

« FICHE CONTRADICTOIRE »

Evaluation of the EC aid delivery through development banks and EIB¹

(*For details on the recommendations please refer to the main report)

Recommendations	Response of Commission services	Follow-up (one year later)
<p>1. 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.</p>	<p>Agreed. The Commission is planning to review the existing framework of co-operation with international organisations with a view to providing more specific guidance and practical orientations for its staff. In general, the decision whether to channel funds through an international development bank at country level will be taken on a case-by-case basis (see recommendation 7).</p> <p>A Mid-Term Review of the EIB external lending operations is expected to be concluded by Spring 2010. This will provide the opportunity to examine the issues raised in this evaluation.</p>	<p>On 21/8/2010, the EC adopted a report on the mid-term review of the external mandate of the EIB alongside a proposal to amend the current legal basis. The proposal aims at increasingly aligning EIB external action with EU policy objectives, including in the area of development. The report recognises the strong financial value-added provided by the EIB and the significance of the EU guarantee which allows the EIB to intervene in higher risk countries with attractive financial conditions. In addition, the EU financing support, provided through the EIB in the form of technical assistance and risk capital, strengthens the value added of EIB operations.</p> <p>On 17/6/2009, an instruction note on Working with International Organisations (IO) was issued to provide guidance to operational services. It identifies those factors which need to be considered before partnering with an IO and the situations where the best results tend to be obtained, based on findings of the evaluations, the provisions of the framework agreements and other analyses. The note also incorporates aid effectiveness considerations.</p>

¹ European Investment Bank

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<p>2. 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 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.</p>	<p>Agreed. The update of the Framework Agreement is currently under negotiation.</p>	<p>A new Trust Funds and Co-financing Framework Agreement (FA) between the EC and the WBG² was signed on 20 March 2009 by Presidents Barroso and Zoellick. An instruction note was issued the same day.</p> <p>Questions raised during the preparation and negotiation of Administration Agreements are dealt with first by the relevant Finance and Contracts Units at EuropeAid. There is a Helpdesk for Contracts within EuropeAid/G/7 which is also available to provide any additional support.</p> <p>EuropeAid has produced a set of Frequently Asked Questions (FAQs) covering all IOs, which addresses and clarifies implementation issues. The FAQs covering the WBG have been updated to reflect changes introduced by the new Trust Fund (TF) and Co-Financing Framework Agreement.</p> <p>EUD³s were invited, through the instruction note on Working with IOs, (see recommendation 1) to nominate an "IO co-ordinator" familiar with the procedures applying to IOs to receive specific training. Also, the possibility of organising joint training initiatives on FA-related issues open to EC and WB⁴ staff is currently under discussion between the two Institutions.</p> <p>A renewed framework agreement with the EIB for the ENP region is under negotiation (see recommendation 10).</p>

² World Bank Group

³ European Union Delegations

⁴ World Bank

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<p>3. 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.</p>	<p>Agreed. Consultation in this regard at the level of EU MS' representatives at the WB is advanced with the weekly European coordination meetings in Washington. An enhanced level of cooperation at the EU level would be very helpful. Furthermore, all decisions by the Commission to contribute to WB MDTF are taken following consultations with other contributing donors and EU MS at the relevant level (in country/regional/HQ) in the context of the identification and formulation process and, prior to the Commission decision, with EU MS at HQ level in the appropriate Committee.</p>	<p>The consultations are taking places in various contexts/levels and in relation to various TF. In this regard there is still room for further systemisation and formalisation. However, some good practices of consultations are as follows:</p> <p>Existence of regular (every 6-8 weeks) informal meetings at EC (organised at DG DEV) with MS⁵ on FLEGT⁶. Regular discussions also take place in the context of the following MDTFs (Multi-donor Trust Funds) :</p> <ul style="list-style-type: none"> • WB: FLEG Regional Processes • WB: PROFOR⁷ • MDTF with EFI⁸ on EU FLEGT Facility <p>Further examples from the field: The EUD in Vietnam is actively participating in the coordination mechanism set up by the WB with respect to the three on-going TFs administered by the WB on behalf of the EUD. In Ethiopia, the EU's participation in PBS⁹ was subject to consultations with MS agencies, before it was submitted to the EDF¹⁰ committee. Since then, interested MS are kept informed through bi-annual Aide Memoirs on progress in PBS.</p>
<p>4. Adapt the organisational set-up within the Commission so as to make sure that sound knowledge on the channelling of funds through the</p>	<p>Partially agreed. The development since 2004 of the CRIS database combined with improved reporting from Delegations has largely addressed these issues,</p>	<p>With the merger of the CRIS¹¹ and OLAS¹² databases, the collection and consolidation of information improved. EuropeAid has also revised</p>

⁵ (EU)Member States

⁶ Forest Law Enforcement Governance & Trade

⁷ Program on Forests (a multi-donor partnership, <http://www.profor.info/profor/>)

⁸ European Forest Institute

⁹ Protection of Basic Services (a multi-donor program)

¹⁰ European Development Fund

¹¹ Common Relex Information System

¹² On-line Accounting System

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<p>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.</p>	<p>but the Commission will further improve its databases and ensure they provide management with adequate information on this important area of aid delivery.</p>	<p>its intranet/internet sites in order to provide more detailed and up-to-date information on cooperation with IOs. In a concrete case of the Neighbourhood region, the centralised follow-up and coordination at HQ level of projects implemented through the EIB and other European finance institutions contributes to institutional memory and centralisation of information.</p>
<p>5. 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.</p>	<p>Agreed. Operational aspects and problems on interpretation of the Framework Agreements (e.g. on reporting requirements, accounting and procurement rules) should be discussed and clarified prior to signature. Moreover, a regular update of the FAQs, could help ensuring a common understanding on relevant procedures. The Commission is aware that regular contact with WB team leaders, especially in-country, is sometimes a constraint.</p>	<p>The adoption of the new TFs and Co-financing Framework Agreement between the EC and the WBG on 20 March 2009, the revision of the FAQs, the update of EuropeAid intranet/internet and, importantly, the appointment of EUD's "IO coordinators" should help to improve the interaction with the WB and the WB team leaders. A review and possible updating of reporting guidelines is under way.</p>
<p>6. Improve the communication flows between Commission HQ and Delegations with regard to EIB interventions funded.</p>	<p>Agreed. As all centralised operations with the EIB in the Neighbourhood area are now coordinated in close cooperation with the geographic units, the communication flow is already improved. Delegations are systematically informed and consulted about new operations under the "Support to FEMIP¹³" (TA¹⁴ and risk capital operations). EIB reports are also systematically copied to them when available. In the framework of the NIF¹⁵, missions are regularly organised in collaboration with the concerned Delegation for the negotiation of new projects before deconcentration. Trainings have also been delivered in some delegations on the EC-funded EIB instruments and on the NIF.</p>	<p>As stated in the response of Commission services (2nd column) the communication flows improved. The aforementioned appointment of "IO coordinators" within the EUDs should contribute to further improvements in the communication flow.</p>

¹³ Facility for Euro-Mediterranean Investment and Partnership

¹⁴ Technical Assistance

¹⁵ Neighbourhood Investment Facility

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	<p>As concerns Asia and Central Asia, the geographical coordination unit systematically consults the delegations concerned when the EIB proposes to finance an investment project in a given country. With respect to certain ACP countries, the Commission engages with the EIB within the framework of the Investment Facility. The EIB manages investment projects and financial operations of the Facility. EC delegations are consulted on local and regional projects through five EIB external offices in ACP countries. Regular meetings between the EIB and the Commission at management level also take place to discuss aspects of EIB operations in ACP countries.</p> <p>The Commission and the EIB signed in 2008 a MOU that established a Steering Committee to ensure adequate coordination at the highest level in all geographical areas covered by the EIB mandate (the first steering committee meeting took place on 10/11/2008). Relevant information is regularly forwarded to Delegations.</p>	
<p>7. 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.</p>	<p>Agreed. The French Presidency has launched a working group on "blending loans and grants". AIDCO would coordinate the organisation of these meetings. Results should be available in December 2009 and should help the Commission in its decision-making process. Moreover, AIDCO is currently examining the various implementation modalities, for channelling assistance, in particular with the EIB.</p>	<p>On 21.12.2009, the "Experts Working Group on the additionality of grants and loans in the framework of blending mechanisms" (chaired by DG ECFIN) submitted its final report. It defines a set of parameters to assess added value and negative effects of the use of grants to complement loans in blending mechanisms. On this basis, the Working Group developed also a guidance template for projects to be considered in the framework of blending mechanisms by EU actors. Templates used in blending mechanisms have been adapted accordingly.</p> <p>In more general terms, an instruction note on Working with International Organisations was</p>

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		issued to Delegations and operational staff on 17/6/2009 to provide guidance to operational services (see recommendation 1).
8. Avoid as far as possible conclusion of single-donor TFs specifically for Commission funding.	Agreed in general. This possibility should not be excluded “a priori”. In exceptional cases, in which the WB has a specific expertise on particular sectors, there could be added value for single-donor Trust Funds. However the Commission accepts that SDTF's should be the exception.	<p>The abovementioned Instruction Note on Working with International Organisations contains clear guidelines on the conclusion of Administration Agreements for Single Donor Trust Funds. In particular, it sets a minimum threshold of €10 million; below this threshold, multi-donor trust funds arrangements or other delivery channels should be preferred, unless sound reasons can be given.</p> <p>A review of Single–Donor Trust Funds concluded with the World Bank is regularly undertaken by EuropeAid.</p>
9. Ensure that current and future lessons learned on channelling funds through WB TFs are drawn. Set-up the mechanisms necessary for capitalisation and dissemination.	Progress has already been made in improving the reporting from Delegations and encouraging the dissemination of best practice.	<p>EuropeAid reviews the EUDs EAMRs¹⁶ (incl. reporting on TFs) and the results are disseminated to EUDs and operational services.</p> <p>To give an illustration from the field, in Ethiopia, for instance, the PBS II project took into account lessons learned from the PBS I and has accordingly experienced substantial adjustments.</p>

¹⁶ External Assistance Management Report

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<p>10. 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.</p>	<p>Agreed. The letter co-signed by the Commission and the World Bank in 2006 addresses this need. In parallel with the renegotiation of the Framework Agreement with the World Bank, joint visibility guidelines are being agreed which are based on the Commission's Visibility manual of 2008 and which should help staff in the field to plan visibility actions in the framework of each action. In the framework of the NIF, visibility events are organised at various steps of the corresponding projects including media coverage and high-level representation of Beneficiary authorities, EC and European finance institutions involved.</p> <p>A major involvement of the Commission in managing the Trust Funds for which it contributes substantially is possible. It could enhance the EC visibility in the beneficiary countries. Adequate human resources need to be secured for this purpose and the EC Delegations could be involved in these operations</p>	<p>The new Framework Agreement with the EIB regarding operations funded by the EU Budget in the ENP¹⁷ region (under negotiation) includes visibility requirements.</p> <p>Joint Visibility Guidelines between the EC and the WB were adopted during the Annual Consultations in May 2009. Their implementation will be reviewed during the Annual Consultations in 2010.</p> <p>Practical and sustainable solutions in terms of on-line visibility are, for instance, being implemented in Vietnam. In this respect, stand-alone websites for each Fund are being established (with support from the Funds), which in turn will be managed and developed by the beneficiaries.</p>
<p>11. Leverage to the extent possible on EIB-managed instruments funded by the Commission for policy dialogue between the Commission and the partner countries.</p>	<p>Agreed in general. This recommendation is accepted for cases where the Commission is supporting reform programmes in the same sector, for example for interest rate subsidies or NIF financing. The "Support to FEMIP" TA operations are not intended to support the policy dialogue between the Commission and the Mediterranean partner countries, but to support EIB operations funded on their own resources. However, some studies produced under those TA funds may be used as a basis for dialogue e.g. at sector level. Risk capital operations address the private sector and therefore are not an adequate platform for policy dialogue with the Beneficiary authorities. Reinforcement of long term sector strategies is required from EIB to meet this recommendation.</p>	<p>The April 2010 EC proposal to amend the legal basis of the EIB external mandate envisages that the EC will prepare together with the EIB, and in consultation with the EEAS¹⁸(currently under establishment), regional operational guidelines. These guidelines will strengthen the link between the implementation of EIB activities and EU regional priorities. By reflecting EU regional strategies, these guidelines will serve as a further tool to reinforce cooperation and dialogue between the EC and partner countries.</p> <p>Additionally, the EC and the EIB meet regularly in the context of the 'steering committee on cooperation between the EIB and the Commission</p>

¹⁷ European Neighbourhood Policy

¹⁸ European External Action Service

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		in regions covered by the EIB external mandate'. This is an appropriate platform where discussions regarding policy dialogue can be held.