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Operations Evaluation • Operations Evaluation • Operations Evaluation • Operations Evaluation • Operations Evaluation

Operations Evaluation

FEMIP Trust Fund

Evaluation of activities
at 30.09.2007

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Table of Contents

List of Acronyms	ii
Executive Summary	iii
Table of recommendations.....	iv
1. Introduction	1
1.1. Purpose of the evaluation	1
1.2. Scope and methodology	1
1.3. The FEMIP Trust Fund	1
2. Policies and strategies – Relevance of the operations	2
2.1. Relevance	2
2.1.1. To FTF objectives	2
2.1.2. To MPCs policies and priorities.....	3
2.2. Respect of guiding principles	3
2.2.1. Additionality.....	3
2.2.2. Ownership.....	3
2.2.3. Flexibility	4
3. Performance of the operations	5
3.1. Portfolio overview.....	5
3.2. Effectiveness.....	6
3.2.1. Objectives	6
3.2.2. Cost and duration of the study	6
3.3. Effects	7
3.3.1. Dissemination.....	7
3.3.2. Follow-up	8
3.4. Conclusion	9
4. EIB Role and contribution.....	10
4.1. Management of the FTF - Follow-up of past recommendations.....	10
4.2. Management of the operations	11
4.2.1. Contribution and catalytical effect	11
4.2.2. Coordination.....	11
4.2.3. Management of the project cycle	11
a) Preparation and procurement	11
b) Implementation.....	12
c) Follow-up	12
5. Overall assessment in the context of the 2007-2013 Mandates	13
5.1. Mandates related decisions	13
5.2. Future of the FTF and consistency with the new resources dedicated to FEMIP	13
Annexes	
Annex A1 - Recommendations from the first FTF Evaluation (2006).....	15
Annex A2 - Contributions to the FTF and status at 31.09.2007 (million EUR)	16
Annex A3 - Timeline of operations	17

List of Acronyms

AoD	Assembly of Donors
EC	European Commission
EIB	European Investment Bank
EU	European Union
EV	EIB Operations Evaluation (Ex-Post)
FEMIP	Facility for Euro-Mediterranean Investment and Partnership
FTF	FEMIP Trust Fund
IFIs	International Financial Institutions
MPC	Mediterranean Partner Countries (Algeria, Egypt, Gaza/West Bank, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia and Turkey)
RC	Risk capital
RCF	Risk Capital Facility (managed by the EIB at the request of the European Council and funded by the EU budget)
TA	Technical Assistance
TOR	Terms of Reference

Executive Summary

Purpose and scope

The Assembly of Donors of the FEMIP Trust Fund (FTF) required a new evaluation of FTF activities, following the one carried out by EV in November 2006. The evaluation aims at assessing operations completed and the management of the operation cycle as well as the consistency of the FTF with the decisions taken regarding the FEMIP for the new Financial Perspectives 2007-2013.

The evaluation relies on the analysis of 7 individual operations (4 completed and 3 near completion). The analysis covers, for each operation, standard evaluation criteria and the role of the EIB. The latter include the contribution by the Bank, coordination aspects and the management of the operation cycle. Further, the evaluation includes a follow-up of past recommendations and an assessment of the FTF in the context of the 2007-2013 Mandates. The evaluation of individual operations has been based on documentation provided by the FTF management team, interviews with Bank's staff at headquarters and field missions in Algeria, Tunisia, Morocco and Egypt.

Main conclusions

The conclusions from the previous evaluation are confirmed. The FTF is a relevant instrument with a significant potential to contribute to reinforced FEMIP objectives. Individual operations have shown to be well chosen and are relevant to FTF objectives and, particularly, to the MPCs policies and priorities. Yet, the main weakness is the management. So far the management of the FTF has been given only an administrative role and this has had an effect on all aspects of the FTF:

- Commitment rates have not increased within the existing framework and the pipeline is very limited (Net commitments + pipeline = 20% of available funds)
- In spite of the fact that the subject of the studies have been wisely chosen, the dissemination of their results and their follow-up have, in most cases, not been considered in terms of time and resources when planning the study.
- Most of the operations show very long delays of implementation and, out of the 4 operations completed, only one is followed-up.
- Ownership by MPCs, which in most cases is needed to ensure impact, is a real problem for region-wide studies. Yet, there is an explicit request from MPCs to get more involved.
- Coordination within the Bank also shows weaknesses.

The low commitment rate of the FTF and the limited pipeline question **the final impact of the Trust Fund** as such. An effective impact of the total amount available within a reasonable timeframe will only be achieved under the following conditions:

- i) Effective partnership with FEMIP countries which should contribute to the creation of the pipeline and endorse the recommendations of the various operations
- ii) Establishment of a strategy for the FTF, including a view per country
- iii) Operational management of the FTF in place and not just administrative management, which is efficient.

Table of recommendations

EV Recommendations	Comments by services
Management and Objectives	
<p>R1 Set a proactive and dedicated management team, with an operational management responsibility. This team should establish a programme and a strategy, look for new activities, ensure coordination between the different parties (particularly, within the Bank), give orientation on how best to manage the studies and ensure the follow-up of the operations. Administrative management is not sufficient to ensure satisfactory impact of the FTF.</p>	<p><i>Whilst acknowledging EV's recommendations, services point out that:</i></p> <ul style="list-style-type: none"> • <i>the uncertain duration of the FTF made it difficult for the EIB to make long-term commitments in terms of staffing during the past year.</i> • <i>additional dedicated staff directly translates into higher management costs.</i> <p><i>Nonetheless, according to the orientations for the future of FTF to be taken by the AoD, EIB is willing to increase staff dedicated to the management of the FTF. A key bottleneck for the implementation of the FTF remains the availability of OpsB and PJ staff working on Trust Fund activities.</i></p>
<p>R2 Define priorities and attempt to increase commitment rates considering the three types of operations (technical assistance, risk capital and studies), as proposed in the previous evaluation and validated by the AoD.</p>	<p><i>The EIB has submitted orientations for the future of the FTF to the AoD, including sectors and actions that the FTF could focus on. As soon as the AoD will agree on priorities, the EIB will proceed with a detailed business plan for the period 2008-2010.</i></p>
Stakeholders	
<p>R3 Ownership should be encouraged. More involvement of MPCs is needed to increase the pipeline and ensure implementation of the studies. The demand from MPCs exists.</p>	<p><i>As a first step, the FTF will be put on the agenda of the next meeting of the FEMIP Committee in 2008 in order to inform representatives about its activities and to encourage ownership. In addition, representation of EIB staff should be assured at EC programming missions with regard to the definition of Indicative Programmes on country- and regional-levels. At the level of individual operations, ownership will be improved by discussing with the relevant counterparts in the partner countries from the beginning of the operation, and both during and after the implementation phase.</i></p>
<p>R4 Better coordination within the Bank is needed to improve implementation of operations and ensure follow-up. When covering a specific country, this should include local offices (where they exist) and loan officers; they are well positioned to identify and work with local institutions.</p>	<p><i>With regard to regional operations with a non-financial sector focus (lead by PJ), a responsible loan officer will be chosen. For country operations, the responsible loan officer will be part of the team following the operation. Since their recent creation, local offices have been kept informed of and, if required, involved in the implementation and follow-up of operations. Their increased involvement would require additional staff.</i></p>

Dissemination and follow-up	
<p>R5 An operation where the main activity is a study should be understood as the elaboration of the study and the dissemination of its results and follow-up. Sufficient time and resources should be allocated for each of these stages. A specific budget allocation will simplify implementing dissemination activities.</p>	<p><i>Whilst acknowledging EV's recommendations, services point out that dissemination and follow-up have however been incorporated systematically in the terms of reference of the latest FTF operations (e.g. Identification and removal of bottlenecks for extended use of wastewater in agriculture). In addition, EIB will propose to the AoD to earmark a specific amount of the FTF for future dissemination activities.</i></p>
<p>R6 A "follow-up note" should be drafted summarising the conclusions of the study, presenting the dissemination process and proposing next steps. It can contribute to increase ownership within the Bank and to monitor FTF operations.</p>	<p><i>As is the practice for the FEMIP Support Fund, an operation completion sheet will be drafted containing background, results achieved and follow-up, including dissemination.</i></p>

1. Introduction

1.1. Purpose of the evaluation

Following the evaluation carried out by EV in November 2006, the Assembly of Donors (AoD) required a second evaluation of FTF activities based on operations as of September 2007, when a greater number of operations were completed. The aim was to assess operations completed and the management of the operation cycle as well as the consistency of the FTF with the decisions taken regarding the FEMIP for the new Financial Perspectives 2007-2013.

1.2. Scope and methodology

As of September 2007, 12 operations had been engaged through the FTF but only 4 were completed. The evaluation team decided to extend the coverage of the evaluation to 3 other operations that were near completion, namely, that at least the draft final report had been submitted to the Bank. While this allows having a better view of the implementation of the FTF, the main drawback is that, in those cases, it is difficult to assess their impact.

The evaluation relies thus on the evaluation of 7 individual operations to draw lessons on the implementation of the FTF. The 7 operations include: 5 regional and 2 country studies in the fields of finance (3), energy (2), transport (1) and tourism (1). They were signed between May 2005 and October 2006 for a total of EUR 1,754,000. The analysis covers, for each operation, standard evaluation criteria and the role of the EIB. The latter include the contribution by the Bank, coordination aspects and the management of the operation cycle. Further, the evaluation includes a follow-up of past recommendations (presented in Annex 1) and an assessment of the FTF in the context of the 2007-2013 Mandates.

The evaluation of individual operations has been based on documentation provided by the FTF management team and staff in charge of the operations, interviews with Bank's staff at headquarters and field missions in Algeria, Tunisia, Morocco and Egypt; missions were carried out in October 2007.

1.3. The FEMIP Trust Fund

The FEMIP Trust Fund (FTF) was created as part of the reinforced FEMIP to allow donors to complement on a voluntary basis the Bank's own resources as well as the financial resources provided to the Bank by the EU budget. The purpose of the Fund is to foster private sector development in the Mediterranean region. To attain this objective, two windows were defined: Technical Assistance and Private Sector Support.

The FTF held its first AoD on 25th January 2005. By October 2007, 15 Member States and the European Commission (EC) had contributed with EUR 32.9 m (Annex A2). As of October 2007, 16 operations (net of cancellations) for a total amount of EUR 5.5 m had been approved (18% of available funds). There are 6 operations in the pipeline for a total amount of EUR 0.57 m.

2. Policies and strategies – Relevance of the operations

Relevance. Findings from the previous evaluation (Nov 2006) are confirmed, namely that the FTF is relevant to and contributes to reinforced FEMIP objectives. In terms of individual operations, their objectives are also relevant to FTF objectives and to the MPCs policies and priorities; the subjects of these studies have been well chosen with regards to FEMIP objectives and MPCs priorities.

Additionality is largely ensured by the nature of the operations as these studies could not have been funded through any other instrument.

Ownership is the weakest point of the implementation of the FTF for region-wide studies. Currently, even coordination depends on the good sense of the individuals involved. There is an explicit request from MPCs to get more involved. Greater ownership is needed as a condition to ensure impact.

The FTF has been proved to be a **flexible** instrument by the large variety of activities and sectors covered.

Criteria	Rating (on 7 operations)			
	Good	Satisf	Unsat	Poor
Relevance	5	2		
Ownership	2	2	2	1
Additionality	Yes			No
	7			

This section assesses, first, the extent to which the operations are relevant to the objectives of the FTF and to the policies and priorities of the MPCs, and second, it assesses the extent to which the operations respect FTF guiding principles.

“Relevance is the extent to which the objectives of a project are consistent with EU policies, as defined by the Treaty, Directives, Council Decisions, Mandates, etc., the decisions of the EIB Governors, as well as the beneficiaries’ requirements, country needs, global priorities and partners’ policies (...) Outside the Union, the main reference are the policy objectives considered in the relevant mandates.”

EV Procedures Manual

While the objectives and priorities of MPCs have been analyzed case by case through field missions, the aim of the FTF is stated in the Rules Relating to the Establishment and Administration of the FEMIP Trust Fund (Article 1.01). According to them, the aim of the FTF is “to foster private sector development in the MPC. Specific key objectives to achieve this goal will include: (i) the development of an “enabling environment” for private sector activity by fostering the creation of adequate capital and human “infrastructure” in the region; and (ii) foster and diversify the availability of financial instruments for the private sector.” These Rules also state that arrangements under the FTF shall ensure three guiding principles: additionality, ownership and flexibility.

2.1. Relevance

2.1.1. To FTF objectives

All studies evaluated contribute *satisfactorily* to one or the other of the key objectives of the FTF. Out of 7 studies, 5 contribute to the development of an “enabling

environment” and 2 to foster the availability of financial instruments. This conclusion confirms the findings of the first FTF evaluation (November 2006).

An operation is rated “good” if it contributes to both key objectives of the FTF and “satisfactory” if it contributes to one of them.

2.1.2. To MPCs policies and priorities

The general objectives of all 7 studies analyzed have been well chosen. In 5 cases, they are rated *good* with respect to the priorities of the countries visited. This reflects either that the country requested the study (2 cases) or that the sector is a high priority for the country (3 cases). In one regional case, the objective of study is rated only *satisfactory* as the sector is a high priority in some of the countries visited but not in all. Finally, in another regional case the subject is rated *unsatisfactory* as the objective of the study was initially not a priority in the countries visited. However, for all the countries visited, the results of this particular study were of much interest and concrete actions are already observed in some countries (see § 3.3.2). *Satisfactory* ownership (§ 2.2.2) and *good* dissemination (§ 3.3.1) are the main reasons explaining this turn.

In one case, for instance, the sector is an important contributor to economic growth and employment *and* in the three countries visited the government had started to update the sector strategy, which was the subject of the study funded by the FTF.

2.2. Respect of guiding principles

2.2.1. Additionality

All 7 studies considered in this evaluation are additional to other FEMIP instruments. They are upstream studies not linked to Bank’s operations. Therefore, they could not have been funded through any other FEMIP instrument. Yet, 4 of them are complementary to other Bank’s activities in the Mediterranean region; 3 being in sectors considered as a priority for FEMIP (energy and transport). Further, the two studies on the energy sector are complementary between them and the consultants in charge of these studies were requested to take into consideration each others’ work.

2.2.2. Ownership

Ownership is the weakest point of the implementation of the FTF for region-wide studies where it is more difficult to involve MPCs. Only in the two cases where the study focused in one country, ownership was rated *good*: the study was proposed by the MPC, the proposal and the ToR were discussed with a designated national institution and the implementation was closely followed by one or two institutions in the MPC. In one case, for instance, a steering group formed by the EIB, the Central Bank and the Ministry of Finance supervised the elaboration of the study. Yet, as shown in § 3.3.2, this high ownership does not guarantee the future implementation of the recommendations.

Ownership is a *guiding principle* of the functioning of the FTF (Art. 1). It is understood here in a simplified form, as the active participation of *institutional* local counterparts *during* the elaboration of the study. It includes, notably, understanding the aim of the study, providing and *receiving* information, receiving preliminary results and having the possibility to react to them.

The other 5 cases have included several or all countries in the region. In 2 cases, ownership is rated *satisfactory* as coordination was maintained with at least one national

institution during the elaboration of the study. In 2 cases, it is rated *unsatisfactory* as, although there was an attempt to build ownership, this was unsuccessful. For instance, round tables were organized in each country to discuss preliminary results and draft country reports were sent to local counterparts for comments, yet field visits showed that these counterparts knew very little about the study. In the other case, it was assumed that ownership was guaranteed by the fact that the study was discussed and validated at a FEMIP Conference. However, validation at that level has not been sufficiently circulated by the local counterpart. Finally, 1 case is rated *poor* as no sign of ownership has been found.

In general, coordination with and feedback to local counterparts has been very limited. Local institutions are contacted but often only to collect information, with no feedback provided afterwards. This creates a feeling of dispossession that has been a recurrent theme during the missions' interviews. In most cases, there is an explicit request on the part of local institutions for greater involvement. This includes: discussion or clearer information on the ToR; an official introduction from the Bank; follow-up of the implementation; validation of the final report before publication; and the reception of the final report. Greater involvement of MPCs will make management more complex and will slow down the implementation but it will also contribute to ensure the success of the operation.

Ownership is the weakest point of the implementation of the FTF for region-wide studies where it is more difficult to involve MPCs. Ownership has to be increased to ensure the success of the operations.

With no clear orientation, the level of coordination and involvement of MPCs largely depends on the personal initiative of the staff involved at the Bank and, moreover, on the consultants charged of carrying out the study. Only in few cases the study has been coordinated with the competent authority in charge of coordinating EIB activities in the country. See also § 4.2.2 on the role of the Bank's Local Offices.

Further, through the missions, it has also been observed some communication problems between different institutions in the same country or even within institutions. Those observations reflect weakness within MPCs and, while it is something that can no be tackled by the FTF, it should be taken into account when implementing a study and trying to increase ownership.

A challenge faced by the field missions was to be able to find appropriated interlocutors for each study. One of the reasons explaining this was that several months after the consultants were on the country the study is forgotten or confused with other studies, in particular if involvement was limited and no final report was sent to the MPC. This observation points to a limited ownership and, therefore, a limited potential impact of the studies.

2.2.3. Flexibility

This principle applies to the FTF as a whole and not to the individual operations. The work carried out in 2007 confirms the findings of the first evaluation, namely that the FTF is a flexible instrument, capable of adapting to changing demands. This is reflected in the sectors covered and the type of operations.

3. Performance of the operations

Effectiveness. The objectives of 5 operations were achieved and they are thus rated satisfactory. 2 studies are rated unsatisfactory because although the ToR requested concrete proposals or recommendations, these were considered too general to be applied.

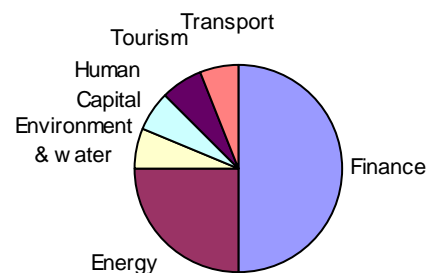
Cost and duration of the studies is rated good in two cases and unsatisfactory in 5 cases mainly because important implementation delays. These delays are mainly explained by management problems.

Effects: Operation as those evaluated shall be understood as the study plus its dissemination plus its follow-up, otherwise, there is a risk that effects will not materialize. This has not been properly taken into account in most cases. Dissemination has been very good for the first study setting a high benchmark; dissemination for the following studies is being discussed. Follow-up is decided case by case and can be observed only for the first study. A “follow-up note” to be drafted for each study could help to decide on future actions.

Criteria	Rating (on 7 operations)				
	Good	Satisf	Unsat	Poor	NR
Effectiveness					
- Achievement of objectives		5	2		
- Cost and duration	2	1	4		
Effects					
- Dissemination	1	1	2		3
- Follow-up		1	3		3

3.1. Portfolio overview

As of October 2007, 17 operations were approved by the AoD, i.e. there were 5 new approvals in the last 12 months. Of those, 12 have been engaged (total budget of EUR 4.98 m – i.e. 5 new), 4 are under preparation (EUR 0.55 m) and 1 has been cancelled after launching the tender procedure (EUR 1.5 m). These operations are upstream studies (13 operations), technical assistances (2), investment fund (1) and training programme (1). Leaving aside the operation cancelled, the portfolio covers 6 different sectors, with a clear concentration on finance (8 operations) and energy (4 operations), reflecting the priorities of the FEMIP and the contribution that the Bank can provide.



Regarding the pipeline, two regional operations are ready to be presented to the AoD, one in urban development (about EUR 185,000) and one in microfinance (EUR 83,000). Four other operations are at an earlier stage of preparation.

3.2. Effectiveness

3.2.1. Objectives

5 operations are rated *satisfactory* as they achieved all stated objectives, including proposals and recommendations for further intervention. Three of these operations are completed while 2 are still ongoing. For one of them, Phase I objectives have been achieved and it is likely that Phase II objectives will be achieved too (expected before the end of 2007). For the other, some of the stated objectives have been achieved and it is expected that the remaining ones will be achieved during the presentation and discussion of the results of the study at the FEMIP Conference scheduled for March 2008.

2 operations are rated *unsatisfactory* because the studies have not reached all their objectives. For these studies, the problem has been the proposals made by the consultants rather than the diagnoses presented. As often, this is the most difficult part for all studies and has been subject of much discussion. Constant communication with the team of consultants and realistic and clear ToR are ways to improve this weakness.

It should be noted that field missions raised an issue related to the accuracy of the reports. The final version of the reports (being intermediary or completion) is validated by the Bank. In 2 cases it was done by a steering group including other IFIs or the MPC. Only in one case, preliminary "country reports" were sent to MPCs for comments. The fact that in most regional studies (4 out of 5) MPCs do not validate draft reports, together with their limited involvement during the elaboration of the study (see § 2.2.2 on ownership), means that in some cases there remains, according to local institutions, *factual errors on the final reports*. At the time of the EV field mission, out of the 5 regional studies, one was available to all MPCs and one to one MPC (the report was distributed by the EIB Local Office to the participants prior to our meeting).

3.2.2. Cost and duration of the study

Cost is measured only by the size of the contract with the consultancy firm and thus does not include the management by the Bank's staff. The *duration* is measured since the signature of the contract and thus does not include preparation time by the bank's staff, the dissemination process and follow-up by the Bank. These elements are, however, an integral part of the operation, as shown in § 3.3 and § 3.4.

Over the 7 operations evaluated, 2 are rated *good*, 1 *satisfactory* and 4 *unsatisfactory*. One operation was rated *good* because the budget was rather limited for the scope of the study which meant more involvement from the person in charge of the study at the Bank but finally a good report with a low budget and on time was delivered. In all other cases cost is consider to be in line with the product. The other study rated *good* was so because it was implemented on time even when it faced particular challenges: the preliminary results of the study were presented in a regional workshop which took time to organize but also allowed to more easily incorporate comments from different stakeholders. One study was rated *satisfactory* because the study phase has been completed with a very limited delay. The delay incurred was mainly explained by the limited time availability for management and by the use of the EC framework Contract

(FC) which speeds up tendering but slows down implementation as it involves more parties (see § 4.2.3).

4 operations were *unsatisfactory* because they present long delays of implementation as shown in the box. Some of the reasons explaining the delays are:

Study	Duration (months)	
	Planned	Actual
Case 1	6	15
Case 2	6	16
Case 3	12	16 *
Case 4	9	16 *

* On going operation

- The limited time availability of the staff in charge of the study. This is mainly due to the fact that these studies are only a small part of the responsibilities of the staff and that they are not included in the priorities of the Bank, as already pointed out in the previous evaluation.
- The existence of a steering group (formed by IFIs or MPC) which increases ownership as well as potential impact but slows down the decision process.
- In one case, one partner institution did not accepted to validate the study.

3.3. Effects

As only four operations are actually completed, one of which only this year, it is early to have an overall assessment of the impact of the studies funded through the FTF. Therefore, this section focuses on the dissemination process and the follow-up of the studies.

The **output or product** of the study is the report.
 The **result or outcome** of the study is what happens because of the report.
 The **impact** of the study is what was hoped to be achieved with the study in the longer term.

3.3.1. Dissemination

Three elements have been analyzed to assess the dissemination process: i) whether the results of the study have been presented to the MPCs, to the Bank’s staff and to other IFIs; ii) whether the reports have been shared with the MPCs; and iii) whether the report has been published.

Of the 7 studies evaluated, 4 have been **presented at the Bank**. The aim of the presentations is in most cases to encourage staff to build up on the study and if possible to set operations for the Bank. 5 studies have been **discussed or presented to MPCs** at international conferences, regional workshops or national round tables. During the implementation of two studies, preliminary results were shared with local counterparts but the definitive versions have not been shared with MPCs. For another study, the draft final reports have just been submitted and it is being discussed whether and how to share the results with MPCs but nothing has been decided yet. Finally, in one case, the draft final report has not been validated. Only 2 studies have been **presented to IFIs** through international conferences with the participation of MPCs.

Dissemination activity	During implementation (7 operations)	After completion (4 operations)
Presentations / Workshops		
- EIB	****	-
- MPCs	****	***
- IFIs	*	*
Report shared	-	***
Publication	-	**

In 3 cases the report has been **shared and distributed to MPCs**; these are studies that are completed. In the other cases, it is under discussion whether and to whom to distribute the reports even if one was completed in March 2007.

Finally, **only 2 studies out of the 4 completed have been published**, largely distributed and posted in the web site of the Bank. One study (completed) was planned to be published but the MPC is opposed to the idea. For the other completed study, publication is still under discussion.

In summary, the results of the studies are often presented to the Bank’s staff when the draft final report is validated. It is less often that the report is shared or presented to MPCs and other IFIs and even less so that the report is published. Yet, only the involvement of the MPCs will guarantee that the study produce any results.

The dissemination process is seldom considered when the study is launched. Yet, no effects can be expected from a study if it is not presented to and discussed with relevant parties.
 Dissemination has to be improved if results are to be expected.
The time needed for the dissemination should be taken into account.

In 2 cases the dissemination of the study has been rated¹ *good*, in 1 case *satisfactory* and in 4 cases *unsatisfactory*: in one case, dissemination of the study has been obstructed by the MPC; in another there has been not dissemination after completion of the study and, for two studies, dissemination during the elaboration of the study has been extremely limited.

3.3.2. Follow-up

Four operations are completed. For the oldest one, some results are already observed. On the one hand, the Bank is launching a securitisation operation as a test case on the implementation of the recommendations of the study in Lebanon. On the other hand, actions are being taken by MPCs in two of the four countries visited: In Egypt, the Central Bank has decided to take stock of the situation and plans further actions (see § 2.1.2) and in Tunisia a private bank is trying to reach agreements with European banks.

For two other completed studies, results are less encouraging. Both are single-country studies and ownership was very high (see § 2.2.2). Yet, in one case one of the two partner institutions does not agree with the results of the study and is opposed to its publication. It should be noted that the other partner institution considers the study as very good. In the other case, local partners are not fully satisfied with the study, considering that diagnosis is good but recommendations are too general. In both cases, thus, there is limited hope for recommendations to be implemented. One study is also rated *unsatisfactory* as there has been no follow-up since completion in March 2007.

Ownership is a necessary but not sufficient condition to guarantee impact.

¹ For the 3 studies that are not yet completed ratings are interim, based on dissemination during the elaboration of the study only.

For the other 3 cases, it is too early to see the follow-up. In all 3 cases, there is a good potential for further actions as the subjects are of high importance for the MPCs. A weakness is that in some cases the recommendations are too general and their implementation would need strong involvement of the different stakeholders (including other IFIs) and, moreover, there is no clarity on who will take the lead for the next steps.

3.4. Conclusion

The studies funded through the FTF are relevant, as shown in § 2.1, but they can have an impact only if someone decides to implement actions following the proposals of the studies. Yet, **in most cases it is observed that nothing has been planned for after the study was completed, neither in terms of dissemination nor in terms of who could take the lead for further actions.** Much time is spent on deciding what to do with the study while MPCs are waiting for feed back. Indeed, field missions have find out that there is a **clear request from MPCs for increased involvement** (see § 2.2.2 on ownership).

In the case of upstream studies, such as those evaluated, **the operation should be understood as being composed by the elaboration of the study plus the dissemination of results plus the follow-up** to ensure, as possible, implementation of the results of the study. So far, the operation has been seen only as the elaboration of the study.

An operation for which the main activity is a study will include, on top of the elaboration of the study, its dissemination (about one year) and follow up.
Therefore, impacts will be observed only 2-3 years after the operation starts.

Dissemination should include: (i) Presenting and discussing the results of the study with the MPCs, the Bank’s staff and with other IFIs. This can take different forms, noting that higher level events ensure visibility and decision taking while working level events ensure implementation so a combination of both is best, (ii) Sharing the report with MPCs and other IFIs before official publication and (iii) Publishing and distributing the report. As recommended in the first evaluation (R2), dissemination could be done more easily if the FTF reserves a specific budget allocation for this purpose. Part of the dissemination process should be planned from the start to ensure the participation of the consultants and present a more comprehensive view to partner countries.

Follow-up should be decided case by case but to make sure it exists, **a brief action plan or “follow-up note”** should be prepared summarising the conclusions of the study, presenting the dissemination process and proposing next steps while indicating who should take the lead for each action. This should ideally be done once the dissemination process has been launched and discussions with different stakeholders have started.

4. EIB Role and contribution

4.1. Management of the FTF - Follow-up of past recommendations

Recommendations of the previous evaluation were grouped in three levels: Objectives, scope of operations and management.

Regarding **objectives**, it was recommended to define priorities (R1) and to increase commitment rates, including setting up indicative quantitative objectives (R2). To the present, no priorities have been explicitly defined, although all but one of the new operations approved are in the two main sectors of FEMIP activities: finance and energy.

Commitment and disbursement rates have not increased; engagements have increased (from 7% to 16% of available funds) as the only risk capital operation (a third of all commitments in terms of budget) has been launched. Disbursement remains very low (6%) and the pipeline has shrunk from 10% of available funds to 2%. Although there is no clear explanation as to this reduced pipeline, 3 elements may contribute to explain it: (i) the lack of human resources both for the staff that can potentially lead an operation and for the FTF management team (see below); (ii) the fact that for 2007 only a transitional decision has been taken regarding the continuation of the FEMIP Trust Fund and that the implementation of the new mandate took longer than expected (see § 5.1) and (iii) the lack of ownership by partner countries.

	Mill EUR	%
Contributions	32.91	
Available	31.59	
Committed	7.03	22%
Cancelled	1.50	5%
Engaged	4.98	16%
Disbursed	1.78	6%
Pipeline	0.57	2%

Regarding the **scope of activities** (R3 to R5), only one new technical assistance operation has been approved, related to the above-mentioned risk capital operation. No new risk capital operations have been approved, although one was at some point in the pipeline and was subsequently rejected by the AoD.

Regarding the **management of the FTF** (R6), the situation is even more difficult than a year ago as the post of Coordination Officer has been vacant between January and October 2007. This new evaluation stresses the importance of the management at all levels. The FTF is a relevant instrument, the studies have been well chosen but the way they are handled heavily hampers their potential impacts and can even harm the good relations between the Bank and MPCs. It is critical that the FTF is provided with a **dedicated and proactive management** that establishes a programme and a strategy, look for new activities, ensures coordination between the different parties (particularly, within the Bank), gives orientation on how best to manage the studies and ensures the follow-up of the operations (see § 3.4 on “follow-up note”).

4.2. Management of the operations

4.2.1. Contribution and catalytical effect

The Bank has a significant contribution to the studies, in particular in those sectors in which the Banks has a proved expertise (finance, energy, transport). Further, in the cases in which the study has been distributed and/or discussed with the different partners (international conferences, workshops, etc.), the Bank plays a catalytical role by inviting all stakeholders around the table and makes the experience of the EU in terms of regional integration (exchange of experience, set up of common project, etc.) profitable for the Mediterranean region.

4.2.2. Coordination

Coordination within the Bank has not yet been proved for FTF operations. Coordination depends largely on the good will of the people involved as there is no orientation in this respect. Coordination is at stake at two different stages: during preparation and implementation and after the study is completed.

Two elements affect coordination *during the study*. First, local offices and loan officers, who are the representatives of the Bank for one given country, are not always informed of the launching of a study and are not invited to play any specific role even when “their” country is the subject of a study. This complicates the work of all stakeholders: the consultants are deprived of a key source of information and loan officers and local offices lack needed information to carry out their work coordinating EIB operations in the country. Second, consultants do not necessarily report back to the Bank who they have seen on the field, complicating future contacts of Bank staff (headquarters and local offices) with local actors. There are only two counter examples were consultants have delivered mission notes. The lack of coordination tarnishes the image of the Bank vis-à-vis partner countries and complicates the follow-up of operations by the Bank staff once the consultants have finished their part.

4.2.3. Management of the project cycle

a) Preparation and procurement

Proposals to the AoD as well as TOR are prepared by the person in charge of the study. For the studies under evaluation, 4 studies (on transport, energy and tourism) are in charge of staff from the Projects Department (PJ) and 3 studies (on finance) in charge of staff from DEAS (Operations Department). The tender of the study is managed by the Technical Assistance Unit.

The two country studies are rated *good* for this stage. The preparation was faced to the challenge of coordinating the preparation of the study with the partner country and yet the tender was launched on time (when a negotiated procedure was used) or in advance (when the Framework Contract (FC) was used).

4 regional studies are rated *satisfactory*. 3 used the FC procedure to tender the study. In 2 cases, the procedure was successful and the studies started as planned (as per the proposal to the AoD) or even in advanced. In one case, the FC was unsuccessful as the tenders were not up the expected quality and a negotiated procedure was then launched.

In spite of this, the study started with a delay of only one month. In another case, the budget is over EUR 200,000 which means procurement must be done through a restricted tender procedure, which takes about 9 months. The proposal to the AoD anticipated only 3 months and procurement started only one month after approval, *therefore, the problem was not the length of the procurement process but the unrealistic proposal.*

1 study is rated *unsatisfactory* at this stage because it took 12 months between approval by the AoD and the signature of the contract with the consultancy firm when the proposal to the AoD anticipated only 3 months. Procurement started 9 months after approval which is mainly justified by the interest of several donors in becoming partners of the operation and subsequent discussions among them. The previous evaluation already noted that a delay of 3 months is unrealistic.

b) Implementation

Section 3.2.2 shows that only 2 studies were completed on time; they are rated *good* on the management as they were able to finish on time in spite of particular challenges. For one, the quality of the report was not as good as expected and the person in charge had to rewrite it to ensure a good final report on time. The other study was also well managed in spite of the complexity of the logistics: 3 country cases and a regional workshop with 120 participants from the private and public sector; moreover, Lebanon as a country case had to be replaced at the last minute by Tunisia (in view of the war situation) with no negative effect on the quality of the study. One study is rated *satisfactory* as it was completed with limited delay.

Out of the 4 studies that incurred on implementation delays, 3 are rated *unsatisfactory* because the main reasons explaining these delays are related to the management of the operation (see § 3.2.2). One operation is rated *satisfactory* because the delay is mainly explained by the rejection of the partner institution of the results of the study and not by the management by the Bank's staff.

c) Follow-up

There has been a follow-up of only one operation as shown in § 3.3.2, although 4 operations are finalised. The preparation of the operation seldom includes the dissemination and follow-up of the operation which are in fact a condition for the operation to have any impact. In several cases, it is not clear what will happen with the study once it is completed. In that sense, ownership *within the Bank* is also weak.

5. Overall assessment in the context of the 2007-2013 Mandates

5.1. Mandates related decisions

The ECOFIN Council (November 2006), adopted two main sets of agreements, one referring to the renewal of the EIB external mandates under guarantee from the EU budget and one referring to the Review of the EIB's Euro-Mediterranean facility (FEMIP). The later is presented in the box aside.

The decisions on FEMIP were based on a Communication prepared by the EC. The Communication refers to the FTF under the quantitative assessment of the instruments and takes note of the contributions and the commitments so far and concludes: *“As the amounts per operation are relatively low and the donor trust fund is rather new, around EUR 25-26m will remain available for technical assistance and risk capital in future years.”*

Main priorities for FEMIP

- Improve the linkages of FEMIP with the European Neighbourhood Policy (ENP) including a better integration of the EIB's activities into the EU country strategies and by better combining EIB loans and EU budgetary resources. To this effect, adequate resources should be provided by the Community budget
- Develop further the FEMIP instruments in order to overcome the obstacles to more effective financing of the private sector, in particular SMEs (allocation of risk, incentives like TA, use of risk capital)
- Strengthening partnership and local interaction notably by creating an advisory committee

ECOFIN, November 2006

Since that date, the following events should be noticed:

- New EIB external mandates adopted for 2007-2013 including an amount of EUR 8,700 m for the Mediterranean countries (Council decision granting a Community guarantee to the EIB, December 2006)
- Renewal of the Mediterranean Partnership Facility for an amount of EUR 2,000 m (without Community guarantee) (EIB Board of Governors, June 2007)
- Establishment of the FEMIP Committee (February 2007)
- Availability of budgetary resources: ongoing discussion with the European Commission
- Coordination between the EC and the EIB: Memorandum of Understanding in preparation

5.2. Future of the FTF and consistency with the new resources dedicated to FEMIP

The Commission presented three options to the ECOFIN council in November 2006:

- i) Maintain reinforced FEMIP and improve its linkages with the ENP
- ii) Adjust FEMIP to enhance support for SME development and increase partnership, in the framework of the ENP
- iii) Establishment of a fully fledged Euro-Mediterranean Bank

The second option was chosen. This does not put into question the objectives of the FTF but enhances the recourse to the partnership with Partner Countries.

The assessment of the 7 operations is encouraging with positive conclusions on relevance and effectiveness, except that the implementation time is longer than expected and even more so when dissemination is taken into account. If and when dissemination takes place, effects should be positive even if there is still room for further actions to be decided.

But the low commitment rate of the FTF and the limited pipeline question the final impact of the Trust Fund as such. An effective impact of the total amount available within a reasonable timeframe will only be achieved under the following conditions:

- Effective partnership with FEMIP countries which should contribute to the creation of the pipeline and endorse the recommendations of the various operations
- Establishment of a strategy for the FTF, including a view per country
- Operational management of the FTF in place and not just administrative management (which is efficient).

Annex A1 Recommendations from the first FTF Evaluation (2006)

EV Recommendations	Comments by services
Objectives	
R1 The FTF could further enhance its action by <i>defining priorities</i> . The Rules of the FTF invites the Bank to consult MPCs to define these priorities to increase ownership. While flexibility should be ensured, determining priorities can reduce the risk of spreading resources and increase effectiveness.	Accepted.
R2 The FTF should attempt to increase commitment rates in order to improve effectiveness and efficiency of the FTF as a whole. Indicative <i>quantitative objectives</i> should be set-up in terms of <i>calendar, commitment rates and the allocation</i> between upstream studies, technical assistance activities and risk capital operations.	Accepted. However, quantitative objectives should not rigidly allocate amounts between the various activities possible under the Trust Fund. Flexibility in amount allocation should be preferred, because it will guarantee that the Trust Fund can adapt to needs and opportunities arising in the MPCs.
Scope of activities	
R3 EV supports the current FTF approach to carry out <i>upstream studies</i> which are needed to foster private sector development and where FTF is quite effective. Such studies should be designed to make a contribution to the understanding of private sector development bottlenecks, both at the overall regulatory level (“enabling environment”) and at more concrete planning level. The dissemination of their results has to be ensured (and financed possibly through a specific budget allocation).	Whilst acknowledging EV’s recommendation, services point out that: <ul style="list-style-type: none"> ▪ The importance of upstream studies focused on private sector development bottlenecks is already taken into consideration. ▪ The current approach is delivering good results in terms of relevance.
R4 <i>Technical assistance</i> operations of which today only 2 have been approved should be encouraged, ensuring additionality with respect to the FEMIP Support Fund and on close coordination with the EC and other donors.	Accepted.
R5 <i>Risk capital operations</i> of which 1 has been approved and 1 is on the pipeline should be further developed in particular if they are additional to operations of the Risk Capital Facility funded by EC resources (for instance, pioneering operations). Conditions for additionality can be better defined in parallel to the definition of the objectives of the new RCF mandate.	Accepted.
Management	
R6 A <i>dedicated management team</i> , with a more hands-on attitude can speed up FTF activity, stimulate discussion and ideas and motivate both potential beneficiaries and the staff involved. The team can take more responsibility on managing operations, relying on specialized Bank staff as ‘sector advisors’ and the competent units for the administration. The team can also be more pro-active with regards to beneficiaries to prepare a relevant pipeline including taking responsibility for policy dialogue, ensure their involvement during the operation and, more important, ensure dissemination of results. Finally, a dedicated management can also ensure a more effective coordination with other institutions.	Whilst acknowledging EV’s recommendation, the services point out that: <ul style="list-style-type: none"> ▪ Cost coverage ratio is already low (31%); ▪ The addition of this proposed coordination will not necessarily ease the key bottleneck for a good implementation of the FTF, namely availability of Ops and PJ staff willing to perform work on upstream activities.

Annex A2 Contributions to the FTF and status at 31.09.2007 (million EUR)

Donor	Announced	Paid as of October 2007
Austria	1.00	1.00
Belgium	1.00	1.00
Cyprus	1.00	0.45
Finland	1.00	1.00
France	4.00	4.00
Germany	2.00	2.00
Greece	2.00	2.00
Ireland	1.00	0.25
Italy	2.50	2.50
Luxembourg	1.00	1.00
Malta	1.00	0.70
Netherlands	2.00	2.00
Portugal	1.00	1.00
Spain	10.00	10.00
United Kingdom	2.00	3.01
European Commission	1.00	1.00
Total Contributions	33.50	32.91
Less fees (4%)		1.32
Total (available for operations)		31.59

	EUR million	%
Total (available for operations)	31.59	100 %
Committed	7.03	22 %
Cancelled	1.50	5 %
Engaged	4.98	16 %
Disbursed	1.78	6 %
Pipeline	0.57	2 %

EUROPEAN INVESTMENT BANK OPERATIONS EVALUATION (EV)

In 1995, Operations Evaluation (EV) was established with the aim of undertaking ex-post evaluations both inside and outside the Union.

Within EV, evaluation is carried out according to established international practice, and takes account of the generally accepted criteria of relevance, efficacy, efficiency and sustainability. EV makes recommendations based on its findings from ex-post evaluation. The lessons learned should improve operational performance, accountability and transparency.

Each evaluation involves an in-depth evaluation of selected investments, the findings of which are then summarized in a synthesis report.

The following thematic ex-post evaluations are published on the EIB Website:

1. Performance of a Sample of Nine Sewage Treatment Plants in European Union Member Countries (1996 - available in English, French and German)
2. Evaluation of 10 Operations in the Telecommunications Sector in EU Member States (1998 - available in English, French and German)
3. Contribution of Large Rail and Road Infrastructure to Regional Development (1998 - available in English, French and German)
4. Evaluation of Industrial Projects Financed by the European Investment Bank under the Objective of Regional Development (1998 - available in English, French and German)
5. An Evaluation Study of 17 Water Projects located around the Mediterranean (1999 - available in English, French, German, Italian and Spanish).
6. The impact of EIB Borrowing Operations on the Integration of New Capital Markets. (1999 – available in English, French and German).
7. EIB Contribution to Regional Development A synthesis report on the regional development impact of EIB funding on 17 projects in Portugal and Italy (2001 – available in English (original version), French, German, Italian and Portuguese (translations from the original version)).
8. Evaluation of the risk capital operations carried out by the EIB in four ACP countries 1989-1999 (2001 - available in English (original version), French and German (translations from the original version)).
9. EIB financing of energy projects in the European Union and Central and Eastern Europe (2001- available in English (original version), French and German (translations from the original version))
10. Review of the Current Portfolio Approach for SME Global Loans (2002 – available in English (original version), French and German (translations from the original version)).
11. EIB Financing of Solid Waste Management Projects (2002 – available in English (original version), French and German (translations from the original version)).
12. Evaluation of the impact of EIB financing on Regional Development in Greece (2003 – available in English (original version) and French (translation from the original version)).
13. Evaluation of Transport Projects in Central and Eastern Europe (2003 – available in English (original version)).
14. EIB Financing of Urban Development Projects in the EU (2003 – available in English (original version), French and German (translations from the original version)).

EUROPEAN INVESTMENT BANK OPERATIONS EVALUATION (EV)

15. Evaluation of the Projects Financed by the EIB under the Asia and Latin America Mandates (2004 – available in English (original version), French, German and Spanish).
16. Evaluation of EIB Financing of Airlines (2004 – available in English (original version) French and German)
17. Evaluation of EIB Financing of Air Infrastructure (2005 - available in English (original version) German and French)
18. EIB financing with own resources through global loans under Mediterranean mandates (2005 - available in English (original version) German and French.)
19. Evaluation of EIB Financing of Railway Projects in the European Union (2005 - available in English (original version) German and French.)
20. Evaluation of PPP projects financed by the EIB (2005 - available in English (original version) German and French).
21. Evaluation of SME Global Loans in the Enlarged Union (2005 - available in English (original version) and German and French.)
22. EIB financing with own resources through individual loans under Mediterranean mandates (2005 - available in English (original version) and German and French.)
23. Evaluation of EIB financing through individual loans under the Lomé IV Convention (2006 - available in English (original version) German and French.)
24. Evaluation of EIB financing through global loans under the Lomé IV Convention (2006 - available in English (original version) German and French.)
25. Evaluation of EIB Investments in Education and Training (2006 - available in English (original version) German and French.)
26. Evaluation of Cross-border TEN projects (2006 - available in English (original version) German and French).
27. FEMIP Trust Fund (2006 - available in English.)
28. Evaluation of Borrowing and Lending in Rand (2007 - available in English (original version) German and French).
29. Evaluation of EIB Financing of Health Projects (2007 - available in English. (original version) German and French).
30. Economic and Social Cohesion - EIB financing of operations in Objective 1 and Objective 2 areas in Germany, Ireland and Spain (2007 - available in English. (original version) German and French)
31. Evaluation of EIB i2i Research, Development and Innovation (RDI) projects (2007 - available in English)
32. Evaluation of Renewable Energy Projects in Europe (2008 - available in English.)
33. Evaluation of EIF funding of Venture Capital Funds – EIB/ETF Mandate (2008 - available in English.)
34. FEMIP Trust Fund – Evaluation of Activities at 30.09.2007 (2008 - available in English)

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