Conclusion 11: Single-donor WB TFs
  - Conclusion 12: Interaction with the WB
- **Visibility**  
(*Did the Commission maintain visibility through channelling?*)
  - Conclusion 13: Visibility and awareness

Before presenting the Conclusions, an overall assessment below brings into perspective their main elements so as to provide a summarised general overview.

This section ends with a **box presenting in parallel the main elements on channelling through the EIB, the WB, and the UN family**, based on the two evaluations conducted by ADE.

Recommendations based on the Conclusions are presented in Chapter 5.

## 4.1 Overall assessment

The Commission's channelling of funds through the WB and EIB has over recent years represented a growing and significant part of the Commission's aid delivery. It brought added value to the different parties involved, notably by allowing the Commission to intervene in certain sectors and countries with a critical mass of resources and expertise that would otherwise have been more difficult or even impossible to provide. The WB and EIB were in this perspective not regarded as interchangeable channels. Funds channelled through the WB were targeted on broader development issues, addressed through a multilateral approach, while the EIB was mainly called upon for its banking function and as a European institution. In this context, the Commission channelled funds respectively through the WB and the EIB in different regions of the world, for different reasons and in order to provide different instruments.

**Channelling through the WB** reached an annual level of €500m in 2006, that is to say 8% of total RELEX-DEV-AIDCO aid (amounting to €2.8bn over the period 1999-2006). It related exclusively to contributions to more than 80 WB TFs, mostly in Asia and Latin America, but also in ACP countries through global and regional initiatives. More than 75% of the contributions were dedicated to seven major TFs. This channelling through WB TFs took place in a context of growing support for multilateralism. Decisions to channel were nevertheless not based on an explicit and documented Commission strategy, but rather took place on a case-by-case basis, with the operational support of a useful framework agreement. Multi-donor TFs to which the Commission contributed mostly achieved their intended results for the funding of a few large operations, and generally favoured efficiency in terms of the costs of overall aid delivery from Commission to beneficiaries. But for small to medium-size contributions and for Commission-specific SDTFs, attainment of results was mixed. Delays were also frequent, and efficiency in cost terms was impeded in some cases. Interaction with the WB was repeatedly problematic. The Commission's participation in the WB coordination mechanisms and in some highly visible TFs resulted in high visibility of the Commission's funding to Governments and EU MS at country level and allowed it to preserve influence over the use of its funds. The visibility of the overall cooperation remained limited, however, owing to the limited information and communication at a general level.

**Channelling through the EIB** represented an annual level of €150m in 2006, that is 2% of total RELEX-DEV-AIDCO aid (amounting to €1.3bn over the period 1999-2006). It funded mainly risk capital operations, and interest rate subsidies and TA on EIB loans, which were managed by the EIB on the basis of its expertise in managing these financial instruments. This formed part of strategic cooperation agreements between on the one hand the then European Community countries (including the Commission and the EIB) and on the other hand the Mediterranean or ACP countries, offering beneficiaries a large array of financing instruments for economic cooperation with the European Union. Channelling through the EIB safeguarded the European character of Commission funds, as both institutions pursued a common EU visibility. The available information demonstrated satisfaction on attainment of results for funding through the EIB. This aid modality, moreover, generally proved efficient in terms of time and costs throughout the whole channelling process, except for delays connected with interest rate subsidies.

Last but not least, it should be noted that comprehensive information on this increasingly important activity was not readily available within the Commission. This is owing to several factors, but can also be attributed to a current organisational set-up which is not commensurate with the greatly increased importance of the channelling.

#### 4.2 Rationale and evolution of aid delivery through the WB and the EIB

##### **Conclusion 1: Increase in funding as intended**

The share of channelling through the WB and the EIB within the Commissions' total aid delivery has reached substantial levels during the period covered, representing in 2006 a 8% share of contributions to the WB and 2% of those to the EIB.

The Commission thereby materialised its commitments to reinforce pooled funding, harmonisation, and alignment (WB) and to provide beneficiaries with a larger range of financial instruments (EIB). Absorption of funds also played a role in this respect.

*Based on EQ 1 and 2, section 1.2, and the Inventory Note*

**Channelling through the WB** increased from €8m in 1999 to reach an annual level of €500m in 2006, that is 8% of RELEX-DEV-AIDCO aid. This trend is the result of an increase in demand from the Commission, in line with its policy of reinforcing pooled funding, harmonisation, and alignment in general. Other factors, such as facilitation of contracting with the WB through the creation of the Framework Agreement in 2001, but also the opportunity it provided for the Commission to disburse funds, played a role in this respect. It attained the current high levels owing to its participation in large initiatives (e.g. HIPC) and to the occurrence of major reconstruction needs (e.g. Iraq, Timor-Leste, Indian Ocean tsunami) for which the WB received a coordination mandate from the international community. Indeed seven large interventions represented 84% of the Commission's funding over the period 1999-2005.

**Channelling through the EIB** had a more irregular evolution. It increased overall from €64m in 1999 to an annual level of €149m in 2006, that is 2% of RELEX-DEV-AIDCO aid. Higher (and lower) levels were however observed in some of the previous years. This evolution over the years is mainly explained by the existence and combination of several overall agreements, reflecting the Commission's willingness to offer a larger range of financial instruments to beneficiaries.

**Taken together**, channelling through the WB and the EIB increased from €72m in 1999 to €650m in 2006, that is 10% of RELEX-DEV-AIDCO aid. When taking account of the

United Nations as well, *channelling* as an aid modality represented an annual level of €1.6bn or 23% of RELEX-DEV-AIDCO in 2006.

## Conclusion 2: Strategic approach

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

*Based on EQ1 and the Inventory Note*

**Channelling through WB TFs** was not grounded in a strategy document specific to cooperation with the WB. Nonetheless, it took place within the larger strategic context of growing multilateralism and was made easier by the Framework Agreement signed with the WB in 2001 in that spirit. Owing to the absence of a strategy document, the Commission's decisions to participate in more than 80 WB TFs were taken on a case-by-case basis. These decisions were generally sound, as they relied on joint donor assessments, prior documented analyses and – albeit less systematically – on an examination of alternatives.

**Channelling through the EIB** was based on strategic regional cooperation agreements, between on one side the European Community (including the Commission and the EIB) and on the other side the Mediterranean or ACP countries<sup>119</sup>. These agreements presaged the provision of Commission grants for EIB-managed financial instruments (interest rate subsidies, technical assistance, risk capital).

## Conclusion 3: Different use of WB and EIB

**The WB and EIB were not regarded as interchangeable channels. For the EIB, the focus was on specific banking function, while the WB was called upon for broader development issues. The Commission contributions also serviced interventions that were quite different for each Bank in terms of the objectives pursued, the regions covered and the instruments provided. The fact that the EIB is an EU institution was also an important differentiating factor.**

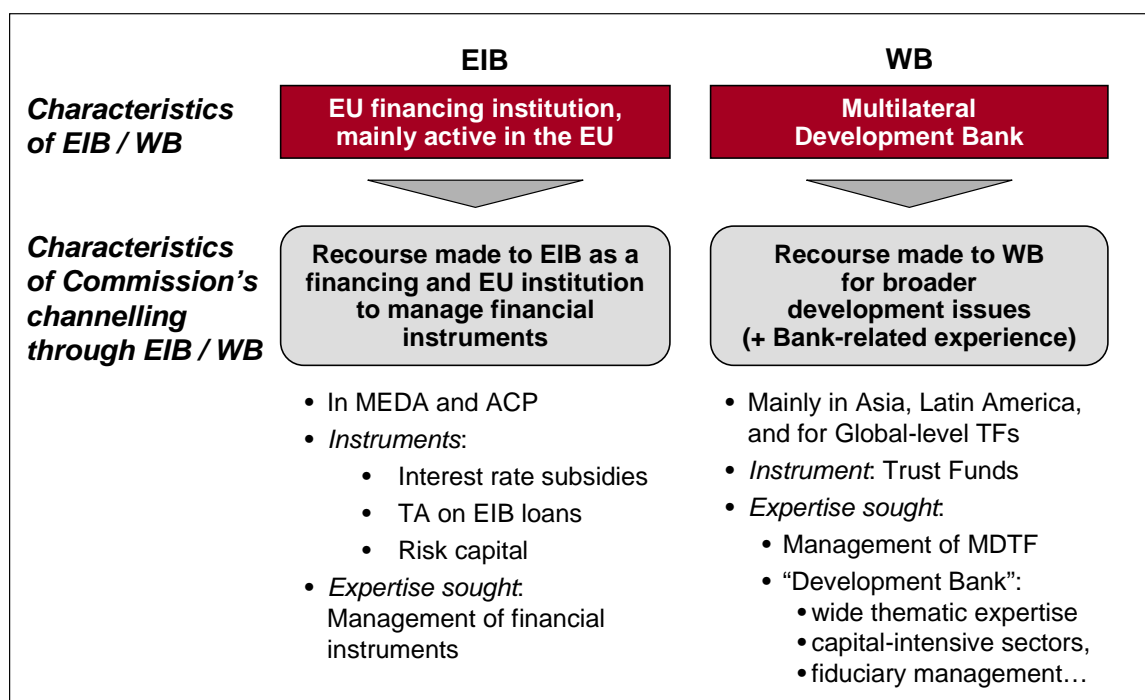
*Based on EQ 1 and 4, section 1.3, and the Inventory Note*

The EIB and the WB are two banks with their own characteristics, the former the EU's financing institution with a focus on funding within the EU, the latter a multilateral development bank. Whereas the EIB was called upon as an EU institution, and more specifically with a view to managing, as the EU's financing institution, specific financing instruments, the WB was called upon, in addition to more specific Bank related functions

<sup>119</sup> These agreements concern mainly the 1992 Convention and FEMIP in MEDA, and Lomé IV for ACP.

(e.g. for the HIPC initiative), for the management of broader development issues. As shown in the diagram and further detailed below, funds channelled through both institutions were used for interventions in different regions with different objectives and using different instruments.

**Diagram 4.1 – Main characteristics of Commission's channelling of funds through the EIB and WB**



**The Commission channelled funds through the EIB** almost exclusively in the context of strategic EU cooperation agreements with the Mediterranean and ACP countries. These agreements pursued economic development for the security and stability of the MEDA region, and economic development and social progress in the ACP region, by making long-term finance available on conditions attractive for sound investment. They offered partner countries a range of financial instruments managed by the EIB, some of which were funded by the Commission as they involved grants. These grant-based financial instruments were essentially risk capital, interest rate subsidies and TA on EIB loans. The EIB as a European bank was indeed considered to have the appropriate expertise in terms of management of financial instruments, thorough technical-economic competence, rigorous appraisal of project conditionality, specific sectors, and risk assessment.

**The Commission channelled funds through the WB** essentially for country-level multi-donor TFs (MDTFs) in the Asia and Latin America region and for global initiatives. ACP countries also received funding, essentially through the three global initiatives that are the HIPC, CGIAR, and GFATM. Decisions were generally taken in the context of the pursuit of the Millennium Development Goals (MDGs) and of global governance, in line with the process leading to the Paris Declaration. The WB was indeed charged by the international community with administering a number of MDTFs, in accordance with its expertise as a Development Bank. The WB's expertise in international banking and financial markets was

one of the main reasons for reliance on the WB in the case of the HIPC Initiative. In many large development operations the choice of channelling funds through the WB was justified by the fact that the problems being addressed required massive investments (e.g. large sector and structural adjustment programmes in Iraq) that could only be funded with medium-to-long-term loans. The role of the WB as an actor capable of mobilising the funds to this end thanks to its triple-A-rating on international markets was determinant. In addition, the WB's extensive country knowledge and recognised technical expertise in several sectors played an important role. Its compliance with international standards, along with the existence of a Commission-WB Framework Agreement, offered further "fiduciary comfort" to the Commission, in particular for the delivery of budget support.

#### **Conclusion 4: Coordination with EU MS**

**While the willingness of a multilateral approach was one of the main reasons for the Commission to channel funds through the WB, coordination between the European Commission and EU MS was not systematic.**

*Based on EQ 1, 3, 5, 6 and 7*

The willingness of a multilateral approach as a means to favour pooled funding and alignment was one of the main reasons for the Commission for channelling funds through multi-donor WB TFs. One would accordingly expect prior consultation between the Commission and EU MS. But while this occurred in a majority of cases, consultation and coordination between the European Commission and EU MS were not systematic. It was notably poor for smaller contributions (below €10m), managed from Commission HQ. In several cases it was observed that while the Commission contributed to interventions in a certain country or sector through a WB TF, EU MS contributed to the same sector, but not through the same channel. The Commission itself actually also funded in a number of cases parallel interventions to the WB TFs to which it was contributing. The Commission and EU MS also did not always have coordinated positions on issues like the role of the WB as 'fiscal agent' and visibility requirements.

#### 4.3 Added value of aid delivery through the WB and the EIB

#### **Conclusion 5: Added value of the channelling through the WB and EIB**

**The Commission's channelling of funds through the WB and the EIB brought added value to the different parties concerned in certain thematic areas, in specific contexts or countries, and in terms of expertise. The Commission also played an important role in providing a critical mass of resources. The EIB provided specific added value in terms of EU visibility.**

*Based on all seven EQs*

The added value of the Commission's channelling through the WB and the EIB, in the sense of what was achieved that would otherwise not have been, is presented in the diagram below for the different parties involved.

**Diagram 4.2 – Added value of the Commission's channelling through the WB and the EIB for the different parties involved**

*For the Commission*

For Commission through WB	For Commission through EIB
<ul style="list-style-type: none"> <li>• Possibility of intervening:               <ul style="list-style-type: none"> <li>• In global initiatives</li> <li>• When cooperation was interrupted</li> <li>• When direct budget support was not possible</li> </ul> </li> <li>• Promotion of donor harmonisation and alignment</li> <li>• WB expertise and experience</li> <li>• Facilitation of absorption of funds</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic European approach</li> <li>• Broader range of instruments to offer to beneficiaries</li> <li>• EU visibility</li> <li>• EIB expertise and experience</li> <li>• Strengthened EC-EIB co-operation</li> </ul>

*For partner countries*

For Partner Countries through WB	For Partner Countries through EIB
<ul style="list-style-type: none"> <li>• Access to Commission's financial resources when direct funding not possible</li> <li>• Single interlocutor and unified procedures</li> <li>• WB expertise and experience</li> </ul>	<ul style="list-style-type: none"> <li>• Larger array of instruments in economic cooperation with EU</li> <li>• Better lending conditions in less productive sectors</li> <li>• EIB expertise and experience</li> </ul>

*For the WB and the EIB*

For the WB	For the EIB
<p><i>Added value of TFs in general</i></p> <ul style="list-style-type: none"> <li>• Support to WB poverty reduction efforts</li> <li>• Preparation of WB lending programs; reestablishment of countries' creditworthiness</li> <li>• WB response when lending was not feasible and in new areas</li> <li>• Augmentation of core activities, e.g. analytical work, project appraisal, TA</li> </ul> <p><i>Added value of Commission's channelling:</i></p> <ul style="list-style-type: none"> <li>• Substantial amounts of funds to ensure critical mass for TFs</li> <li>• European representation in TFs, broader constituency</li> </ul>	<p><i>Added value of grants in general<sup>(1)</sup></i></p> <ul style="list-style-type: none"> <li>• Larger EIB operations, not possible with own resources</li> <li>• Better implementation of EIB loans</li> <li>• Higher attractiveness of EIB loans</li> </ul> <p><i>Added value of Commission's channelling</i></p> <ul style="list-style-type: none"> <li>• Substantial amounts of funds</li> <li>• Emphasised European dimension</li> <li>• Strengthened EC-EIB co-operation</li> <li>• Lever for developing projects with environmental dimension</li> </ul>

(1) Only the Commission could provide grants for EIB instruments during the evaluation period.

*Commission added value<sup>120</sup>*

Commission added value, through WB	Commission added value, through EIB
<ul style="list-style-type: none"> <li>• Capacity for mobilising large funding: <ul style="list-style-type: none"> <li>• Critical mass for set-up of TF</li> <li>• Leverage effect on other donors</li> <li>• EU presence in TF governance mechanisms</li> </ul> </li> <li>• Providing European and multilateral character to TF</li> <li>• Comforting presence in WB TFs, notably for follow-up</li> <li>• Strengthening of European consensus</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity to conclude large European strategic regional agreements</li> <li>• Capacity for mobilising large funding</li> <li>• Strengthening of European consensus</li> </ul>

<sup>120</sup> Defined as the extent to which the development intervention / aid modality adds benefits to what would have resulted from EU MS' intervention alone in the partner country.

#### 4.4 Effectiveness of aid delivery through the WB and the EIB

##### **Conclusion 6: Promotion of EU policies**

For both the WB and the EIB, the Commission ensured that funds were used in line with its objectives, notably by being involved in the identification and set-up of interventions and also by participating in the governance mechanisms. Nonetheless, this gave rise in a number of WB TFs to a perception of a donor-driven approach.

*Based on EQ 3 and 6*

**When channelling funds through the WB**, the Commission first ensured that the objectives of the WB TFs were in line with its own objectives. It was thereby often involved in the set-up of the TFs, regularly as one of the leading donors. The Commission was further active in the TFs' governance mechanisms, which allowed it to promote European values and priorities.

The Commission also frequently 'earmarked' its funding, in the sense that it restricted the use of funds to specific activities or specific regions or countries. This was sometimes necessary to comply with the Financial Regulation laid down by the EU MS through the European Council. Some stakeholders criticised this approach by the Commission (and other donors), notably in the context of global or large TFs where some TF priorities ended up under-financed while others received too much finance. In that sense, earmarking practices gave rise to a perception of a donor-driven approach.

**In the channelling of funds through the EIB**, the Commission and the EIB pursued common objectives in terms of policies and priorities. The nature of the use of Commission funding (instruments and conditions) was agreed formally in the strategic EU cooperation agreements. The Commission could, if need be, reject proposals for individual operations through committees in which it participated. But this rarely occurred as the Commission essentially relied on the EIB to manage those financial instruments. It should also be noted that conducting policy dialogue is not within the remit of the EIB and that the Commission generally did not use this collaboration directly to promote EU policies and priorities.

##### **Conclusion 7: Attainment of results**

Positive results were achieved for the majority of the Commission's major funding contributions through WB TFs. But the results for small or medium Commission contributions to WB TF were mixed and sustainability was problematic in some major cases.

For the funds channelled through the EIB, the available information demonstrated positive results.

*Based on EQ 3 and 4*

Satisfactory results were achieved for most of the **Commission's funding through WB TFs**, as represented by a few major contributions. Satisfaction was particularly positive for most contributions to (worldwide) global-level programmes. However, results for small or medium-sized Commission contributions to WB TF were mixed. The attainment of results was linked to the process of channelling through WB TFs to the extent that interventions benefited mainly from WB expertise and experience in certain themes and countries and from its capacity to manage large TFs (*see also Conclusions 3 and 7*). But results were hampered mainly by delays in reaching Commission-WB agreements and by the WB's approach of relying on Governments, as national authorities sometimes had capacity shortcomings.

Overall, Commission task managers were satisfied in the sense that they considered results to be in line with those achieved by interventions administered direct by the Commission and in line or even better when compared with other organisations.

In terms of sustainability, channelling posed problems in some major cases (e.g. HIPC, GFATM, PSNP).

**For funds channelled through the EIB**, the available information demonstrates satisfactory attainment of results for the risk capital operations, and for interest rate subsidies and TA on EIB loans. This was essentially linked to the EIB's expertise in managing these financial instruments.

#### 4.5 Implementation and follow-up of aid delivery through the WB and the EIB

### **Conclusion 8: Commission's organisational set-up**

**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.**

*Based on EQ3 and the Inventory Note*

As shown by difficulties met in the mapping of the interventions, in identification of task managers and in the lack of knowledge of some task managers on certain key issues, detailed information on the interventions funded through the WB and the EIB or a comprehensive overview of such channelling were not readily available within the Commission. In this sense the Commission lacked sound knowledge of its aid delivery through the WB and the EIB.

Although these information gaps also related to difficulties in terms of interaction with the WB (*see conclusion 12*), they are the result of different shortcomings in terms of the organisational set-up within the Commission:

- **At Commission HQ level** the organisational set-up for dealing with channelling through the WB and the EIB did not evolve in a manner commensurate with the importance that this aid modality has acquired over the years<sup>121</sup>. It was moreover not centralised and focused in the first place on HQ-level relations with the WB and EIB. No direct reporting specifically on channelling through the WB and EIB was available to task managers in charge of contributions through these institutions and there is no evidence of Commission-wide mechanisms for capitalising on such channelling.
- **At task manager level**, issues in terms of number of resources and the right expertise are mentioned in relation to over one-quarter of the TFs, hampering active participation in governance bodies for certain, sometimes major, TFs. Institutional memory is also a problem at this level. Understanding of agreements and procedures is also a problem for channelling through both the WB and the EIB.
- **Databases and information systems** are still confronted with structural issues, which hamper retrieval of adequate information on channelling through WB TF by Commission staff. There is no specific database conceived for providing global overviews. The existing systems are not homogeneous and user-friendly.

## Conclusion 9: Framework Agreement

Globally, the Framework Agreement provided a useful framework for managing the operational aspects of channelling through the WB. Concluding specific Administration Agreements remained difficult, however, owing to some limitations in the text, lack of compliance, Commission-specific requirements, and the cumbersome decision circuits for tackling these difficulties.

*Based on EQ5*

The Framework Agreement (FA) signed by the Commission and the WB in 2001 and amended in 2003 laid the ground for enhanced cooperation by tackling the operational aspects of channelling through WB TFs. It set out common principles and rules applicable to all Commission contributions to WB TFs, and provided an Administration Agreement (AA) template to be used in every TF. The FA and its AA template are globally considered very useful instruments, a considerable improvement over previous arrangements, and an advantage unavailable in collaboration with most other organisations<sup>122</sup>.

<sup>121</sup> 8% of total aid through the WB and 2%-3% through the EIB.

<sup>122</sup> Including other development banks, NGOs, etc. Exceptions are notably the UN and the EIB for which the cooperation is structurally eased as well.

However, a number of difficulties remained for concluding administration agreements and in applying these agreements, owing to:

- **Limits in the text.** As the FA and the AA template were deliberately not developed in detail so as to leave a certain degree of freedom to accommodate individual cases, they left room for discussion. They posed problems in particular regarding the services covered by the administration fee; the possibility of making amendments; and interpretation of the visibility, reporting, and indicators provisions.
- **Lack of compliance.** This problem originated in insufficient knowledge of the FA and its AA template (by both Commission and WB managers – generally as reported by the other party) on points which were clearly stipulated, or from a lack of respect for well-known provisions of these agreements. It related mainly to reporting, management costs, and proposals for rules different from those specified in the FA.
- **Commission-specific requirements.** Features relating to the financing of taxes, the impossibility of including “retroactive financing”, and geographical restrictions (for instance the use of EDF money only in ACP countries) posed problems in multi-donor TFs. The FA and AA also obviate the need for starting the process of reaching an agreement from scratch, for instance when joining an existing initiative.
- **Cumbersome decision circuits.** The difficulty of contracting AAs with the WB was amplified by the heavy decision circuits, in both institutions, through which solutions to problems had to be found, involving several departments at HQ level.

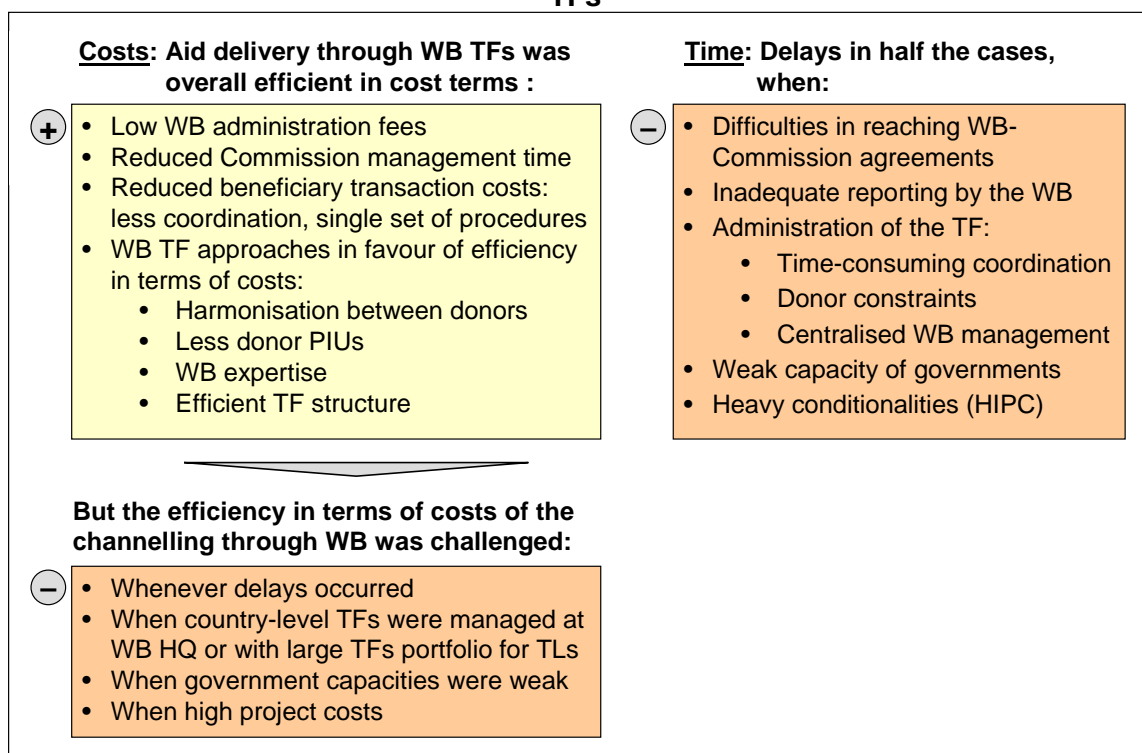
## Conclusion 10: Delays and cost reduction

**Channelling through the WB promoted efficiency in terms of the cost of overall aid delivery in most contributions to WB TFs, both for the Commission and for beneficiaries, although with exceptions. Delays were however frequent.**

**Channelling through the EIB generally proved efficient in terms of time and costs throughout the whole channelling process, except for delays connected with interest rate subsidies.**

*Based on EQ5*

**Channelling through the WB** promoted efficiency in terms of the cost of overall aid delivery (*from the Commission to the beneficiary*) in most contributions to WB TFs, both for the Commission and for beneficiaries. Several factors at different levels contributed to this result, as shown in the diagram below. But efficiency in terms of the cost of channelling through the WB was challenged in a number of cases, as shown in the diagram below. Efficiency was lower in terms of **timeliness**. Delays in contracting or implementation were reported in about half of the cases.

**Diagram 4.3 – Efficiency in terms of costs and time of channelling through WB TFs**

**Channelling through the EIB** proved generally efficient in cost terms throughout the whole channelling process, owing to:

- relatively low EIB management fees;
- significantly reduced Commission management time;
- no reported difficulties in terms of transaction costs;
- EIB banking expertise and expertise.

In terms of **time**, few issues were mentioned regarding TA, but where interest rate subsidies were concerned delays were frequent. Governments indeed had difficulty in meeting rapidly the EIB conditionalities on loans, which could be even more stringent when there was a possibility of benefits from an interest rate subsidy.

### **Conclusion 11: Single-donor WB TFs**

**Setting up single-donor WB TFs specific to Commission funding, sometimes necessary for compliance with EC regulations, often resulted in delays and disappointing results.**

*Based on EQ 1, 3, 5, 6, and 7*

Although Commission contributions to SDTFs are estimated over the evaluation period to account for 3% to 5% of total Commission contributions to WB TFs (still representing at least €67m<sup>123</sup>), they represented an increasing number of TFs (e.g. 12 of all 45 TFs surveyed in this evaluation and the 25 TFs covered by a 2008 AIDCO study). SDTFs were contracted at country level as well as regional and global levels, and represented very small (down to €200,000) as well as larger contributions (up to more than €20m). They were mainly contracted on demand from the Commission, sometimes through complex structures. Several SDTFs were created for administrative reasons to allow the Commission to join already existing multilateral initiatives, or for complying with regulations such as those relating to the exclusive use of EDF resources for ACP countries. In a few cases SDTFs were also set up by the Commission with a view to having operations administered by the WB (regarding it as a sub-contractor), so as for instance to benefit from WB sector expertise or its TF management capacity. Reduced management costs for the Commission also played a role in half of the SDTFs.

But most of the SDTFs encountered problems, significantly more than for MDTFs: results below Commission expectations, delays in the implementation of activities, delays or inadequacies in reporting, lack of respect for visibility requirements, and so on. There are several indications that it owes to the combination of higher Commission expectations for these TFs and the fact that, according to several interviewees, lower priority was given to them by the WB compared to multi-donor interventions.

## Conclusion 12: Interaction Commission - WB

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

*Based on EQ 3 and 5*

Interaction between Commission and WB task managers repeatedly proved problematic, also for some major WB TF contributions. Concluding administration agreements was the initial difficulty, with Commission and WB staff regularly disagreeing on the interpretation of the FA or one party proposing additions to the administration agreement considered by the other party as not in line with the FA. Receiving information on the progress of the TF was also repeatedly problematic, with delays in reporting and lack of compliance with the agreed reporting format. Interaction with team leaders based in Washington DC was also an issue for country-level TFs and whenever team leaders had to split their time between several TFs. Finally, issues needed often to be tackled via cumbersome decision circuits in the HQs of both the WB and the EC (*see Conclusion 5*).

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<sup>123</sup> This figure is based on information retrieved from the Survey.

## 4.6 Visibility

### Conclusion 13: Visibility and awareness

For channelling through the WB, visibility requirements were generally respected at country level, and awareness of stakeholders of the Commission's contributions was high, although this was essentially due to participation in coordination mechanisms. Beyond the range of stakeholders involved in a particular TF, visibility actions were limited and awareness levels low.

Channelling through the EIB safeguarded the EU character of Commission funds, as both institutions pursued a common EU visibility objective.

*Based on EQ6*

As regards channelling through the WB TFs, awareness of the Commission's contributions at the level of specific TFs was generally high among partner country officials, EU MS and other donors. This owed more to the Commission's participation in coordination mechanisms than to the agreed 'static visibility'<sup>124</sup> actions. These visibility requirements were nonetheless fulfilled in a large number of cases, although not for a significant number of smaller contributions and in several cases only at the request of the Commission's Delegations.

At a more general level (taxpayers, EC HQ, international community, etc.), awareness was low, which can be attributed to the scarcity of efforts in terms of visibility of the overall cooperation with the WB, from both the WB and Commission sides. It should also be noted that the Commission's visibility requirements were questioned in the light of the 2005 Paris Declaration.

For channelling through the EIB, both institutions pursued a common EU visibility approach. Providing 'European financing' was central to Commission-EIB channelling. Stakeholder awareness of Commission funding was generally high at intervention level, but less so at a more general level owing to the limited number of initiatives undertaken in that regard.

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<sup>124</sup> Stickers, panels, etc.

## 4.7 Channelling through the EIB-WB-UN

### Box 4.1 – Channelling through the EIB, the WB, and the UN family

The purpose of this box is to highlight the main common and differentiating features of channelling of funds respectively through the EIB, the WB, and the UN family. It is based on the conclusions from the present evaluation and of those from the *Evaluation of Commission's external cooperation with partner countries through the organisations of the UN family*, recently conducted by ADE<sup>125</sup>. Although not within the scope of the current evaluation, it allows some of its main conclusions to be placed in perspective. It does not aim to provide a comparative assessment.

#### Evolution of channelling and strategy

Channelling of Commission funds through the WB and the UN family has become much more prominent since 2001, whereas channelling through the EIB has had a more irregular trend over the years. In each case, the amounts at stake have represented a significant proportion of RELEX-AIDCO-DEV aid delivery, in 2006 reaching close to one-quarter of this aid delivery, with respective shares of 8%, 13%, and 2%.

The strategic approaches behind these channelling activities can be summarised as follows:

- Channelling through the EIB took place in the context of large regional cooperation agreements between the EU and MEDA/ACP countries. It aimed at bridging the gap between grants and loans by facilitating access to specific financial instruments. The EIB was called upon mainly as the EU's financing institution.
- Channelling through the WB and the UN family took place in a worldwide context of rethinking of development priorities and modalities. Unlike the WB, cooperation with the UN is grounded in two political strategy documents. Nevertheless, the Commission followed in both cases a pragmatic (case-by-case) rather than structured strategic approach. The operational frameworks established respectively with the UN and the WB proved globally useful. They were a considerable improvement over previous arrangements and offered an advantage over most organisations in terms of channelling of funds. The WB was called upon as a multilateral development bank, mainly for large multi-donor interventions through TFs. The UN was called upon as privileged multilateral organisation, and also as an implementing partner, for a variety of interventions (from small to large, from single donor to multi-donor, from operational to political, etc.).

#### Added value for the Commission

The main value added from the funding of EIB-managed instruments with Commission resources was the ability to provide partner countries with a large array of EU financing modalities, while benefiting from the EIB's experience and expertise as a bank. It also allowed continuation of a European approach and pursuit of a common EU visibility.

<sup>125</sup> Report available on the EuropeAid web site (May 2008).

Funding of UN and WB interventions allowed the Commission to intervene in UN or WB-managed multi-donor initiatives, including interventions related to global public goods, or in difficult contexts such as countries where for one reason or another the Commission had had to interrupt its cooperation programme. By doing so the Commission could benefit from the UN's or WB's continuous presence and specific expertise. A characteristic of the WB in this respect, to give one example, was its expertise in debt reduction, while in several cases the peacekeeping mandate of the UN was a key factor in channelling through this organisation.

### **Visibility**

While funding through these organisations, the Commission remained generally visible as a donor at the level of the interventions. Channelling through the EIB facilitated joint EU visibility by its very nature. In channelling through the WB and the UN, visibility owed more to the Commission's participation in coordination mechanisms than to static visibility measures (flags, stickers, etc.).

At a more general level, the visibility of the overall cooperation programme was low in all three channelling modalities, owing to the scarcity of efforts on all sides to enhance such visibility.

### **Organisational set-up within the Commission**

The organisational set-up within the Commission was not commensurate with the greatly increased importance of the channelling. As a result, a comprehensive overview of the channelling activity or detailed information on the interventions funded was not readily available within the Commission.



## 5. Recommendations

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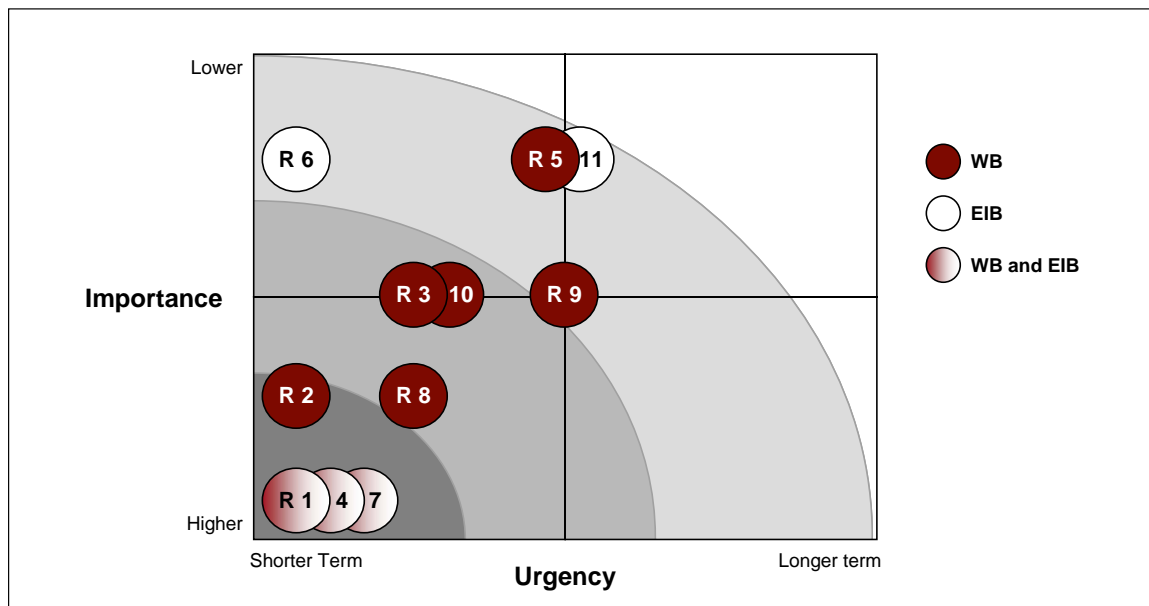
Eleven key recommendations emerge from this evaluation. They aim at providing Commission policy-makers and managers with advice based on the lessons learned from the co-operation of the Commission with the WB and EIB during the period 1999-2006, for the purpose of improving the programming, design and implementation of European policies. The recommendations are accordingly structured in four clusters:

- **Strategy and Framework**
  - Recommendation 1: Making the strategy explicit
  - Recommendation 2: Updating FA and facilitating conclusion of AAs
  - Recommendation 3: Coordination between Commission and EU MS
- **Organisational set-up and interaction**
  - Recommendation 4: Ensuring an adequate organisational set-up within the Commission for the channelling
  - Recommendation 5: Improving interaction between the Commission and WB
  - Recommendation 6: Improving internal communication flows on funding of EIB instruments
- **Management to improve efficiency and effectiveness**
  - Recommendation 7: Provision of guidance for decision-making
  - Recommendation 8: Avoidance of single-donor TFs
  - Recommendation 9: Set-up of capitalisation mechanisms
- **Visibility**
  - Recommendation 10: Focus on visibility of the cooperation
  - Recommendation 11: Leverage of EIB instruments in policy dialogue

Cross-references to the supporting conclusions are annotated by recommendation.

The recommendations are prioritised by importance and by the urgency of the need to address them, and also according to whether they refer to the WB or EIB. The levels of priority for each recommendation are presented in the diagram on the next page.

Most important and urgent recommendations to be addressed are those on the clarification of the channelling strategy, on the provision of guidelines to task managers, and on the organisational set-up within the Commission. Clarifying a number of requirements and provisions is then important and need to be addressed in the short term as they bind both parties contractually in future cooperation.

**Diagram 5.1 – Prioritisation of recommendations, schematic overview**

As addressing these priorities require interventions by different actors, implementation responsibilities (IR) have been identified for putting recommendations into practice:

- **IR-a:** Commission Services in charge of relations with the WB/EIB within RELEX-DEV-AIDCO and other DGs
- **IR-b:** Commission Services responsible specifically for financial and contractual aspects of the relationship with the WB/EIB; mainly within AIDCO
- **IR-c:** Commission task managers for channelled interventions, in particular in Delegations but also at HQ level
- **IR-d:** Commission Services in charge of specific expertise (e.g. thematic budget lines, geographical programmes, topics such as debt relief and post-conflict situations) within the various Commission DGs
- **IR-e:** WB or EIB Services

## 5.1 Strategy and Framework

### Recommendation 1: Make the strategy explicit (WB, EIB)

*Based on Conclusions 1, 2, 3, and 5*

*Implementation Responsibility: IR-a*

**Define explicitly the specific strategy the Commission is following through channelled aid delivery, specifying the objectives, characteristics and added value for each of the channels used. Make clear the extent to which this activity should be based on a case-by-case approach or rather on longer-term partnerships.**

Channelling through the WB and the EIB has increased greatly since 2001 and now accounts for a substantial share of total aid delivery by the Commission, as was also the case with channelling through the UN. Such substantial funding flows call for clarification of the strategy the Commission wishes to follow, currently not available on collaboration with the WB. In addition, lessons have been learned from this channelling activity notably on the added value for each category of stakeholder of funds channelled through different organisations (incl. WB, EIB, UN, and civil society organisations)<sup>126</sup>.

Therefore, it is recommended that an official Commission document should make clear:

- the Commission's overall strategy with respect to channelling in general and how it relates to multilateralism;
- the objectives the Commission wishes to pursue through channelling *via* each specific organisation (WB, EIB, UN, etc.) and the extent to which this should be part of a case-by-case approach or rather enshrined in longer-term strategies and partnerships.

### Recommendation 2: Update the FA and facilitate concluding AAs (WB)

*Based on Conclusion 9*

*Implementation Responsibility: IR-a, IR-b, IR-d, IR-e*

**Update, as planned, the Framework Agreement, and clarify issues that have posed problems.**

**Examine the extent to which solutions can be found for specific Commission requirements that are constrained by its general procedures and Regulations.**

**Take necessary steps, both within the Commission and the WB, to facilitate conclusion of specific Administration Agreements for WB TFs, notably by providing training for staff on the FA; drafting a *vade mecum*; continuing the updating of the FAQs; creating a help desk; and simplifying the decision circuits needed to solve specific issues.**

<sup>126</sup> Reference documents include the ADE, May 2008, *Evaluation of Commission's external cooperation with partner countries through the organisations of the UN family*, and the on-going Particip, *Evaluation of Commission's aid delivery through civil society organizations*.

With a view to tackling issues relating to elements in the Framework Agreement that were not sufficiently clear, and difficulties encountered in concluding specific Administration Agreements, the following is recommended:

- Update as planned (for 2009) the FA to clarify the main points in the text that posed problems, such as the services covered by the administration fee, the extent to which changes can be made to the template, and the provisions on visibility, reporting and indicators. This should be done in close collaboration with the WB. It is important to bear in mind that a certain degree of freedom should remain in the text so as to allow it to be adapted to specific cases.
- Examine the extent to which solutions can be found for Commission requirements that posed problems and relate to its procedures, for instance with respect to “retroactive financing”, geographical restrictions, and others. Although these requirements relate to Commission procedures that do not only concern aid delivery, the high amounts at stake justify the necessity of finding solutions in these cases.
- Take the necessary steps, both within the Commission and the WB, to ensure that the FA and AA are well understood by all staff involved and are correctly applied. The following initiatives should be taken in this respect:
  - draft a *vade mecum* to clarify further the templates and update it where useful on the basis of the existing “FAQ”;
  - set up a specific help desk that can function as a one-stop shop;
  - organise training courses for all staff involved, notably with Commission and WB staff combined;
  - clarify and simplify the decision circuits.
- Exchange experiences on difficulties encountered and include the conclusions in the *vade mecum*.

<b>Recommendation 3: Systematise coordination between Commission and EU MS (WB)</b>	
<i>Based on Conclusion 4</i>	<i>Implementation Responsibility: IR-c, IR-d</i>
<b>Systematise consultation between Commission and EU MS in particular when contribution to a WB TF is motivated by its multilateral approach and the donor coordination and harmonisation it entails.</b>	

Organise systematic consultation between Commission and EU MS for contributing to WB TFs, in particular for smaller Commission contributions, including those made at HQ level. Ensure consultation first and foremost when contribution to a WB TF is motivated by the TF's multilateral approach and the donor coordination and harmonisation it entails. Ensure alignment in the choice of intervention modality in a country, concentrating efforts on a single initiative to the extent possible.

## 5.2 Organisational set-up and interaction

### Recommendation 4: Ensure an adequate organisational set-up within the Commission for the channelling (WB and EIB)

*Based on Conclusion 8*

*Implementation Responsibility: IR-a*

**Adapt the organisational set-up within the Commission so as to make sure that sound knowledge on the channelling of funds through the WB and EIB is readily available on a centralised basis. Make sure in this respect that databases are adequate, complete and duly updated, that the required institutional memory exists, that sufficient human resources are available and that information on interventions is centralised at HQ level.**

Given that the current organisational set-up within the Commission is not commensurate with the importance that the process of channelling of funds through the WB and the EIB has acquired over the years, it is recommended that several initiatives be taken to update the organisational set-up, more specifically by:

- tackling the structural problems of the Commission's databases so as to allow direct extraction of comprehensive data on channelling of funds through the WB and EIB;
- ensuring that the above-mentioned databases are duly completed and kept up-to-date;
- ensuring that institutional memory is guaranteed at both HQ and Delegation levels, among other things by keeping track of information relating to the funding decisions and funds channelled;
- ensuring that at both HQ and Delegation levels sufficient human resources are available, in some cases with the specific sector expertise required, to ensure thorough management and follow-up (including participation in governance mechanisms) of the channelling of funds through both WB and EIB;
- centralising at HQ level the available information (data, reports, etc.) on all funds channelled respectively through the WB and EIB and also at intervention level.

### Recommendation 5: Improve the interaction between Commission and WB (WB)

*Based on Conclusion 12*

*Implementation Responsibility: IR-a, IR-c, IR-e*

**Improve interaction during implementation by clarifying the cooperation modalities with team leaders within the WB, and by ensuring common understanding of the reporting requirements and compliance of the WB with those requirements.**

Interaction difficulties with the WB affected implementation through delays and gaps in availability of information. The evaluators' recommendations in this regard are:

- for concluding AAs: *see Recommendation 2*;
- during implementation, notably when WB team leaders of country-level TFs are at WB HQ or are in charge of a large portfolio of TFs: agree with the WB clear cooperation modalities at the outset of the intervention, ensuring that these modalities are in line with Commission guidance based on lessons learned from cooperation with other organisations (*see Recommendation 1*);
- reporting: ensure that there is a common understanding of requirements in this respect and that the WB for its part ensures that the reports provided conform to these requirements.

### **Recommendation 6: Improve internal communication flows on funding of EIB instruments (EIB)**

*Based on Conclusion 8*

*Implementation Responsibility: IR-b, IR-c*

**Improve the communication flows between Commission HQ and Delegations with regard to EIB interventions funded.**

Improve communication flows within the Commission between HQ and Delegations. Explain clearly at all levels a Delegation's role with regard to Commission funding of different EIB instruments. Ensure further that Delegation staff are fully aware of ongoing EIB operations, particularly when benefiting from Commission funding. Additionally, make sure that there is optimal interaction, from the identification stage onwards, between the Commission (HQ and Delegations) and the EIB, for projects potentially benefiting from substantial Commission grants.

### 5.3 Management to improve efficiency and effectiveness

Several of the above mentioned recommendations (in particular R2 and R4) are expected to contribute to improved efficiency and effectiveness. There are however a number of other recommendations which specifically relate to this issue; they are presented in this section.

### **Recommendation 7: Provide guidance for decision making (WB, EIB)**

*Based on Conclusions 2, 3, 4, 5, 6, 7, 9, 10, 11, 12*

*Implementation Responsibility: IR-a*

**Provide a simple written guidance document to aid decision-making by Commission task managers whenever they envisage channelling of funds. This document should refer to the strategy document, to current good practices, and to the results of capitalisation exercises.**

Although decisions to channel funds through the WB were in general taken on a sound basis, experience has been gained over the years, which should be easily accessible at the

point of decision-making for task managers. Several task managers also indicated that they would welcome more guidance on how to take decisions on channelling funds, while nevertheless leaving sufficient room for flexibility.

It is therefore recommended that basic guidance be provided on principles relating to the decision process, notably by:

- Providing a basic guidance document<sup>127</sup> which clarifies the circumstances and modalities under which funding can be provided through another organisation (WB, UN, EIB...), and specifies the value added by each organisation, notably on the basis of the information provided by the available evaluations. This document should also draw attention to other useful information sources, notably the above mentioned *vade mecum* and FAQ (see Recommendation 2), as well as the results of capitalisation exercises (see Recommendation 8).
- Generalising and systematising good practices with respect to the identification of interventions and decision-making, in particular through identification fiches incorporating guidance on objectives, functioning of interventions, and examination of alternatives.

### Recommendation 8: Avoid single-donor TFs (WB)

*Based on Conclusion 11*

*Implementation Responsibility: IR-a, IR-b*

**Avoid as far as possible conclusion of single-donor TFs specifically for Commission funding.**

Single-donor TFs, albeit sometimes necessary to comply with EC regulations, posed problems in terms of delivery of results, delays and visibility. Their contribution to multilateralism is also limited by their nature, except in those cases where they were created precisely to allow the Commission to join an existing multilateral initiative. Avoid therefore the use of SDTFs when the setting-up of such a structure is not strictly required by procedural constraints or Regulations. Investigate the extent to which channelling through the WB may necessitate an exception to these procedures and Regulations (see Recommendation 2). Include a provision on avoidance of such SDTFs in the guidance document for Commission task managers (proposed in Recommendation 7).

### Recommendation 9: Set-up capitalisation mechanisms (WB)

*Based on Conclusions 3, 4, 5, 6, 7, 9, 10, 11, 12*

*Implementation Responsibility: IR-a, IR-b, IR-c, IR-d*

**Ensure that current and future lessons learned on channelling funds through WB TFs are drawn. Set-up the mechanisms necessary for capitalisation and dissemination.**

<sup>127</sup> It is thus recommended that in total three types of documents be drafted: the strategy document mentioned under R1, the *vade mecum* mentioned under R2, and the guidance documented mentioned under R5.

Ensure that current and future lessons learned on channelling funds through WB TFs are drawn and shared with Commission task managers at HQs and in Delegations. Set-up mechanisms within the Commission to capitalise on task managers' practical experience with WB TFs. Capitalisation and dissemination should concern lessons learned in terms of selection of interventions, concluding Administrative Agreements, follow-up, reporting, participation in governance mechanisms, and so on (*see Recommendations 2, 3, 4, 5, and 10*). Disseminate to all Delegations and central units within the Commission.

## 5.4 Visibility

### Recommendation 10: Focus on visibility of the cooperation (WB and EIB)

*Based on Conclusions 6 and 13*

*Implementation Responsibility: IR-a, IR-b, IR-c*

**When channelling through the WB and the EIB, focus efforts on the visibility of the cooperation with these organisations, both at country level and at a more general level, rather than on elements of “static visibility” at intervention level.**

The Commission is increasingly concerned about the visibility of its aid. Static visibility measures have not been identified as the main factors for enhancing stakeholders' awareness of the Commissions' funding. They were also questioned in the light of the Paris Declaration. In this context it is recommended to develop a more comprehensive approach to visibility of the cooperation with these organisations. This visibility is important not only at the level of the interventions, but also at a more general level.

- **At the level of the interventions:** for channelling through **WB** TFs, it is important to make sure that the Commission is present in coordination fora (generally involving the Governments, participating EU MS, and other donors). These indeed proved an effective means of enhancing awareness. In this perspective, also ensure that the Commission has the resources and means necessary for active participation in the governance structures of TFs. Ensure further that visibility forms part of a general Commission communications plan in the country, region or thematic area; specify precisely therein the objectives, audiences, measures, responsibilities and so on. Define measures that emphasise the Commission's participation as a contributor in multi-donor interventions. Reconsider the Commission's requirements in terms of 'static' visibility (stickers, panels, etc.) at 'ground' level (cars, pupils, etc.) so as to respect the principles of the Paris Declaration.

For channelling through the **EIB**, maintain the policy of pursuing jointly a common EU visibility.

- **At a more general level:** give more emphasis to the channelling of funds through the WB as well as through the EIB, notably by supplementing the few existing measures (e.g. common website and brochure for the WB) with a wider array of means and audiences, as part of a general communications plan.

**Recommendation 11:  
Leverage EIB instruments in policy dialogue (EIB)**

*Based on Conclusions 6 and 13*

*Implementation Responsibility: IR-c*

**Leverage to the extent possible on EIB-managed instruments funded by the Commission for policy dialogue between the Commission and the partner countries.**

The EIB-managed instruments funded through Commission grants (interest rate subsidies, TA, risk capital) are not primarily aimed at offering a platform for policy dialogue. The evaluators nonetheless recommend leveraging, to the maximum extent possible, on these instruments for policy dialogue between the Commission and the partner countries, as they offer an easy opportunity in that regard. Ensure therefore that Commission staff in the Delegations are fully aware of on-going EIB operations, particularly those benefiting from Commission funding (*see Recommendation 6*).