

OPERATIONS EVALUATION

# Evaluation of the EIB's mandate activity

December 2019



European  
Investment  
Bank

*The EIB bank* 



# Operations Evaluation

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This evaluation was carried out by the Operations Evaluation Division (EV) of the European Investment Bank (EIB), under the supervision of Sabine Bernabè, head of evaluation. The team, led by Eric Buhl-Nielsen (COWI/PEM Consult), included Daniela Stoicescu, Pierre Froidure and Marco Mota (evaluators). The evaluation was initiated under the leadership of Bastiaan de Laat (evaluation expert) and benefited from valuable contributions from Michel Marciano, Emmanuel Pondard (evaluation experts), Monica Lledo Moreno and Jérôme Gandin (evaluators). The team was assisted by consultants from COWI and PwC.

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## **ABBREVIATIONS AND ACRONYMS**

<b>AIF</b>	Asian Investment Facility
<b>AIP</b>	Africa Investment Platform
<b>ASApp</b>	The Advisory Services application
<b>ASSC</b>	Advisory Services Steering Committee
<b>CEF</b>	Connecting Europe Facility
<b>COP</b>	Corporate operational plan
<b>DFI</b>	Decentralised financial instruments
<b>DG</b>	Directorate-General
<b>EC</b>	European Commission
<b>ECON</b>	The EIB's Economics Department
<b>EFSI</b>	European Fund for Strategic Investments
<b>EIAH</b>	European Investment Advisory Hub
<b>EIB</b>	European Investment Bank
<b>ELENA</b>	European Local Energy Assistance
<b>ELM</b>	External Lending Mandate
<b>EU</b>	European Union
<b>EV</b>	The EIB's Operations Evaluation Division
<b>FAFA</b>	Financial and Administrative Framework Agreement
<b>FC</b>	The EIB's Financial Control Directorate
<b>FI</b>	The EIB's Finance Directorate
<b>GCApp</b>	Guarantee Call application
<b>IFA</b>	Innovation Finance Advisory
<b>IFCA</b>	Investment Facility for Central Asia
<b>IFI</b>	International financial institution
<b>IFP</b>	Investment Facility for the Pacific
<b>IT</b>	Information technology
<b>JASPERS</b>	Joint Assistance to Support Projects in European Regions
<b>LAIF</b>	Latin America Investment Facility
<b>LCFP</b>	Luxembourg Climate Finance Platform
<b>LGTT</b>	Loan guarantee instrument for trans-European networks for transport (TEN-T) projects
<b>MC</b>	The EIB's Management Committee
<b>MFF</b>	The EU's Multiannual Financial Framework

<b>MIP</b>	Mandate Implementation Plan
<b>MMCP</b>	Mandate Management Comprehensive Plan
<b>MMSC</b>	Mandate Management Steering Committee
<b>NCCF</b>	Natural Capital Financing Facility
<b>NIF</b>	Neighbourhood Investment Facility
<b>NIP</b>	Neighbourhood Investment Platform
<b>NOW</b>	Back to Front Office Instructing Application
<b>OCCO</b>	The EIB's Compliance Directorate
<b>OPS</b>	The EIB's Operations Directorate
<b>OPS/MM</b>	The EIB's Operations Directorate, Mandate Management
<b>PBI</b>	Project Bond Initiative
<b>PF4EE</b>	Private Finance for Energy Efficiency Instrument
<b>PJ</b>	The EIB's Projects Directorate
<b>PPG</b>	The EIB's Public Policy Goals as communicated in the Corporate Operational Plan (COP)
<b>ReM</b>	Results measurement framework
<b>RM</b>	The EIB's Risk Management Directorate
<b>RSFF</b>	Risk Sharing Finance Facility
<b>SG</b>	The EIB's General Secretariat
<b>SG/AS</b>	The EIB's Advisory Services Department
<b>SMEs</b>	Small and medium-sized enterprises
<b>TA</b>	Technical assistance
<b>TMR</b>	Transaction Management and Restructuring Directorate
<b>TOM</b>	Target operating model
<b>WBIF</b>	Western Balkans Investment Framework
<b>WSF</b>	Water Sector Fund

## KEY TERMS

<b>Partnership (formalised cooperation)</b>	All formal initiatives entered into by the EIB with third parties for the purpose of achieving common objectives which go beyond the core lending and advisory activities under the Bank's remit.
<b>Mandate</b>	Partnerships that are both entered into with the purpose of achieving common objectives and are based on pledged financial support by a third party.
<b>Institutional mandate</b>	A mandate that presents the following characteristics: (i) it foresees a budget contribution by the mandator of more than €5 billion, or (ii) its business delivery represents more than 15% of the Bank's annual COP objectives, or (iii) it has any other highly institutional feature that can impact the Bank or its governance as a whole.
<b>Operational mandate</b>	A mandate that does not meet the requirements to be classified as institutional mandates.
<b>Investment mandate</b>	For the purposes of this report, it is defined as a non-advisory mandate which entails the EIB investing third-party funds or own funds in a risk-sharing or blending regime. This may also include advisory components.
<b>Advisory mandate</b>	A mandate exclusively focused on providing technical and financial expertise to clients.
<b>Investment manager</b>	Role assumed by the Bank to invest in projects either (a) investing mandators' funds directly or (b) the EIB own resources with a mandator's guarantee, in line with defined investment criteria.
<b>Trust fund manager</b>	Role assumed by the EIB which entails (a) establishing a fund; (b) inviting donors to contribute grants to support specific regional or thematic objectives; (c) developing and managing the associated operational pipeline (including other financiers' projects); (d) acting as the secretariat for the Trust Fund Assembly of Donors.
<b>Implementation agent</b>	Role assumed by the Bank in externally-managed blending facilities which make grant finance available to the EIB among other eligible financiers. The implementation agent applies to the central decision-making body for grant financing to the central decision-making body and approved financing is later held in the EIB Treasury. Grant financing is available in many forms and is used in combination with EIB loans (loan-grant blending) or equity.
<b>Advisory services manager</b>	Role assumed by the Bank in which it makes its technical and financial expertise available to clients to help them develop and implement investment projects and programmes, and to improve institutional and regulatory frameworks.
<b>Mandate Management Steering Committee</b>	Committee established to mobilise internal stakeholders early in the mandate origination process, advise on strategic issues, provide guidance on the development, coordination and prioritisation of specific mandates and discuss improvements and optimisation of mandate management. The steering committee is composed of directors from each EIB Directorate and the head of Advisory Services.
<b>Advisory Services Steering Committee</b>	Committee that assists the Management Committee in defining the Bank's strategy and organisation for advisory services, ensuring that each advisory proposal and programme is in line with the strategy, identifying the resources needed, reviewing how complementing new products fit with the overall portfolio of advisory services and providing guidelines in the negotiations of new advisory programmes. It is chaired by the vice-president in charge, with the head of the Operations Directorate and the director general of the Projects Directorate as vice-chairs.

<b>Mandate Management Comprehensive Plan (MMCP)</b>	A plan established by the EIB with the objective to strengthen the organisational and strategic basis for EIB Mandate activities in the future. The Management Committee approved the MMCP in December 2015 and received the MMCP Implementation Roadmap Closure Report in March 2019.
<b>Target operating model</b>	A report that presents a description of the desired state of the systems and organisation needed to best to deliver on investment mandates. It focuses on cost and risk reduction, including a road map covering processes, systems and a people dimension for implementation over the next two years.
<b>Advisory Services Application</b>	An IT tool developed by Advisory Services covering the entire life cycle of the EIB's advisory service activities in the form of a common interface using information from various parts of the Bank.
<b>Additionality</b>	Refers to whether the mandate and its operations: (i) address well-defined sub-optimal investment situations resulting from market failures; (ii) facilitate or strengthen the project in terms of scale, scope, quality, structure, timing etc.; (iii) are complementary to what is made available from other sources of financing. In principle, additionality can be present at project (operation), mandate and Bank level. The applicable legal base and the contractual framework specifies the criteria to meet additionality and the level it applies (operation or portfolio level). Subject to the specific framework, additionality at mandate level may not necessarily require that each and every underlying operation is additional but rather that together the operations under the mandate create additionality. The Bank itself in its non-mandate operations aims to create additionality. In this sense, the role of Mandates can be seen to extend this additionality beyond where the Bank could reach without the support of a mandate.
<b>Market failure</b>	Situation in which markets fail to reach the socially optimal outcome because of their inability to internalise social costs or benefits through the price system. Most common market failures: public goods, market power, externalities, information asymmetries, coordination failures.
<b>EIB public policy goals</b>	Policy goals that guide EIB activities. They include two over-arching policy goals related to EU social and economic cohesion and climate action plus the four primary public policy goals of innovation, SMEs and Mid-cap financing, infrastructure and the environment.
<b>Mandates governance arrangements</b>	Agreements on the sharing of responsibilities between mandate stakeholders, such as the consultation and decision-making procedures; the reporting and accountability lines; and the roles of dedicated governing bodies.
<b>Mandates governing bodies</b>	Refers to the steering or investment committees or other similar structures set up to provide oversight as part of the mandate governance arrangements.
<b>EIB governing bodies</b>	The decision-making bodies of the EIB, primarily the Management Committee, the Board of Directors and the Audit Committee.
<b>FAFA</b>	The Financial and Administrative Framework Agreement is an agreement to ease cooperation between the EIB and the EU by implementing an effective and consistent approach in setting up the budgetary, legal and administrative framework of the various types of EU-EIB Group initiatives that are governed by the Financial Regulation.

## EXECUTIVE SUMMARY

**This evaluation assessed the EIB's mandate activity.** In addition to activities undertaken using exclusively own resources at the Bank's own risk, the EIB also works through mandates. Mandates are cooperation agreements with third parties that aim to achieve common objectives, where the financial resources mobilised are provided, at least in part, by the mandator. The EIB's mandate activity has increased and diversified rapidly over the last 15 years, and particularly since 2014, and now accounts for about one-third of the EIB's lending activity and over three-quarters of the EIB's advisory activity. The activity includes risk-sharing mandates where the EIB invests own funds with a guarantee; blending mandates, where the EIB combines own resource investments with grants from a mandator; trust fund management mandates where the EIB manages a fund on behalf of donors; advisory mandates, where the EIB uses third-party funds to provide technical and financial advice to clients; and mandates where the EIB directly invests third-party funds. The vast majority of the EIB's mandates are signed with the European Commission.

**This evaluation's main objective was to examine the extent to which the design and functioning of the EIB's mandate activity achieved the expected objectives, and how this could be improved, where needed.** The evaluation covered all mandates managed by the EIB within and outside the European Union. The core period under consideration was from 2014 to the present. The evaluation answered four main questions on: (a) the relevance of the mandate portfolio for the EIB, (b) the adequacy of mandate design, (c) EIB organisation and systems used to implement mandates and (d) the results of the mandate activity. To address the complexity of evaluating a diverse set of mandates, the evaluation employed a mix of methods for both data collection and analysis. These methods included a thorough portfolio analysis of the EIB's mandates; an in-depth review of selected mandates; more than 100 interviews with the EIB staff and 20 with mandators; and an analysis of existing evaluations and studies related to the EIB mandates.

**Mandates are about achieving more and better together.** By engaging in mandates, the EIB aims to support projects, which are in line with its policy goals and which the EIB alone could not have supported, or not on the same terms or to the same extent, or within the same timeframe, by itself. On the other hand, mandators chose to work with the EIB to achieve more and better results from their resources than they could have without a mandate. Mandates assist clients in carrying out projects that support EU policy goals but that require additional assistance or could not happen if mandate support was not in place.

By design, mandates extend the Bank's ability to act. When using blending mandates, the EIB finances projects that could not sustain purely commercial financing terms. Through its role as trust fund manager, the EIB pools resources from donors to bridge financing gaps and ensure that projects with insufficient investment receive additional support. As an investment manager of third-party funds or of its own resources backed by risk-sharing mechanisms, the EIB finances a larger number of risky operations than it could without the mandate. Finally, as advisory mandates manager the EIB helps more projects become bankable and therefore eligible for EIB and other financing.

### Relevance of the EIB's mandates portfolio

**The evaluation found that the current mandates portfolio is relevant for the EIB.** Assessed through the Bank's own recently-developed tools, the current portfolio of mandates fits well with the Bank's public policy goals of supporting infrastructure, the environment, small businesses and innovation. However, since these tools are new and partially still under development, they do not yet allow for a full and nuanced assessment of the mandate portfolio's strategic fit.

**The process of defining an overall institutional and operational guiding strategy for the mandate activity is ongoing.** The evaluation found that the value and relevance of mandates was clear to most EIB staff. The policy areas, products and client groups that should be particularly targeted by mandate-backed EIB

interventions were less clearly defined, as was the understanding of the way in which mandates fit with the “regular” (i.e. non-mandate) activity of the Bank. It is unclear whether the Bank’s comparative advantages (such as its knowledge, expertise) were adequately used to shape and carry out mandates. The EIB had limited control over the origination of some mandates, even though it has always wielded some influence in shaping mandates, based on accumulated experience.

### **The EIB organisation and systems**

**The EIB has made substantial progress in ensuring that its organisational model meets the increasingly complex needs of mandate design and management.** The creation of dedicated departments to handle mandates led to a greater degree of standardisation and specialisation in the origination, design and reporting on the mandates. Specific detailed procedures, tools and templates were developed to cover all phases of a mandate’s life cycle, for both investment and advisory mandates. Especially for investment mandates, the new arrangements replaced the earlier highly decentralised approach, which the Bank identified as a source of major operational and reputational risk. Efficiency gains and improved synergies were derived from using a common Bank-wide mandate language and terminology; screening and ex-ante assessment of new mandates through standard tools; and developing a centralised review processes and cross-Directorate consultations.

**Although the organisational changes have had many benefits, new challenges have emerged.** For some investment mandates, the centralisation of their management increased the perceived distance between mandate management and the underlying operations, as staff in the new centralised structure are not (no longer) directly involved in operations. Since the mandators still prefer first-hand contact with the staff involved in operations, many people remained involved in the mandator relationship, thereby maintaining the risk of multiple, sometimes diverging messages being sent to the mandator. Another emerging challenge is that not all of the new processes and procedures developed to manage mandates are integrated in the Bank’s core procedures. This is sometimes a source of complexity. Some tools have

only recently been developed and are still to be completed and tested.

**Major initiatives were rolled out to make the EIB systems work better for mandates and gradually address associated risks.** The Bank’s (IT) systems were not initially designed to cater for the special needs of mandates, including the information and coordination demands of the centralised management set-up and the external reporting requirements. For advisory mandates, phase one of a Bank-wide, comprehensive and integrated IT solution was launched in 2019 and is operational. The new application covers the entire life cycle of advisory activities from initiation to monitoring and reporting. For investment mandates, an extensive diagnostic of issues has been carried out and a target operating model (TOM) has been developed. This road map covers processes, systems and a people dimension. The automated processes are expected to reduce scope for errors, improve data quality and consistency, as well as increase the visibility and timeliness of information, thereby making a significant contribution to reducing operational risks.

**More work is needed to improve cross-Services cooperation at the EIB in order to make the new organisation and systems work and to strengthen the performance of mandates.** Experiences from the set-up of the central mandate management structures show that the EIB needs to pay attention to the human and personnel-related aspects of change management to ensure sufficient buy-in and good cross-Services cooperation.

### **Mandate-level results**

**The expected outputs of investment mandates – expressed in terms of signed amounts – were achieved.** The analysis of a sample of mandates revealed that, for risk-sharing mandates, signature levels were close to the expectations. The analysis also showed a sharp increase in the volumes signed under blending operations since 2015-2016. In terms of disbursement, the analysis showed that most funds are eventually disbursed (cancellation rates for older mandates remained under 10%). However, for ongoing mandates, disbursement levels remained somewhat low for a variety of reasons – some within and some outside the EIB’s control. This has implications for the ability of the EIB to

achieve results and demonstrate its effectiveness.

**The meta-analysis of pre-existing evaluation reports for a sample of eight mandates showed that some important outcomes were achieved or are likely to be achieved.** These mandates have facilitated or strengthened investment projects. They addressed market failures to some extent and mobilised additional funds for projects. Advisory activities improved the clients' knowledge and capacity to carry out better quality projects. Most evaluations analysed were less conclusive about the extent to which (i) mandates financed more and riskier operations; and (ii) their policy and development contributions were complementary to the market.

### **Mandate design, monitoring and reporting**

**Overall, the design of mandates, which is typically one of the explanatory factors for performance, has been adequate.** The detailed analysis of 23 mandates showed that in all cases the mandates' stated objectives were clear and addressed specifically identified issues, even though the analysis of these issues was not always based on evidence and market gap analyses were rarely referenced in mandate justifications. One in two mandates in the sample had a strong intervention logic, but in many cases the intervention logic ended at the output level (e.g. access to funding).

**Mandates results measurement frameworks were not always well established at design stage, but have improved over time.** Indicators were defined for on average half of the objectives identified in mandates' documentation. However, indicators for outcome and impact were often missing, impairing the ability to measure progress in achieving policy objectives and the EIB's added value. When results measurement frameworks existed at the mandate level, baselines and targets were generally not provided. Where present, targets concerned financial volume to be disbursed/catalysed for investment mandates. The quality of results frameworks was better for more recent mandates.

**The EIB underestimated the complexity of monitoring and reporting, but took measures to streamline and systematise the processes.** As part of its mandate activity, the EIB has been producing more

than 300 reports annually, following different reporting frameworks and requirements, for which data could not always be extracted automatically from the EIB systems. However, the EIB did recognise the need to streamline monitoring and reporting and to achieve a higher level of automation, by having this aspect feature prominently in the recent TOM analysis. A related process is the centralisation and professionalisation of the secretariat functions of some of the larger mandates' governing bodies, which contributed to economies of scale, timeliness and accuracy in implementing mandates.

**Despite improvements in monitoring, it was challenging for the EIB to measure and to report on the degree of attainment of results.** Results were reported on as part of fulfilling contractual obligations. Reporting primarily focused on the volume of investment in terms of project approval - signatures and disbursements - by country and/or by sector, for most of the investment mandates in the sample. Reporting for advisory mandates was more fragmented. However, the evaluation found indications that progress and results reporting, although contractually compliant with the legal framework of the mandate, were not always sufficient to guide decision-making and ensure a good level of oversight for the mandator.

### **The EIB's performance as mandatee**

In addition to looking at the extent to which results of the mandate activity materialised, the evaluation examined the EIB's performance as a mandatee, as a proxy for the likelihood of results to be achieved, provided the initial mandate design was appropriate.

**The EIB honoured contractual obligations.** Reporting was regular, for both investment and advisory mandates. In terms of identifying and implementing projects, the EIB met targets when they existed and delivered (or was on track to deliver) expected outputs. The EIB responded to all mandator requests that could be accommodated within the Bank's framework, such as providing additional reporting based on information available in EIB systems. Other (non-contractual) requests, such as real-time access to Bank systems to meet new or varying mandator monitoring demands could not be

accommodated (e.g. due to IT security and confidentiality concerns).

**The EIB did not meet all mandators' expectations.** Mandators were generally positive about the EIB's responsiveness, accuracy and efficiency, but were more reserved about the EIB's track record for providing information and communication.

**The extent to which mandates are used is only partially under the EIB's control.** On the one hand, the demand driven nature of the EIB's activity in general means the Bank can only intervene where there is a need for its products. This is also the case for mandate-related products that often have their own set of specific objectives and features. On the other hand, the incentive structure does not encourage the pursuit of smaller and more complex operations that are typically the ones most mandates aim to enable.

**The EIB did not sufficiently emphasise its value, comparative advantage and potential in the mandate relationship.** In the past, the EIB made little effort to build a case for its comparative advantage in specific mandates vis-à-vis mandators and other stakeholders. Furthermore, the EIB did not gear up sufficiently fast to explain the additionality of its operations in a manner accessible to the increasingly larger and more diverse group of stakeholders.

### Economic efficiency

The parameters defining the EIB's approach to economic efficiency are cost coverage and the capital consumption of mandates.

**Cost coverage is actively and systematically monitored.** By its Statutes, the EIB is required to be cost covering. Over the past years, the Bank made progress to clarify the basis for calculation of costs coverage applicable to mandates and to improve its monitoring systems for mandate costs and revenues, although the cost coverage for the mandate activity itself has been deteriorating. Increasing attention is paid to capital consumption as well, although the tools for moving beyond an ex-ante assessment at mandate approval are still to be further refined and better used across the Bank.

**The EIB approach to economic efficiency does not demonstrate sufficient attention for the mandators' interests in this area.**

Aspects such as managing mandates at a lower cost, and aiming for higher levels of added value and additionality were found to be less prominent in the EIB's discourse. From the perspective of a partnership relationship, the EIB needs to take into account the interest and constraints of mandators. Mandators are often under pressure to demonstrate that they used public funds judiciously.

### Factors affecting results

**Clarity of purpose, the mobilisation of comparative mandator and mandatee strengths, effective transversal cooperation within the Bank, and an increasing emphasis on achieving impact were important factors driving results.** Neither the Bank nor the mandator, working alone, had all the required skills or systematically took a coordinating lead in ensuring sufficient ex-ante assessment of whether and how best to intervene. Where there was space for both parties to bring their comparative skills to bear, the mandate rationale, results frameworks and prospects for results were stronger. The incentive environment within the Bank and the degree to which it focused on quality and impact rather than on maximising business volumes was also influential. A shift towards better targeting and more focus on impact is taking place but it is still far from complete. Also relevant was the degree to which cooperation across Bank Services was achieved, acknowledging that mandates put heightened demands on transversal cooperation and systems. Last but not least, an important factor was the degree to which all those involved had a clear sense of the strategic direction in mandate management, that is why the Bank engaged in mandates and how.

### Recommendations

Based on these findings, explanatory factors and the ensuing conclusions, the evaluation makes the following five recommendations, which are further developed in Section 7 of the report. The Bank should:

R1. Update and strengthen its approach and strategy for engaging proactively in mandates, taking into account the changing environment.

R2. Give priority to the implementation of initiatives aimed at further streamlining procedures and systems and at reducing

mandate-related operational risks as well as costs, for example TOM and ASApp.

R3. Put in place change management and human resources interventions to ensure the success of the mandate management systems being developed.

R4. In discussions of economic efficiency, include also the mandators' perspective, in addition to cost coverage and capital consumption.

R5. Develop a framework to periodically assess, in depth, the mandate progress towards attaining outcomes, impacts and additionality.



## MANAGEMENT RESPONSE

The EIB management responded to each of the report's recommendations. These are presented in Chapter 7.2 below.



## 1. INTRODUCTION

**This evaluation assesses the EIB's mandate activity.** In addition to activities undertaken using exclusively own resources, at the Bank's own risk, the EIB also works through mandates. Mandates are cooperation agreements with third parties (mandators) to achieve common objectives, where financial resources mobilised are provided, at least in part, by the third party. The EIB's activity carried out under mandate has increased and diversified rapidly over the last 15 years, and particularly since 2014, reaching about one-third of the EIB's lending activity and over three-quarters of its advising activity. Working through mandates creates new opportunities and risks as compared to employing only own resources, and the Bank has had to adapt to this type of work. It is important, for accountability and learning, to take stock of this activity, its implications for the Bank and the emerging results.

**The evaluation's main objective is to examine the extent to which the design and functioning of the EIB's mandate activity achieved expected objectives and how this could be improved, where needed.** The evaluation also aims to contribute to the EIB's ongoing efforts to position itself vis-à-vis new policy directions, by offering a clear view of what worked, what didn't and why, regarding past and ongoing mandates. Based on these considerations, the evaluation sets off to answer four key questions (Box 1).

### Box 1 Evaluation questions

Q1. To what extent has the EIB's mandate origination, selection and approval process resulted in mandates that support the achievement of EIB's objectives?

Q2. To what extent has the design of mandates facilitated the achievement of their objectives?

Q3. To what extent does the EIB's organisational model and systems for mandate management facilitate the efficient and sustainable achievement of the EIB's and mandators' objectives?

Q4. To what extent did the EIB mandate activity achieve or is likely to achieve the expected results?

**Mandates are about achieving more together.** By engaging in mandates, the EIB aims to support projects in line with its policy goals, and which the EIB alone could not have supported, or not on the same terms, or to the same extent, or within the same timeframe, by itself. On the other hand, mandators chose to work with the EIB to achieve more and better results from the use of their resources than they could without a mandate. Mandates, therefore, aim to fill a gap. Their *raison d'être* is to allow projects to receive support, or more appropriate support, than they would if the mandate was not in place. Mandates, for example, allow the EIB to offer higher levels of concessionality to clients through blending; increase the EIB's risk bearing capacity, therefore allowing it to finance more and riskier operations; and strengthen the capacity of project promoters by mobilising the EIB's skills and experience through advisory services.

**As mandate results are often complex and difficult to measure, this evaluation looked at both evidence of results and evidence that the principles and methods that were expected to lead to results have been applied.** The evaluation looked at results from two different angles: (a) the results of the mandates themselves and (b) the degree to which the EIB has performed its mandatee role as expected. To inform the first angle, this evaluation screened earlier evaluations to bring forward evidence of results, where available. The second angle provided a proxy indication of the success of mandates, especially where results are not available, and shed some light on the value added of the EIB's actions in the mandate relationship. To identify explanatory factors, the evaluation looked at how well the mandates were originated, designed (in terms of results and governance frameworks), implemented, monitored and reported on.

**The focus of the evaluation is the Bank's mandate activity as a whole**, not (a collection of) individual mandates. The EIB's principles, procedures and general approach to the mandate activity are at the core of the analysis. The scope covers, in principle, all mandates managed by the EIB both within and outside the European Union. The core period under consideration is from 2014 – when the Bank's mandate activity increased considerably and when most efforts for rationalising it (i.e. putting in place institutional arrangements and procedures) were concentrated – to the present.

**The evaluation uses a mix of methods for both data collection and analysis.**

The evaluation carried out: a thorough portfolio analysis of the EIB's mandates; an in-depth review of selected mandates; more than 100 interviews with EIB staff and 20 with mandators; and a meta-analysis of existing evaluations and studies related to the EIB mandates. Some of the evaluation questions were answered primarily by analysing the EIB's principles, approaches and procedures. Because the EIB's approaches and procedures have evolved rapidly in recent years, and because the evaluation was mainly forward-looking, the evaluation focused on current practices and procedures, and their evolution over time was only described when necessary. Other questions required a mix of analysis at principle level with an analysis at individual mandate level. The sample of mandates studied in more detail was individually tailored to each question and judgement criterion. Based on the relevant characteristic of mandates and specificities of the methodology, between 8 and 40 mandates were sampled for each question (See Table 8 in Annex 2).

### Box 2 A principal-agent relationship

When accepting and implementing mandates, the EIB engages in a principal-agent relationship, where a principal (or mandator) asks an agent (or mandatee) to intervene on its behalf.

Each party plays an important role in the key steps of common action. The mandator usually sets objectives, while the mandatee decides how to reach them. The mandator endorses the choices of the mandatee and normally measures its performance, while the mandatee provides evidence to measure performance. Finally, mandator and mandatee take a share of risk (financial, reputational).

A constructive principal-agent relationship needs to strike a balance between trust and transparency. It needs to be grounded in ongoing, open communication to ensure the contract between the parties is delivered in a satisfactory manner for both parties, even when their interests or objectives are not fully aligned.

Three areas are critical to make the principal-agent relationship work: (a) the basic organisation of the relationship: the control structure, specific management tools agreed on (monitoring, accounting); (b) the reduction of the relationship's costs: transaction costs, surveillance costs, etc.; (c) the incentives to respect engagements on all sides: shared objectives, clear results frameworks, budget commensurate to the effort and rewarding performance.

This evaluation used the principal-agent relationship as a lens to analyse the interaction between the mandator and the mandatee, an important aspect of several evaluation questions.

The report is organised in seven chapters and five annexes. This chapter outlines the main purpose and scope of the evaluation. Chapter 2 provides an overview of the EIB's mandate activity. Chapters 3 to 6 respond to each of the four evaluation questions presented in Box 1 above. Chapter 7 presents the overall conclusions and recommendations, as well as management's response. A list of mandates, an overview of the methodology used, sources of information as well as a mapping of findings against the four main questions are given in the annexes.

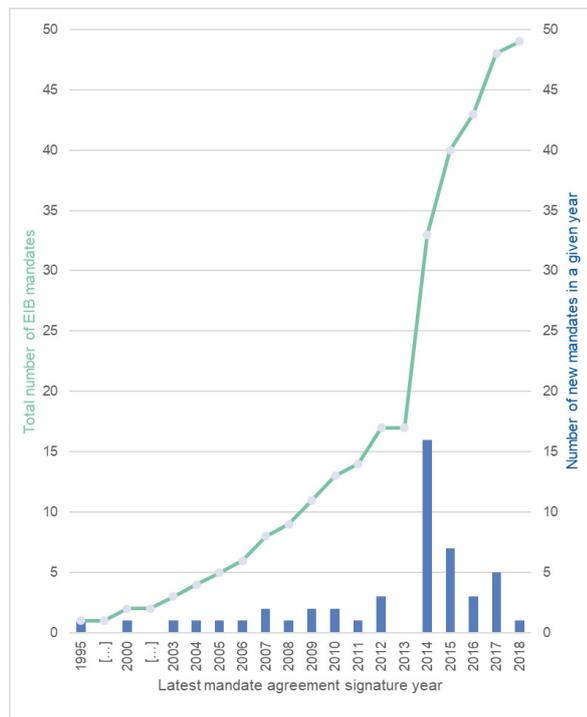
## 2. THE EIB'S MANDATE ACTIVITY

### 2.1 A growing activity

The EIB has a long history of cooperation through mandates, primarily with the European Commission. The first “mandates” can be traced back to the 1960s when the European Commission and the EIB partnered to deliver better on the commitments that the European Union made to its development partners in the context of the Yaoundé Convention. For much of its history, the EIB primarily used mandates to carry out activities outside Europe, where the risk profile of the operations was often too high to deploy own resources. Since the 2000s the types of mandates that the EIB engaged in became more diversified, encompassing schemes to cover more innovative financial products, such as the Risk Sharing Finance Facility (RSFF), as well as advisory services, such as the Joint Assistance to Support Projects in European Regions (JASPERS). For most of this period, though, mandates represented a small share of the EIB's business.

Starting in 2014 the EIB stepped up its mandate activity. Whereas before 2010 the Bank managed and monitored about 15 mandates, in 2019 that number had more than tripled, to 40 (investment and advisory) mandates in their active phase and an additional nine in the monitoring phase<sup>1,2</sup>. The increase in mandate activity is reflected in the share it now represents in the Bank's lending within and outside European Union – about one-third – and in the Bank's advisory work – more than three-quarters. The increase is also reflected in the diversity of mandates the Bank manages (Box 3). Most EIB mandates are cooperation agreements with one or several parts of the European Commission. The 2014-2020 Multiannual Financial Framework (MFF) stressed the importance and saw advantages in greater use of financial instruments (such as loans, equity) to deliver value, in addition to EU grants. The EIB, as the EU bank, was the natural partner to expand the use of financial instruments, particularly given its experience. At the same time, the EIB saw the importance of reinforcing its cooperation with other institutions, particularly EU institutions, to fulfil its own and shared objectives.

Figure 1 Evolution of the EIB's mandate activity



Source: EV adapted from the EIB Mandate Inventory

Annex 1 presents an overview of the EIB's current mandate portfolio.

<sup>1</sup> “Active” is used throughout this report to designate investment mandates whose investment period is not yet finished and advisory mandates under which assignments are still generated. “Monitoring” is a term relevant only for investment mandates and refers to the period stretching from the end of the investment period until the full closure of the mandate. It is not relevant for advisory mandates, as these are simply closed.

<sup>2</sup> The numbers presented here are based on the list presented in Annex 1, which is based on an extract of the EIB's Mandate Inventory application, complemented by information from the Advisory Services Annual Report. These numbers might differ slightly from other reporting in the Bank, due to choices in the level of granularity in counting past and present agreements.

### Box 3 Mandates: definitions and categories

The EIB defines a mandate as a “ formalised cooperation entered into by the EIB with external partners for the purpose of achieving shared objectives and which are based on financial support pledged by a third party.” They can take many forms, support a variety of objectives and have different implications on the EIB’s activity and structures.

#### Investment (OPS-managed) vs. advisory mandates

Investment mandates entail the EIB investing third-party funds or its own funds in a risk-sharing or blending regime. These mandates may also include advisory components. Advisory mandates are exclusively focused on providing technical and financial expertise to clients. Investment mandates are managed by the Operations Directorate (OPS) while advisory mandates fall under the responsibility of the Advisory Services Department in the Secretariat General (SG/AS) or the Projects Directorate (PJ).

#### Institutional vs. operational mandates

Among the investment mandates, the Bank distinguishes between institutional and operational mandates. As defined in the Guide for the Approval and Management of Mandates, institutional mandates are defined by (a) the mandator’s contribution being larger than €5 billion or (b) the business generated representing more than 15% of the Bank’s annual Corporate Operational Plan (COP) objectives or (c) possessing other features that can impact the Bank or its governance in a systematic way. Examples include the European Fund for Strategic Investments (EFSI) and InnovFin. OPS-managed mandates that do not have one of these features are considered operational. Many of those mandates are blending mandates.

#### Mandate types by main design features

Currently, the Bank distinguishes between different types of mandates, based on their design and/or structure and the deployment of third-party funds. Six major categories can be identified (see Annex 1 for key features of the mandates):

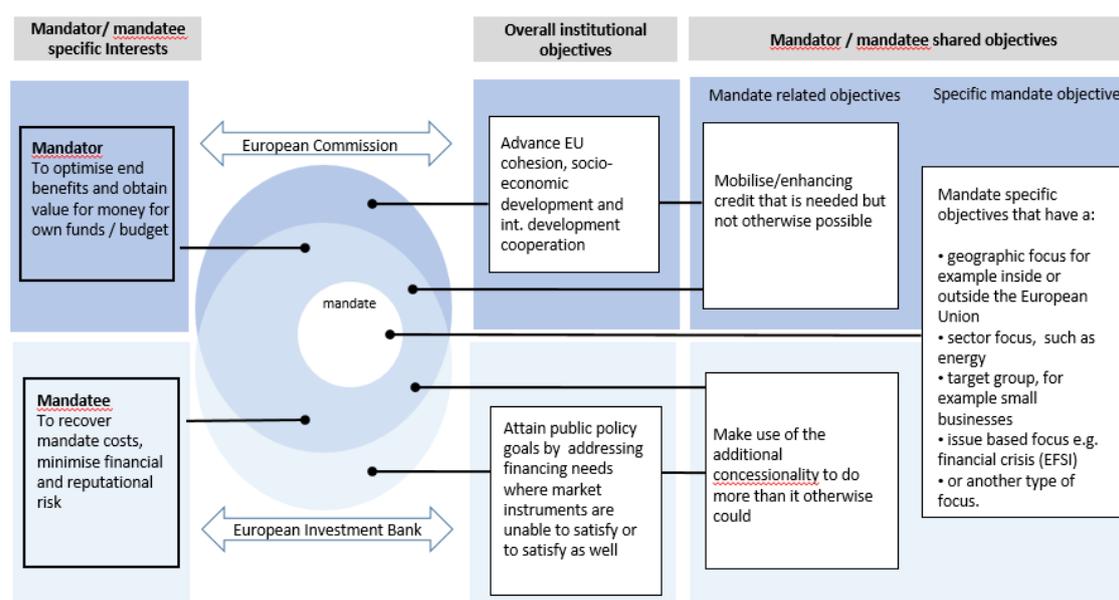
1. Portfolio guarantee mandates provide a guarantee covering a pre-defined proportion of the EIB’s exposure. Examples include the External Lending Mandate (ELM) and the Cotonou Own Resources mandate (Cotonou-OR).
2. Risk-sharing mandates deploy third-party funds to provide the first loss piece protection for eligible operations, for example EFSI, InnovFin and CEF DI.
3. Blending mandates (outside and inside the European Union) deploy the EIB own resources in combination with third-party funds, often grants. Examples include the regional Investment Facilities (Asia, Pacific, Latin America, the Caribbean, etc.) and the Green Climate Fund.
4. Trust funds (exclusive EIB or sharing mechanism) are mandates that enable the EIB to collect funds from various donors and to make grants available either directly to clients (usually blended with the EIB’s own resources) or to other eligible financial institutions.
5. Direct investment of third-party funds. The EIB uses third-party funds to provide various products (such as loans, equity, guarantees) directly to clients. Examples include the Cotonou Investment Facility mandate (Cotonou-IF), DFI and JESSICA.
6. Advisory mandates are exclusively focused on providing technical and financial expertise to clients.

## 2.2 Multiple EIB and mandator objectives and interests

**Mandates exist to achieve the objectives of both the mandator and the mandatee, as well as the specific objectives of the individual mandates.** The landscape of mandate objectives and interests is complex and varied. For the purposes of this evaluation, they are presented in a simplified form in Figure 2. The mandator and the Bank have different but complementary interests. The mandator’s interest is to maximise value for money for the funding it commits to the mandate. The mandatee, whilst sharing these interests, is also concerned to ensure that the costs of the mandates are covered and that financial and reputational risks are minimised. The European Commission, which plays the role of mandator in most EIB-managed mandates, has broad EU objectives, such as socio-economic development within and outside the European Union. The EIB has a formal set of public policy goals geared to addressing financing needs in areas underserved by the market. The European Commission and EIB objectives are aligned, as

the EIB's public policy goals are in effect a subset of the wider EU objectives. The generic objective for the European Commission as mandator is to support the mobilisation of credit and credit-related capacities and skills, which it could not do, or not do as well, without the mandate. The generic objective for the EIB as a mandatee is to make use of additional funds entrusted and/or the risk protection, to finance individual operations or a portfolio of operations that the EIB would choose not to carry out, or not to the same extent, without the mandate. Each mandate has specific objectives and, in some cases, targets. These fall within the framework of the overall institutional objectives of the actors and the distinct mandate-related objectives of the mandator and mandatee, as set out in the relevant legal frameworks. Individual mandates might have specific objectives that concern clearly defined geographies, sectors, target group or issues. These mandate-specific objectives are the shared objectives of the mandator and mandatee on which the two agree to work together.

**Figure 2 Simplified overview of mandator and EIB objectives and interests**



Source: EV

**From the EIB's perspective, mandates complement and enhance the Bank's activity.** They allow the Bank to leverage its own resources (human and financial) to better serve the needs of existing clients and to tap into new counterparts and markets. Essentially, by working through mandates, the EIB can take more risk, blend loans with grants and provide advisory services, thereby supporting more operations that contribute to policy goals. Working through mandates helps the Bank to:

- Provide integrated responses to complex policy challenges, thereby enabling the EIB to achieve its expected policy outcomes;
- Deliver higher added value through increasing the EIB's risk bearing capacity and enabling it to share its expertise with partners and clients;
- Optimise cooperation in a multi partner context, by providing concrete, structured and productive ways of framing this cooperation.

The EIB has also used mandates to develop and provide advisory services by making its financial and technical expertise available to project promoters and local authorities to:

- Improve project delivery (preparation and implementation) to make sure the money allocated to projects is spent efficiently;
- Enhance the beneficiaries' institutional capacity, thereby improving the pace and efficiency of EU funds absorption;

- Contribute to more and better lending, by helping develop a better quality project pipeline and accelerating investments and disbursements<sup>3</sup>.

In addition to serving these objectives, mandate generates other benefits, such as allowing the EIB to pilot innovative instruments in response to EU policy needs; to engage in development activities thanks to the availability of funds for blending and high impact finance; and to increase the EIB's market presence and knowledge, visibility and reputation.

Figure 3 below presents the reconstructed intervention logic of the EIB's mandate activity. This diagram captures simultaneously the generic logic of a mandate and the logic of the mandate activity as a whole.

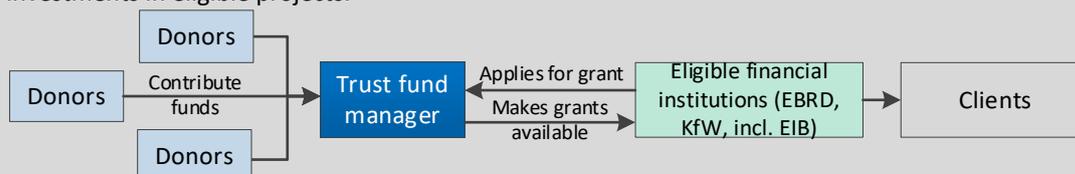
- **Inputs:** by definition, a mandate involves funds made available to the EIB by a third party. In addition to financial support, the mandator may also provide human and technical resources to assist with mandate delivery, for example the input in steering the mandate and the expertise to assess proposed projects. The EIB provides technical expertise and its financial capacity. It also uses its existing systems, structures and procedures or develops new ones if needed.
- **Activities:** the first set of activities illustrated in the intervention logic are the four phases common to all EIB mandates, which together represent the "Mandate Lifecycle": origination; development; implementation and termination or renewal. These activities are carried out for each mandate, and they define the shape of the EIB mandate portfolio. The second set of activities are carried out by the EIB in the implementation of individual mandates, and those activities differ depending on the role the EIB plays in each mandate. The roles currently defined are described in Box 4<sup>4</sup>.

#### Box 4 The EIB's roles as mandatee

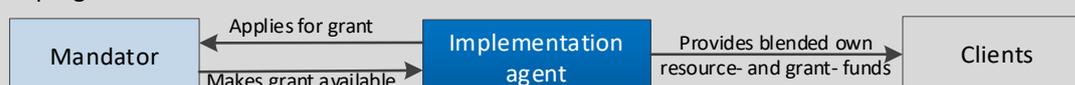
**Investment manager:** the EIB works in cooperation with, and on account and risk of, the mandator to invest: a) the EIB's own resources backed up by a mandator guarantee; b) mandator resources directly (on a stand-alone basis) or c) mandator resources blended with the EIB's own funds. The Bank is entrusted with an agreed envelope of funds made available by the mandator.



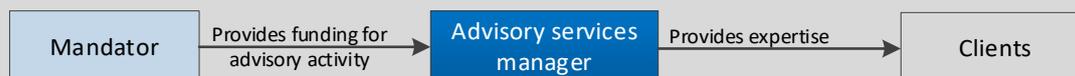
**Trust fund manager:** the EIB collects financial contributions from various donors for a specific set of objectives and then uses these resources directly or makes them available to other financiers for investments in eligible projects.



**Implementation agent:** the EIB submits applications to externally-managed blending facilities opened to the EIB and other financiers, to obtain financing to blend with its own resources for specific projects or programmes.



**Advisory services manager:** the EIB uses mandator resources to make technical and financial expertise available to clients.

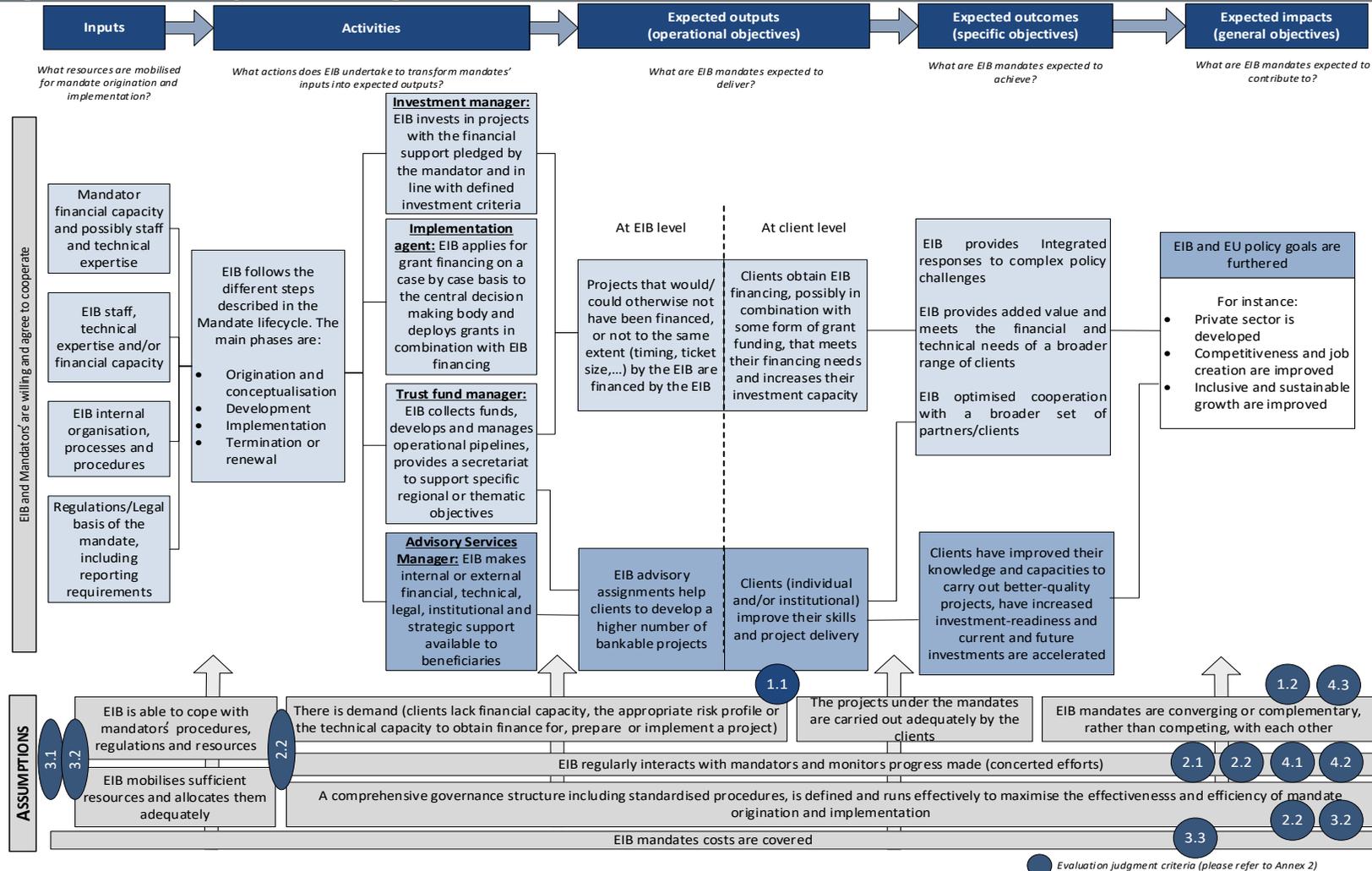


<sup>3</sup> Although these objectives are for all of the Bank's advisory activity, they represent a good proxy for advisory mandates, since most advisory activity is carried under mandate.

<sup>4</sup> With the negotiation of two mandates currently in the pipeline, a fifth role is emerging, that of grant management services agent.

- **Outputs:** in response to demand from clients, the EIB develops a pipeline and supports eligible projects. Investment mandates allow clients to obtain financing with better conditions and advisory mandates enable developers to improve their projects' quality and overall (institutional) capacity. As a result, projects are better prepared to obtain finance from the EIB or other sources and maximise their results.
- **Outcomes:** Through its mandate activity, the EIB enables the implementation of more projects, or projects of a different nature, for example those needing advice to become bankable or those needing a combination of loans, grants and/or risk protection to take off or to achieve their objectives. The EIB's mandate activity can be considered successful if a) it offered solutions to complex challenges faced by its clients and b) it delivered added value where it could otherwise not do so on the same terms or within the same timeframe. The mandate activity can also be considered a success if it manages to optimise the use of the Bank's and partners' resources.
- **Impact:** The ultimate objective of the EIB's mandate activity is to contribute to the achievement of its broader policy goals. The EIB's goals are a subset of EU policy goals, and therefore fully shared with the mandator in the vast majority of cases, since most EIB mandates are signed with the European Commission. By building a portfolio of carefully chosen and well-designed mandates, and by implementing them professionally according to its rules, policies and procedures, the EIB aims to enhance and accelerate its contribution to the achievement of these objectives.

**Figure 3 Mandate activity intervention logic**



Source: Reconstructed by EV and EIB Services

## 2.3 Ongoing institutional adjustments

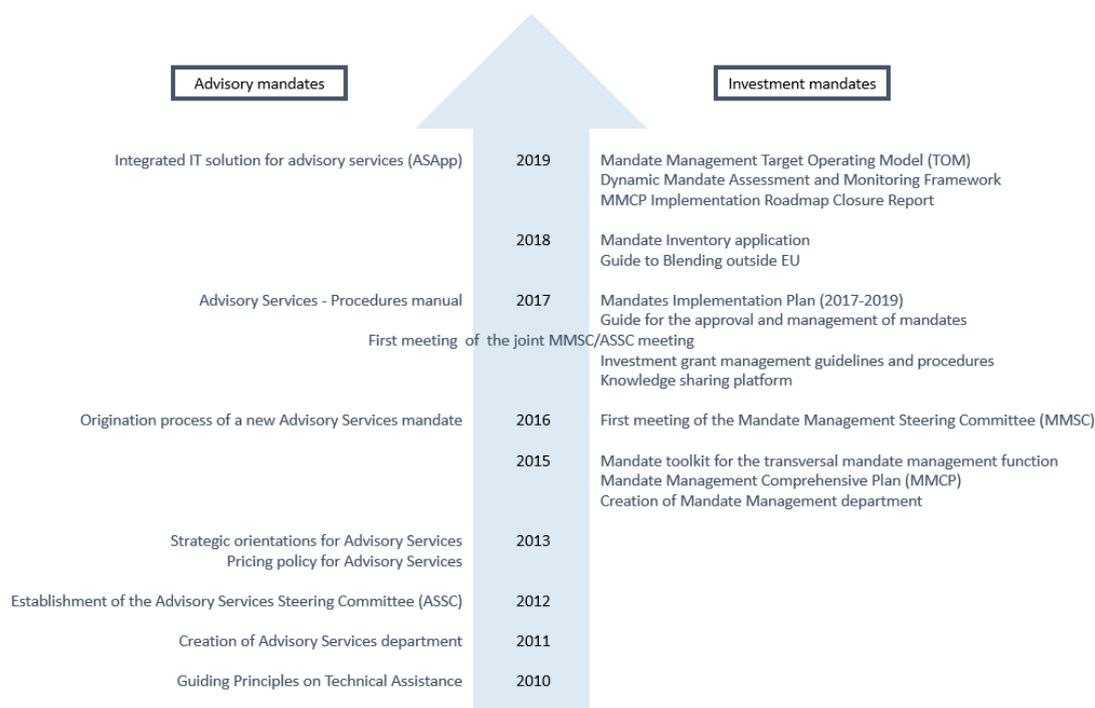
**The rapid growth of the EIB's mandate activity has resulted in new challenges for the EIB.** Several problems and risks in the management of mandates were identified in late 2014, including the absence of a complete up-to-date inventory of mandates and inadequate accessibility of data; the absence of a single body to oversee mandates and unclear ownership of transversal issues; and procedural gaps at different stages of the mandate lifecycle. The analysis highlighted that, from an external perspective, the absence of a full mandate management structure carried risks of breaching obligations to mandators as well as reputational and credibility risks. From an internal perspective, the ad-hoc approach to the approval and management of mandates raised efficiency and sustainability questions.

**Over the past years, the EIB has undergone several important changes to better accommodate its increasingly prominent mandatee function and to ensure it delivers on commitments.** Measures on the investment mandate side included:

- The setup of the Mandate Management Department within the Operations Directorate (OPS/MM) and of a Mandate Management Steering Committee (as part of the implementation of a comprehensive mandate management plan);
- The creation or reinforcement of other dedicated teams in various directorates to service the growing mandate activity (such as FI Partnerships, FC Third party mandate unit; SG Mandate Governance and Shareholding Relationships unit; RM mandates management);
- The development and adjustment of practical tools such as the Guide for the approval and management of mandates (2016) and a Mandate Inventory application (2018).

A similar organisation and rationalisation process occurred a few years earlier for advisory mandates. Following a period of organic growth, the Bank put in place an Advisory Services Department (2011), adopted a set of high-level orientations (2013), developed general procedures and guidance for specific topics such as pricing (2013) and origination of new mandates (2016), etc. (Figure 4).

**Figure 4 Timeline of mandate-related developments at the EIB**



Source: EV, based on EIB documents

**The changes have been ongoing throughout the period, due to a continuous need to respond to a rapidly evolving context for the management of mandates**, including:

- Accelerating complexity and heterogeneity of an ever larger number of mandates;
- Evolving market needs;
- Growing expectations and demands on what mandates can and should achieve;
- Frequent and time consuming demands made on reporting and responding to ad hoc requests for information;
- A rising need and demand for transversal cooperation across Bank Services;
- Increasing obsolescence in the underlying technologies supporting mandates and;
- Reducing levels of cost coverage for the mandate activity.

**The responsibility for mandate origination and management is shared between various Bank departments.** The Advisory Services Department (SG/AS) takes charge of mandates that concern exclusively advisory services. Currently, two advisory mandates concerning the provision of technical assistance in specific fields are managed by the Projects Directorate (PJ). The Mandate Management Department's (OPS/MM) responsibility includes the origination and implementation of investment mandates<sup>5</sup>. In the case of institutional mandates, responsibility in the origination phase is shared with the Secretariat General (SG). Other dedicated teams contribute to mandate-related processes in the Legal Directorate (JU), the Finance Directorate (FI), the Transaction Management and Restructuring Directorate (TMR), the Risk Management Directorate (RM), the Financial Control Directorate (FC), the Compliance Directorate (OCCO) and the Inspectorate General (IG). This topic is taken up later in the evaluation report.

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<sup>5</sup> Currently, the Cotonou mandates are the exception. The Cotonou mandates reverted to the "geographical team" in the Operations Directorate, where they were managed prior to 2015. Some aspects, (e.g. audit coordination, cost coverage modelling) continue to be managed by OPS/MM.

### 3. RELEVANCE OF THE MANDATE PORTFOLIO FOR THE EIB

This chapter answers the first question of the evaluation framework, namely “To what extent has the EIB’s mandate origination, selection and approval process resulted in mandates that support the achievement of the EIB’s objectives?”

As outlined in Chapter 2, the EIB pursues several objectives by engaging in mandates. A first condition for the achievement of these results is to ensure that the mandates in the EIB’s portfolio are relevant and appropriate. This evaluation uses primarily existing tools that the Bank developed to assess the portfolio of mandates in terms of strategic fit for the EIB. The evaluation also analyses the processes and dynamics leading up to the Bank’s formal engagement in mandates. These processes determine the final shape of each mandate (objectives, modalities, governance arrangements) and the Bank’s overall mandate portfolio. The mechanisms whereby mandates extend the EIB’s ability to act are explained. The actual complementarity of mandates to the Bank’s portfolio of own resource activities was not systematically assessed in this evaluation.

#### Box 5 Summary of findings on the mandate portfolio’s relevance for the EIB

- The EIB vision for engaging in mandates has become increasingly explicit over the past years, but the process of defining an overall institutional and operational guiding strategy is still ongoing.
- The EIB improved its practical approach to mandate origination and development, but there is still room for fine-tuning it.
  - Dedicated procedures and structures were established in the organisation;
  - Roles of various Bank Services have become increasingly well-defined;
  - Several tools to assess mandates prior to accepting them were put in place but need further development and better use.
- The EIB had limited control over the origination of some mandates, but it has always wielded some (moderate) influence in shaping mandates, based on its accumulated experience.
- The Bank’s current portfolio of mandate fits well with its public policy goals.
- Not being yet fully developed and/or used, the Bank’s monitoring tools do not allow for a more nuanced ongoing assessment of mandates’ strategic fit, beyond meeting policy goals.
- By design, mandates extend the Bank’s ability to act.

#### 3.1 An ongoing process of strategy definition

**The EIB vision for engaging in mandates has become increasingly explicit over the past years.** As briefly outlined in Section 2.2 above, the general logic for the Bank’s involvement in mandates are clearly spelled out in various documents. Those documents largely talk about maximising the EIB’s contribution to achieving EU policy goals. Advisory mandates are carried out primarily according to a set of strategic orientations endorsed by the Board of Directors already in early 2013<sup>6</sup>. Those orientations enshrine the rationale and core principles of the Bank’s advisory services; the scope of activities, clients, sectors and geographies they can cover and areas of priority; the instruments and delivery mode they can use, etc. A single document of equivalent breadth and depth does not exist for investment mandates, although various documents, especially the MMCP, present generic strategic considerations for this line of business. These reasons have been taken over, further explained and enriched in other documents, for example, the Mandates Implementation Plan 2017-2019 (MIP). The MIP presents a view of the areas of improvement identified for the management of (investment) mandates and lays down priorities of action. The document includes sections on mandate development and the integration of new mandates, which call for considering mandate activities’ impact on the Bank’s overall portfolio and on the Bank’s institutional position, demonstrating that the Bank reflected and asked itself the right questions on these important issues. Finally, the Bank’s top decision makers and governing bodies increasingly set and stress “red lines” for the EIB’s involvement in mandates, for example the cost coverage, even though discussions are ongoing on the best approach to implementation.

<sup>6</sup> “Strategic Orientation for Advisory Services” CADOC 13/219 of June 4 2013.

**The process of defining an overall institutional and operational guiding strategy for the mandate activity is still ongoing.** In tackling the risks highlighted in 2014, the Bank recognised the need to take a strategic view on this line of business. As noted above, the vision has been gradually clarified and the “why” and the “how” of the EIB’s mandate activity sharpened. However, currently strategic considerations for investment and advisory mandates are scattered in different documents. Moreover, these documents have different statuses. The “Strategic Orientations for Advisory Services” was discussed in the Board of Directors and is formulated primarily with a long-term perspective. The MMCP and the MIP provide some strategic considerations in their introduction, but are essentially operational plans. The more operational approach taken through the MMCP and MIP has borne fruit<sup>8</sup>, but did not have the opportunity to trigger a larger discussion on the Bank’s strategy on its mandate activity as a whole in the Board of Directors. As a result of the fragmented discussion, some potentially relevant topics, such as financial cooperation partnerships, are not covered by these documents<sup>9</sup> (see Box 6). Interviews with staff from different Services and levels showed that some elements of the Bank’s strategy are widely understood (for example the value and relevance of mandates), while others are less so. Among the less clear aspects are the circumstances in which the EIB’s engagement in mandates is opportune and desirable; the policy area, products and client groups that should be particularly targeted by EIB mandate-backed interventions; whether mandates are necessary in all areas of the Bank’s activity; and whether the Bank’s comparative advantages are adequately used to shape and carry out mandates. Finally, an important element that is not sufficiently explicit in current documents is the way in which mandates fit or should fit with the “regular” (non-mandate) Bank activity<sup>10</sup>.

#### Box 6 Mandates and other partnerships

The EIB works together with third parties in several different ways. In addition to mandates (see Box 3), the three other categories of partnerships<sup>7</sup> currently defined are:

- Financial cooperation based on the management of financial contributions pledged by a third party without the purpose of achieving a common objective. Asset management for mandates carried out by European Investment Fund (EIF), such as the Risk Sharing Instrument or InnovFin Equity, falls in this category.
- Delegated own resources partnerships entered into for the purpose of achieving common objectives based on the EIB’s own resources. An example is the EIB Group Risk Enhancement Mandate between the EIB and the EIF.
- Upstream cooperation entered into with the purpose of achieving common objectives without the pledge of financial support. Typical examples are the numerous memoranda of understanding with peer organisations.

**A mix of factors may explain the current situation.** The rapid growth and diversification of the mandate activity under the 2014-2020 MFF required the mobilisation of all resources to deal with the urgency of kicking off the new mandates and of implementing the necessary organisational changes for that. That urgency left little time and space for more strategic discussions. Moreover, by 2017-2018, when the most pressing operational and organisation issues were by and large tackled, discussions already started on the following MFF and the role of the Bank therein. The capital replacement decision linked to Brexit was also pending, further accentuating uncertainties about the Bank’s future activity and, implicitly, the roles of mandates therein. In this context, the

<sup>7</sup> Partnerships are also referred to as “formalised cooperation”. In light of the approval in 2019 of a new mandate role, that of Grant Management Services Agent, the Bank may have to adjust these definitions to avoid overlaps.

<sup>8</sup> The implementation of the MMCP was completed in 2018.

<sup>9</sup> Terminology reflects the classification of “partnerships” agreed upon at the Bank in 2015 as part of the MMCP implementation process.

<sup>10</sup> The key concept that would need further clarification is that of “complementarity”. The Dynamic Mandates Assessment and Monitoring Framework (an own methodology for determining the strategic fit of the mandates in its portfolio) makes reference to this concept – see Section 3.2 and 3.4 below. Section 3.4 also presents a possible understanding of the concept, as does ongoing work at the Bank on the concept of additionality.

Bank seems to have chosen to postpone strategic discussions on its mandate activity until more clarity existed. Another possible factor explaining the absence of an explicit institution-wide strategy is the EIB “policy taker” stance. As such, the EIB felt compelled to implement all mandates proposed by the European Commission. Yet another factor may have been what some interviewees identified as the EIB’s willingness to serve as “laboratory” for testing the use of financial instruments on an EU-wide scale. As such, the absence of a potentially constraining strategy preserved the EIB’s flexibility to freely experiment with new instruments and methods of joint action in a variety of existing and new areas. In light of the post-2020 landscape for the implementation of financial instruments (e.g. multiple partners implementing mandates, clear definition of the features of envisaged financial instruments), the Bank may need to consider the utility and value of a better articulated strategy for its engagement in mandates.

### 3.2 Improved processes and tools

**The EIB improved its practical approach (procedures, tools, organisation) to mandate origination and development, but there is still room for fine-tuning.** Improvements included the establishment of procedures and dedicated structures for the origination and approval of mandates, as well as the overall clarification of roles of various Bank Services<sup>11</sup>. These improvements led to more transparency internally, but guidance for engagement with external stakeholders remains limited in the early phases of a mandate’s life cycle.

**Guides for the approval of mandates lay out relevant procedures for both investment and advisory mandates.** The OPS/MM document – Guide for the Approval and Management of Mandates (the Guide) – includes clear definitions of the various roles and easy-to-follow step-by-step instructions, with links to relevant templates<sup>12</sup>. This Guide is however exclusively focused on internal (EIB) processes and it does not provide any guidance on how to engage or reach out outside the EIB (such as establishing who in the Bank is the main contact point for the mandator and how the other staff involved should relay messages and information to the mandator). It also provides little insight into the sort of considerations that should inform the decision to engage or not in a mandate (e.g. identifying the clear need for the mandate, ideally based on market gap analysis). The Advisory Services equivalent of the Guide is less detailed, however it captures the essence of the process, including Services that need to be consulted and tools to use.

**The Bank has developed tools to support the assessment of mandates’ relevance, but some tools are not systematically used while others are not yet complete, sufficiently sharp, and integrated into procedures.** For advisory services, a screening tool has been available since 2012, to assess the following dimensions of a proposed mandate: relevance (contribution towards the EIB’s public policy goals); effectiveness (existence of a market gap, response to clients’ needs); efficiency (ease of implementation, resources); the EIB’s contribution (expertise, the EIB’s comparative advantage). For each dimension, the mandate receives a score of low, moderate, significant or high. A cost coverage estimation is included in addition to this assessment. However, this evaluation was not able to identify the assessment of current advisory mandates using the screening tool. For all investment mandates, the Guide requires that a Mandate Evaluation Matrix be

**Figure 5 Investment mandates evaluation matrix**

	Inward	Outward
Strategic	<b>Portfolio fit</b> To which extent does this mandate fit with the Bank’s business interests?	<b>Mandate relevance</b> How would a relationship with this counterpart: 1) impact the EIB’s overall positioning? 2) align with EU Policy Objectives?
Operational	<b>Efficiency</b> To which extent can the Bank cover costs and deliver on the mandate?	<b>Effectiveness</b> To which extent can the mandate deliver the expected impact?

Source: Guide for the Approval and Management of Mandates, version updated March 2019

<sup>11</sup> For investment mandates, the measures described below were part of the implementation of the MMCP.

<sup>12</sup> The instructions are more detailed for operational mandates than for institutional mandates, but essentially both types of mandate processes must ensure the technical and formal requirements are fulfilled.

completed as a basis for all mandate-related discussion, including internally, among the OPS/MM management team. The matrix assesses on the one hand the portfolio fit and relevance by taking into account the intervention logic, value added and opportunity cost, and on the other hand the efficiency and effectiveness in the form of the lead time to develop and the operational challenges and costs. Figure 5 presents the main elements of the matrix. In 2019, the Bank approved the Dynamic Framework for the Assessment and Monitoring of Mandates, which is primarily a monitoring tool but is also supposed to be used as a decision-making tool in the approval of mandates. As compared with the matrix, the Dynamic Framework appears more limited and inward-oriented (see Section 3.4 below). It is not yet clear how the use of the two tools will be combined in practice, as the Guide still needs to be adjusted to include reference to the Dynamic Framework.

**The EIB established or designated specific structures to oversee and coordinate the development of mandates.** For investment mandates, within the new Mandate Management Department, one division covers the origination and structuring phases of mandates, the mandate portfolio management, and various coordination tasks (such as supporting the MMCP, the MMSC and coordinating policies and strategies with other departments etc.). Advisory mandates benefited from a similar centralised approach, although no dedicated structure was created. Functions such as participating in the origination and negotiation of mandates and developing procedures and tools were grouped in the Strategy and Coordination Division of the Advisory Services Department. The Bank also set up a Mandate Management Steering Committee (MMSC), which first met in 2016, in addition to the Advisory Services Steering Committee (ASSC) that has been in existence since 2012. The roles of both these committees, as per their respective terms of reference are: to play a guidance role to ensure good mandate conceptualisation from the very early stages; to advise on issues of strategic relevance including prioritisation of specific mandates; and to clear mandate proposals before submission to the Management Committee and the Board. The two steering committees also have a joint meeting. In practice<sup>13</sup>, these committees currently play a larger role in providing feedback on and clearing individual mandate proposals and have engaged in few broader strategic discussions. The joint meetings represent important information exchange forums, where larger Bank and EIB Group considerations are echoed by the two EIB vice-presidents who jointly chair these meetings. At specific points in the past, the ASSC in particular was very active in discussing higher-level matters relevant for the Bank's advisory activity, meeting almost weekly through the early part of 2013, when the "Strategic Orientations for Advisory Services" were being prepared.

**The roles and involvement of various Bank Services in the mandate origination and development phase became increasingly well-defined.** In line with the Guide, for operational mandates, OPS/MM ensured coordination and drove the process. In the case of "pure" advisory mandates, SG/AS took the lead. For institutional mandates, the Secretary General (SG) and OPS co-led the origination process. Although the areas of competency and mechanisms of coordination between SG and OPS were not formalised in a specific document, interviews suggest that each party had a clear understanding of its role and remit of action. Other Services of the Bank, such as JU, RM, FI, PJ, OCCO were consulted in the early phases of mandate development. Nonetheless, interviews with these more specialised Services revealed that the modalities of consulting and involving the different sectors in negotiations with the mandator could be more clearly defined, to ensure the Bank does not propose or accept responsibilities that are difficult to deliver on due to policy, legal or administrative constraints.

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<sup>13</sup> Eight MMSC meetings were held from 2016 to 2018, three joint MMSC/ASSC meetings were organised since 2017, as well as numerous ASSC meetings since 2012.

### 3.3 Ability to shape mandates

**The EIB had limited control on the origination of some mandates, but it has always wielded some (moderate) influence in shaping mandates, primarily based on accumulated experience.** For older and smaller mandates, in which the EIB was set to play an investment management role and where the European Commission sectoral DGs were in charge of origination and development (such as LGTT and RSFF), the EIB played a relatively significant, albeit informal, role. The European Commission's sectoral DGs often relied on the EIB's expertise to identify specific market gaps (including their size) and to lay out the reasons why using financial instruments were an appropriate way of addressing the gaps. As mandates became larger and were developed in the context of usual legislative processes (such as the elaboration of MFF), the EIB's role became less prominent. Typically, the European Commission had to carry its own ex-ante impact assessment for new initiatives, such as InnovFin and the Connecting Europe Facility (CEF). However, as sole envisaged implementing partner, the EIB was still associated to the early stages of shaping these instruments. The EIB had, in general, little or no control over the shaping of mandates where it was one of several implementation agents, especially when those came from large global initiatives such as the Green Climate Fund<sup>14</sup>. It did contribute more to shaping mandates it co-authored, such as the Luxembourg – EIB Climate Finance Platform or, informally, the EFSI<sup>15</sup>.

In trying to influence the main lines of a mandate, the EIB preferred to engage with the European Commission while a proposal was being elaborated, rather than try to influence the co-decision process at the EU level<sup>16</sup>. Engaging with the Commission builds on the ongoing direct professional contacts of various Bank and European Commission staff and on the recognition that the EIB has valuable expertise that complements the European Commission's strengths. Moreover, the newer generation of mandates built on some prior, usually smaller "experiments" (e.g. CEF built on the LGTT and PBI experience; InnovFin took aboard some of the lessons of RSFF). In this way, as implementer of the earlier mandates, the EIB was well placed to provide input to the European Commission on the newer ones, and it did so.

Influencing the co-decision process is more complicated. Since the EIB is not part of the formal EU decision-making process, it can only indirectly influence it, for example by engaging with Member States (both in their respective capitals and in Brussels), members of the European Parliament as well as other stakeholders (such as interest groups). Influencing can also take place through contacts with the EIB Board members, who know and determine the EIB's position on mandates, and who could coordinate with their colleagues in national administration that take position on the same mandates in the Council<sup>17</sup>. Whereas the EIB, notably through the support of the Brussels office<sup>18</sup>, has improved its ability to convey its interests to the co-legislators, addressing effectively the variety of diverging positions of the co-legislators and how they interplay with each other remains a challenge.

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<sup>14</sup> However, some exceptions can be cited, such as the Western Balkans Investment Framework, where the EIB, together with all the other implementing partners, were involved in the mandate development phase. As part of the initial Steering Group, the EIB contributed to discussion that defined the governance structure of the facility, the standards for monitoring and evaluation as well as the external communication requirements.

<sup>15</sup> Specific points of attention for the Bank, where it could make the weight of its experience bear, include ensuring the mandate can be implemented and monitored.

<sup>16</sup> The co-decision procedure, also referred to as "ordinary legislative procedure" in the European Union refers to the fact that the European Parliament and the Council jointly adopt legislation. More details available [here](#). The EIB has no formal role in this process therefore it can only try to influence it informally, like other stakeholders as well.

<sup>17</sup> The EIB also asks to be invited to the Council meetings where legislative drafts directly affecting the EIB Group are discussed (such InvestEU and NDICI – the Neighbourhood, Development and International Cooperation Instrument).

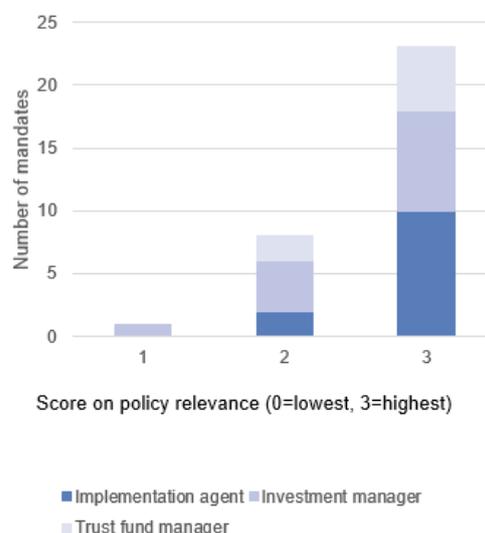
<sup>18</sup> Working in close cooperation with staff in the Luxembourg headquarters participating in the legislative work.

### 3.4 A relevant portfolio of mandates for the EIB

**The Bank's current portfolio of mandates fits well with its public policy goals.** The Bank has recently (2019) developed an own methodology for determining the strategic fit of the mandates in its portfolio<sup>19</sup>. The methodology assigns up to three points to each one of three sub-

criteria: portfolio and policy relevance to the EIB; policy effectiveness; scale and scalability<sup>20</sup>. Focusing on the sole "portfolio and policy relevance to the EIB", Figure 6 shows that almost three-quarters of mandates (23) obtain the highest score. This is either because they support more than one high priority objective for the Bank or because they are structured as cross-cutting and targeting different thematic areas. The others (9) obtain one point for supporting the Bank's operational strategy and complementing the Bank's standard business or two points for being focused on one of the high priority objectives for the Bank. No mandate is considered completely irrelevant (0 points).

**Figure 6 Portfolio and policy relevance scores**



Source: Assessment carried out by OPS MM and EV using the Dynamic Mandates Assessment and Monitoring Framework.

**Not being yet fully developed and used, the Bank's monitoring tools do not allow for a more nuanced ongoing assessment of mandates' strategic fit, beyond policy goals.** The dynamic framework methodology has been rolled out, but parts of it are not yet operationalised.

An example is the second sub-criterion of the "strategic fit" axis, on policy effectiveness. Yet, it is this criterion, scoring the extent to which policy objectives set ex-ante are in fact met at the moment of the monitoring, that would give a dynamic element to the framework. The other two sub-criteria are more static, as the Bank's policy priorities, the scale of the mandates and opportunities for scalability change quite infrequently, and rarely dramatically. Moreover, the methodology does not include links to regularly updated market gaps assessments, therefore it cannot ascertain the relevance of mandates with respect to evolving market needs. This would be useful not only for the Bank, but also for the mandator, to determine the extent to which the initial intervention logic of the mandate holds in sometimes rapidly evolving economic contexts<sup>21</sup>. Further, the methodology cannot capture the relevance of mandates vis-à-vis the Bank's own overall strategic position, as this is not clearly spelled out (see section 3.1 above). Last, but not least, there is no equivalent monitoring methodology for advisory mandates, for which strategic fit is only assessed at the approval stage and in case of mandate renewal.

**By design, mandates extend the Bank's ability to act.** Engaging in mandates is, for the EIB, one way to carry out operations that it would not undertake, or not to the same extent, or in the same timeframe, or on the same terms, using only its own resources. Each mandate, by its design and the role that the EIB plays in it, extends the Bank's "action range", as illustrated in Figure 7. When acting as an implementation agent (blending mandates), the EIB finances projects that could not sustain only-commercial financing terms for a range of reasons, including market failures, the existence of externalities, or inadequate institutional development. Through its roles as trust fund manager, the EIB pools resources from donors to bridge financing gaps and ensure that projects

<sup>19</sup> The methodology is referred to as the "Dynamic Mandate Assessment and Monitoring Framework".

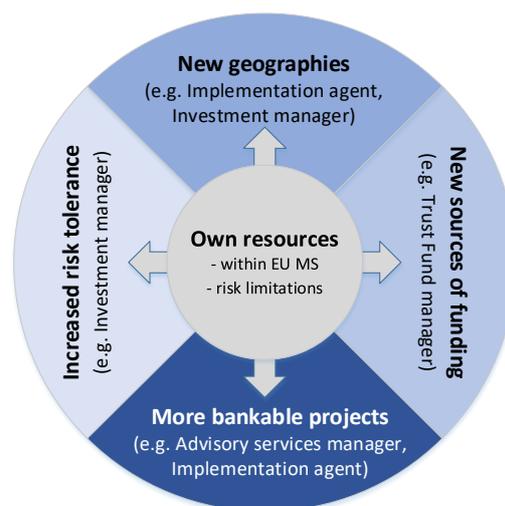
<sup>20</sup> Policy relevance refers to the extent to which the mandate supports Bank priorities and complements standard Bank business. Policy effectiveness will look at the extent to which initial policy objectives are being met. Scale and scalability looks at the size of the mandates and the extent to which their implementation is straightforward.

<sup>21</sup> See "Evaluation of EFSI", EIB Operations Evaluation, 2018 explanations about the evolution of the investment gap and the timing of EFSI.

with insufficient investment receive additional support. As investment manager of third-party funds or of its own resources backed by risk-sharing mechanisms, the EIB finances more or riskier operations than it could without the mandate. Finally, as advisory mandates manager the EIB helps more projects become bankable and therefore being eligible for financing from the EIB and from other similar institutions.

**In practice, the complementarity of mandates to the Bank's portfolio of own resource activities was not systematically assessed as part of this evaluation.** Such an assessment would require establishing a counterfactual for the activity carried out under mandate. For some very high-risk profile activities (such as operations under the Impact Finance Envelope), this could be done with relative ease, as many of these operations are beyond all prudential thresholds set by the Bank and would simply not be undertaken if the EIB was to use its own resources, all while preserving the credit rating that underpins its business model. However, for operations carried out under risk-sharing mandates, complementarity at operation level is less straightforward. These are operations where own resources of the Bank are used for the investment, but that are backed by various guarantees. In this case, the extension of the Bank's range of action is expressed not in terms of carrying out operations that it otherwise would not consider, but in terms of being able to undertake *more* operations with a higher risk profile at the same time. The choice to include some operations in the mandate, when the mandate rules allowed it, was sometimes based not only on the narrow assessment of the operation, but on a more complex analysis taking into account the maximisation of mandate benefits and of the Bank's own resources (including limits on capital consumption).

**Figure 7 Leverage of mandates on the EIB activity**



Source: EV

## 4. ADEQUACY OF MANDATE DESIGN

This chapter answers the second question of this evaluation, namely “To what extent has the design of mandates facilitated the achievement of their objective?”

The relevance of mandates, discussed in the previous chapter, is only one factor determining the likelihood of achieving expected results. An equally important aspect is the design of the mandates: the clarity of the intervention logic; the quality of the results framework and the means mobilised to inform it; and the definition of roles for all parties, through clear and accountable governance arrangements. These aspects are critical to the success of mandates and, more broadly, for the mandator–EIB relationship, for example:

- The appropriate definition of objectives and responsibility lines is necessary to ensure mutual agreement on the level of the EIB’s performance as mandatee;
- Optimised integration of governance structures can contribute to more efficiency and coherence in the steering of mandates;
- Strong results frameworks facilitate addressing mandators’ growing appetite for information on outcomes and impact of mandate activities.

This question is answered based on the analysis of a sample of mandates, as outlined in Annex 2. Analysis conducted on the results framework was based on a sample representing more than 80% of the total volume of the EIB investment mandates portfolio. It also included five major advisory services mandates (the European Investment Advisory Hub, fi-compass, the Innovation Finance Advisory, ELENA and JASPERS).

### Box 7 Summary of findings on mandate design

- The stated objectives of all mandates were clear and sufficient to reconstruct an intervention logic, but the analysis of the initial problems and possible solutions was most often not documented.
- Mandate result measurement frameworks were not always well established at the design stage, however the quality of these frameworks has improved over time.
- Reporting obligations varied in detail and were not sufficiently well linked to data and information management systems.
- The EIB underestimated the complexity of monitoring and reporting, but took measures to address some of the resulting inefficiencies.
- The governance arrangements of the EIB’s mandates varied in terms of involvement and control exercised by the mandator, but increasingly had standard features and were in all cases well integrated with the EIB’s own processes.
- Although using mandates with dedicated governing bodies required additional staff effort, in general mandate-level governance arrangements worked well.
- The centralisation of the secretariat functions for mandates governing bodies contributed to economies of scale, timeliness and accuracy and allowed the Bank to better exploit the opportunities that mandate governing bodies created.

### 4.1 Clear objectives

**The stated objectives of all mandates in the sample were clear and sufficient to reconstruct an intervention logic, but the analysis of the initial problems and possible solutions was most often not documented.** The detailed analysis of 23 mandates<sup>22</sup> showed that in all cases, the mandates stated objective was clear, and addressed either a lack of capacity or knowledge to secure finance (such as advisory mandates), or limited funding capacity, or a fragile public finance situation (such as financial instruments).

<sup>22</sup> See last column of Table 8 in Annex 2 (page 66) for the list of 23 mandates.

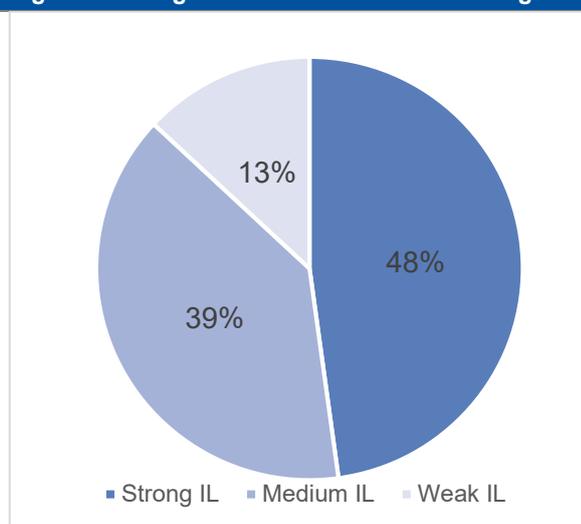
The identified problems that called for the mandate intervention were generally clearly stated and specific to the issues faced in the geographical regions of the mandate. Yet, the evidence proving the underlying problems was present in less than half of the cases<sup>23</sup>. Even though some of the key mandates (such as ELM, CEF, InnovFin, JASPERS, PF4EE) did have an evidence-based problem analyses, the overall trend indicates that the assessment of the additionality<sup>24</sup> of the mandate at design stage was not pursued with enough attention<sup>25</sup>. Market gap analyses were rarely carried out and referenced to justify mandates<sup>26</sup>. However based on accumulated experience, mandates have subsequently been refined to answer market needs.

**One in two mandates had a strong intervention logic** (cause-to-effect chain), while only few (3) had a weak intervention logic<sup>27</sup>, as illustrated in Figure 8. In 12 out of 23 sampled mandates, the intervention logic ended at the output level (such as access to funding), without further clarification of the effects and how these effects could contribute to the overall mandate objectives. A few mandates, however, did clearly identify the expected impacts (such as InnovFin, ELM, LAIF, WBIF and EFSI).

Other aspects of mandate design were also uneven across the analysed sample:

- A definition of what is expected from the EIB regarding the delivery and effects of the mandates was found in less than half of the mandates;
- The (expected) added value<sup>28</sup> of the EIB and the reason the EIB was chosen as mandatee was rarely made explicit and was not systematically found in the mandate documents;
- Risks and assumptions at mandate level were not identified in the contract documents in most cases, unless an impact assessment was conducted at the design stage.

**Figure 8 Strength of mandate intervention logic**



Source: EV analysis.

## 4.2 Improving results frameworks

**Mandate result measurement frameworks were not always well established at the design stage.** As a consequence of the gaps in the intervention logic, indicators were not defined for

<sup>23</sup> The evidence base was considered strong when the problem triggering intervention was explicitly based on one or several data sets (such as on context, market gap analysis etc.).

<sup>24</sup> Additionality refers to whether the mandate and its operations: (i) have addressed well-defined sub-optimal investment situations resulting from market failures; (ii) have facilitated or strengthened the project in terms of scale, scope, quality, structure, timing, etc.; (iii) were complementary to what is made available from other sources of financing.

<sup>25</sup> Examples include WBIF and RSFF.

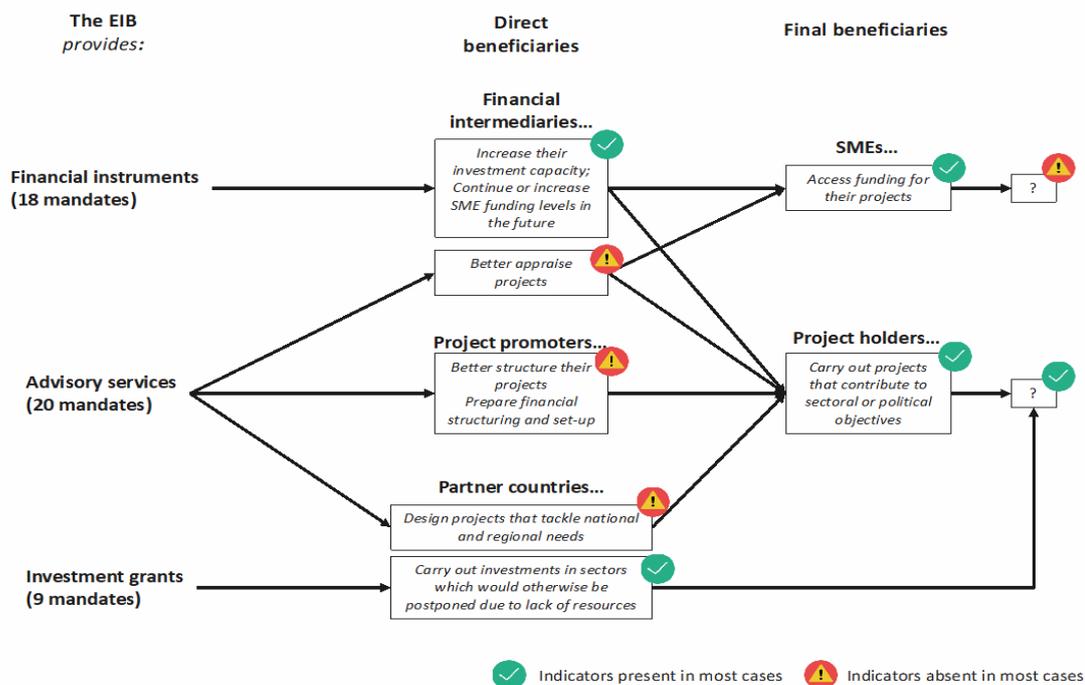
<sup>26</sup> An example where such analysis was carried out (since it was compulsory) are the DFI and JESSICA mandates.

<sup>27</sup> Eight criteria were used to assess the strength of intervention logics: (i) stated general objective, (ii) stated problem, (iii) analysis of the problem based on evidence, (iv) definition of the mandate's contribution to the objectives, (v) identified direct beneficiary, (vi) identified final beneficiary, (vii) clear objectives to the mandate to deliver upon the activities, (viii) possibility to reconstruct the intervention logic.

<sup>28</sup> EIB added value refers to its financial, technical and policy contributions, and its role in facilitating investments with/from other international financial institutions.

every step in the cause-to-effect chain. None of the mandates provided indicators for every objective stated in the intervention logic, with ELM and NCFE being the most complete (for ELM 92% of identified objectives had indicators, while for NCFE 75% had indicators). On average, indicators were formulated for close to half of the objectives identified in the documentation. Figure 9 below shows that indicators at output level were present (beneficiaries – direct and final – obtained financing from the EIB and increased their investment capacity), but outcomes and impact indicators were often missing (i.e. measuring progress towards policy objectives, and the EIB’s added value). It also shows that indicators measuring qualitative outputs and outcomes were missing.

**Figure 9 Indicators analysis of a sample of investment mandates<sup>29</sup>**



Source: EV analysis.

The analysis shows a difference across mandates in the level of detail and the extent to which results frameworks were designed prior to implementation. For certain institutional mandates (such as EFSI, ELM), the EIB and the mandator agreed on key performance indicators to monitor outputs (signatures, multiplier effect) and the pipeline of projects. Key monitoring indicators were also agreed upon to report on progress towards outcomes such as the sector and geographical distribution, jobs to be created or sustained, as well as the aggregated value added of mandate operations. For advisory mandates, result measurement frameworks were not systematically defined at the design stage, but often later<sup>30</sup>. Reporting for these mandates worked based on an aggregation of operation results, as was also the case with blending mandates.

When a result measurement framework was established at the mandate level, baselines as well as targets were generally not provided. A total of 19 mandates had indicators, but only seven of these had also targets for indicators. The targets concerned financial volume to be disbursed and catalysed for investment mandates, in line with the focus of the EIB’s own monitoring framework. For every mandate, the internal EIB system monitors the annual level of signatures (against the total size of the mandate envelope when possible), disbursement and

<sup>29</sup> The figure reflects an analysis carried out on a sample of 23 mandates used in the early phases of the evaluation (see Table 8 in Annex 2). The figures in brackets under the types of instruments / services provided by the EIB reflect the fact that many mandates cover more than one such instrument / service.

<sup>30</sup> Among advisory mandates, JASPERS’ results framework was developed in the design stage; the framework has evolved through time.

cancellation rates. Indicators to report on higher-level objectives (outcome and impact levels) were not always measurable, in the sense that no baseline and targets were defined. Defining outcome targets may not always be relevant because some mandates are “demand driven” by nature. In such cases, EU contribution ceilings by type of facilities were defined (such as InnovFin, DFI) and the EIB had to monitor the distribution of activities (geographically, by sector) and adjust when possible<sup>31</sup>.

**The quality of the results frameworks has improved over time.** For more recent mandates, the Mandate Management Comprehensive Plan and its process of standardisation led to clearer responsibilities and management procedures, which have strengthened the design of mandate results frameworks. Issues related to weak intervention logic were increasingly addressed, by making mandate owners responsible for this aspect from the very beginning of a mandate. For some mandates that were already in the EIB portfolio (23), EV worked with Services to reconstruct the intervention logic, hence contributing to an improvement as compared to the pre-existing situation<sup>32</sup>.

**Reporting obligations varied in detail and were not sufficiently well linked to data and information management systems.** Although reporting obligations are clear for all mandates (timing and reporting frequency), the monitoring system was not always established at design stage. For example, for FAFA-compliant mandates, reporting requirements, including often-detailed templates and specifications, were formulated at the design stage. However, the data collection and information systems were in most cases developed during mandate implementation, primarily by the EIB, a departure from best practices in this field. Best practice would entail the involvement of all stakeholders (mandator, mandatee, possibly the clients) in the simultaneous design of the result measurement framework and of the data and information management system, to ensure that required data and instruments are available and shared. An example of the disconnect between the two processes is the development of the WBIF monitoring and reporting system<sup>33</sup>, which was finalised two years after the mandate adoption. Templates to collect the required data from clients and partners (including information on project additionality and added value) were developed well after the start of the project and not as part of the results framework design. So was the information management system put in place to collect and share information between mandator and mandatees. Such situations put additional pressure on all partners, due to an unfocussed and inefficient data collection process.

**The EIB underestimated the complexity of mandate-related monitoring and reporting.** As part of its mandate activity, the EIB has been producing more than 300 reports annually. These follow a multiplicity of reporting frameworks, systems and specific mandator requirements, which were not reflected in the EIB systems<sup>34</sup>, hence adding to the complexity of carrying out an already challenging task and multiplying the related risks. The resources needed specifically for monitoring and reporting (like all other resources needed for implementation), are estimated in the early stages of the mandate development. These estimates are made based on the best available knowledge at that point in time and with an eye on a balanced cost and revenue structure for the mandate.

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<sup>31</sup> Sixth amendment to the Delegation Agreement between the European Union and the EIB and the EIF in respect of the financial instruments under Horizon 2020. EIB interviews, 2019.

<sup>32</sup> Other exercises, such as the development of key performance indicators for the entire advisory activity of the Bank also had a bearing not on the design of the relevant results frameworks of existing mandates as such, but on the type of information that managers geared to collect in order to inform those indicators.

<sup>33</sup> A dedicated Management Information System (MIS) has been developed for the WBIF jointly by the mandator and the mandatees. This IT platform, where information on technical assistance and investment grant projects is centralised, allows the aggregation of information for communication, monitoring and performance assessment as well as reporting at all levels. Through this joint system, the mandator and also the general public has access to real-time information about the progress of all projects (website link with username and password were provided in WBIF Annual Progress Reports).

<sup>34</sup> Given the scope and pace of mandate activity development, the full adaptation of the EIB regular systems to accommodate specific requirements of mandators was close to impossible.

Once a mandate is approved, the additional resource needs are kept in mind for the following Bank-wide, comprehensive annual resource planning exercise (ARP)<sup>35</sup>. This system makes the overall management of mandates, including monitoring and reporting, vulnerable on two accounts. First, additional resources for a mandate can be requested only in the case of a formal mandate amendment, and not when the actual implementation of the mandate proves the initial cost estimates to be inaccurate<sup>36</sup>. Second, the redistribution of resources between relevant Services to reflect the workload fluctuation in the course of a mandate's lifetime (for example, an increasing body of operations needs monitoring) has proven difficult in practice.

A recent study pointed out weaknesses of the reporting system, such as the duplication of data, extensive process of manual entry, update and aggregation of data in the systems, the multiplicity of "stand-alone" reporting systems, as well as the lack of coordination and access to data across Services. Interviews also pointed out that reporting was "*highly labour-intensive*", often because mandate operations are more granular transactions, with smaller ticket sizes and/or new clients. Recent considerations have been made to automating or outsourcing some parts of monitoring processes, such as the contractual monitoring of financial intermediaries under DFI and the EU-Africa Trust Fund. The EIB has also faced challenges in tracking the monitoring and reporting costs specifically, as responsibilities for data collection, extraction, storage, quality assurance, etc. were spread across various Services.

**The EIB clearly recognised the need to streamline monitoring and reporting and to achieve a higher level of automation.** Procedures and some standard indicators were developed for blending and trust funds. Guidelines further require that any mandate indicators discussed with mandators that are not part of the EIB's regular framework need to be cleared by relevant Services (ECON, PJ). A dedicated service team was created in OPS/MM to provide monitoring and reporting support to mandate managers. SG/AS developed a catalogue of standardised indicators, and an automated management tool, which includes reporting functionalities: the Advisory Services application (ASApp). Monitoring and reporting are some of the key aspects slated for automation in the TOM project.

#### Box 8 TOM and ASApp

**The Target Operating Model.** The TOM report (March 2019) was drafted by external consultants based on joint inputs and guidance from OPS/MM and IT. TOM identifies the main areas of improvement in the current operating model and presents a strategic vision for the OPS/MM and IT functionalities on cost and risk reduction, including a long-term road map covering processes, systems and a people dimension for implementation of a more elaborated mandate management system (MMS) over the next two years.

**ASApp.** In cooperation with PJ, OPS and with the support of IT, SG/AS has developed an integrated solution for the Bank's technical assistance and advisory services activities to better deal with an increasing number of technical assistance facilities and assignments. Phase I, rolled out in April 2019, focuses on the technical assistance and advisory assignments delivered through external consultants and will replace the Serapis module. Phase II will focus on enhancing the functionalities developed in Phase I and on providing new features integrating additional advisory activities, including allocations to beneficiaries and intermediaries (technical assistance funds). Phase II will also aim at developing enhanced cost accounting and performance management functionalities, as well as fully integrating ReM in ASApp and improving the ReM methodology (better aligning it with business and reporting objectives).

<sup>35</sup> This process differs from what was in place prior to 2015-2016. At the time, the Bank had a separate procedure for the allocation of "partnership posts". Essentially, the distribution of additional positions provided for under a mandate would make the object of a separate decision by the Management Committee, which could be taken at any point in the year. With the sharp increase in the number of mandates, the procedure was discontinued, as it became time-consuming and detrimental to a clear overview of resources. The concept of "partnerships posts" was already under fire as in practice it was difficult to monitor the extent to which staff hired on such positions worked on related business.

<sup>36</sup> Inaccuracies in estimates may in fact be both frequent and significant, driven both by internal factors (pressure to prove ex-ante cost coverage) and external ones (change in economic circumstances triggering events, guarantee calls etc.).

### 4.3 Appropriate mandate-level governance arrangements

The design of a mandate's governance may be assessed as appropriate when it ensures that mandate management is both operational and accountable. At the heart of this is a constructive cooperation relationship that acknowledges and serves the interests of both parties while delivering on their overall and commonly held objectives.

**The governance arrangements<sup>37</sup> of EIB's mandates varied in terms of involvement and control exercised by the mandator.** At one end of the spectrum, the governance of the ELM, one of EIB's oldest mandates, is fully embedded in EIB's own structures. At the other end of the spectrum, the governance of EFSI is, arguably among the more complex ones, with one separate body making decisions at strategic level (the Steering Board) and another one involved at operational level (the Investment Committee). Variations in governance arrangements appear to be correlated with the "age" of mandates as well as with their nature. Generally speaking, older mandates and those where the EIB was sole mandatee had lighter governance structures, in which the EIB has a more prominent place. More recent and non-exclusive mandates have more elaborate arrangements, in which the EIB has less of a say. To illustrate, InnovFin, which was developed on the model of the Risk Sharing Finance Facility (RSFF), has a Steering Committee involved in decision-making at the strategic level, but the approval of operations is within the EIB's remit. On the contrary, for trust funds (where the EIB acts as manager) and especially for blending facilities (where the EIB is an implementing agent), the EIB only has the power to propose operations, but decision-making is largely out of its hands.

**Despite these variations, the governance structures of EIB mandates increasingly had standard features and were in all cases well integrated with EIB's own processes.** Most mandates studied have one governing body with responsibilities at the strategic level (set general orientations), and often also at the operational level (approve projects). About half the mandates in the sample are also FAFA-compliant, which is an additional standardising factor. As for all of the Bank's activities, mandates must be carried out under the responsibility of the EIB's governing bodies. As a result, the ultimate decisions about the Bank undertaking an operation and the conditions thereof need to be made at that level.

**Governance arrangements worked by and large well for all parties.** The mandate governing bodies for which the EIB provides the secretariat met regularly and carried out their tasks. For some specific mandates (EFSI, Cotonou and soon for trust funds), the EIB has deployed remote interaction technologies (platforms to submit documents), to improve the efficiency of exchanges between the mandator and the mandatee.

Working through an increasing number of mandates demanded substantial adaptation efforts from the Bank in coping with more complex processes practically and conceptually. All the while acknowledging that mandates unlocked new business opportunities, there was a widespread perception within the Bank that mandates, and particularly interacting with governing structures, generated additional work.

**Operations that made use of mandate resources with additional governance structures required additional efforts from staff.** Often there were more forms to fill in, additional justifications to provide and reporting. For example, mobilising grants for blending operations required filling in an application form that was not always straightforward. Working through mandates also meant convincing an additional set of stakeholders (for example steering committees) of an operation's worth, usually by stressing a different set of features than those needed to convince the Bank's own governing bodies.

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<sup>37</sup> "Governance arrangements" is the term used to denote the sharing of responsibilities between mandate stakeholders, such as the consultation and decision-making procedures, the reporting and accountability lines, and the roles of dedicated governing bodies. "Mandate governing bodies" refers to the steering committees or other similar structures set up to provide oversight as part of the mandate governance arrangements.

**The centralisation of the secretariat functions for mandates governing bodies contributed to economies of scale, timeliness and accuracy.** Building on the successful experience with the managing of the EFSI Secretariat, the Bank created a separate unit to handle the secretariat functions of various mandates, within its Secretariat General<sup>38</sup>. The choice was justified by the benefits of functional specialisation, including economies of scale and increased accuracy in executing tasks timely. By synchronising the meetings of mandates governing bodies with those of the Bank's own governing bodies, the risk of unnecessary delays in the approval process of operations were minimised. By participating in the meetings of these governing bodies, drafting detailed minutes and relaying key takeaways to EIB staff immediately after these meetings, the secretariat also played an important role in more consistent knowledge building and sharing. At mandate level, the existence of a dedicated specialised secretariat team has benefits in ensuring the governing bodies' points are carefully recorded and followed through. When governing bodies make observations or suggestions about specific features of proposed operations, the systematic records kept by the secretariat can be used to reduce the need for adjustments to subsequent similar proposals. At a more global level, the centralised approach to secretarial tasks is an opportunity for the Bank to ensure recurring points or similar requests made by governing bodies of various mandates are not only recorded, but also connected and, ideally, discussed and addressed holistically.

**With process issues increasingly under control, the Bank was able to focus on exploiting the opportunities that mandate governing bodies created.** The governing bodies proved their potential as privileged forums for discussion with mandators and other important stakeholders on mandate-related topics and beyond<sup>39</sup>. They also afforded opportunities to highlight and build on EIB's strengths and comparative advantages, as well as collect valuable input on points to improve and concrete ideas in that sense.

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<sup>38</sup> The unit currently covers the following mandates: EFSI, the Cotonou IF, CEF, InnovFin, FEMIP, FEMIP TF, EAP, EPTATF, ERIF TF, LCFP and WSF.

<sup>39</sup> Items are sometimes included on the agenda of these bodies and raised under the "Any other business" point that do not necessarily fall under the mandate, but are complementary or of interest to committee members. For instance, in the Cotonou Investment Facility Committee, questions are often raised on compliance matters (non-compliant jurisdictions) and the climate aspects of operations. To address these concerns, in early 2019, the relevant Services, PJ/ECOSO and OCCO delivered presentations to the committee, thereby showcasing the Bank's expertise in these areas.

## 5. IMPLEMENTATION OF MANDATES – EIB’S ORGANISATION, SYSTEMS AND ECONOMIC EFFICIENCY

This chapter answers the third question of this evaluation, namely “To what extent does the EIB’s organisational model and systems for mandate management facilitate the efficient and sustainable achievement of the EIB’s and mandators’ objectives?”

This question examines the measures the EIB took to achieve a more coherent and efficient management of mandate implementation, by focusing on three key areas<sup>40</sup>: the EIB’s organisational model; the tools and systems designed or rolled out to manage mandates (especially the OPS/MM TOM); and the economic efficiency of mandates for the EIB. The question focuses on the implementation of mandates, defined as the phase after a mandate is approved by the EIB governing bodies. Organisational aspects linked to the pre-approval phases of mandates (origination, development) were already discussed in Section 3.2.

The main findings across these criteria are outlined below.

### Box 9 Summary of findings on implementation of mandates

- The EIB has made substantial progress in ensuring that its organisational model met the increasingly complex needs of mandate management.
- The re-organisation has led to significant improvements and enabled the Bank to better meet its objectives and those of the mandators.
- Although the organisation changes have had many benefits, new challenges have emerged.
- The complexity and inadequacies in the underlying IT systems led to delays in implementing the organisational changes and in fully tackling operational risks.
- Major initiatives such as the TOM and ASApp are underway and have the potential to improve mandate readiness, system reliance and increased internal efficiency.
- The management of mandates and the new systems being developed demand a close cooperation across Services that is not yet in place.
- The EIB cost coverage has been systematically monitored and specific tools have been developed for that purpose. The EIB capital consumption can also be calculated.
- Cost coverage for the mandate activity was challenging and has worsened in recent years, primarily due to the (anticipated) effect of kicking off the EFSI implementation.
- The EIB’s approach to economic efficiency does not demonstrate sufficient attention for the mandators’ interests in this area.

### 5.1 Better EIB organisation for mandate implementation

**The EIB has made substantial progress in ensuring that its organisational model met the increasingly complex needs of mandate management.** A series of initiatives and organisational changes were made with the establishment of dedicated structures in 2012 (for advisory mandates) and 2015 (for investment mandates), which are briefly outlined in Figure 4 on page 17.

The creation of the new departments have enabled a centralised approach, which has allowed a greater degree of standardisation and specialisation in the origination, design and reporting on the mandates. Especially for investment mandates, the new arrangements have replaced the earlier decentralised approach, which had led to a high degree of variation and inconsistencies in mandate management. The centralised approach resulted in greater coherence of the mandate portfolio, standardised implementation models and quality mandate services focusing on auditability, accountability and organisational stability. A relevant organisational model has thus emerged for reducing the operational, legal and financial risks of the Bank that can further improve

<sup>40</sup> See Annex 2 for exact formulation of the judgement criteria (JC).

the efficiency and sustainability of the mandate business and maximise the implementation of mandates, thereby ensuring a sustainable long-term delivery model.

For investment mandates, the process was guided by a Mandate Management Comprehensive Plan (MMCP) which was implemented and successfully completed in response to the challenges identified in 2014. The main accomplishments included: the establishment of a mandate toolkit; the mandate life cycle definition; the introduction of an organisational framework in the form of a central department overseeing the EIB mandate activities and a new structure in form of a Mandate Management Steering Committee (MMSC) and shared meetings with the ASSC; and a plan of work to standardise, regularise and where possible automate the Bank's mandate reporting with additional focus on standardisation and improvements of this activity.

**The re-organisation has led to significant improvements and enabled the Bank to better meet its objectives and those of mandators.** Efficiency gains and synergies have emerged from the development of a common Bank-wide mandate language and terminology, the screening and ex-ante assessment of new mandates, the centralised review processes and cross-directorate consultations and the increasingly coordinated interaction with the European Commission in the negotiation and mandate implementation phases. Bank Services generally perceived the new organisational structure as a step forward<sup>41</sup>, by which it has been recognised that mandates are a key model of the EIB's business. Clear organisational responsibilities have been introduced internally, including for trust funds and risk-sharing types of mandates.

A separate Advisory Services Department has been set up to reduce the perceived conflict of interest between the EIB's role as advisory services provider and as market participant. The concern was that the EIB might advise clients not in their best interest, but to "feed" the EIB pipeline of projects. The setting-up of a separate department exclusively dedicated to advisory activity was meant to establish "Chinese walls" to reassure mandators. The issue of conflicting interests remains nonetheless complex and needs careful management with respect to the advisory activity, but also for some shared mechanism trust funds the EIB manages<sup>42</sup>.

**Although the organisational changes have had many benefits, new challenges have emerged.** The main observations, widely acknowledged across the Services are:

- Distance. The centralisation of mandate management increased the distance between mandate management and the underlying operations. This organisational choice requires additional efforts on all sides to ensure that (a) the officers undertaking operation are familiar with the relevant mandates as well as some of the larger institutional considerations to be able to effectively use the mandates and contribute to the delivery of expected results<sup>43</sup>, and (b) that operational considerations are well reflected in the design and negotiations of the mandates.
- Relationship management. Because of the distance between mandate management and the operational level, and because mandators still prefer first-hand contact with the staff involved in operations, many people remained involved in the mandator relationship, thereby maintaining the risk of multiple, sometimes divergent messages being sent to the mandator.
- Parallel procedures - Although the new procedures for managing mandates had many benefits, they still co-exist, rather than being mainstreamed into core Bank procedures. This requires staff to pay particularly attention that they take all relevant procedures into account.

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<sup>41</sup> The new centralised structure has responded at least partially to some of the earlier defined organisational issues such as an inability to speak with one voice and lack of ownership for cross-cutting issues. However, it is also stressed by Services outside OPS/MM that they need to be familiar, in their own teams, with the relevant mandates and how they are managed to ensure an effective delivery of the mandate.

<sup>42</sup> Shared-mechanism trust funds are those where the EIB acts as trust funds manager but also implementing agent.

<sup>43</sup> The setting-up of the Mandate Management Knowledge Sharing Platform plays an important role in addressing this issue.

- Organisational separation. - There is an organisational separation between the mandates managed by SG/AS and those managed by OPS/MM. Advisory Services has its own organisation, systems and procedures for managing its mandates even though investment mandates, in many cases also provide advisory services. There is also a separation between the management of advisory services, as some are managed by PJ, which also provides much of the technical input required by all advisory mandates.
- Coordination. Coordination of mandates across the Services improved, but risks are reported to persist in mandate implementation.
- Over-scrutiny. A number of Services expressed concerns about an overweight of scrutiny procedures in the mandate origination phase and insufficient focus on the implementation phase and improving the mandate delivery model as a whole.
- Incomplete organisational coverage. Mandates where the EIB had an implementation agent role or trust funds manager role were often managed under special non-EIB mandate-specific procedures. This made management difficult as they did not fit in well with the new procedures. Moreover, the centralisation and improvements to mandate management did not extend to partnerships covering financial cooperation, upstream cooperation and delegated own (i.e. EIB) resources.

While these points are recognised as shortcomings, adjustments and changes have been made over time to respond to them. Some measures taken have worked well, others less so. For some of these issues, it is not always clear what structural and organisational improvements could be made. Moreover, it is not clear whether all of these issues – or a completely different set – will continue to be relevant in the post-2020 environment.

## 5.2 Systems need improvements

**The complexity and inadequacies in the underlying IT systems led to delays in implementing the organisational changes and in fully tackling operational risk.** The full benefit of the organisational changes were delayed for both investment and advisory mandates. The Services have also underlined that operational risks are not yet fully under control. One of the main reasons was that the underlying systems and especially those relying on the Bank's information technology were not suitable for the special needs of the mandates. For example, the system still used for guarantee calls has been set up many years ago for the ELM. It cannot handle the increasingly complex arrangements of newer mandates which entail risk sharing, first loss provisions and custom-made guarantee triggers. Although much progress was made, it was also not possible to fully integrate some of the emerging mandate-specific tools and systems such as the Mandate Inventory, monitoring and reporting and others into the current IT systems of the Bank. Services further experienced challenges with ownership of data and responsibility for data, which made a transition to an integrated data management system difficult. In practice, information was often managed in separate spreadsheets, which was both time consuming and insecure.

**Major steps, such as the TOM and ASApp initiatives, have the potential to improve mandate readiness, system reliance and increased internal efficiency.** In response to the challenges noted, both the Mandate Management and Advisory Services Departments have launched new initiatives which are outlined below.

The Target Operating Model (TOM). The TOM report (see Box 8) presents a strategic vision for investment mandates with a focus on reducing costs and risk including a systematic road map covering processes, systems and a people dimension for implementation over the next two years. However, the TOM report does not capture all mandates (such as advisory mandates) or other types of partnerships with external parties (see Box 6). At least in its first phase, the TOM report focuses mainly on mandate activity flows and a description of mandate management activities and responsibilities from an OPS/MM perspective. The systems already used for back office tasks (such as the APCA<sup>44</sup>, the Transaction and Risk Management (TRM) module of WallStreet Suite or FK and, Commercial Loan Management (CLM)), which are essential for the mandate

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<sup>44</sup> APCA is the guarantee calls system currently used by the Bank.

implementation phase, are not consistently recognised in the “as-is” flow charts and activity descriptions. Neither are projected applications that could affect the “to be” situation, for the example the NOW application, which automates front to back instructions, that went live in October 2019, or the GCApp (Guarantee Call Application), projected for the first half of 2020.

Advisory Service application (‘ASApp’). ASApp links with OPS/MM systems where relevant, such as mandate inventory. It is integrated into the EIB IT landscape and facilitates approval workflows through an automated process, thus eliminating manual input and paper-based operations. ASApp is considered a good application by its users and is expected to facilitate cooperation and communication among Services on the validation and tracking of assignments. The full range of benefits that ASApp and, more generically a fully integrated system for advisory service management purposes, will however only materialise once all three phases are completed.

The TOM report has yet to start implementation, and the ASApp initiative is still to implement phases 2 and 3. NOW recently went live and GCApp is still in the development and testing phase. For all these applications, but especially the TOM project (which is larger and not yet started), there are risks that, without the allocation by the Bank of high-level priority and sufficient funding, it will not be implemented as planned given all the competing IT demands on the Bank<sup>45</sup>.

**The management of mandates and the new systems being developed demand a close cooperation across Services that is not yet fully established.** The introduction of the first rounds, in 2012 and 2015, of investment and advisory mandate management departments, procedures and some underlying systems was slowed down by insufficient buy-in and cooperation across Services<sup>46</sup>. Interviews with Services at the officer and management level showed that not enough attention has been paid to the human and personnel management aspects. To illustrate this, from the perspective of officers outside the mandate management departments, the set-up of the central structures was perceived in many cases as an additional complication, for example through additional layers of review. The overall level of understanding of the reasons behind the set-up of these structures and procedures was good, but ongoing efforts appear necessary to explain and show internally (to EIB staff) the operational value added of the more centralised approach<sup>47</sup>. From the perspective of the newly created central structures, the initial conditions under which new staff could be recruited were not conducive to ensure staff development and continuity, which was needed to smooth cooperation with colleagues in other parts of the Bank. Some of these issues have been addressed in the meantime, on both sides.

The new systems and procedures currently under consideration will also depend on a high level of cooperation between Services, ensuring buy-in and mainstreaming with pre-existing core systems and procedures. The introduction of IT systems by themselves will not have the full effect without recognising that the systems are dependent on changes in practices, including, possibly new incentives that reward cooperation across Services to optimise the use of mandates. Better involvement of the transversal Services (FI, RM) is also needed in particular in relation to the TOM, to further decrease operational risks. The evaluation did not identify an overall action plan for this.

### 5.3 Narrow view of economic efficiency

The EIB’s methodology to assess the economic efficiency of mandates, outlined in the Dynamic Framework, uses two parameters: cost coverage and capital consumption.

**The EIB’s cost coverage has been systematically monitored and specific tools have been developed for that purpose. The EIB capital consumption can also be calculated.** By its

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<sup>45</sup> Based on information available to the evaluation as of September 2019, the implementation of the TOM is one of the priorities of IT Department of the Bank. The Bank’s IT Strategy, on which the full roll-out of the TOM implementation is contingent, was yet to be approved.

<sup>46</sup> This information was triangulated through interviews with representatives of several Bank Services.

<sup>47</sup> This need is expected to decrease with time, especially if efforts to mainstream the mandate activity in the Bank’s “regular” business are undertaken and successful.

Statutes<sup>48</sup>, the EIB is required to cover its costs<sup>49</sup>. For a variety of reasons, pressure on the EIB to monitor its both its cost coverage and its capital consumption is increasing. Cost coverage is monitored both for advisory and investment mandates using a systematic integrated cost coverage monitoring system centred around each mandate owner. Prior to mandate acceptance, an automated budgetary tool is used to support the preparation of the ex-ante assessment, including the financial, budgetary and staff implications for new or amended mandates. The tool's results are systematically included as part of the proposal for acceptance by the Management Committee. For highly complex investment mandates such as EFSI, InnovFin and ELM, a more advanced Net Present Value (NPV) lifetime model has been developed and is in use<sup>50</sup>.

Capital consumption has only been assessed, until now, prior to the acceptance of the mandate<sup>51,52</sup>. The TOM report highlighted the need for an IT tool to support the calculation of capital consumption for every mandate. The development of such a tool is high priority but also considered highly complex, and therefore envisaged for Phase 2 of the TOM implementation. This evaluation was able to obtain, upon request, a computation of the actual capital consumption of relevant mandates from the Bank's Risk Management Department. This suggests that, even while waiting for the IT solution to be developed, periodically updated capital consumption figures could be provided by RM for the annual monitoring exercise using the Dynamic Framework, although these calculations require, for now, extensive manual intervention.

**Cost coverage related to mandate activity was challenging and has worsened in recent years.** This evaluation made an assessment of actual cost coverage for 2015-2018. Prior to the implementation of the MMCP, the Bank did not produce such data in a comparable format using the MMCP's definitions and classifications. The assessment shows that cost coverage has steadily decreased on a yearly basis from 2015 to 2018 (Figure 10). Mandate activity costs exceeded revenues from 2016 onwards, with a cost coverage ratio of 81% for 2016, 79% for 2017 and 76% for 2018.

The decrease in cost coverage for the mandate activity is driven by different elements. The Bank stepped up its engagements with a significant portion of new mandate activity, notably with EFSI, and this tended to increase the time lag between costs and revenues. The new mandate activity under EFSI was complex, with new clients and products. Operations tended to be smaller and therefore more time consuming and resource intensive. Consequently, the current EFSI cost coverage (from mandate inception to date) was quite negative. The significant decline in the mandates cost coverage ratio is mainly linked to EFSI activities, which in the last years represented a large portion of the EIB mandates' operational costs but only a marginal share of mandates' revenues.

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<sup>48</sup> Article 17.1 states that "Interest rates on loans to be granted by the Bank and commission and other charges shall be adjusted to conditions prevailing on the capital market and shall be calculated in such a way that the income therefrom shall enable the Bank to meet its obligations, to cover its expenses and risks and to build up a reserve fund (...)"

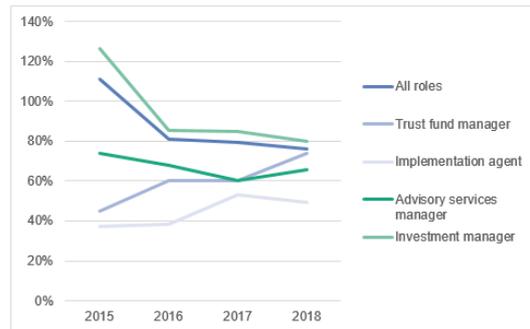
<sup>49</sup> This promotes a sustainable pricing system, which requires that the yield generated by lending activity (or other financial services) be high enough to cover funding, liquidity, administrative costs and expected losses as well as to maintain a capital buffer sufficient to protect the Bank against the impact of potential unexpected credit losses - with a high confidence level.

<sup>50</sup> The Bank plans to develop such models for all key mandates, including Cotonou and CEF.

<sup>51</sup> One of the two sub-criteria of the "economic efficiency" element of the Dynamic Mandate Assessment and Monitoring Framework scores a mandate's capital consumption, assigning a score of 0 to 3 based on the officer's informed judgement. RM also assesses quantitatively the capital consumption of a mandate before committing to it. In principle, actual figures could be used both ex-ante and for every subsequent yearly monitoring exercise. However, for now, the RM Department only calculates capital consumption for a mandate on an ad hoc basis, as this requires extensive manual intervention.

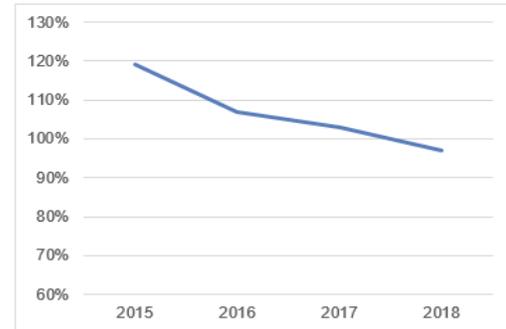
<sup>52</sup> Capital consumption is not an issue relevant for advisory mandates.

**Figure 10 Cost coverage evolution across EIB's four mandatee roles**



Source: EV analysis.

**Figure 11 Mandate's cost coverage ratio evolution, excluding EFSI**



Source: EV analysis.

The EFSI revenues for the EIB stemmed mainly from intermediation. The first EFSI agreement did not envisage management fees for the EIB. In 2015, the first year of EFSI's operation, the cost coverage ratio was 0%, moving up to 37% in 2018. As the portfolio of EFSI operations ramps up until the end of its investment phase, intermediation revenues will increase, thus generating an improvement in the EFSI's cost coverage ratio. Although EFSI significantly affects overall cost coverage, the ratio still decreased from 119% in 2015 to 97% in 2018 when EFSI is excluded, as shown in Figure 11.

Some mandates (especially the blending mandates) display quite a low disbursement rate, which affects revenue flows. The time lag with regard to the pattern for costs and revenues over the mandate's lifetime is increased as the loan is not disbursed and the EIB does not receive its related remuneration.

For the sake of comparability, all figures underlying Figure 10 above, are presented on a full cost coverage basis, including the ones for Advisory Services mandates. However, the general rules and specific conditions agreed by the Bank mean that full cost coverage is not an objective of advisory mandates. In 2010, the Board of Directors approved the Guiding Principles whereby advisory services should generate revenues that are sufficient to cover (only) the Bank's associated costs<sup>53</sup>. For some of the advisory mandates, the EIB also commits to absorb a portion of the initiative costs. In practice this means that the cost coverage of a mandate such as the Advisory Hub is by design around 60% (from a "full cost coverage perspective")<sup>54</sup>.

**The EIB approach to economic efficiency does not demonstrate sufficient attention for the mandators' interests in this area.** Economic efficiency is an area where mandator and mandatee interests overlap the least, as illustrated in Figure 2 (Section 2.2). The current process of monitoring cost coverage brings valuable information to the EIB when managing mandates. The timely detection of cost coverage issues has allowed the Bank to re-negotiate existing mandates or to identify design issues and better position itself during discussion with mandators about future mandates to avoid repeating similar situations. This is a sign of good management, which needs to be recognised. However, the current process does not sufficiently highlight the extent to which the Bank strives to maximise efficiency, in the sense of managing mandates at a lesser cost, aiming for higher levels of added value and additionality and optimising the use of mandates resources for each operation. Mandate origination and development processes have

<sup>53</sup> Associated costs are deemed to include all direct costs and none or only 50% of the indirect (overhead) costs incurred by the Bank in providing advisory services. The logic of associated costs is followed in the rules and rates included in the FAFA, which applies to several advisory mandate, namely EIAH, ELENA, fi-compass, JASPERS, InnovFin.

<sup>54</sup> The EIB committed to fund 25% of the costs of the initiative. From the remaining 75% of the costs, the European Commission reimburses only eligible costs, which follow the logic of "associated costs" described above.

some built in checks and balances on some of these issues, but not on others<sup>55</sup>. In the context of the next MFF when the EIB will not be the sole implementing body for the large European Commission initiatives anymore, the EIB may need to broaden its approach to economic efficiency to encompass a better understanding of the mandators' perspective as well.

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<sup>55</sup> Mandate developers, who need to ensure new mandate conditions are broadly acceptable both to mandators and to Bank governing bodies (especially with respect to cost coverage), do challenge cost assumptions proposed by Services when the mandate is being prepared.

## 6. RESULTS OF THE MANDATE ACTIVITY

This chapter answers the fourth question of this evaluation, namely “To what extent did the EIB mandate activity achieve expected results?”

Ideally, mandates should allow the EIB to support or finance a portfolio of operations that could not have been carried out (at least not to the same extent or within the same timeframe) by the EIB without the support of the mandate. The results targeted are, generally speaking, complex, obtained over a long time and difficult to measure, as they often require a counterfactual. This question examines the achievement of results from two different angles: (a) the results achieved and the extent to which monitoring allowed the tracking of results (Section 6.1 and 6.2) and (b) the performance of the EIB in its roles of advisory services, implementation agent, investment manager or trust fund manager (Sections 6.3 and 6.4). Section 6.5 reflects, based on findings across all evaluation questions, on the wider underlying factors that appear to have affected most the attainment of results.

The results achieved or likely to be achieved were examined primarily through a meta-analysis of pre-existing evaluations for eight mandates. This evaluation uses primarily the results of earlier evaluations and reviews to determine whether specific mandates' objectives and targets were achieved. The findings and conclusions of a sample of high quality evaluative reports for seven investment (WBIF, NIF, EFSI, ELM 2007-2013, ELM 2014-2020, LGTT, RSFF) and one advisory (JASPERS) mandates were reviewed. The sample included both closed and current mandates. In these evaluations, results were measured in terms of achieved outputs and outcomes, where, generally:

- Outputs were considered achieved when clients obtained EIB financing that met their needs. In some cases, this also included direct grants. Project approval-signatures and disbursements were used as proxy to assess the achievement of outputs. In the case of Advisory mandates, outputs were defined as enabling clients to improve their projects' quality and their overall (institutional) capacity.
- Outcomes were considered achieved when solutions were found that addressed complex challenges facing clients. A set of seven criteria were used, based on recent (and still evolving) work of the EIB that allows a systematic comparison across the eight sampled mandates. Although some of these criteria have only recently been developed, they broadly reflect the intentions of the mandates that were designed and implemented earlier. They were studied, in one form or another, in the evaluation reports forming the evidence base for answering this question<sup>56</sup>. The criteria are:
  - Financial contribution (improving the client's funding terms compared to alternative sources of finance, such as an interest rate reduction and/or longer lending tenor);
  - Financial facilitation (increasing the efficiency of other stakeholder support such as signalling effects for other lenders; leveraging third-party resources including European Commission funds; financial structuring and advice);
  - Technical contribution (providing non-financial services in the form of expert input and/or knowledge transfer);
  - The extent to which mandate operations addressed well-defined sub-optimal investment situations resulting from market failures;
  - Policy contribution (supporting and/or leveraging policy objectives);
  - The extent to which financial or non-financial contributions facilitated or strengthened the project in terms of scale, scope, quality, structure, timing etc.;
  - The extent to which the mandate and its operations were complementary to what is made available from other sources of financing.

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<sup>56</sup> The first three criteria reflect the third pillar of the 3PA methodology. The fourth one reflects pillar one of the same methodology. The last three criteria build on the additionality framework currently being developed.

In addition, each mandate has specific outcomes and the nature of results varies from mandate to mandate. Individual mandates have specific objectives and targets that concern clearly defined geographies, sectors, target group or issues.

The quality of the results reporting and the extent to which monitoring was used to inform mandate implementation were analysed. The rationale is that evidence of results will depend not only on the creation of the results themselves but also on the extent to which they have been monitored and reported on, because without being monitored and reported on, evidence of results will not be available even if the desired results have been achieved. Moreover, reporting from the EIB plays an important role in: (i) allowing the mandator to steer mandate implementation and the use of its funds; (ii) ensuring oversight; and (iii) increasing transparency.

With regard to the performance of the EIB in its different mandatee roles, which is used as a proxy for the likelihood of achieving results, the focus is on establishing the extent to which the actions that the EIB took to implement mandates were in accordance with the roles assigned to it. The logic is that if the EIB did everything it committed to, but mandate results did not materialise, explanations need to be found elsewhere – for example, in the assumptions on which the mandate was based, the mandate's design, or other contextual factors outside the EIB's control (such as market conditions).

#### Box 10 Summary of findings on results of the mandate activity

- The seven investment mandates in the sample achieved or are likely to achieve the expected level of investment (signatures).
- Previous evaluations concluded that important outcomes were achieved or are likely to be achieved.
- Although monitoring is improving, it was challenging to measure results and the degree of attainment and, to date, monitoring and reporting were used more for accountability than for steering purposes.
- Although the EIB honoured mandate-related contractual obligations, it did not meet all mandators' expectations.
- The extent to which mandates are used is only partially under the EIB's control.
- The EIB did not sufficiently emphasise its value, comparative advantage and potential in the mandate relationship, nor did it sufficiently explain the additionality of its operations in an accessible manner.
- Clarity of purpose, the mobilisation of comparative mandator and mandatee strengths, effective transversal cooperation within the Bank and an incentive environment that privileges the achievement of mandate objectives were important factors affecting results.
- Overall, the results demonstrate the EIB's contribution and potential for contribution to delivering on common EIB and mandator objectives.

### 6.1 Results identified by existing evaluations

**The seven investment mandates sampled achieved or are likely to achieve the expected level of investment (signatures).** The review indicates that the EIB has deployed financing to the expected level, even though the situation varied across mandates.

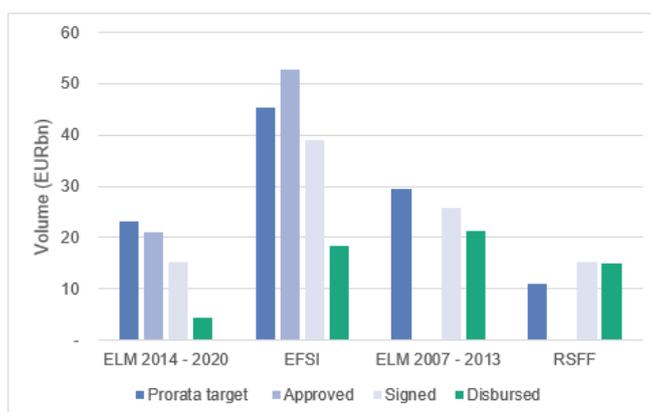
For guarantee and risk-sharing operations which were part of the sample described in the introduction of this section, (ELM 2007-2013, ELM 2014-2020, EFSI, RSFF)<sup>57</sup>, Figure 12 shows that the volume of signed operations was close to the expected level<sup>58</sup>.

<sup>57</sup> LGTT by nature of the instrument (guarantee) not applicable/no data.

<sup>58</sup> To perform this analysis, a "pro-rata target" was determined based on the time lapsed in the mandate's implementation period.

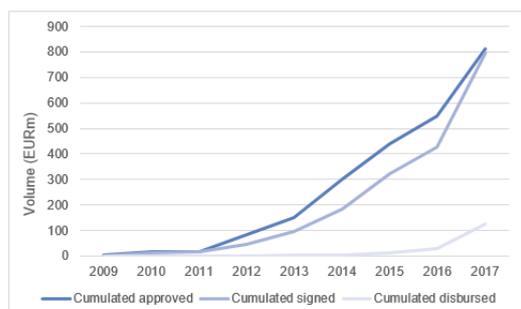
For blending operations (WBIF, NIF), it is not possible to measure EIB project financing against specific targets, as there is no multiannual indicative volume target or ceiling for these operations. Figure 13 and Figure 14 show a significant growth of the EIB's blending operations since 2015-2016, in terms of volume approved and signed<sup>59</sup>. The annual growth rates of approval and signatures under EU regional blending facilities were of around 20% for approvals and 60% for signatures, while they were around 70% under WBIF.

**Figure 12 Cumulative amounts approved, signed and disbursed under guarantee and risk-sharing facilities (2018)**



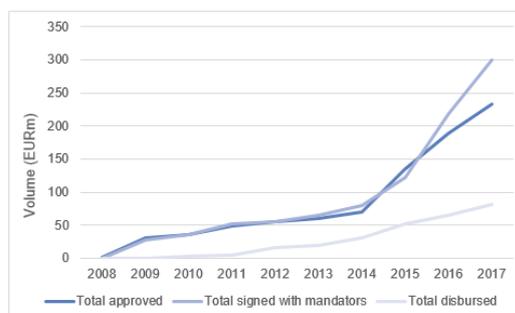
Source: EV analysis based on –data provided by EIB Services (end 2018).

**Figure 13 Cumulative amounts approved, signed and disbursed under regional blending facilities<sup>60</sup>**



Source: OPS/MM3 data from June 2018.

**Figure 14 Cumulative amounts approved, signed and disbursed per year on WBIF**



Source: OPS/MM3 data from June 2018.

The figures above also show that the volume of disbursements is much lower than the approved signed amount for ongoing mandates. The issue has been pointed out both by the mandator and the EIB<sup>62</sup> on a number of occasions. While it seems more pronounced for operations outside the European Union (ELM, and regional blending facilities), it remains an issue for operations within the European Union too (see Table 1).

The difference in disbursement times between mandate and non-mandate EIB operations has shrunk. In general, over the three MFF periods from 2000 to 2020, mandate operations took longer than non-mandate ones from signature to first

**Table 1 Pro-rata disbursement rates per mandate (2018)<sup>61</sup>**

Mandate	Pro-rata disbursement rates
<i>Current mandates</i>	
ELM 2014 – 2020	19%
EFSI	41%
WBIF	27%
NIF	11%
<i>Closed mandates</i>	
ELM 2007 - 2013	72%
RSSF	135%

Source: EV analysis based on OPS/MM data

<sup>59</sup> Figure 13 comprises all blending operations, not just the ones from the sample of mandates described in the introduction of this section.

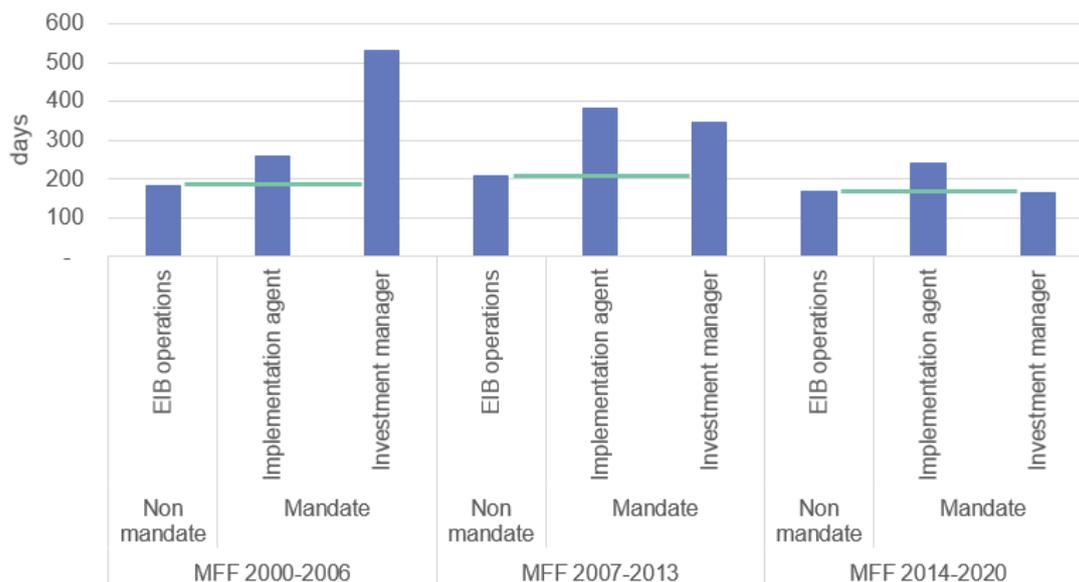
<sup>60</sup> The regional blending facilities are: AfIF, AIF, CIF, IFCA, IFP, LAIF and NIF.

<sup>61</sup> Pro-rata disbursement rates for ELM 2014-2020 and EFSI have been calculated as a proportion of disbursements compared with the multi-annual indicative volume target/ceiling for these operations adjusted to the period (e.g. initial mandate phase to 2018). WBIF and NIF disbursement rates are based on data provided by Services, as of June 2018.

<sup>62</sup> Mandator and EIB interviews 2017, 2019.

disbursement (Figure 15). The difference between mandate and non-mandate operations has diminished over time, with improvements in the rate of disbursement under the investment manager role being particularly noticeable.

**Figure 15 Average time lapsed from signature to first disbursement for mandate and non-mandate operations**



Average number of days from signature to 1<sup>st</sup> disbursement for Non-mandate EIB Operations

Source: EV analysis.

For blending operations, the EIB undertook an analysis, which identified some explanations for low disbursements levels, both within and outside of the control of the EIB:

- Slow implementation pace of public projects and large infrastructure projects due in part to a complex context as well as client and government weaknesses;
- The EIB procedures and organisational matters that have increased the distance between the EIB's project managers, clients and other implementing partners<sup>63</sup>;
- The EIB's signature-driven incentives.

No prior analysis was found to explain the disbursement levels for risk-sharing and guarantee operations.

**Previous evaluations concluded that important outcomes were achieved**, which demonstrate that mandates were able to address market failures and add value. However, these evaluations assessed the mandates' policy contribution (such as support and/or leverage for policy objectives) as weak overall. The meta-analysis of pre-existing evaluation reports for the eight sampled mandates shows that mandates have to a large extent facilitated and strengthened investments projects. All seven investment mandates were assessed as having addressed to some extent market failures (by supporting and increased investments in infrastructure, research and development, energy efficiency, climate change mitigation and private sector development projects within and outside the European Union)<sup>64</sup>. However, further analysis would be necessary to assess whether mandates financed riskier operations and whether mandates' contribution were complementary to the market. Based on the review of the pre-existing evaluation reports, there were indications that in some cases operations would have been undertaken without the mandate

<sup>63</sup> See also discussion in section 5.1.

<sup>64</sup> See Table 11 in Annex 3 for further details.

(namely EFSI, LGTT)<sup>65</sup>. There was also concern expressed about evidence that the mandates ran the risk to crowd out other international financial institutions (IFIs) (ELM<sup>66</sup>) and investors (EFSI<sup>67</sup>).

The review of the evaluation reports for the eight sampled mandates (WBIF, NIF, EFSI, ELM 2007-2013, ELM 2014-2020, LGTT, RSFF, JASPERS) shows that mandates demonstrated a satisfactory and sometimes good level of added value. Table 2 below shows that mandates were effective in catalysing or mobilising additional funds to investment projects (financial contribution), optimising cooperation with a broader set of partners and clients (financial facilitation), as well as in improving clients' knowledge and capacities to carry out better quality projects (technical contribution). However, the evaluation reports assessed the mandates' policy contribution less favourably.

**Table 2 Level of added value of eight mandates identified by pre-existing evaluations<sup>68</sup>**

Mandate	Financial contribution	Financial facilitation	Technical contribution	Policy contribution
WBIF	High	High	High	Not determined
NIF	High	High	High	Low
EFSI	High	High	High	Medium
LGTT	Medium	Low	n/a	Low
RSFF	Medium	High	n/a	n/a
ELM 2007-2013 and 2014-2020	High	High	High	Medium
JASPERS	n/a	n/a	High	n/a

Source: EV analysis based on information from pre-existing evaluation reports.

A recent comprehensive blending evaluation<sup>69</sup> provided further insight into the additionality and added value of blending operations, such as:

- Enabled market forces to reach marginalised population groups;
- Ensured that economically feasible projects with high environmental and social benefits go ahead even if they are not financially feasible;
- Provided and encouraged contribution to global public goods such as the mitigation of greenhouse gas emissions;
- Improved the information environment so that private sector actors could make the right decisions;
- Changed the perception of risk so that investors were encouraged to invest in productive investments;
- Introduced and developed capacity to make use of new technology;

<sup>65</sup> EIB interviews 2019. EC, Ex-post evaluation of the loan guarantee instrument for Trans-European Transport Network projects (LGTT), 2014. EIB, the Loan Guarantee Instrument for TEN-T Projects (LGTT) - An Evaluation Focusing on the Role of the EIB in the Implementation of the Instrument, 2014. ECA, European Fund for Strategic Investments: Action needed to make EFSI a full success, 2019.

<sup>66</sup> EC, Evaluation of the application of the 2014-2020 External Lending Mandate, Final Report, 2018. EC, Final Report for the External evaluation of the application of the European Union Guarantee for the EIB lending operations outside the European Union, 2016.

<sup>67</sup> ECA, European Fund for Strategic Investments: Action needed to make EFSI a full success, 2019. EV, Evaluation of the European Fund for Strategic Investments, June 2018. EC, Independent Evaluation of the EFSI Regulation, 2018.

<sup>68</sup> Relative scoring from low to high contribution refers to the detailed assessment provided in Table 10 in Annex 3.

<sup>69</sup> EC, Evaluation of Blending, Final Report, 2016. Neighbourhood Investment Fund operations were part of the sample of projects analysed during the evaluation (note this report evaluated just over 200 projects under EC Mandates of which approximately 25% were led by EIB, with EIB having a funding role as part of the Mutual Reliance Initiative for a majority of the remainder).

- Covered part of the political cost of difficult reforms.

The evaluation provided convincing evidence that although not all blending operations were a success, blending mandates had achieved results and, as a modality, they had a strong potential to do so. Furthermore, the review of evaluation reports for the investment mandates demonstrates that, in most cases, mandates achieved or were likely to achieve their specific objectives. Table 3 provides a qualitative assessment of the sampled mandate achievements and shows that mandates have largely contributed to increasing investments in the specific targeted area of interventions (finance to SMEs; increased investments in infrastructure projects, research and innovation; and climate change).

**Table 3 Achievement of mandates' specific objectives across the sample<sup>70</sup>**

Targeted areas	Current mandates				Closed mandates	
	WBIF	NIF	EFSI	ELM (2014-2020)	LGTT	RSFF
SMEs	Achieved	Not yet achieved	Achieved	Not yet achieved	n/a	n/a
Infrastructure	Achieved	Achieved	Achieved	Achieved	Not achieved	n/a
Research and innovation	n/a	n/a	Achieved	n/a	n/a	Achieved
Climate change	Achieved	Achieved	n/a	Achieved	n/a	n/a

Source: EV analysis based on evaluation reports of the mandates.

The WBIF, NIF and ELM evaluation reports pointed out the challenges in reaching SMEs. At the time of the WBIF evaluation (2015), progress towards increasing access to funds for SMEs was not measured, but there were indication that the WBIF was not fully adapted to SMEs specific needs and instead channelled grants to the Western Balkan Enterprise Development and Innovation Facility (WB EDIF)<sup>71</sup>. For the NIF, the evaluation report highlighted that increased access to fund by SMEs still required “*capacity building in the form of advisory services, training, product and systems development to financial partners*”<sup>72</sup>. With regard to the ELM 2014-2020, macroeconomic factors affected the demand of SMEs for loans<sup>73</sup>. In only one case (LGTT) the mandate was found to have not reached its full potential in meeting its specific objectives. The LGTT’s effectiveness had been limited by both contextual and design factors.

To further illustrate the results achieved, Table 4 shows a number of selected results from three major types of investments, as presented in pre-existing reports and material<sup>74</sup>.

**Table 4 Examples of results from selected mandates**

EFSI (within EU)	InnovFin (within EU and associated countries)	Mandates financing investments outside the EU
<ul style="list-style-type: none"> <li>• €398.6 billion investment mobilised.</li> </ul>	<ul style="list-style-type: none"> <li>• €14 billion of financing provided by the EIB and EIF.</li> </ul>	<ul style="list-style-type: none"> <li>• €23 billion investment supported outside the EU.</li> <li>• 100 new projects signed in 2017.</li> </ul>

<sup>70</sup> “Achieved” refers to mandate effectiveness, “not yet achieved” refers to limited results at the time of the evaluation report.

<sup>71</sup> EC, Evaluation of Western Balkans Investment Framework (WBIF), Final Report, 2015.

<sup>72</sup> EC, Mid-Term Evaluation of the Neighbourhood Investment Facility under the European Neighbourhood and Partnership Instrument (ENPI) 2007-2013, 2013.

<sup>73</sup> EC, Final Report for the External evaluation of the application of the European Union Guarantee for the EIB lending operations outside the European Union, 2016.

<sup>74</sup> The table illustrates specific achievements, based on available information. EFSI is the main investment instrument within the European Union. InnovFin is the major instrument to address investment in research and innovation. Furthermore, InnovFin built upon the RSFF, it is used to highlights some results, which could not be highlighted to the same extent from RSFF annual and evaluation reports. Finally the table illustrates results of investment outside the European Union, which encompass several mandates some of which are not from the sample, but does include ELM and blending.

EFSI (within EU)	InnovFin (within EU and associated countries)	Mandates financing investments outside the EU
<ul style="list-style-type: none"> <li>• €73.8 billion financing approved.</li> <li>• More than 1 000 operations</li> <li>• To benefit 949 000 small and medium-sized companies.</li> </ul>	<ul style="list-style-type: none"> <li>• 110 innovative projects and companies.</li> <li>• 590 000 jobs supported.</li> <li>• 11 000 small and early-stage enterprises have benefited.</li> </ul>	<ul style="list-style-type: none"> <li>• 542 000 jobs sustained in smaller businesses.</li> <li>• 17 million people benefiting from safer water and improved sanitation.</li> <li>• Electricity from renewables for 6 million homes.</li> </ul>

Source: Information presented as such in: EFSI EIB webpage ([link](#)); The EIB outside the EU. Financing Global Impact, 2017 ([link](#)). The InnovFin brochure ([link](#)) As InnovFin built upon the RSFF, it is used to highlights some results, which could not be highlighted through the same extent from RSFF annual reports.

**Overall the results demonstrate the EIB's contribution and potential to help deliver common EIB and mandator objectives.** Despite the many hindering factors, the evaluations undertaken demonstrated a strong mandate contribution and a potential for even stronger contribution provided the mutual strengths of the EIB and mandator could be harnessed. The evidence assembled demonstrates that the body of projects supported by mandates would not have been delivered, or not to the same extent or in the same timeframe, if the EIB and the mandators (primarily the European Commission) did not join forces<sup>75</sup>. Advisory mandates also contributed to an increased general knowledge of finance instruments as well as to improving the bankability of specific projects. Evidence in this sense was collected through the fi-compass survey, as well as other similar documents concerning the Advisory Hub, and the available evaluations (e.g. on JASPERS). Moreover, by mobilising its knowledge and ability to serve as a laboratory for the use of financial instruments for more than a decade, the EIB has contributed to developing a successful model for the use of financial instruments. Each new generation of instruments built on the previous ones. Expertise accumulated and there were improvements in design and implementation.

## 6.2 Challenges in reporting results

The evaluation explored the quality and use of reporting as a possible explanation for the availability of information concerning mandates results and their actual attainment.

**Overall, although reporting improved, it was challenging for the EIB to measure and to report on the degree of progress on results.** Results were reported on as part of contractual obligations. The volume of investment for project approval, signatures and disbursements by country and/or by sector was systematically reported for sampled investment mandates. Reporting for advisory mandates was more fragmented, even though some mandates systematically reported on the number of assignments contracted or requested (such as EIAH, JASPERS). However, there were indications that progress and results reporting, although contractually compliant with the legal framework of the mandate, was not sufficient to guide decision-making and ensure a good level of oversight<sup>76</sup>.

**Identifying the extent to which results were achieved was not straightforward for some older mandates and their underlying projects,** because they had weaker intervention logics and results frameworks<sup>77</sup>. It was for example not possible to assess the RSFF's contribution to

<sup>75</sup> As noted earlier (Questions 1 and 2 and the underlying judgement criteria) both the mandator and the EIB contributed to the origination and design analysis. For example sectoral DGs in the European Commission were able to make use of EIBs expertise to identify specific market gaps (including their size) and to lay out the reasons why using financial instruments were an appropriate way of addressing the gaps for the LGTT and RSFF. The Blending evaluation (2016) also noted that outside Europe, the EU delegations were constructive in providing wider institutional support to sector reforms which were beneficial for the sustainability of infrastructure projects financed by the Bank under mandates.

<sup>76</sup> Interviews, 2017.

<sup>77</sup> See also section 4.2. Interviews and evaluation reports pointed out issues concerning the weak results frameworks. For some there was a lack of clear indicators (e.g. RSFF, ELM, LGTT, EIAH, InnovFin),

the knowledge economy, as relevant indicators and the initial situation (baseline) were not defined<sup>78</sup>.

**Mandates' additionality and evidence of their catalysing effect was also difficult to demonstrate** due to a lack of clear definition of additionality, an absence of ex-ante assessment of market gaps and methodological challenges (such as the EFSI multiplier effect<sup>79</sup>, NIF financial leverage<sup>80</sup>). There was however over time an increased attention to defining indicators at design stage through a dialogue between the EIB and the mandator, and better use of the EIB systems<sup>81</sup>. Indicators were further developed and aligned with other international financial institutions (HIPSO<sup>82</sup>), increasing the availability of information on mandate results, especially at outcome level. This also facilitated collection of third-party data, avoiding multiple information requests to partners and borrowers. Furthermore, a clarification of the concept of additionality and its integration in the ReM and 3PA reporting system is ongoing.

**Many of the recent mandates had multiple layers of reporting, which made it difficult for the EIB to report to mandators according to their requirements and expectations solely by using its own systems.** The lack of standardisation in mandates' reporting requirements made it difficult to coordinate reporting. The EIB organisational set-up, where relevant information for reporting was managed by different directorates (OPS, PJ and TMR for operational reporting, FC and FI for financial reporting) also contributed to these difficulties. For example, monitoring the changes and advancement of NIF operations was challenging, as annual reports did not provide information on operational progress<sup>83</sup>, although operations were monitored. Several measures were taken quite early to standardise the reporting requirement across mandates and operations. The FAFA introduced some standardisation of requirements and procedures, although there remained variations among FAFA-compliant mandates with regard to the frequency of reporting as well as the use of templates<sup>84</sup>. For more recent mandates, attention was also given to the alignment and integration of mandates' results frameworks with the EIB internal system. EFSI and ELM 2014-2020 results frameworks were, for example, embedded in the EIB internal system, respectively 3PAs and ReM, facilitating aggregation of outcome-level results.

**The centralisation of mandate management improved progress and result reporting through a clarification of responsibilities and systems set-up.** A log was also created to follow monitoring requirement and delivery. Still, the challenges in coordinating reporting remains. Each department had its own tool and methods for harvesting and inputting data in their systems, and ensuring the quality of these systems' outputs, which are used for mandates reporting. So far, the EIB IT system has not rationalised and linked these different systems and therefore it remains difficult to share data within the Bank, integrate third party information, and share information externally<sup>85</sup>.

The timing of project implementation is also affecting the overall reporting of results. Only a few operations have yet been monitored at completion stage by ReM and 3PA, limiting the availability of information on achieved outcomes. Within the ReM and 3PA systems, result monitoring is conducted at operation completion (last disbursement) and three years later (in the case of ReM only). The review of existing evaluation reports for WBIF, NIF, EFSI, ELM 2007-2013, ELM 2014-20120, LGTT, RSFF shows that ReM and 3PA ex-ante assessment was used systematically, but completion reports were only used in two cases.

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and/or an agreed methodology on how to measure the leverage factor/multiplier effect and the additionality of operations (EFSI, InnovFin, blending).

<sup>78</sup> EIB, Second Evaluation of the Risk Sharing Finance Facility (RSFF), 2013.

<sup>79</sup> ECA, European Fund for Strategic Investments: Action needed to make EFSI a full success, 2019.

<sup>80</sup> EC, Mid-Term Evaluation of the Neighbourhood Investment Facility under the European Neighbourhood and Partnership Instrument (ENPI) 2007-2013, 2013.

<sup>81</sup> Interviews, 2019.

<sup>82</sup> HIPSO stands for Harmonised Indicators for Private Sector Operations.

<sup>83</sup> EC, Mid-Term Evaluation of the Neighbourhood Investment Facility under the European Neighbourhood and Partnership Instrument (ENPI) 2007-2013, 2013.

<sup>84</sup> These variations cater to differences between mandates within and outside the European Union, which are subject to different requirements and to mandator requests.

<sup>85</sup> EIB and mandator interviews, 2017 and 2019 and analysis of reporting requirements performed by OPS/MM in 2018. It must also be noted that data sharing is constrained by confidentiality rules, beyond challenges with the IT system.

**Progress and result reporting was used, but more for accountability than for steering the mandates.** Overall interviews and the examination of meeting records pointed out that progress and results reporting was more used for accountability than for steering the mandates. However, in several cases results reporting has been used to steer the mandates as indicated by mandates amendments and minutes of steering committees meetings. In one example, the geographic distribution of investments was tracked through the reports and decisions were taken, when possible, to adjust. There were also cases where trends highlighted by progress and results reporting were further analysed (such as low disbursements). In other cases (such as EFSI) the formal results frameworks were complemented by an open-ended requirement to report on ad hoc issues when requested. This led to some useful additions to the results reporting.

More generally, progress and results reporting was just one part of a wider system to steer the mandates. In practice, steering or executive committees made use of regular meetings as well as technical working groups to take decisions on the management of the mandate. Reporting was useful, but there were indications that the level and intensity of progress and results reporting was limiting its use to steer mandates. The volume of reports is significant and decision makers do not have enough time to absorb all the information. With most reporting happening annually, the information was not always timely enough to influence implementation.

### 6.3 A diligent mandatee

In addition to looking at the extent to which results of the mandate activity materialised, the evaluation examined the performance of the EIB in its mandatee role, as a proxy of the likelihood for results to be achieved, provided the initial design of mandates was appropriate. Performance has been framed in terms of delivering on contractual obligation, but also in terms of proactivity in the management of the mandate and in meeting mandators' expectations.

#### **The EIB honoured contractual obligations.**

There is a difference between the types of obligations the EIB assumed in mandates in which it plays a central role and those in which it plays a more marginal role (Box 11). However, in the majority of cases and irrespective of these differences, the evaluation found no evidence of the EIB not delivering on its contractual engagements. Reporting was regular, for both investment and advisory mandates. In the few cases where reports could not be delivered on time, this was communicated and agreed with the mandator<sup>86</sup>. In terms of identifying and implementing projects, as outlined in the analysis presented in section 6.1, the EIB met targets when these existed and delivered (or was set to deliver) expected outputs. In general, interviewed mandators concurred that the EIB was meeting its contractual obligations and high levels of satisfaction by the mandators were often recorded in the minutes of steering committee meetings.

**The EIB responded to all mandator requests that the Bank could accommodate within its own framework.** Examples include the risk reports for EFSI and for Cotonou mandates, as well as the studies carried out under EFSI to understand the underlying reasons for the uneven use

#### **Box 11 Clarity of obligations**

The EIB's obligations were more clearly defined for mandates where it played a central role (investment manager, trust fund manager). Such mandates, for example ELM, Cotonou and EFSI spelled out the tasks the EIB was expected to carry out, including often very specific parameters (leverage effect, sectoral, regional or generic investment targets, detailed content of reports).

Agreements concerning mandates where the EIB played an implementation agent role were less detailed, and typically did not put forth specific EIB obligations or targets. This was primarily a choice of the mandator, and one that, in light of its level of involvement in the design of the general scheme, the EIB could almost never shape. However, the absence of targets was also a rational choice of convenience for the EIB, since the objective of its participation in such schemes (typically the European Commission's regional blending facilities and global facilities) has been to explore new opportunities that were complementary, but not essential, to its core business.

<sup>86</sup> For investment mandates, the OPS/MM Director is informed monthly about the reports that needed to be produced for the various mandates under OPS/MM responsibility, and their status (sent on time, delayed with agreement of the mandator etc.).

of the facility across Europe. Other non-contractual requests, such as real-time access to Bank systems to feed mandator monitoring, could not be accommodated (for example due to IT security and confidentiality concerns).

**The EIB's proactivity vis-à-vis mandators has been improving.** As noted under the first evaluation question on origination, the EIB had limited control on the origination of some mandates, especially the larger mandates or those where the EIB played an implementation agent role. The EIB went to quite some lengths to solve issues arising during mandate implementation, and to increasingly anticipate them. The following three examples illustrate this point, and demonstrate the evolution towards a more proactive stance. Under the 2007-2013 MFF, the European Commission required managing authorities to issue a quite heavy statement of assurance on the closure of JESSICA programmes. To allow managing authorities whose funds it administered to do so, the EIB commissioned a series of special audits. This was a pragmatic solution, but one that was found quite late in the process. More recently, the EIB proposed to trigger the termination of the EU-AITF mandate, four years in advance of the planned end-date. The evaluation interprets this as an example of proactive management of a mandate based on a sound analysis of the context (the de facto obsolescence of the EU-AITF in light of the preference for using another mandate, the Africa Investment Platform (AIP), to contract grants; the low likelihood that the trust fund would be replenished etc.). The EIB has also made efforts to preserve the level of service and financial conditions offered to mandators, even in an unfavourable global financial context. For example, the EIB refrained from renegotiating mandate agreement clauses referring to the preservation of the mandator's capital, which essentially established a 0% interest rate floor for the mandator.

#### 6.4 Room to improve the partnership relationship

**The EIB did not meet all mandators' expectations<sup>87</sup>.** Mandators interviewed were overall positive about the EIB's performance as mandatee, but also highlighted areas for potential improvement<sup>88</sup>. They were generally positive on the EIB's responsiveness, accuracy and efficiency. They had more reservations on communication, as they stressed the importance of constant information flows and technical discussions to ensure the delivery of the mandate's objectives. Several mandators highlighted the importance of attitudes that make a positive difference towards mandate implementation. "Just" implementing a contract was not considered sufficient. True teamwork between the mandator and the EIB was needed, but has not always been the norm. The evaluation has not assessed the extent to which these expectations were reasonable and realistic. The evaluation is also fully aware that expectations and perceptions change over time and from person to person, leading to possible misalignments of interests and objectives between the mandator and the mandatee or even within the mandator's team. Irrespective of these aspects, dialogue and management of these expectations are the most constructive approaches to avoid that they negatively affect the relationship.

**Some mandates fell short of initial expectations of use.** When quantitative targets were not agreed in advance, the gap between expectations and achievement can be measured by the difference between, on the one hand, the resources made available under a mandate and the initial pipelines and, on the other hand, the actual funds effectively mobilised and the numbers of supported projects. An example where this gap was large is the LGTT. Out of an initial pipeline of 35 projects, only seven materialised<sup>89</sup>. Similarly, in its early years, the InnovFin and CEF debt

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<sup>87</sup> The evaluation uses the term "expectations" to refer to assumptions or hopes that are not explicitly spelled out in formal mandate documentation (especially the mandate agreements).

<sup>88</sup> Upwards of 20 interviews were carried out with mandators, all from the European Commission, covering 13 mandates. The standard interview grid required interviewees to assess among others a number of features of the EIB's performance, including proactivity, responsiveness, accuracy, transparency and efficiency.

<sup>89</sup> "The Loan Guarantee Instrument for TEN-T Projects (LGTT) - An Evaluation Focusing on the Role of the EIB in the Implementation of the Instrument", EIB Operations Evaluation, 2014, accessible [here](#). Explanatory factors are presented at length in this evaluation. These are both linked to the origination and design of the instrument, but also to an adverse evolution of market conditions.

instruments were not utilised to the extent envisaged during the design phase<sup>90</sup>. Past experience (see analysis in section 6.1, especially Figure 12) shows that by the time a mandate is closed, most funds are actually disbursed. However, in the course of the mandate, the disbursement lag casts a shadow on the assessment of EIB's performance as mandatee, even in cases where it is "natural"<sup>91</sup>. Mandates outcomes and impacts cannot plausibly be expected to be achieved if disbursements do not occur, and mandators are often under increasing pressure to show results.

**The extent to which mandates are used is only partially under the EIB's control.** On the one hand, as explained in Section 4.2, the EIB's activity is demand driven. This means the Bank can only intervene where the need for its products, including those designed with specific features in the context of mandates, and market conditions converge to result in an operation. In other words, the EIB cannot do more than what its tools and the market allow it to do. A good sense of the market (ideally backed up by solid market gap analyses) is a first step to design tools (i.e. mandates) that are relevant and therefore can be used extensively. But even so, results cannot be guaranteed, if the assumptions on which these tools were built do not (fully) hold. One area where the EIB's potential was not fully exploited is its unique insight into market conditions and relevant tools to address them. On the other hand, the Bank's incentive structure is not geared to encourage the use of mandates. In particular, frontline officers' performance is still primarily assessed against the volume of deals they generate (number and size of signed deals). This means that officers will use mandates, which typically enable smaller, more complex deals and require more work, only if no simpler option is available.

**The EIB did not sufficiently emphasise its value, comparative advantage and potential in the mandate relationship.** In the past, the EIB made little effort to build a case of its comparative advantage for specific mandates vis-à-vis mandators and other stakeholders. Particularly prior to the last MFF (2014-2020), the EIB was often European Commission's partner of choice by virtue of it being the EU bank, having a good coverage of the areas of interest for the European Commission and having a good experience with financial instruments. However, the study of 23 mandates<sup>92</sup> showed that the comparative advantage of the Bank was only mentioned a handful of times, and only once in a mandate's legal basis. Seen in the context of the earliest mandates, all of which were relatively small and often experimental, a simple justification was rational. The mandators knew the EIB and trusted it to implement mandates, and that was sufficient. The need to justify the comparative advantages of one mandatee over another became more relevant as mandates became larger, more visible and political and attracted attention from a variety of stakeholders (the European Parliament, for example) who were not as familiar with the Bank and did not have the same basis of past cooperation to extend a blanket of trust to the Bank.

**The EIB did not gear up sufficiently fast to explain the additionality of its operations in a manner accessible to the increasingly larger and more diverse group of stakeholders.** In general, the rationale of mandates is to allow mandator and mandatee join forces to support projects that neither could have adequately supported by itself. For larger risk-sharing mandates, the EIB would have difficulties making that argument at project level. For every project taken individually, it could have probably provided financing, even in the absence of a mandate. Nonetheless, as explained in different evaluations and studies, and enshrined in some mandates' legal basis (notably EFSI), the additionality of such mandates needs to be considered at portfolio level. The EIB could have not supported the same set of projects, or to the same extent, or in the same timeframe all other things being equal because of a host of regulatory and prudential constraints. Additionality at the portfolio level is harder for average audiences to grasp than additionality at project level. It is one of the reasons why early negative "assessments" of

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<sup>90</sup> An important reason for this was the overlap with EFSI. For more details, see "Evaluation of the European Fund for Strategic Investments", EIB Operations Evaluation, 2018, accessible [here](#). The problem was solved through a revision of InnovFin's debt instrument objectives, concluded in 2017, to focus it on market segments not covered by EFSI and on new thematic products. A revised delegation agreement for the CEF debt instrument to address the same sort of issues was signed in mid-2019.

<sup>91</sup> From the Bank's perspective, the disbursement situation is doubly problematic, as cost coverage ratios are affected, and undisbursed mandate funds remain in the EIB's accounts and are poorly remunerated, because of the current negative interest rate environment.

<sup>92</sup> See last column of Table 8 in Annex 2.

additionality, defined in the narrow sense of project-by-project additionality only<sup>93</sup>, spread a misconstrued but enduring sense of the EIB using mandates to carry out more of its own “business”, rather than pursuing common mandate interests. This is especially frustrating for Bank staff who have worked hard and also successfully to achieve additionality and development impact as documented, *inter alia*, in a recent evaluation of the Investment Facility of the Cotonou mandate<sup>94</sup>.

## 6.5 Underlying factors explaining results and the EIB’s performance as mandatee

**Clarity of purpose, the mobilisation of comparative mandator and mandatee strengths, effective transversal cooperation within the Bank and an incentive environment that drives quality rather than volume were important factors affecting results.** These factors were introduced earlier in the report. Most of these same factors also had a direct bearing on the performance of the EIB in its mandatee role. Four of the most important ones are summarised below:

- The degree to which the complementary strengths of both the Bank and the mandators were mobilised to take a proactive stance on ex-ante assessment that informs the mandate design and results framework. Neither the Bank nor the mandator, working alone, had all the required skills or systematically took a coordinating lead in ensuring sufficient ex-ante assessment of whether and how best to intervene. Where there was space for both parties to bring their comparative skills to bear, the mandate rationale, results frameworks and prospects for results were stronger, such as in the case of InnovFin and CEF. Where gaps in the roles of principle and agent emerged and the Bank was not able to be proactive, there was less opportunity to harness mutual strengths in the pursuit of results.
- The degree to which the incentive environment focused on quality and impact rather than on maximising business volumes. A shift towards more focus on impact is taking place but it is still far from complete. The new focus is itself subject to diverging pressures. On the one hand, the understanding that achieving impacts and better addressing unfulfilled market needs requires often more complicated deals with riskier clients. On the other hand, the need to carry out business within the parameters agreed by the Bank’s shareholders<sup>95</sup>.
- The degree to which cooperation across Bank Services is achieved. Mandates, their complexity and their distinct operating, reporting and management arrangements, put heightened demands on transversal cooperation and systems at the Bank. It was not easy to keep relevant Services informed and involved early on in the process, as the operational details were not clear and there was not much time or space to allow interaction of Services in defining mandates’ operational details. While this has improved, the widespread view among Services is that an imbalance between the scope of the work needed to manage mandates and the distribution of the additional resources to do so perdures.
- The degree to which all those involved have a clear sense of the strategic direction of their institution and the initiatives it engages in, especially for the complex investment mandates. Although at one level the EIB and mandator had an overall clear rationale and approach for mandates, a guiding strategy on why to do mandates and how to do mandates was missing on the EIB side, as noted in the analysis under question one (Section 3.1). There was still insufficient guidance at the operational level for how to manage the special business model of mandate activity (such as using support provided by the mandator to cater for additional risks) in relation to the main business model of the Bank (namely operate in risky areas but retain its AAA credit rating so as to offer stable and beneficial terms for its clients).

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<sup>93</sup> Bruegel Institute (Claeys & Leandro) “Assessing the Juncker Plan after one year”, 2016, accessible [here](#).

<sup>94</sup> This evaluation was completed in Q2 2019 and is expected to become public in 2020.

<sup>95</sup> Such as volume targets, sectoral coverage.

## 7. CONCLUSIONS AND RECOMMENDATIONS

### 7.1 Conclusions

*C1 – Mandates have achieved significant outputs and outcomes, demonstrating their value and relevance.*

Mandates in the sample achieved expected outputs, expressed in terms of level of investment at signature. For some ongoing mandates, disbursement levels remained somewhat low, by the EIB's own account, for a variety of reasons that are both within and outside the Bank's control. This is important because the achievement of outcomes is ultimately dependent on disbursements, and both the EIB and mandators are under increasing pressure to show outcomes. Disbursement levels also have cost coverage implications for the EIB (since costs accumulate, while revenues are mostly generated at or after disbursement).

The seven investment mandates sampled for the meta-analysis showed that mandates have, to a large extent, achieved important outcomes. They facilitated and strengthened operations and projects that contributed to the desired objectives. The meta-analysis also showed that mandates were assessed as having addressed market failures to some extent. It showed that mandates were effective in catalysing or mobilising additional funds to investment projects (financial contribution), optimising cooperation with a broader set of partners and clients (financial facilitation), as well as improving clients' knowledge and capacity to carry out better quality projects (technical contribution).

A range of internal and external factors contributed to the attainment of results. An important factor was the degree to which the complementary strengths of the Bank and the mandators were mobilised to take a proactive stance on ex-ante assessments that inform the mandate design and results frameworks. Neither the Bank nor the mandator, working alone, had all the skills necessary to assess ex-ante whether and how best to intervene. Where there was space for both parties to bring their comparative skills to bear, the mandate rationale, results frameworks and prospects for results were stronger. For example, the mandator and the Bank used their experience with earlier mandates (RSFF, PBI and LGTT) to design InnovFin and CEF, but also worked together to adjust these two mandates while ongoing, in order to minimise overlaps with EFSI. The incentive environment within the Bank and the degree to which it was geared to facilitate the achievement of mandate objectives was another influential factor. Also relevant was the degree to which cooperation across Bank Services was achieved and the extent to which the full skill range of the EIB was mobilised – acknowledging that mandates put heightened demands on transversal cooperation and systems. A further factor was the degree to which all those involved had a clear sense of the strategic direction in the management of mandates (why the Bank engaged in them and how), as this strengthened the targeting and selection of downstream operations.

*C2 – It has been challenging to identify, monitor and present mandates' outcomes, but there are signs of an improving trend.*

Identifying the extent to which results were achieved was not straightforward for some older mandates and the underlying projects, which are mature enough to have created results, because they had weak intervention logics and results frameworks. Newer mandates suffer less from similar issues, so the evidence of results from them is now more easily accessible.

Prospects for the identification of mandates' outcomes also improved thanks to new systems set up by the EIB in the past 5-7 years – the ReM and 3PA. These are comprehensive and systematic sets of results-oriented indicators and monitoring and reporting procedures at operation level for outside Europe (ReM) and within Europe (3PA). Aggregation of indicators at mandate level is possible. However, although rigorously applied, the ReM and 3PA have not been widely used to steer mandates. This is primarily because the systems are relatively new and, so far, only a few operations have been monitored at completion stage, therefore little information was available for aggregation.

In addition, in their current form, ReM and 3PA are not sufficient to meet all of mandators' sometimes implicit (rather than contractual), information expectations. The evaluation found that mandators feel they need more information, albeit not always defined in mandate agreements, allowing them to possibly take a more active role in steering mandates, but also allowing them to be accountable to their stakeholders for the performance of the mandates. Very often mandator expectations had to be managed to take into account the EIB's transparency and compliance requirements vis-à-vis its clients. Since mandators (especially the European Commission) contribute to mandates exclusively public funds that were entrusted to them for management, they need to prove that mandates achieved the impacts they were set up for and that they were a better way to achieve those results than other options. The ReM and 3PA were set up to systematically monitor and report on the EIB's added value in projects, but they were not initially designed or able to the same extent to monitor mandate impacts or the likelihood of impacts being achieved (which often requires counterfactual evidence), or additionality. Moreover, mandates required multiple layers of results reporting, with inputs from various Services. Using the EIB's own systems became even more complex when third-party systems or templates had to be used, as was commonly the case – especially when the Bank acted as implementation agent. In some instances, the Bank has used evaluations to gain insight and to report on topics of interest to mandators.

From the EIB's perspective, the tools needed to determine if mandates have allowed the EIB to go beyond what it could do under regular and special activities (within the European Union) have not been developed. The EIB, like other international financial institutions, is in the process of developing an operational definition and approach to identifying, monitoring and enhancing additionality in the sense of addressing market gaps or responding to sub-optimal investment situations, which should improve its ability to assess the additionality of mandates.

*C3 – The EIB has taken major steps to improve its organisation and systems for mandates, but not all initiatives are complete and new challenges are emerging.*

The Bank has embarked on a series of organisational and system changes, especially in the past four years, to optimise its mandate management and respond to the rapidly evolving context that saw an accelerating complexity and heterogeneity of mandates. Expectations on what mandates could and should achieve have increased, as did the demands on reporting and on cooperation across Services. The underlying IT systems supporting mandates became increasingly unable to serve mandates' growing complexity. At the same time, increasing pressure was put on mandate cost coverage.

The re-organisation resulted in significant improvements and enabled the Bank to better meet its objectives and those of mandators. Efficiency gains and synergies have emerged, and the Bank is now better able to coordinate interaction with the European Commission in the mandate negotiation and implementation phases. However, for both investment and advisory mandates, the full benefit of the organisational changes were delayed because the Bank's underlying systems and particularly its IT systems were not suitable for the special needs of the mandates. It was not possible to fully interconnect some of the tools and systems, such as the Mandate Inventory and the monitoring and reporting, with the Bank's current IT systems. As a result, information was often managed in separate off-line systems (such as Excel sheets), which was both time consuming and posed a security risk.

In response to these growing challenges, significant initiatives were launched for both investment and advisory mandates. For investment mandates, a TOM was recently devised, that presents a strategic vision with a focus on cost and risk reduction, including a road map covering processes, systems and a people dimension for implementation over the next two years. The initiative is led jointly by OPS/MM and IT. However, it is recognised that TOM is ambitious and will need to be carried out in phases. No clear date has yet been set for its implementation. Advisory Services introduced ASApp, which integrates existing systems to allow for a single user interface. This is a significant advance that will increase the information flow and efficiencies in managing advisory mandates.

*C4 – Although the organisational model and systems are sound, they are not without weakness and are highly dependent on good cross-Service cooperation.*

For some investment mandates, the centralisation of their management, although enabling standardisation, led to an increased perceived distance between mandate management and the underlying operations, as staff in the new centralised structure are not (no longer) directly involved in operations. Since mandators still prefer to have first-hand contact with the staff involved in operations, many people remained involved in the mandator relationship, thereby maintaining the risk of multiple, sometimes divergent messages being sent to the mandator.

Although the new manuals and procedures for the management of investment mandates had many benefits, they still remain separate from core Bank procedures. This requires enhanced attention from staff to make sure they take all relevant procedures into account. The roles of various Services have been clarified in the past years, but some overlaps and “grey areas” persist. A number of Services expressed concerns about an overweight of scrutiny procedures and insufficient focus on the implementation phase and on improving the mandate delivery model, especially for investment mandates. It has also been noted that the centralisation and improvements to mandate management did not extend to partnerships covering financial cooperation, upstream cooperation and delegated own (i.e. the EIB) resources. The organisational changes have not yet entirely been able to reduce these separations, which potentially increase the need for coordination and drive up costs.

Despite being among the priorities of the Bank’s IT department, there is a risk that the TOM and ASApp will not be implemented as planned, given the competing IT demands on the Bank. Moreover, the TOM in particular, at least in its first phase, understandably focuses mainly on the needs from the perspective of OPS/MM, and does not cover all mandate-related needs across Services. For this reason, it will likely take time before the full benefits of the new TOM system are felt across the Bank. This delay has become a concern for many in the Services, who otherwise support the TOM project. Coordination of mandates across Services improved, but risks are still present at the sub-mandate level where important decisions often have to be taken without the involvement of Bank governing bodies.

*C5 – The EIB met its mandate-related contractual obligations, but the potential of mandates and the partnership between mandator and the EIB has not yet been maximised.*

Among the mandates sampled, no instances were found of the EIB not meeting its contractual obligations. Mandators interviewed concurred that the EIB was meeting its contractual obligations. However, the evaluation also detected a sense that the EIB’s mandate activity had fallen short of expectations. The key reservations expressed by mandators were around: forthcoming provision of information (expectations were often not met because of the EIB’s confidentiality obligations towards its clients); the cost levels and efficiency of managing mandates; delays in disbursement and; the Bank’s incentives to pursue the smaller, more complex projects that the achievement of most mandate objectives requires.

The maximisation of the partnership role of the Bank vis-à-vis mandators has been affected by a level of uncertainty on “why to do” mandates and “how to do” mandates. Without this guidance, it was challenging for the Bank to take a proactive stance and mobilise its knowledge to make ex-ante studies and assessment and to incorporate findings into the mandate design and results frameworks. The Strategic Orientations of Advisory Services, the Mandate Management Implementation Plan and the Mandate Management Comprehensive Plan provided a good starting point. This basis now needs to be updated in the post 2020 context, with the potential to benefit from lessons learned over the past years. In light of the evolving context whereby the EIB is no longer considered as the only partner for the implementation of mandates, the EIB made insufficient effort to build and document a case for its comparative advantage for specific mandates vis-à-vis mandators and other stakeholders. The complexity of the mandates and the difficulty in operationalising the concepts of added value and additionality also made it challenging for the EIB to explain its role to an increasingly large and diverse group of stakeholders. The complexity of mandates was compounded by challenges in making them work within the Bank’s information systems. Moreover, the mandates heightened the demands on transversal

cooperation within the Bank, which was further complicated by the widely held view among staff that resources to manage the mandates had been unevenly distributed across services.

Nevertheless and despite challenges, overall the results demonstrated the EIB's contribution and potential for contribution to delivering on common EIB and mandators objectives. The evaluations undertaken demonstrate a strong EIB contribution and a potential for even stronger contribution, provided the mutual strengths of the EIB and mandators can be harnessed. The evidence assembled demonstrates that the body of projects supported by mandates would not have been delivered, or not to the same extent or in the same timeframe, if the EIB and the mandators (primarily the European Commission) had not joined forces. Advisory mandates also significantly contributed to an increased general knowledge of financial instruments, as well as to improving the bankability of specific projects. Evidence of this contribution was collected through the fi-compass survey, as well as through other similar documents concerning the Advisory Hub, and the available evaluations (such as on JASPERS). Moreover, by mobilising its knowledge and ability to serve as a pilot for the use of financial instruments for more than a decade, the EIB has contributed to developing a successful model for the use of financial instruments. Each new generation of instruments built on the previous ones with more expertise accumulated and better methods on all sides.

## 7.2 Recommendations

This section puts forth five recommendations. A short rationale is provided that outlines the underlying issue, drawing on the conclusions. Some operational means of implementing the recommendation are then provided, to illustrate and guide how the recommendation could be implemented in practice.

### **R1 – Update and strengthen the Bank's approach and strategy for engaging proactively in mandates, taking into account the changing environment.**

Rationale: The Bank's vision for engaging in mandates has become increasingly explicit over the past years. Further crystallising and detailing this vision in a strategy, as well as ensuring that it is understood and shared across the Bank, will help the EIB better position itself in the context created by the post-2020 MFF. Updating and strengthening the Bank's approach and strategy is opportune now to guide engagement with the European Commission during the new programming period and to highlight and proactively make use of the EIB's comparative advantage and accumulated experience in the design and implementation of mandates with the EC and beyond. Crafting a comprehensive partnership approach would also allow the Bank to reflect on the diversity of its mandate activity as a whole and to ensure all aspects of mandate management (such as back office activities, monitoring after the end of the investment period) are given equal consideration. (Linked to conclusions C2 and C5)

To this end, the Bank should:

- Provide clear guidance on the type of business that should be pursued with mandate support and which business should be pursued exclusively with own resources. This should be complemented by why, how, and in what circumstances the Bank should work with mandates, taking into account the likely future context for this activity, post 2020.
- Decide the appropriate level of an updated and strengthened approach and strategy. This could be, for example, at the level of mandates or that of partnerships (as defined by the EIB, See Box 6 on page 20).

## Management Response Agreed

Since the creation of EFSI, mandates have grown from a rather “niche” business of EIB<sup>96</sup> into a mainstream activity representing more than 25% of the COP (2018). The Bank is currently managing 38 mandates worth €178 billion, in both cash and guarantees<sup>97</sup>. This new business dimension has also been reflected in the creation of a designated Mandate Management Department in OPS, of an autonomous Advisory Services Department in SG (2011) and the creation of mandate focused teams in other directorates like RM, JU, PJ, FC, FI, etc.

The mandate management function was established in 2006 in the EIF, in preparation for the 2007-2013 programming period when JEREMIE (Joint European Resources for Micro to Medium Enterprises) was developed. Since JEREMIE, the EIB and EIF have efficiently and effectively cooperated to position the EIB Group with mandators and stakeholders while simultaneously recognising their respective areas of intervention and expertise. Relevant examples of EIB Group information sharing, cooperation and joint actions include the InvestEU Directors meeting, the Steering Committee on Decentralised Financial Instruments (“FISC”), and the Decentralised Financial Instruments Knowledge Lab (DFI).

On the back of this development, the approach and strategy towards lending mandates has changed in the recent past thanks to the following steps: (i) full implementation of the mandate comprehensive plan to improve the mandate management function including internal processes & systems, (ii) the set-up of a clear and unified mandate approval process, including the link to the Banks New Product Committee, (iii) a designated establishment of a steering committee chaired by the Vice-President to discuss strategic mandate issues in the Group, (iv) a unified approach to lifetime cost coverage of mandates as well as (v) targeted IT developments in order to bring down costs and reduce operational risks. Similarly, as far as Advisory Mandates are concerned and recalled in EV’s report (p 17), the Bank adopted a set of high-level orientations and developed procedures and guidance for specific topics such as pricing (2013). However, in the future, the Bank needs to be more strategic and selective when it comes to the creation of new mandates and the use of mandates versus the use of own capital in order to ensure the economic sustainability of the Bank’s own business as well as of the mandate business and also that mandates are well aligned with EIB objectives and priorities. This will also include the active management of the existing mandate portfolio and a more refined business planning of mandate versus non-mandate activities.

## **R2 – Give priority to the implementation of initiatives aimed at further streamlining procedures and systems and at reducing mandate-related operational risks as well as costs, such as TOM and ASApp.**

Rationale: The rapid growth and complexity of mandates that are outside the core business of the Bank have led to a situation in which the management of mandates is making demands that are different and sometimes beyond what can be managed by the underlying Bank procedures and systems. Careful attention has lessened the materialisation of risks. However, the danger of operational incidents in the future persists. (Linked to conclusions C3 and C4)

To this end, the Bank should:

- Ensure that the TOM, ASApp, GCApp and NOW initiatives are implemented without delay and that other systems needed for the smooth implementation of mandates (including for back office activities, monitoring after the end of the investment phase, etc.) are identified and scheduled for upgrade.

<sup>96</sup> Although some Institutional mandates such as ELM or ACP and advisory mandates such as JASPERS (2006) or ELENA (2009) were existing for more than decades.

<sup>97</sup> This total does not include advisory mandates, which pursue different and complementary objectives.

- Screen complex and demanding mandates to identify risks of operational incidents, for example by developing a simple risk assessment matrix.
- Complete testing and sharpening the Dynamic Framework for investment mandates (market gap analysis, policy effectiveness, capital consumption) and use more consistently and comprehensively the SG/AS screening tool for advisory mandates potentially in the monitoring and management of the portfolio too (on the model proposed by the Dynamic Framework) after updating or adjusting it if necessary.

#### Management Response Agreed

The Management is conscious of the increasing demands on systems and processes driven by mandates. Many organisational, procedural and IT-related measures have been already implemented as outlined in the report. There are several important IT projects and other developments, like External Assistance to provide Data Processing Services for OPS currently in an early stage of planning or implementation. Many of them are important reducing risks and improving the efficiency of the Bank's mandate management functions. The successful implementation of these initiatives depend on the integration into an overall Bank-wide strategy while the timeline should take into account the progress of other related projects. These initiatives are considered as a priority for the management in order to improve Banks's mandate management functions.

A new Dynamic Mandate Assessment and Monitoring Framework offers to monitor the entire mandate portfolio of the Bank based on both the policy/strategy dimension as well as the economic dimension (notably capital charge and cost coverage) but not specifically market gap.

### **R3 – Put in place change management and human resources interventions to ensure the success of mandate management systems being developed.**

Rationale: The Bank has taken significant steps in its organisational set-up which in turn is dependent on a new generation of procedures and IT-based systems that are now being rolled out. However for both organisational and system based initiatives to gain fully, there will need to be improvements in the level of transversal cooperation and in the driving incentives at operational level. (Linked to conclusions C3 and C4)

To this end, the Bank should:

- Ensure the introduction of TOM and ASApp initiatives is accompanied by a clearly planned process for the involvement, explanation to and buy-in by key staff in the relevant Services, so that there is a high degree of readiness for implementation.
- Incentivise staff to use and deliver on mandates, for example by cascading the objectives in the personal performance objectives of all relevant Bank Services.
- Periodically re-assess the deployment of resources among Bank Services to ensure it reflects the workloads generated by commitments made to mandators, as evidenced by cost accounting data and the Time and Labour system.

## Management Response Agreed

The delivery of certain large-scale mandate (especially EFSI) would have been impossible without effective change management. The Bank's management have implemented in the recent years a number of measures to foster change, communication and inter-Services cooperation (including Knowledge Labs, online platforms for knowledge exchange, internal trainings and seminars, etc.). Furthermore, a new Bank-wide programme "Working Together" is currently being designed to improve the way we work across the EIB, representing an opportunity to revise and strengthen processes and communication, and working towards a desired organisational culture that equips the Bank for the future.

It is also recognised that to further incentivise staff to use and deliver on mandates, managers in all relevant Bank Services, could cascade more consistently specific mandate objectives into personal performance objectives of staff across the Bank's Services.

The Bank's mandate business has grown into a fully integrated flagship activity. It is expected that business further grows both in terms of sophistication and ambition. It is therefore important to ensure that sufficient staffing is available, motivated and equipped with the necessary systems/processes to deliver.

In order to further incentivise staff to use and successfully deliver on mandates, PERS would engage with relevant Services reflection to possibly:

- Develop an objective setting framework for mandates helping managers in all relevant Bank Services to cascade specific objectives into personal performance objectives;
- Assess learning needs for staff working on mandates with a view to design and implement specific training where needs are not covered by already available learning and development activities and/or feed in to a wider discussion on Talent management targeting mandate staff.

The objective setting, learning assessment and roll-out should be accompanied with the involvement of dedicated support service teams from PERS.

## **R4 – In discussions of economic efficiency, include also the mandators' perspective, in addition to cost coverage and capital consumption.**

Rationale: Cost coverage of mandates is an important criterion for the acceptance of new mandates for the EIB and a constant concern for existing mandates. The focus on achieving cost coverage as agreed for each category of mandate, needs to remain strong, as it is a matter of the EIB respecting its own founding documents and core principles as an institution, as well as a matter of sound financial management, essential for the financial health of the organisation. However, from the perspective of a partnership relationship, the EIB needs to take into account the interests and constraints of mandators as well. Mandators are often under pressure to demonstrate that the use of the public funds that were entrusted to them was the most judicious one. As equal partner, the EIB has a duty to support mandators in this respect. This is also an opportunity to develop a higher and more efficient degree of partnership through better alignment of objectives and more in-depth work on respective complementary between partners.

To this end, the Bank should:

- Refocus the EIB's mandate-related communication to emphasise value for money. Ensure clear messaging and relationship management with the mandators.
- Build the mandators' confidence that mandates are managed to obtain greatest outcome for least use of mandate resources. For example, this could be done by setting up a mechanism or procedure, or even designating an existing structure, for example the

MMSC/ASSC to systematically assess if the proposed use of mandate resources is the most judicious one<sup>98</sup>.

### Management Response Agreed

The Management recognises that targeted and consistent communication, via channels respecting EIB governance, about mandate efficiency and effectiveness based on a “value for money” concept of EIB mandates could enrich the relations with mandators (as well as internal communication) and could have the potential to better position EIB as a strategic partner supporting projects with high outcomes. The Management would like to stress however that a balance would always have to be found between (i) mandators’ expectations, (ii) business/market requirements as well as (iii) implementation costs.

As far as Advisory Services are concerned, it is expected that most of outcomes will be quantitatively captured via ASApp while a narrative to underline qualitative aspects and indirect outcomes would also remain indispensable.

In that respect, several ongoing work streams are already underway which shall together help shaping the Bank’s ability to demonstrate “value for money” of its mandate business. These work streams include a review of the concept of additionality, which shall eventually help the Bank to demonstrate externally the value of its intervention, irrespective of whether EIB intervention is under a mandate or at own resources. Similarly, following the 2nd amendment of the FAFA, the Bank will engage with the EC in the review of the pillar assessment. The latter shall confirm the Bank’s ability to deliver mandates in line with EU requirements (including in key areas such as non-compliant jurisdictions, etc.) and therefore provide reassurance on the high standards applied by EIB in its mandate management and delivery. Moreover, the Bank shall finalise shortly internal guidelines on how to apply in its governance structures and approval processes the Blended Finance Principles for private sector operations outside the EU. Due to the scarcity of donor resources, the Principles are seen as a new standard for receiving grant money, which address, among others, the additionality, minimum concessionality element in order not to distort the market, and promotion of high standards.

In the next MFF, for the next generation of institutional mandates, the Bank will proactively work with the EC to ensure that adequate lessons are drawn from the experience of previous mandates, in particular as regards the designs of relevant KPIs and the monitoring of outcomes and impacts, notably, for advisory services, via a robust methodology and monitoring system (see also R5).

### **R5 – Develop a framework to periodically assess, in depth, the mandate progress towards attaining outcomes, impacts and additionality.**

Rationale: Mandators and other stakeholders increasingly demand early evidence that mandates are achieving more than what could be achieved without the mandate, that they are bound to deliver on expected outcomes and that they have the potential to generate positive impact. This is a new challenge for everybody, not just the Bank, as the complexity of outcomes, the extended timeframe for outcomes to emerge and the need to establish a counterfactual in order to prove impact do not tally easily with the need for early and continuous information to feed the steering of complex programmes such as the mandates. This requirement places a considerable burden on the Bank’s results reporting, which is in many cases beyond the capacity of routine monitoring that usually focuses on outputs and is carried out by project managers. The use of periodic evaluation may be a solution to this dilemma and could also support EIB efforts to boost its position in the mandate relationships. Being able to proactively and convincingly prove that

<sup>98</sup> Such a mechanism is already in place for EFSI, where the Investment Committee clears the use of the guarantee for each operation proposed.

mandates are going in the right direction to meet initial expectations, and that the hypothesis on which they were built are correct (or, on the contrary, need adjustments), would allow the Bank to reinforce the trust initially invested in it and to weigh in more on shaping mandates. (Linked to conclusions C2 and C5).

To this end, the Bank should:

- Determine how and at what intervals mandates could be assessed in depth, with the purpose of presenting evidence on progress towards achievement of outcomes, impact and additionality. Such an assessment could be performed on a self-standing basis or as part of an evaluation. Resources for this would need to be built into the mandate itself.
- Make better use of the ReM and 3PA by measuring selected indicators for operations carried out under a mandate not just at completion (or in the case of ReM also three years post completion), but also at critical points in a mandate's lifetime<sup>99</sup>. When aggregated at mandate level, such intermediate monitoring data could adequately inform the proposed periodic report.

#### Management Response Agreed

Services support the idea to have periodical and mid-term evaluation in particular to ensure that programmes are on track and aligned with their initial objectives.

Most of the Bank's mandates are regularly evaluated and audited to assess their progress in various dimensions. However, the development of a single and uniform framework as proposed would help to ensure consistency across the mandate portfolio, assuming that most of these evaluations are all defined at the beginning of the next EU programming period and providing that the programmes' evaluation is complementary and compliant with EU regulation in use.

Such periodic evaluations could be systematically conducted at mid-term and final stage of a mandate and blending programmes or – in the case of small mandates or programmes - a sample of mandates could be the basis of the assessment.

In general, the evaluation would be carried out either by external teams (financed and possibly supervised by mandators) or by internal resources such as the EIB EV team. However, duplication and evaluation fatigue should be avoided where and when possible. To the extent possible, cost coverage for this exercise should normally be ensured in the mandate agreement or could come from the EIB budget for evaluation purposes. The EIB EV team should be involved in the evaluation of these mandates/ blending projects or programmes at least as regards its design and terms of reference. It is to be noted/acknowledged that with respect to detailed impact assessments, evaluations are sometimes not feasible at reasonable cost and with guarantee of robustness in terms of external validity.

The further development of a robust outcome and impact measurement system over the medium term based would be explored on the basis of EIB current and acquired experience (3PA, ReM, revised definition of additionality, EV's own knowledge) and on an assessment of the potential financial and procedural implications for EIB operational Services. For new mandates and on a case by case basis, Services will select the EIB standardised monitoring indicators that need to be measured at critical points in a mandate's lifetime.

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<sup>99</sup> Outcome indicators could only be measured for completed projects, while output indicators could be measured for all ongoing projects under a mandate, hence providing information on progress towards and prospects for the achievement of mandate outcomes.

## Annex 1 – EIB mandates – key features

Table 5 EIB mandates – key features						
Name	Abbreviation	EIB role	Type	Amount (€ m) <sup>100</sup>	Investment period	Status
Decentralised Financial Instruments Fund-of-Funds*	DFI	Investment Manager	Direct Investment of Third-Party Funds	1 373	2016-2023	Implementation
Joint European Support for Sustainable Investment in City Areas	JESSICA	Investment Manager	Direct Investment of Third-Party Funds	964	2011-2016	Monitoring
Italian Risk Sharing Initiative	IRS-I	Investment Manager	Risk Sharing	500	2016-2020	Implementation
European Fund for Strategic Investment*	EFSI	Investment Manager	Risk Sharing	67 960	2015-2020	Implementation
Connecting Europe Facility* #	CEF	Investment Manager	Risk Sharing	3 653	2015-2020	Implementation
Loan Guarantee for TEN-T	LGTT	Investment Manager	Risk Sharing	527	2008-2013	Monitoring
Project Bond Instrument	PBI	Investment Manager	Risk Sharing	532	2012-2016	Monitoring
InnovFin - Financial Instruments under H2020* #	InnovFin	Investment Manager	Risk Sharing	11 300	2014-2022	Implementation
Risk Sharing Finance Facility	RSFF	Investment Manager	Risk Sharing	11 013	2007-2013	Monitoring
Cotonou-OR - Protocol 3*	Cotonou-OR 3	Investment Manager	Portfolio Guarantee	3 239	2014-2020	Implementation
Cotonou - Protocol 1 and 2	Cotonou-OR 1/2	Investment Manager	Portfolio Guarantee	4 340	2003-2013	Monitoring
Cotonou - Investment Facility*	Cotonou-IF	Investment Manager	Direct Investment of Third-Party Funds	3 685	2003-2020	Implementation
External Lending Mandate (2014-2020)*	ELM 2014-2020	Investment Manager	Portfolio Guarantee	32 300	2014-2020	Implementation
External Lending Mandate (2000-2007 / 2007 -2013)	ELM 2000 - 2013	Investment Manager	Portfolio Guarantee	49 582	2000-2013	Monitoring
ELM Old Protocols	ELM Old Protocols	Investment Manager	Portfolio Guarantee	18 886	1978-2005	Monitoring
Lomé	Lomé	Investment Manager	Portfolio Guarantee	4 038	1985-1999	Monitoring

<sup>100</sup> Amounts represent multi-annual Indicative volume targets/ceilings as reported in the Mandate Management quarterly performance report. For advisory mandates, no figures are presented in this table as the available budget is defined through periodic agreements between the EIB and the mandator that define the maximum mandator contribution and related EIB participation for a given period.

Name	Abbreviation	EIB role	Type	Amount (€ m) <sup>100</sup>	Investment period	Status
EU-EDFI Private Sector Development Facility	EU-EDFI	Investment Manager	Direct Investment of Third-Party Funds	43	2014-2019	Implementation
Natural Capital Financing Facility <sup>#</sup>	NCFF	Investment Manager	Risk Sharing	125	2014-2019	Implementation
Private Finance for Energy Efficiency <sup>#</sup>	PF4EE	Investment Manager	Guarantee Instrument	72	2014-2017	Implementation
Guarantee Fund for Greek SMEs	GGF	Investment Manager	Risk Sharing	600	2012-2015	Implementation
Spanish Investment Initiative (Agencia Española de Cooperación Internacional para el Desarrollo)	AECID	Investment Manager	Direct Investment of Third-Party Funds	100	2011-2014	Monitoring
Facility for Euro-Mediterranean Investment and Partnership Management Agreement - European Neighbourhood and Partnership Instrument <sup>#</sup>	FEMIP ENPI	Investment Manager	Direct Investment of Third-Party Funds	224	2007-2014	Implementation
Economic Resilience Initiative Fund	ERIF	Trust Fund Manager	Trust Fund - EIB excl. mechanism	129	2017-2020	Implementation
Water Sector Fund	WSF	Trust Fund Manager	Trust Fund - EIB excl. mechanism	2	2017-	Implementation
The Eastern Partnership Technical Assistance Trust Fund	EPTATF	Trust Fund Manager	Trust Fund - EIB excl. mechanism	40	2010-2017	Implementation
Neighbourhood Investment Facility Trust Fund	NIF TF	Trust Fund Manager	Trust Fund - shared mechanism	86	2008-2020	Implementation
EU-Africa Infrastructure Trust Fund	EU-AITF	Trust Fund Manager	Trust Fund - shared mechanism	815	2007-	Implementation
FEMIP Trust Fund	FTF	Trust Fund Manager	Trust Fund - EIB excl. mechanism	83	2004-	Implementation
Luxembourg-EIB Climate Finance Platform	LCFP	Trust Fund Manager	Trust Fund - EIB excl. mechanism	30	2017-2019	Implementation
EU Regional Trust Fund in Response to the Syrian Crisis (Madad Fund)	MADAD	Trust Fund Manager	Trust Fund - shared mechanism	733	2018-	Implementation
Global Concessional Finance Facility	GCOFF	Implementation Agent	Non-EU Blending	370	2016-	Implementation
Africa Investment Platform <sup>#</sup>	AIP	Implementation Agent	Non-EU Blending	1 800	2015-2020	Implementation
Green Climate Fund	GCF	Implementation Agent	Non-EU Blending	50	2014-	Implementation
Caribbean Investment Facility	CIF	Implementation Agent	Non-EU Blending	135	2012-2020	Implementation
Investment Facility for the Pacific	IFP	Implementation Agent	Non-EU Blending	20	2012-2020	Implementation

Name	Abbreviation	EIB role	Type	Amount (€ m) <sup>100</sup>	Investment period	Status
Asia Investment Facility <sup>#</sup>	AIF	Implementation Agent	Non-EU Blending	203	2010-2020	Implementation
Investment Facility for Central Asia	IFCA	Implementation Agent	Non-EU Blending	225	2010-2020	Implementation
Latin America Investment Facility <sup>#</sup>	LAIF	Implementation Agent	Non-EU Blending	320	2010-2020	Implementation
Eastern Europe Environment and Energy Efficiency Partnership Fund	E5P	Implementation Agent	Non-EU Blending	1 012	2009-2020	Implementation
Neighbourhood Investment Platform <sup>#</sup>	NIP	Implementation Agent	Non-EU Blending	1 653	2008-2020	Implementation
Western Balkans Investment Framework <sup>#</sup>	WBIF	Implementation Agent	Blending	1 560	2008-2020	Implementation
Economic Resilience Initiative TA	ERI	Advisory Services	Advisory		2016-	Implementation
European Investment Advisory Hub <sup>#</sup>	EIAH	Advisory Services	Advisory		2014-	Implementation
Financial Instruments Compass <sup>#</sup>	fi-compass	Advisory Services	Advisory		2014-	Implementation
InnovFin Advisory <sup>#</sup>	IFA	Advisory Services	Advisory		2014-	Implementation
Project Advisory Support Service Agreement	PASSA	Advisory Services	Advisory		2013-	Implementation
European Local Energy Assistance Facility <sup>#</sup>	ELENA	Advisory Services	Advisory		2009-	Implementation
Western Balkans Enterprise Development & Innovation Facility	WB EDIF	Advisory Services	Advisory		2009-	Implementation
Joint Assistance for Supporting Projects in European Regions <sup>#</sup>	JASPERS	Advisory Services	Advisory		2007-	Implementation

Source: EV based on the Mandate Inventory application complemented by information from the Advisory Services 2017 Annual Report. The asterisk following some mandate names flags institutional mandates. The hash (#) following some mandates' name indicates mandates that follow the FAFA.

## Annex 2 – Evaluation approach and framework

This evaluation’s main objective is to examine the extent to which the design and functioning of the mandate activity achieved expected objectives and how this could be improved, where needed. The evaluation tries to capture the results to date of the EIB mandate activity. By results, EV means not only achieving output targets, but also intended outcomes and possibly impacts. An evaluation centred on results and explanatory factors for results (or their absence) is appropriate at this point in time, since the EIB’s mandate activity has evolved rapidly towards a more mature phase. Such an evaluation could also contribute to the EIB’s ongoing efforts to position itself vis-à-vis new policy directions, by offering a clear view of what worked, what didn’t and why.

Based on these considerations, a set of four evaluation questions was developed, covering origination, design, implementation and results, broadly corresponding to the usual evaluation criteria of relevance, efficiency and effectiveness. These questions and judgement criteria are presented in Table 6 and developed in more detail in Table 9 below (the evaluation framework).

Table 6 Evaluation questions and judgement criteria	
Question	Judgement criteria
Q1. To what extent has the EIB’s mandate origination, selection and approval process resulted in mandates that support the achievement of EIB’s objectives?	<p>1.1 The degree to which the EIB processes of origination, selection and approval are systematic, consistent and realistic.</p> <p>1.2 The degree to which the mandates adopted were a good fit with the EIB objectives and adhered to internal quality rationale.</p>
Q2. To what extent has the design of mandates facilitated the achievement of their objectives?	<p>2.1 The degree to which the quality of the results frameworks adheres to best practice.</p> <p>2.2 The degree to which the governance arrangements of the mandates are clear and accountable.</p>
Q3. To what extent does the EIB’s organisational model and systems for mandate management facilitate the efficient and sustainable achievement of the EIB’s and mandators’ objectives?	<p>3.1 The degree to which the overall organisational model enables the EIB to manage its mandates in a coherent and efficient manner.</p> <p>3.2 The degree to which the systems and the TOM enable the EIB to manage its mandates in a coherent and efficient manner.</p> <p>3.3 The degree to which mandates are economically efficient for the EIB.</p>
Q4. To what extent did the EIB mandate activity achieve or is likely to achieve its expected results?	<p>4.1 The degree to which results reporting has adhered to agreed results frameworks and has been used to inform ongoing operations.</p> <p>4.2 The degree to which mandates results were achieved or are likely to be achieved.</p> <p>4.3 The degree to which the EIB has performed in its mandatee role.</p>

Source: EV

Originally, question 4 on results had an additional judgement criteria which looked at the degree to which the EIB’s objectives for the mandate activity were achieved in the sense that the EIB financed a portfolio of operations that otherwise would not have financed or not to the same extent without mandates. During the evaluation, this area of enquiry was merged into the more general consideration of results and the judgement criteria on the degree to which mandate results were achieved or likely to be achieved. It was found that results and the topics of EIB additionality and added value were better treated under a single judgement criterion.

EV used a mix of methods for both data collection and analysis, including a thorough portfolio analysis of the EIB’s mandates; an in-depth review of selected mandates; more than 100 interviews with EIB staff and 20 with mandators carried out from 2017 to 2019; and an analysis of existing evaluations and studies related to the EIB mandates.

**The evaluation looked at both evidence of results and evidence that the principles and methods that are expected to lead to results have been applied.** The nature of results vary from mandate to mandate. However, by engaging in mandated activity, the EIB aims to finance projects, which are in line with its policy goals, and which the EIB alone could not have supported, or not on the same terms or to the same extent, or within the same timeframe, by itself. Mandates allow the EIB to offer higher levels of concessionality to clients through blending. They increase the EIB's risk bearing capacity. They mobilise the EIB's skills and experience through advisory services.

**The evaluation further traced how well the mandates were originated, designed, implemented and monitored.** This allowed the evaluation to reflect on current practice and, where possible, to isolate and draw conclusions about the factors that affected the achievement, or not, of results.

**The focus of the evaluation was the Bank's mandate activity as a whole,** not (a collection of) individual mandates. The analysis focused on the EIB's principles, procedures and general approach to mandates. The scope covered, in principle, all mandates managed by the EIB – institutional, operational, advisory – both within and outside the European Union. The core period under consideration was from 2014 – when the Bank's mandate activity increased considerably and when most efforts for rationalising it (such as putting in place institutional arrangements and procedures) were concentrated – to the present.

**The evaluation used, to the extent possible, material and evidence already collected in previous phases of the evaluation,** after updating the information and ensuring its validity. As mentioned, a meta-analysis of selected studies and evaluations of the EIB's current and past mandates was also carried out. Additional documentary information was collected and interviews carried out. No field visits were undertaken.

**The evaluation adopted a dynamic analysis that is sensitive to the changes made.** As the EIB approach to mandates has been undergoing significant changes over the past years, both for advisory and for investment mandates, historical evidence does not always represent present practice. At the same time, present practices have not had the time to prove their effectiveness and efficiency.

**Some of the evaluation questions and judgement criteria were answered primarily based on an analysis of principles, approaches and procedures.** Other questions required a mix of this type of analysis with an analysis at the individual mandate level. An analysis of principles, approaches and procedures focused on current practices and procedures, but these have changed significantly over the recent years and the main objective of the evaluation is forward-looking. Their evolution over time was only described when necessary.

**The sample of mandates studied in more detail was tailored to each question and judgement criterion,** based on the relevant characteristic of mandates and specificities of the approach proposed (see Table 7 and 8 below).

**Table 7 Judgement criteria and sampling approach**

Judgement criteria	Basis of judgement*	Sampling approach
1.1 The degree to which the EIB processes of origination, selection and approval are systematic, consistent and realistic.	CP	n/a
1.2 The degree to which the mandates adopted were a good fit with the EIB objectives and adhered to internal quality rationale.	CP&SM	All mandates screened through the Dynamic Framework and SG/AS equivalent.
2.1 The degree to which the quality of the results frameworks adheres to best practice.	CP&SM	All mandates in the sample of JC 4.2 (see below); all "new" mandates (signed in 2017 and 2018); all 23 mandates in the sample of the previous phases of the evaluation.

Judgement criteria	Basis of judgement*	Sampling approach
2.2 The degree to which the governance arrangements of the mandates are clear and accountable.	CP&SM	All active mandates with an external governance structure (22); plus all mandates in the sample of JC 4.2; plus up to four active mandates with no external governance structure, provided the total sample remains below 30.
3.1 The degree to which the overall organisational model enables the EIB to manage its mandates in a coherent and efficient manner.	CP	n/a
3.2 The degree to which the systems and the TOM enable the EIB to manage its mandates in a coherent and efficient manner.	CP	n/a
3.3 The degree to which mandates are economically efficient for the EIB.	CP&SM	All mandates screened through the Dynamic Framework and SG/AS equivalent.
4.1 The degree to which results reporting has adhered to agreed results frameworks and has been used to inform ongoing operations.	CP&SM	Same sample as for JC 2.1 (minus the "new" mandates if reporting did not start).
4.2 The degree to which mandates results were achieved or are likely to be achieved.	CP&SM	All mandates who have been evaluated /studied, after the quality of the evaluations was assessed on the following: (i) the independence of the evaluation; (ii) the availability of evidence on mandates results; (iii) the quality of the report and methodology in general.
4.3 The degree to which the EIB has performed in its mandatee role.	CP&SM	All mandates in the sample of JC 4.2 plus additional mandates to ensure adequate coverage/representativeness for the four roles, checking for the mix of mandate sizes and features and avoiding outliers to the extent possible and very recent mandates (estimated total 15 mandates).

Source: EV\* CP= current practice; SM= selected mandates

Table 8 below indicates which mandates served as a basis for analysis for each judgement criterion.

Table 8 Sample mandates								
Short Name <sup>101</sup>	JC 1.2	JC 2.1	JC 2.2	JC 3.3	JC 4.1	JC 4.2	JC 4.3	2016 <sup>102</sup>
DFI	X	X		X	X			X
JESSICA								
EIAH	X	X		X	X		X	X
ELENA	X	X		X	X			X
fi-compass	X	X		X	X		X	X
IFA	X	X		X	X			X
JASPERS	X	X		X	X	X	X	X
PASSA	X			X				
WB-EDIF	X			X				
ERI	X			X				
AIF	X	X	X	X	X			X
AIP	X	X	X	X	X			X
CIF	X	X	X	X	X		X	X

<sup>101</sup> For a full name of each mandate, please see Annex 1 above.

<sup>102</sup> This column indicates which mandates were studied in depth in as part of early work on this evaluation.

Short Name <sup>101</sup>	JC 1.2	JC 2.1	JC 2.2	JC 3.3	JC 4.1	JC 4.2	JC 4.3	2016 <sup>102</sup>
E5P	X		X	X				
GCF	X		X	X				
GCFE	X		X	X				
IFCA	X	X	X	X	X			X
IFP	X	X	X	X	X			X
LAIF	X	X	X	X	X			X
LCEP	X	X	X	X				
NIP	X	X	X	X	X	X	X	X
WBIF	X	X	X	X	X	X	X	X
Cotonou-IF	X	X	X	X	X		X	X
AECID								
EU-EDFI	X	X		X	X			X
FEMIP ENPI	X		X	X			X	
Cotonou-OR 1/2								
Cotonou-OR 3	X		X	X				
CEF	X	X	X	X	X			X
PBI								
LGTT		X			X	X	X	
EFSI	X	X	X	X	X	X	X	X
ELM 2000-2013		X	X		X	X		
ELM 2014-2020	X	X	X	X	X	X	X	X
ELM Old Protoc.								
InnovFin	X	X	X	X	X			X
GGF	X		X	X				
IRS-I	X			X				
Lomé								
NCFF	X	X		X	X			X
PF4EE	X	X		X	X		X	X
RSFF		X	X		X	X	X	
EPTATF	X			X				
ERIF	X	X		X				
EU-AITF	X		X	X			X	
FTF	X		X	X			X	
NIF TF	X	X	X	X	X			X
WSF	X	X		X				
MADAD	X	X		X				
<b>Total in sample</b>	<b>40</b>	<b>30</b>	<b>25</b>	<b>40</b>	<b>26</b>	<b>8</b>	<b>15</b>	<b>23</b>

**Table 9 Evaluation framework**

Evaluation questions/ Judgement criteria	Guiding indicators	Data	Methods <sup>103</sup>	Comment on validity and reliability
Question 1. To what extent has the EIB's mandate origination, selection and approval process resulted in mandates that support the achievement of the EIB's objectives?				
<p>1.1 The degree to which the EIB processes of origination, selection and approval are systematic, consistent and realistic.</p>	<ul style="list-style-type: none"> <li>• Market gaps and the need for mandates to address the gaps are systematically assessed.</li> <li>• Mandates approval process is consistent from mandate to mandate and with the assessments made.</li> <li>• Extent and quality of ex-ante cost coverage estimates that are undertaken.</li> <li>• Staffing and resource allocation is realistic for the task at hand (origination).</li> </ul>	<p>Material collected in earlier phases of this evaluation.</p> <p>Current procedures manuals (SG/AS, OPS/MM) describing the origination, selection and approval process.</p> <p>Interviews with key staff.</p> <p>Mandate justification and approval paperwork.</p>	<p>Portfolio analysis.</p> <p>Literature review of earlier evaluations and mandates paper trail.</p> <p>Interviews with key staff in the EIB, with mandators and stakeholders (European Commission and others).</p> <p>A dedicated question in a survey of key staff involved (option).</p> <p>The judgement criteria will be examined on the basis of current practice.</p>	<p>The guiding indicators were derived after discussion with senior staff involved in mandate management and are judged to be representative of the qualities related to strategic engagement.</p> <p>The evidence for the four guiding indicators is likely to be traceable and reliable in the sense that a yes/no/partial type of response would be possible. Assessment of staffing realism is more subjective.</p> <p>Recognition needs to be made that the mandates are to a large extent conceived by the mandator and that the origination and design process (question 2) are much influenced by the mandator.</p>
<p>1.2 The degree to which the mandates adopted were a good fit to the EIB objectives and adhered to internal quality rationale.</p> <p>(where quality rationale is defined by the SG/AS screening</p>	<ul style="list-style-type: none"> <li>• Mandates supported and enhanced the achievement of the EIB objectives (as defined in chapter 2, including factors such as allowing the EIB to scale up its operations, or to explore new geographies, clients and/or sectors).</li> </ul>	<p>For investment mandates, the data will come from the analysis of each mandate using the Dynamic Framework.</p> <p>For advisory mandates, the data will come from the Screening Tool score sheet (12 criteria).</p>	<p>Portfolio analysis.</p> <p>Review of findings from mandates' analyses using the Dynamic Framework and the Advisory Screening tool - which in effect allow a comparison of (a) the objectives of the mandates to the public policy goals and (b)</p>	<p>The analysis will rely on existing tools and methods for mandates' assessments, which have been used consistently over time (SG/AS screening tool) or that are being introduced with a view to use them consistently in the future (OPS/MM Dynamic Framework), including for</p>

<sup>103</sup> EIB practice has not been static and significant changes have been made since 2014. Most judgement criteria will be examined on the basis of current practice (2018) with the exception of 1,2 2.1, 3.3, 4.1 to 4.3 where to varying degrees, additional insight will be gained by examining individual mandates that were active from 2014 onwards.

Evaluation questions/ Judgement criteria	Guiding indicators	Data	Methods <sup>103</sup>	Comment on validity and reliability
tools and OPS/MM Dynamic Framework).	<ul style="list-style-type: none"> <li>Mandates complemented the EIB portfolio of non-mandate activities.</li> </ul>	Interviews with key staff in the EIB and with mandators (European Commission and others).	<p>mandate documentation with the EIB regulations (such as regarding how much risk it can take) to assess whether each specific mandate allows the EIB to “do more”.</p> <p>Literature review of earlier evaluations and internal analysis and assessment.</p> <p>The findings from the above will be complemented by interviews with EIB staff.</p> <p>The judgement criteria will be examined on the basis of current practice combined with insight into selected individual mandates that were active from 2014 onwards.</p> <p>The three methods above will allow, at least in some mandate cases, a triangulation to be obtained.</p>	<p>existing mandates. Since these methodologies exist and appear sufficiently robust, there is no need for EV to develop an alternative method.</p> <p>The self-assessment of mandates carried out by EIB Services though the two available tools will be correlated /triangulated with interviews and, where possible, the findings of independent evaluations/reviews.</p>
<b>Question 2. To what extent has the design of mandates facilitated the achievement of their objectives?</b>				
2.1 The degree to which the quality of the results frameworks adheres to best practice.	<ul style="list-style-type: none"> <li>An intervention logic or theory of change is present.</li> <li>Risks and assumptions external to the mandator and mandatee are identified.</li> <li>Outputs, outcomes and impacts with SMART indicators are defined.</li> </ul>	<p>Material collected in earlier phases of this evaluation (for example, work on mandates evaluability) and other mandate evaluations.</p> <p>Additional work / spot check confirmation on a selection of mandates, where there are gaps in earlier work (such as</p>	<p>Literature review of earlier evaluations and internal analysis and assessment (especially the evaluability work).</p> <p>Sampling of mandates to cover gaps in the already reviewed mandates bearing in mind criteria such as: age of mandate / type of mandate / mandate role.</p>	The five guiding indicators are valid and reliable but may not have been measured systematically by the previous evaluations. A decision will need to be made once the findings of earlier evaluations are reviewed in detail on the extent to which the indicators have been assessed. Additional data

Evaluation questions/ Judgement criteria	Guiding indicators	Data	Methods <sup>103</sup>	Comment on validity and reliability
	<ul style="list-style-type: none"> <li>Monitoring and reporting system is in place.</li> <li>Resources and responsibilities allocated for implementing the monitoring and evaluation are in proportion to the needs.</li> </ul>	the DFI mandates, other not part of the sample).	<p>The judgement criteria will be examined on the basis of current practice combined with insight into selected individual mandates that were active from 2014 onwards.</p> <p>By a combination of the above, it will be attempted to gather a general picture across the factors that gave rise to good or poor results frameworks.</p>	<p>collection for a sample of mandates may be needed.</p> <p>An emphasis will be put on current practice/the most recent mandates, as that will be the most instructive in terms of recommendations and the way forward.</p>
2.2 The degree to which the governance arrangements of the mandates are clear and accountable.	<ul style="list-style-type: none"> <li>Decision-making processes are clear and assign clear roles to the parties involved.</li> <li>Reporting and accountability chain is well-defined.</li> <li>The governance arrangements are simple and in proportion to the needs.</li> </ul>	<p>Material collected in earlier phases of this evaluation and other mandate evaluations.</p> <p>Additional work/spot check confirmation on a selection of mandates (where there are gaps in earlier work).</p> <p>Survey of mandators and mandates (optional).</p> <p>Interviews with key staff in the EIB and with mandators (European Commission and others).</p>	<p>Portfolio analysis.</p> <p>Literature review of earlier evaluations and internal analysis and assessment.</p> <p>Description and, if relevant, categorisation of different types of governance arrangements (from procedures/structure as compared to regular EIB activity to the most complex procedures / structures in use).</p> <p>Sampling of mandates to cover gaps in the already reviewed mandates (e.g. mandates that were not part of the sample of the previous phases of the evaluation).</p> <p>The governance arrangements will be assessed across the four roles.</p>	<p>The indicators are valid but not easy or straightforward to measure, other than by examining a sample individual mandates once the gaps are known, based on earlier and available evaluation work.</p> <p>As part of answering this question, the evaluation team will spell out some of the good practice principles of a principal / agent relationship, which will also be useful for Q.4 and should contribute to formulating strong and actionable recommendations.</p>

Evaluation questions/ Judgement criteria	Guiding indicators	Data	Methods <sup>103</sup>	Comment on validity and reliability
			The judgement criteria will be examined on the basis of current practice.	
<b>Question 3. To what extent does the EIB's organisational model and systems for mandate management facilitate the efficient and sustainable achievement of EIB objectives?</b>				
3.1 The degree to which the overall organisational model enables the EIB to manage its mandates in a coherent and efficient manner.	<ul style="list-style-type: none"> <li>The current organisational model responds in practice to the earlier defined organisational issues.</li> <li>The strategy, structure, systems, shared values, style, staff and skills of the EIB's organisational model support achievement of mandate objectives (optional).</li> </ul>	<p>Material collected in earlier phases of this evaluation and other available assessments.</p> <p>Strategy and performance reports by all relevant Bank Services.</p> <p>Interviews and/or survey of key staff in relevant Bank Services.</p>	<p>The issues raised by earlier analyses will be listed and checked against current practice. In particular, the main options for the organisational set-up of the mandate activity, and pros and cons of each, will be assessed.</p> <p>Based on the analysis mentioned above, the team will decide whether it is relevant to look deeper at the organisational model. If so the "7 s" analysis will be used as a systematic means to identify if the organisational model is effectively aligned and allows the organisation to achieve its objectives. For systems, the analysis will summarise or draw on the judgement criteria 3.2).</p> <p>The judgement criteria will be examined on the basis of current practice.</p>	<p>There appears to be a consensus on the issues that the changes in 2014/2015 (and ongoing changes since) were designed to respond to, so this should provide a firm basis for analysis looking back.</p> <p>The 7 "s" will provide a valid means of assessing issues related to division of responsibilities between Bank Services (distribution of labour, synergies, overlap, potential conflicts of interest etc.) and the extent to which the organisational set-up facilitates the proper functioning of the principle / agent relationship at the centre of mandate activity.</p> <p>As there has only been a short time since the main organisational changes were made, there is a concern there has not been enough time to test how the changes are working in practice.</p>
3.2 The degree to which the systems and the TOM enable the EIB to manage its mandates	<ul style="list-style-type: none"> <li>The systems and the Target Operating Model respond to the earlier defined issues.</li> </ul>	The main source of data will be the TOM report.	Document analysis of the TOM report and material collected in previous phases of this evaluation.	In principle the TOM report is expected to contain all additional necessary information. If that is not the case, then an alternative

Evaluation questions/ Judgement criteria	Guiding indicators	Data	Methods <sup>103</sup>	Comment on validity and reliability
in a coherent and efficient manner.	<ul style="list-style-type: none"> <li>The proposals for systems and the target operating model are realistic.</li> </ul>	Material collected in earlier phases of this evaluation on processes, procedures and organisation.	<p>Interviews with key EIB staff and/or the consultants having contributed to the TOM report, if necessary.</p> <p>The judgement criteria will be examined on the basis of current (and intended) practice.</p>	solution for gathering the data will need to be envisaged.
3.3 The degree to which mandates are economically efficient for the EIB.	<ul style="list-style-type: none"> <li>The cost coverage pattern of both investment and advisory mandates is sustainable.</li> <li>Systems and approaches for controlling costs are in place (optional).</li> <li>Systems are in place to ensure future cost coverage.</li> </ul>	<p>For investment mandates, the data will come from the analysis of each mandate using the Dynamic Framework. For advisory mandates, the data will come from the Advisory screening tool score sheet (resource efficiency indicator: “Extent to which the initiative can be implemented with limited and targeted staffing needs (vs a resource intensive one)”.</p> <p>Review of cost control procedures in operational manuals and audit results (if relevant).</p> <p>The recently-developed cost coverage model for mandates.</p>	<p>Portfolio analysis.</p> <p>Assessment of the recently-developed mandate cost coverage model – variables and assumptions.</p> <p>Review of findings from the EIB Dynamic Framework and Advisory screening tool results.</p> <p>Literature review of earlier evaluations and internal analysis and assessment.</p> <p>The findings from the above will be complemented by interviews with EIB staff.</p> <p>EV will use the Bank’s existing definitions of cost coverage.</p> <p>The judgement criteria will be examined on the basis of current practice combined with insight into selected individual mandates that were active from 2014 onwards.</p>	<p>The indicators will focus on what is measured already in the Dynamic Framework and Advisory screening tool. As these are differently reported, there is an indicator for each.</p> <p>Initially the use of capital and the extent to which there is an EIB risk return income from lending products under the mandate will not be examined.</p> <p>The Dynamic Framework and Advisory screening tool are systematic and considered reliable, in that they can easily be repeated.</p>

Evaluation questions/ Judgement criteria	Guiding indicators	Data	Methods <sup>103</sup>	Comment on validity and reliability
Question 4. How has the EIB performed in its mandatee role and what have been the results of the mandates it managed?				
4.1 The degree to which results reporting has adhered to agreed results frameworks and has been used to inform ongoing operations.	<ul style="list-style-type: none"> <li>The results framework was implemented and reported on in cases where the framework was robust.</li> <li>Presence of alternative reporting that provided information on results where a robust results framework was not in place.</li> <li>Results reporting has been used – by either mandator or mandatee to adjust the mandate strategy, design or ongoing operations.</li> </ul>	<p>Material collected in earlier phases of this evaluation and other mandates evaluations.</p> <p>Spot check confirmation on a selection of mandates (where there are gaps in earlier work).</p> <p>Record of decision at steering committees or decision-making bodies (for selected mandates - where there are gaps in earlier work).</p> <p>Interviews.</p>	<p>Literature review of earlier evaluations and internal analysis and assessment.</p> <p>Sampling of mandates to cover gaps in the already reviewed mandates bearing in mind criteria such as the age of the mandate/ type of mandate/mandate role.</p> <p>By a combination of the above, it will be attempted to gather a general picture across the factors that gave rise to good or poor results reporting and use.</p> <p>The judgement criteria will be examined on the basis of current practice combined with insight into selected individual mandates that were active from 2014 onwards.</p>	<p>Quality of the results reporting – the focus will be on the monitoring and reporting of results using the results frameworks looked at under question 2.</p> <p>The validity and reliability will be stronger where robust results frameworks are in place.</p>
4.2 The degree to which mandates results were achieved or are likely to be achieved.	<ul style="list-style-type: none"> <li>Results at output level were achieved in line with expectations.</li> <li>Results at outcome level were achieved in line with expectations.</li> </ul>	<p>Earlier phases of this evaluation and other mandates evaluations.</p> <p>Mandate reporting at steering committees or decision-making bodies (for selected mandates where there are gaps in earlier work).</p>	<p>Literature review of earlier evaluations and internal analysis and assessment.</p> <p>Sampling of mandates to cover gaps in the already reviewed mandates bearing in mind criteria such as the age of the mandate/type of mandate/mandate role/presence of a robust results framework.</p>	<p>The main issue will be the lack of results reporting and the complexity (including difficulty in determining the counterfactual), as well as the long timeframe for the results to become visible. The focus will be on results documented in earlier evaluations and reviews, as well as outputs and intermediate outcomes such as allocation of funds to projects, even if the</p>

Evaluation questions/ Judgement criteria	Guiding indicators	Data	Methods <sup>103</sup>	Comment on validity and reliability
			<p>By a combination of the above, it will be attempted to gather a general picture across the factors that gave rise to good or poor results compared to expectations.</p> <p>The judgement criteria will be examined based on selected individual mandates that were active from 2014 onwards and have been thoroughly evaluated.</p>	<p>projects are not yet implemented.</p> <p>It will not be possible to provide a comprehensive summary of results, but rather just give examples of results achieved (or not) to reflect on the evidence of how well mandates have served their purpose.</p>
<p>4.3 The degree to which the EIB has performed in its mandatee role.</p> <p>(investment manager, trust fund manager, implementation agent, advisory services manager)</p>	<ul style="list-style-type: none"> <li>• The EIB has satisfied its contractual information and reporting requirements.</li> <li>• The EIB has satisfied its contractual pipeline development requirements.</li> <li>• The EIB has been proactive and transparent in bringing up issues (and solutions) that are of relevance for the mandator.</li> </ul> <p>In all cases measured against the expectations and formal contractual requirements.</p>	<p>Material collected in earlier phases of this evaluation and other mandate evaluations.</p> <p>Spot check confirmation on a selection of mandates (where there are gaps in earlier work).</p> <p>Record of decision at steering committees or decision-making bodies (for selected mandates - where there are gaps in earlier work).</p> <p>Interviews.</p> <p>Survey of the EIB staff and mandators (optional).</p> <p>Normative and guidance EIB documents about the fulfilment of roles (such as Guide to Blending outside the EU).</p>	<p>Literature review of earlier evaluations and internal analysis and assessment.</p> <p>Sampling of mandates to cover gaps in the already reviewed mandates bearing in mind criteria such as the age of the mandate/type of mandate/mandate role.</p> <p>By a combination of the above, it will be attempted to gather a general picture across the factors that gave rise to good or poor performance in carrying out the roles.</p> <p>The judgement criteria will be examined on the basis of current practice combined with insight into selected individual mandates that were active from 2014 onwards.</p>	<p>Given the nature of the mandate activity and the principal / agent relationship underlying it, assessing the performance of the EIB in its capacity as mandatee (separate assessment for each of the four roles) amounts to establishing the extent to which the EIB has fulfilled its “part of the deal”.</p> <p>The extent to which the EIB has adequately performed its role is a proxy indicator for results (given that in many cases it is not yet possible to evaluate these results).</p> <p>It will also be necessary to keep in mind that external factors (including the performance of the mandator) are key factors in the EIB mandate performance.</p>

Source: EV

## Annex 3 – Meta-analysis findings

Table 10 Evidence of mandates' added value extracted from pre-existing mandates evaluation reports				
Mandate	Financial contribution	Financial facilitation	Technical contribution	Policy contribution
WBIF	- Weak in encouraging entrance to new and / or risky markets for private sector actors.	+ High financial leverage in energy and transport sector.	+ Regional component important for synchronising project designs and coordinating the project implementation. + Effective technical assistance.	- Inconclusive (only one project assessed).
NIF		+ High financial leverage.	+ Increasing finance to projects which would not have been financed otherwise. + Increasing scope of projects. + Increased project quality.	- Weak and fragmented.
EFSI	+ Lower interest rates and longer maturity represent 'significant' or 'very significant' elements of the EIB's comparative advantage vis a vis other source. + Increasing access to higher risk finance. + Adaptation of product mix.	+ Increasing collaboration.	+ Recognised role in diffusion of best practices.	+ Shift in the debate from austerity to investment. - Lacking some policy dimension given market driven nature of the instrument (climate, territorial cohesion). - Insufficient support of EFSI funded projects for the European Union's long-term climate goals.
LGTT	+ Lower interest rates. - Complex financing scheme.	- Not demonstrated.	N/A	- Not demonstrated.
RSFF	+ Longer maturity. - Only reached a market group (not reached SMEs and RDI).	+ Strong catalytic effect on other financiers.	N/A	- Not assessed.
ELM	+ Lower interest rates and longer maturity.	+ High leverage effect. + Facilitation effects in attracting other investors, including from the private sector.	+ High level of cooperation and co-financing with other international financial institutions.	- Could apply more conditionality in the lending policies, such as via leveraging the EIB financing to foster systemic reforms in the target country.

Source: EV based on the evaluation reports included in the meta-analysis, listed in Annex 4 below.

**Table 11 Evidence of additionality extracted from pre-existing mandates evaluation reports<sup>104</sup>**

Mandate	Market gap analysis	Mandate financed riskier operations	Mandate operations addressed market failures	Complementary with financial market
WBIF	No	+ Additionality in technical assistance usually ensured; - Additionality in investment grants less clear cut, principles for co-financing ratio not clear; - Risk of crowding out international financial institutions.		
NIF	No	- Inconclusive.	+ Increased the global resources devoted to infrastructure investments. + Enabled the financing of more than 120 projects between 2008 and 2016, representing a total investment of €12 500 million by 2016.	+ NIF projects avoided replacing private financing or introducing distortions in the financial markets.
EFSI	Elements	+ EFSI operations typically have a higher risk profile as compared to non-EFSI operations, although it is not always the case. - Nearly a third of projects financed through the Infrastructure and Innovation Window would have been undertaken even without EFSI support.	+ Supported countries that were the most hit by the economic crisis.	- Need for increased efforts not to crowd out investors for large debt projects under the IIW (Infrastructure and Innovation Window) or regional/national promotional structures under the SME Window.
LGTT	Elements	+/- A "niche product".		
RSFF	No	- Not demonstrated.	+ Target below investment grade eligibility - The RSFF's design has been somewhat exclusive in the type of financing gap it intended to fill, as the facility only provided debt (and mezzanine) financing. Therefore, the RSFF ignored all the equity financing needs.	- Not demonstrated. + Adjustments made during implementation.
ELM	No	+ Highly likely.	+ Operations on countries with very low credit rating.	+ Analysis conducted to avoid market distortion and crowding out private sector and other international financial institutions. + More than half of the operations co-financed.

Source: EV based on the evaluation reports included in the meta-analysis, listed in Annex 4 below.

<sup>104</sup> (+) refers to evidence of additionality, (-) refers to weaknesses.

## Annex 4 – Sources of information

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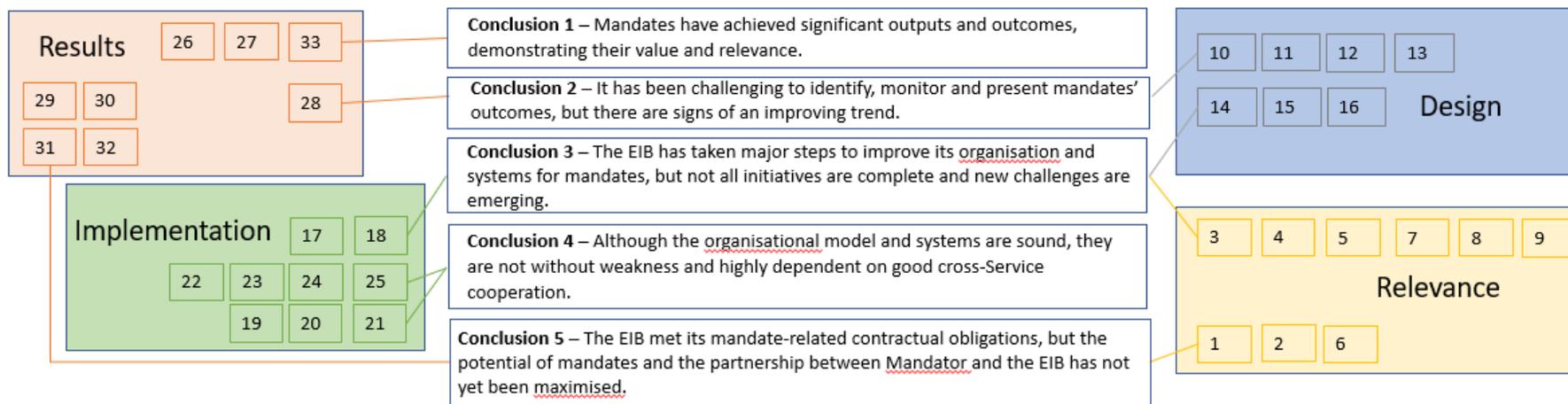
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## Interviews

**Table 12 Interviewees by affiliation**

<b>Mandate</b>	
<i>EIB Group</i>	
MC	2
OPS/MM	37
OPS other	5
SG/AS	11
SG other	11
TMR	5
RM	5
PJ	6
JU	5
FI &FC	5
EIF	1
<i>Others</i>	
Mandators EC	15
Others/Peers	8

## Annex 5 – Conclusions mapping



	Results
26	The seven investment mandates in the sample achieved or are likely to achieve the expected level of investment (signatures).
27	Previous evaluations concluded that important outcomes were achieved or are likely to be achieved.
28	Although monitoring is improving, it was challenging to measure results and the degree of attainment and, to date, monitoring and reporting were used more for accountability than for steering purposes.
29	Although the EIB honoured mandate-related contractual obligations, it did not meet all <u>mandators'</u> expectations.
30	The extent to which mandates are used is only partially under the EIB's control.
31	The EIB did not sufficiently emphasise its value, comparative advantage and potential in the mandate relationship, nor did it sufficiently explain the additionality of its operations in an accessible manner.
32	Clarity of purpose, the mobilisation of comparative <u>mandator</u> and <u>mandatee</u> strengths, effective transversal cooperation within the Bank and an incentive environment that privileges the achievement of mandate objective were important factors affecting results.
33	Overall, the results demonstrate the EIB's contribution and potential for contribution to delivering on common EIB and <u>mandator</u> objectives.

	Implementation
17	The EIB has made substantial progress in ensuring that its <u>organisational</u> model met the increasingly complex needs of mandate management.
18	The re- <u>organisation</u> has led to significant improvements and enabled the bank to better meet its objectives and those of the <u>mandators</u> .
19	Although the <u>organisation</u> changes have had many benefits, new challenges have emerged.
20	The complexity and inadequacies in the underlying IT systems led to delays in implementing the <u>organisational</u> changes and in fully tackling operational risks.
21	Major initiatives such as the TOM and ASApp are underway and have the potential to improve mandate readiness, system reliance and increased internal efficiency.
22	The management of mandates and the new systems being developed demand a close cooperation across Services that is not yet in place.
23	The EIB cost coverage has been systematically monitored and specific tools have been developed for that purpose. The EIB capital consumption can also be calculated.
24	Cost coverage for the mandate activity was challenging and has worsened in recent years, primarily due to the (anticipated) effect of kicking off the EFSI implementation.
25	The EIB's approach to economic efficiency does not demonstrate sufficient attention for the <u>mandators'</u> interests in this area.

	Design
10	The stated objectives of all mandates were clear and sufficient to reconstruct an intervention logic, but the analysis of the initial problems and possible solutions was most often not documented.
11	Mandate result measurement frameworks were not always well established at the design stage, however the quality of these frameworks has improved over time.
12	Reporting obligations varied in detail and were not sufficiently well linked to data and information management systems.
13	The EIB underestimated the complexity of monitoring and reporting, but took measures to address some of the resulting inefficiencies.
14	The governance arrangements of the EIB's mandates varied in terms of involvement and control exercised by the <u>mandator</u> , but increasingly had standard features and were in all cases well-integrated with the EIB's own processes.
15	Although using mandates with dedicated governing bodies required additional staff effort, in general mandate-level governance arrangements worked well.
16	The <u>centralisation</u> of the secretariat functions for mandates governing bodies contributed to economies of scale, timeliness and accuracy and allowed the Bank to better exploit the opportunities that mandate governing bodies created.

	Relevance
1	The EIB vision for engaging in mandates has become increasingly explicit over the past years, but the process of defining an overall institutional and operational guiding strategy is still ongoing.
2	The EIB improved its practical approach to mandate origination and development, but there is still room for fine-tuning it.
3	Dedicated procedures and structures were established in the organisation.
4	Roles of various Bank Services have become increasingly well-defined.
5	Several tools to assess mandates prior to accepting them were put in place but need further development and better use.
6	The EIB had limited control on the origination of some mandates, but it has always wielded some (moderate) influence in shaping mandates, based on accumulated experience.
7	The Bank's current portfolio of mandate fits well with its public policy goals.
8	Not being yet fully developed and/or used, the Bank's monitoring tools do not allow for a more nuanced ongoing assessment of mandates' strategic fit, beyond meeting policy goals.
9	By design, mandates extend the Bank's ability to act.

## About Operations Evaluation

In 1995, Operations Evaluation (EV) was established with the aim of undertaking ex-post evaluations both inside and outside the European 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 summarised in a synthesis report.

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**OPERATIONS EVALUATION**

# Evaluation of the EIB's mandate activity

December 2019



**European  
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Bank**

*The EIB bank*



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