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Operations Evaluation

Ex post evaluation of the use of Framework Loans to finance EIB investments in the EU, 2000-2011

Synthesis Report

Prepared by

Operations Evaluation

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European Investment Bank

EVALUATION REPORT

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NOTICE

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GLOSSARY OF TERMS AND ABBREVIATIONS

Absorption capacity	The ability to use approved funds in the timescale and manner envisaged
Acquis-communautaire	The total body of EU law
Allocation	The attribution of a share of a loan to a specific sub-project or beneficiary (of a multi-beneficiary loan)
Borrower	The legal persona with whom the Bank signs a Loan Agreement.
bp	basis points (one hundredth of one per cent interest)
CA	EIB's Board, The EIB Board of Directors, which has sole power to take decisions in respect of loans, guarantees and borrowings.
CD	EIB's Management Committee (q.v.) Internal EIB committee, comprising the Bank's President and Vice-Presidents
CEE	Central and Eastern Europe
CEB	Council of Europe Development Bank
COP	Corporate Operational Plan
DAC (OECD)	Development Aid Committee (Organisation for Economic Co-operation and Development)
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECG	Evaluation Cooperation Group
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EIRR	Economic Internal Rate of Return
ERDF	European Regional Development Fund
EU	European Union
EU12	New Member States since 2004
EV	EIB Operations Evaluation (Ex-Post)
FIRR	Financial Internal Rate of Return
FL	Framework Loan
FVA	Financial Value Added
GDP	Gross Domestic Product
GED	Gestion Électronique de Documents (Electronic Documents Management System)
GL	Global Loan
IL	Investment Loan
L4SME	Loan for SMEs
MAs	Managing Authorities
NMS	New Member States (EU12)
OP	Operational Programme (EU)
Ops-A	EIB Directorate for Lending Operations – EU Members, Acceding, Accession and Candidate States
PCR	Project completion report
PJ	EIB Projects Directorate – responsible for ex-ante project techno-economic analyses, preparation of Technical Description, physical monitoring of implementation and completion
PPP	Public Private Partnership
PPR	Project Progress Report
Project	A clearly defined investment, typically in physical assets, e.g. a specific section of road, a bridge, etc.
Project Pipeline	Those projects which have been signalled to the Bank, but have either not yet been approved by the Management Committee, or have been approved but not yet signed. These include projects under active appraisal and those in the process of contract negotiation prior to signature.
PL	Programme Loan (or Grouped Projects): an investment programme made up of many schemes implemented by the same promoter or a group of separate projects with different promoters coordinated by a central body (as per PJ procedures)
Promoter	Normally the *persona* responsible for identifying and developing a project. The promoter may also be responsible for operating and/or implementing the project.
RM	EIB Risk Management Directorate, responsible for credit appraisal / portfolio management
SERAPIS	The Bank's internal project IT system
SPL	Structured Programme Loan, used by the Bank to co-finance Operational Programmes (OP) under the EU Structural Funds regulations
Sub-project	(or "scheme") part of a broader national, regional or local sub-programme, co-financed by the EIB
TA	Technical Assistance
TD	Technical Description, i.e. Project definition - the basis of the Loan Agreement; prepared by PJ
VA	Value Added

EXECUTIVE SUMMARY

This evaluation focuses on the use of the Framework Loan instrument used by the EIB to contribute to investment programmes of national, regional and local authorities. The use of this instrument within the EU27 has grown from less than 1% of Bank operations (signatures) in the mid-nineties to a level consistently over 10% since 2002. It peaked in 2010 with nearly EUR 11bn in signatures, i.e. 17% of total signatures that year. It was therefore considered timely to evaluate how this particular type of financial product is performing. The Operations Evaluation (EV) 2010 Activity Report and Work Programme for 2011-12, approved by the Board of Directors on 21 June 2011 included a thematic evaluation of Framework Loans for the first time since they were introduced in the 1990s. The aim is to establish whether the defining characteristics of the product – the deferment of appraisal to later in the process (see insert) and the increased reliance on the counterparts and their procedures to ensure suitable projects are funded – have a discernible effect on the relevance, performance and management of those operations. The evaluation is based on a review of the evolution of Framework Loan procedures, a portfolio analysis of EIB Framework Loans from their inception until end 2011, interviews with Bank internal and external stakeholders, and in-depth evaluations of a sample of 24 Framework Loans (FLs) during the 2000-2008 period within the EU27. Of these, 7 were Structural Programme Loans (SPLs), used by the Bank to co-finance Operational Programmes (OP) under the EU Structural Funds regulations.

> Modalities (current) for appraisal within FLs depend on sub-project size:
> - < EUR 25m: "list of allocations" submitted by Promoter *ex post*, to be confirmed by the Bank
> - EUR 25-50m: review of dossier by Bank services, possibly after receiving additional information; *ex ante* approval by Bank services
> - > EUR 50m: full appraisal by the Bank's services; approval by the EIB Board

Overall conclusion

The overall conclusion is that Framework Loans are a relevant and, especially in the SPL case, effective instrument the continued use of which is recommended. The Framework Loan is an EIB product which successfully allows the Bank to target previously not or only partly supported areas of European development. It creates leverage through blending with national, regional or EU grant or loan funding. FLs allow the Bank to reach out to smaller schemes, often in the sub-sovereign (e.g. regions, smaller municipalities) sector.

However, the aspect which most defines Framework Loans – the deferral of appraisal after signature – is also the most challenging. This was so at least in the early years of operation when procedures were still being developed. Greater experience with their use, streamlining and a better understanding of the procedures is expected to have improved performance in the more recent loans. However, there are certainly lessons to be learned from the earlier period that was under scrutiny in this evaluation.

FLs required – and according to the services at present still require – a major effort from the Bank. An initial effort is to be made upstream, to understand the local, regional or national programme the Bank contributes to and to obtain an initial view on possible sub-projects the Bank could co-finance. Efforts made at this stage do not differ much from the effort required for the more complex Investment Loans. The main difference lies downstream, when the Bank has to make sure that (i) sub-project allocations are received, (ii) comply with the Bank's eligibility criteria and (iii) ultimately add up to the allowed loan volume.

The evaluation shows that this process in the past was far from satisfactory as it required a great amount of work without necessarily obtaining the right level of information on sub-projects – which per operation can run into the hundreds or thousands (in the evaluation sample, from 4 to 14 000). The corresponding effort expended in collecting allocations cannot be spent on other important issues, in particular on the assessment of the EIB contribution to the national, regional or local investment programme. The strong focus on allocations created an illusion of control, which, the evaluation suggests, the Bank ultimately did not really have.

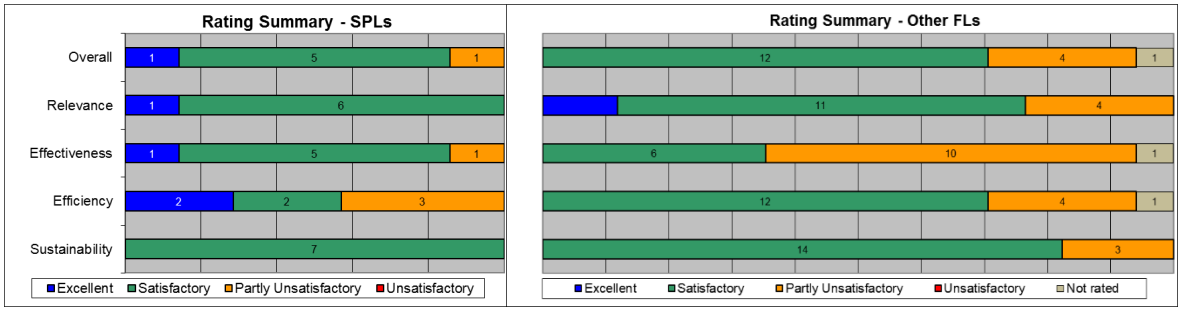
Although a proposal for streamlined procedures was made by the Bank's services in 2009, there is evidence that the implementation of FLs continues to be a challenge – were it only due to the sheer

number of sub-projects per operation. Most of the recommendations provided in the present report aim at tackling those challenges by further streamlining the implementation of FLs, hence freeing up resources to further concentrate on the EIB added value to those operations.

Main insights from the 24 in-depth evaluations

The evaluation is based on the in-depth evaluation of 24 FLs, of which 7 were SPLs. The overall ratings of projects were satisfactory with one "excellent" case (an SPL) and one case that turned out impossible to rate in view of the low amount of information available and the weak definition of objectives. The SPLs more frequently were "satisfactory" than the non-SPL FLs. The non-SPL FLs more often only partially reached their objectives and more often also had low efficiency, sustainability and/or relevance. All those FLs were situated in EU15 countries. The only "partly unsatisfactory" SPL co-financed a combination of a local and a EU Structural Fund programme, of which the local part was delayed and ultimately not realised under the operation.

A summary of the ratings and the main conclusions against the evaluation criteria are provided below.



Relevance. Overall, the operations were relevant in relation to EU policies and EIB policies, strategies and objectives, and generally responded well to the national, regional or local needs. Objectives were generally consistent and with a few exceptions, the projects were well designed. The use of the FL instrument appeared justified in most of the cases, given the specific characteristics of the national, regional or local programme it co-financed. In a few cases, a Global Loan or Investment Loan was deemed however a more appropriate solution when it turned out that all sub-projects were, respectively, small or could have been easily known beforehand.

Effectiveness. Effectiveness was rated significantly differently between the SPLs (performing relatively well) and the rest of the sample for which effectiveness was satisfactory (and none excellent) for *less than half* of the operations. One operation appeared even impossible to rate on this criterion because of the weak initial formulation of operational objectives and a near absence of project completion data. More generally, it appeared often difficult to link the operational objectives of a FL to the contribution it is expected to make to the broader impact of programmes. The programmes to which SPLs contribute were better prepared and their objectives better defined than the rest of the sample, and this preparation contributes also to the relatively better performance of the EIB loan; more upstream EIB involvement (presently weak) would increase relevance and effectiveness of the EIB contribution. For the EIB, sub-project allocation approvals are more based on eligibility and exclusion criteria, and a certain perception of (reputational) risk than on their consistency and actual contribution to the realisation of the objectives of the investment programme.

Six operations saw a strong reduction in size as compared to the amounts approved by the Board. These operations obviously did not realise their initially planned operational objectives. Even though reasons for the reduction of scope differed from case to case, the majority concerned intermediated loans which appear to have more difficulties in achieving their objectives than loans directly with a promoter. This may point at a lack of ownership at the side of those financial intermediaries and raises the question about the conditions under which intermediated loans are conducive to achieving the objectives of FLs.

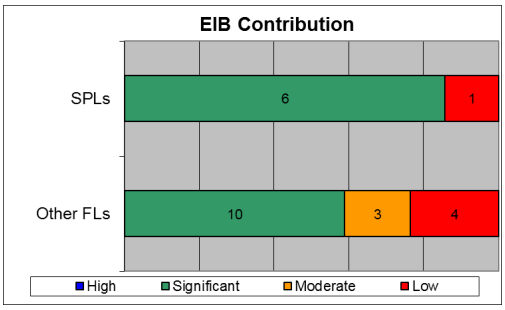
Efficiency. In view of the generally high numbers of sub-projects, and their great variety in terms of scope and scale (ranging from several tens of thousands to sometimes several tens of millions of Euros per allocation) it was difficult to establish the efficiency as a simple aggregate of the efficiency of

individual sub-projects. This was furthermore complicated by the fact that most of the time sub-projects were not or only partially known at project onset (which is typical, and allowed, for FLs). Moreover, any sort of efficiency calculations were generally not available for review either *ex ante* or *ex post*, even for bigger sub-projects. The rating of the efficiency criteria for the operations in the sample had therefore to be very much approached indirectly by analysing process elements (timeliness, procurement, management arrangements) rather than the standard efficiency indicators used by the Bank (cost-effectiveness, FIRR, EIRR).

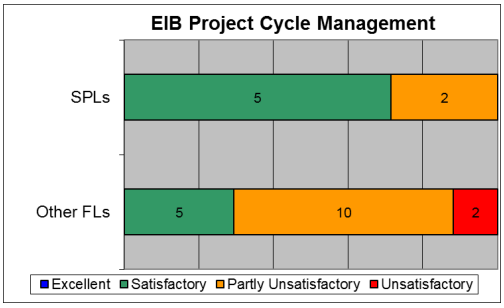
On this basis, the majority of projects turned out to be efficient. Even so, it is of great concern that the Bank is unable to provide a clear quantitative insight in the efficiency of FL operations.

Sustainability. There was no particular concern over sustainability. However, as flagged in earlier evaluations, sustainability is in many cases dependent on the long term financial health of public sector organisations, therefore attention needs to be paid to this at appraisal stage and completion, especially in the present context.

EIB Contribution. Framework loans represent significant EIB financial contributions, with high to significant financial value added in most countries and occasionally much lower financial value added in highly developed Member States with good access to alternative finance. Here more strategic reasons – e.g. the perceived partnership value of the EIB or EIB "label" – prevail for choosing EIB. Non-financial contribution was found to be consistently low; greater EIB upstream involvement and TA could be used to improve in this area whenever this is relevant.



EIB Project Cycle Management. The sample of SPLs performed more consistently in this area than the rest of the sample. Shortcomings, where they occurred, were during the phases of implementation and monitoring where the tracking of the sub-projects ran into difficulties. For the rest of the sample performance was poorer overall with only about one-third being considered satisfactory. Problems with tracking sub-projects during the life of the project dominated the findings here too, but weaknesses of appraisal, poor transfer of information requirements into the contract and failure to secure Project Completion Reports (PCRs) also affected the ratings. It is important to stress that "unsatisfactory" ratings were not given for those projects appraised before 2005 because they failed to comply with procedures introduced later on. They were down-rated because the information requirements and follow-up procedures stated in the appraisal stage documents were not respected and because the final level of information on the projects was below normal standards for an EIB loan.



The way forward: working clearly from a *programme* perspective

Framework Loans appear as a relevant, and especially in the SPL case effective, instrument of which the continued use is recommended. The main issue is the great implementation effort they require from the Bank, without always leading to satisfactory results. In order to make the use of Framework Loans more efficient and ultimately more effective it is recommended that the Bank move towards more of a programme approach for the implementation of Framework Loans wherever possible, i.e. when the promoter's competence would allow this. It would in such a case agree, in partnership with the promoter, on a set of indicators and targets to be developed from the programme objectives and follow up on these to provide proof of effectiveness, rather than collecting information on huge numbers of individual allocations, without necessarily inquiring about how these have contributed to the achievement of the wider programme. Such a programmatic approach, which would imply an earlier involvement of the Bank is especially true for SPLs, however it could also be envisaged with other investment programmes provided that promoters are competent.

The Bank perceives several types of risk which today prevent it from working from a "programme perspective" as a programme approach would mean a loss of control over the individual sub-projects

co-financed by the Bank. These perceived risks are mainly regulatory (exceeding relevant thresholds going unnoticed; double financing) and reputational (sensitive sectors; procurement). Furthermore the move toward programme funding could imply a *de facto* move toward budget or sector funding that the Bank so far has formally abstained from. Additionally, from a practical viewpoint, the Bank has little experience in developing programmes together with its partners. However, there may be more risk in creating the illusion of control than in accepting a certain level of risk – the Bank had not, and will probably never have, the resources to control thousands of individual sub-projects thoroughly.

A middle way between a full programme approach and the current, partly unsatisfactory, situation should therefore be found. This may be achieved by a combination of measures that, together, aim at streamlining the FL implementation and allocation process, while enhancing the level of control over the investments made under a FL. Those measures concern an earlier involvement of the Bank in the definition of the programmes it is invited to contribute to; a greater reliance on, and level of, delegation to competent promoters, allowing to spend more time with the weaker ones; a more efficient administration of FLs, by limiting allocations to crucial information but enforcing the information gathering better; by centralising allocation checks within the Bank and learn from the existing processes for GL allocations. Ultimately this would allow the Bank's services, and in particular the Project Directorate's staff, to concentrate more on maximising the EIB contribution.

The recommendations provided in the table below reflect those measures. They are based on the assumption that Framework Loans would continue to be an instrument provided by the EIB alongside Investment Loans and Global Loans. The recommendations, which are complementary, strongly interrelated and expected to be implemented as one coherent system, are formulated in view of the above conclusions in order to: (1) underline the programmatic character of FLs; (2) enhance the effectiveness and efficiency of Framework Loan implementation; and (3) exploit better the available EIB in-house expertise and increase the EIB added value to the national, local and regional programmes they contribute to.

MANAGEMENT RESPONSE

This evaluation provides an assessment of the Framework Loan (FL) instrument used by the EIB to contribute to investment programmes of national, regional and local authorities. The use of this instrument by the EIB within the EU27 has grown from less than 1% of Bank operations in the mid-nineties to a level consistently over 10% since 2002. Its use peaked in 2010 with nearly EUR 11bn in signatures, equalling 17% of total signatures that year.

The Management Committee (MC) would like to thank Operations Evaluation for the high quality evaluation, based upon extensive field work and thorough consultation with the relevant EIB services. This synthesis report is based on the in-depth evaluation of 24 individual operations in areas as varied as transport, health, tourism, education and disaster risk management. The number of operations evaluated is a significant increase as compared to former ex-post evaluation practice at the EIB.

The Management Committee concur with the main conclusion of the report: **Framework Loans are a relevant and effective instrument to achieve the EIB's objectives**. This appears especially so in the case of Structural Programme Loans, co-financed with the EU Structural Funds. The evidence shows that Framework Loans successfully allow the Bank to target previously not or only partly supported areas of European development. They create leverage through blending EIB financing with national, regional or EU grants or loan funding. Finally, they allow the Bank to reach out to smaller schemes, often in the sub-sovereign (e.g. regions, smaller municipalities) sector. In view of existing financial and budgetary constraints across the EU27, which are particularly felt for public investment programmes, the Management Committee endorses EV's recommendation to continue the use of this instrument.

The Management Committee also acknowledges that Framework Loan implementation requires major efforts from the Bank. The MC believes that, following the outcomes of the evaluation, further efficiency gains are possible and will be sought. The Management Committee accepts the combination of measures proposed by the evaluation report and encourages the EIB services to follow up the various recommendations made. Together, these will further streamline the FL implementation and allocation process, while enhancing the level of control over the investments made under a FL, by moving towards *smarter* rather than *more* control.

The Management Committee agrees on the utility of an earlier involvement of the Bank in the definition of the programmes it is invited to contribute to. In this context, the Partnership Agreement (PA) exercise of DG Regio in which the Bank is already engaged, provides a suitable frame for this. The Management Committee will also allow the services to have a greater reliance on, and level of, delegation to promoters as long as these have proven to be competent. Also, for a more efficient administration of Framework Loans, the Management Committee would be in favour of limiting allocation checks to a small amount of critical information.

Against this, in relation to the proposal to develop a product for small promoters, the Management Committee points out that this would involve considerable operational challenges for the Bank and that the existing Framework Loan product already offers sufficient flexibility to address the needs of small promoters.

TABLE OF RECOMMENDATIONS

The table below contains recommendation summaries. A full version with underlying justifications can be found in Section 11.2 ("Recommendations") of the report.

RECOMMENDATIONS TABLE
TARGETING FRAMEWORK LOANS EVEN BETTER
R1 Justify clearly the choice for a Framework Loan in Board reports Framework Loans (FL) are a relevant instrument and the Bank should continue using them – but only when most appropriate as they entail a higher burden for the Bank in terms of project management efforts than Investment Loans (IL) or Global Loans (GL). It is recommended, out of efficiency considerations, that the choice for an FL should always be carefully justified in the Board report, against less staff and time consuming options. When there is an indication that schemes underlying the investment programme are known; or when sub-projects are all expected to be small (which was the case for some of the operations evaluated), the Bank should obtain a complete understanding of the investment programme and possibly make the alternative choice for an IL, a GL or a combination. ***Management response*** FL product is suitable in cases where schemes to be financed are not defined at appraisal.
R2 Develop a specific FL product for small promoters FLs, although they aim at financing small sub-projects, often remain of a sizeable volume, and the signed volume per operation appears to have increased in recent years. They therefore appear less appropriate for promoters being smaller entities (e.g. small municipalities). Moreover, inexperience of counterparts or multiple promoters under a FL can make follow-up time-consuming. It is recommended: - to develop a "small-size promoters" product (e.g. smaller municipalities) with a high level of standardisation. - to let any option that may be selected be preceded by a trial/pilot. ***Management response*** Procedures, recommending a modulated approach to thresholds according to the size of the schemes within the investment programme are in place since 2009. The development of a specific product for small promoters would present various operational challenges, involving the financial assessment of each counterpart, negotiation and follow-up of numerous limited-sized contracts with individual borrowers. Sufficient flexibility is already in place.
R3 Associate good promoters to intermediated Framework Loans Intermediated FLs in several respects did not perform as well as loans directly established with programme promoters or coordinators. It is recommended that intermediated FLs systematically have a strong promoter associated to the financial intermediary and that the Bank interfaces clearly and continuously with this promoter. ***Management response*** Agreed to associate a strong promoter where possible.

PREPARATION

R4 A stronger upstream involvement

A stronger involvement of EIB is recommended in upstream phases of the investment programmes that may envisage to make use of a FL. This is particularly important for SPLs where EIB already has the formal possibility to be involved in the preparation of programmes but which is used only timidly. EIB contribution is more relevant – both for the OP and in view of the Bank's own priorities – and more significant when the Bank staff is involved early.
Involvement in the preparation of investment programmes that are non-EU financed, in view of the possible establishment of FLs seems to be more difficult, however here also efforts should be made to get earlier involvement as soon as there is an indication that a national, regional or local authority would want to ask finance from the EIB.

It is recommended that the Bank's services establish a plan on how to increase their upstream involvement in the preparation of investment programmes that may eventually be co-financed with an FL/SPL.

Management response

This approach is already applied, including EIB involvement in the project definition, where relevant, and where resources are available. The Services are involved in the early planning phase for the next EU programming period.

R5 Explore involvement of JASPERS for SPLs

With the possibility of the Bank to provide advice and TA by itself, in conjunction with the advent of the JASPERS, JEREMIE and JESSICA initiatives, the EIB role in the preparatory phases of Structural Fund programmes has started to change.

It is recommended
- that the Bank make better and more systematic use of the information produced by JASPERS, in particular the completion reports of JASPERS assignments;
- with regard to SPLs, to further clarify and explore JASPERS' role and association with the Bank's services, with a view to allowing the Bank to be involved earlier in the preparatory process for the Structural Funds.

Management response

Agreed. An overall good cooperation with JASPERS exists, in particular for individual (major) large schemes i.e. those with total project costs exceeding EUR 50m and being co-financed with the EU Structural and Cohesion Funds.

Any change in the role of JASPERS will have to be agreed by JASPERS' Steering Committee

R6 Tap into existing information sources

In order to obtain a better view on the investment programme to which the Bank contributes, it seems important to tap into other sources of information which generally exist. This is currently not or hardly done.

It is recommended
- that the Bank uses available information (e.g. from EC and MAs in the case of SPLs, from national sources such as Courts of auditors for other FLs), more systematically during appraisal and completion, as applicable. A check on whether such information has been retrieved could be included in the appraisal
- to assemble such information once collected, possibly in GED, in folders e.g. organised by city, region or country as reference both for appraisal and evaluation – particularly when repeat operations occur.

Management response

Agreed. EIB normally relies, in addition to information collected directly from the promoters, on the IT monitoring system of promoters to the extent possible and feasible.
As an independent financing entity, the Bank has the discretion to request additional/specific information.

Supporting documents are already available in the Bank's electronic document management system, alongside appraisal reports, allocations and follow up documents. Creating additional data sets would be duplication of work.

R7 Review use of PIUs

The value of making Project Implementation Units (PIUs) a condition of some loans is questioned. The evaluation showed that when a PIU was required the verification of its quality and experience was generally poor. Moreover, proper empowerment of the PIU, and more generally of the team implementing the FL on the side of the promoter, is an important success factor.

It is recommended
- that for each FL, Bank or Promoter explicitly nominate a Project Manager or focal point at the counterpart side
- if there is real concern over implementation capacity, to make a thorough review of staffing credentials and empowerment, have recourse to TA if this is deemed a feasible solution or refrain from realising the operation if remediation is deemed impossible. This holds for promoters in all EU27 countries, not only NMS.

Management response

This recommendation is already implemented.

The review will be undertaken where appropriate.

APPRAISAL, MONITORING AND INFORMATION REQUESTS

R8 Explore the possibility to co-finance and monitor SPLs at the level of priority/measure/programme

At present, the fact that an OP to which an SPL contributes has monitoring obligations on its own (i.e. imposed by the EC), does not preclude the Bank to perform its own parallel monitoring, in particular in order to prevent non-compliance of sub-projects with EIB requirements and to avoid reputational risk. Especially with high numbers of sub-projects and a small number of those being actually checked on the ground, this does not seem to be an efficient use of EIB resources, even more so as, within the EU-27, where at national levels EU and national legislation is in place and mostly enforced, FLs have so far not led to specific reputational issues for the Bank.

It is recommended
- that the possibility to co-finance and monitor SPLs at the level of the priority, measure or even programme as a whole is explored, and under which conditions (e.g. selecting an "eligible" sub-part of the programme) this can happen, without needing to check individual allocations; once clarity is obtained on the preceding, to act accordingly
- in any case, to harmonise reporting systems between the different parties and avoid additional reporting.

Management response

This is already in place.

Programmes are appraised and followed-up on an aggregated level. However, information requirements will continue to be based on the scheme level.

Harmonisation does take place to the extent possible.

R9 Streamline the handling of small allocations

A major effort in managing FLs lies in obtaining allocations, without necessarily getting the right information in the end.

It is recommended

- that the allocation process be reviewed by exploring the possibilities for streamlining the allocation-check procedures for "small" allocations (i.e. for sub-projects with a cost below the EUR 25m threshold). This could be based on a small amount of critical information required per allocation, but with this information being actually enforced; an eligibility check on those allocations on the basis of the information; and a more detailed review on a small (e.g. a 5%) sample;
- to this end, to explore the possibilities of creating a *joint* unit between PJ and OPS to handle all allocation requests and checks, i.e. from FLs *and* GLs, for sub-projects with a cost below the EUR 25m threshold. The aim is to obtain a higher degree of "industrialisation" of the allocation review and sign-off process than is presently the case for FLs.

As a special case of allocation check, the practice of allocating money under several framework loans to one big project can make transparent tracking of the total contribution to that project difficult; it is recommended that these are specifically identified and that a note summarising the final situation is sent to the file and maybe the CD for information.

Management response

The scope for simplification of the allocation process will continue to be determined subject to the outcome of the project appraisal on a case by case basis. There is little room for synergies and efficiencies in the allocation process between FL and other intermediated loans (e.g. for SME).

Given the very specific eligibility criteria for each individual FL, sector expertise remains within the remit of the Projects Directorate.

A note in the appraisal report specific to the relevant large project is deemed sufficient.

R10 Delegate information gathering responsibilities to the more capable promoters; give more scrutiny to the weaker ones

The streamlining of the allocation process goes hand in hand with a greater delegation of the information gathering responsibilities to the promoter, for those promoters that would have the competency and capacity to do so (see also R7 on PIUs) and from whom an extensive project completion report could be required.

It is recommended

- to have a greater delegation of the information gathering responsibilities to the promoter, for those promoters that would have the competency and capacity to do so. From such promoters, and with the reservation concerning the need to avoid potential additional reporting expressed in R8 in the case of SPLs, an extensive project completion report should be required.
- It is recommended to PJ staff to concentrate on assisting weaker promoters.

Management response

- Agreed.
- Agreed.

R11 Design a method to assess the efficiency of FLs

Efficiency calculations prove to be particularly challenging in FLs, both ex ante and ex post, particularly due to the generally very high numbers of sub-projects, their variety in scope and scale, and absence of information at appraisal stage.

It is recommended that the Bank design a method to assess the efficiency of FLs.

Management response

Under development. A technical study on a new method to assess indirectly efficiency has been launched in cooperation with the University College London.

R12 Verify and clarify existing procedures and practices, not always aligned

In a certain number of cases, procedures and practice were not always aligned. The following need verification and/or clarification:

- Though the procedures put the responsibility on the OPS loan officer to verify with PJ that all necessary pre-conditions are met before approving a disbursement, there is no physical sign-off by PJ and the verification is not clearly documented. According to the services, the procedures are not well implemented still today, i.e. OPS is not systematically checking with PJ if all conditions are met before disbursement. This should be better enforced.
- Large up front disbursement in an operation is a potential difficulty in obtaining information later. The procedures should be strengthened as to avoid such large disbursements where cooperation and reliability of the counterpart is as yet unproven.
- The hand-over between contact persons is, due to the complexity of FLs, even more important in this type than in other types of operations. It is recommended that the Bank clarifies the procedures for effective handover between contact persons to ensure a consistent approach to promoters and to ensure project history is not lost.
- It is recommended to include a provision in the procedures that when an operation is cancelled the GRM visits the promoter and finds out why. A back-to-office report should close the project.

Management response

The process of verification of all necessary pre-conditions is clearly set out in the Ops Procedure Manual and required that confirmations by the respective services on the fulfilment are filed in the Bank's Electronic Document Management system. Operational services will ensure full enforcement of these procedures as appropriate.

Upfront disbursements are capped at 30% of the loan amount.

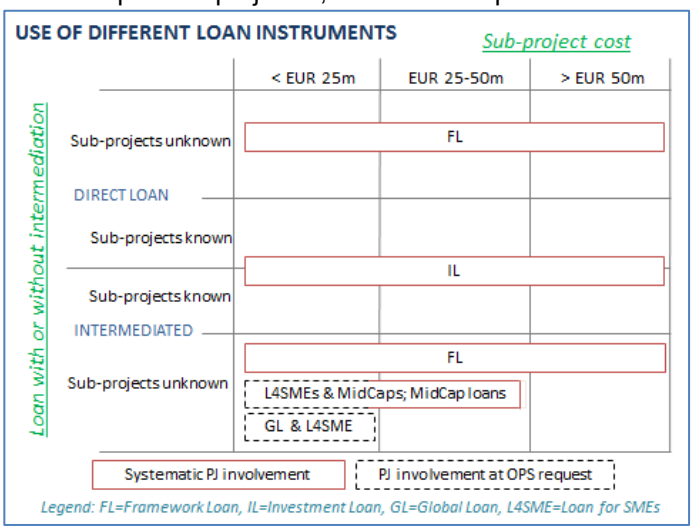
The matter has already been addressed.

It is not deemed necessary to visit the promoter to cancel the operation. The internal procedure requests a note to the Finance Directorate to cancel the undisbursed signed amount and to inform the Management Committee through the note prepared by Operational Services to cancel the amount remaining to be signed, including an appropriate justification.

1 INTRODUCTION

1.1 Background to the evaluation

A Framework Loan (FL) is a way of delivering EIB finance which is an intermediate category between an Investment Loan (IL) covering one or more defined investment projects (which are all subject to full appraisal before the loan is approved) and a Global Loan (GL) covering a group of typically smaller projects (with a cost below the normal EIB lending threshold of EUR 25m) managed by an intermediary, usually a financial institution (and where the checks prior to loan approval focus on the capabilities of the intermediary). A FL covers multiple sub-projects[1], often in multiple sectors. The capabilities of the Bank's main counterpart, on whom the Bank places greater reliance than for investment loans to manage the allocation of funds to suitable sub-projects, is very important. The loan contract establishes a framework under which subsequent allocation of funds to specific sub-projects, followed by disbursement of those funds, can be made. The defining characteristic of a framework loan is, therefore, that the operation is not fully defined at appraisal and needs to be checked further downstream in the process, with the intention that sub-projects (or "schemes") ultimately are all subject to EIB approval. The modalities for approval depend on the size of the sub-project. At present, for sub-projects below EUR 25m the Bank provides a confirmation *ex post* based on an "allocation request", i.e. a list of schemes to be financed, provided by the promoter. For schemes from EUR 25m to EUR 50m the Bank services review the dossier and approve the scheme *ex ante*; additional information may be required. Sub-projects above EUR 50m are subject to full appraisal based on the dossier, possibly with additional information, and are submitted to the CA for approval. The borders between FL, IL and GL (including special cases Loan for SMEs (L4SME) and MidCap Loans) are depicted in the adjacent graph.



Framework Loans can cover any sector which is eligible for EIB finance and can cover multiple sectors within a single framework, so they are based upon the same Treaty basis as those sectors to which they contribute. The same hurdles for eligibility and quality which apply to investment loans should therefore apply equally to the sub-projects included within the frameworks. The basic requirements of the procedures applicable to investment loans also apply to framework loans but due to the different phasing of some of the checks supplementary procedures have been developed over time to clarify some of the controls required.

A subset of framework loans known as Structural Programme Lending (SPL) cover EIB co-finance of Operational Programmes under EU Structural Funds and have some minor modifications to their operations and procedures to reflect this, as discussed below.

FLs have grown from less than 1% of Bank operations in the mid-nineties to a level consistently over 10% since 2002; it is therefore considered timely to evaluate how this particular type of financial product is performing. The Operations Evaluation (EV) 2010 Activity Report and Work Programme for 2011-12, approved by the Board of Directors on 21 June 2011 (as well as the proposal for that programme made in 2009), therefore included a thematic evaluation of FLs for the first time since they were introduced in the 1990s. The aim is to establish whether the defining characteristics of the product – the deferment of certain checks to later in the process and the increased reliance on the counterparts and their procedures to ensure suitable projects are funded – have a discernible effect on the relevance, performance or management of those operations.

[1] I.e. an individual investment or scheme within a larger programme.

1.2 Approach and methodology

In accordance with EV's Terms of Reference and internationally adopted (DAC/OECD and ECG) evaluation criteria, the general objective of the evaluation is to assess the relevance of EIB operations and the EIB contribution, as well as the strategies, policies and procedures that relate to them. The evaluation should help identify the net impact of EIB loans on the projects, the quality and contribution of the ex-ante appraisals and the project follow-up.

The evaluation is intended to provide accountability to the EIB Board of Directors, and more generally to assist the EIB's governing bodies in the formulation of Bank policy and strategies. It should also offer practical support to the lending directorate and the projects directorate of the Bank. Outside the EIB, the evaluation may also be of interest to the general public, including public authorities, private sector promoters and NGOs.

The evaluation was carried out by internal EV staff with the assistance of consultants; the relevant operational departments (OPS-A, PJ, TMR and RM) were consulted at the various stages of the evaluation.

The following steps have been key elements for this evaluation:

1. A general review of EU, Member State and EIB policies in relation to the use of framework loans (FLs) and understanding the FL as a financing instrument, widely applicable and used in the Bank

2. Elaboration of the portfolio and subsequent portfolio review of 271 FL operations signed until 31.12.2011

3. Sorting and sampling. Starting point has been the abovementioned portfolio of 271 signed FL operations until 31.12.2011. In order to draw the sample, the evaluation team took account of the following:
   - a large proportion of FLs had recent signature dates (2007 to 2011), and disbursements of those operations were still at low levels; additionally only very few FLs were signed prior to 2000
   - the newly introduced 2005 FL procedural guidelines were revised in 2009;
   - the need for sufficiently completed projects to draw conclusions ex-post
   - a discussion on sampling with services in June 2011

   In view of those considerations, a sample of 24 operations was drawn from a more restricted set of all completed and on-going FLs with disbursement levels of more than 70%, the threshold value used to include FLs under implementation with an appropriate degree of physical implementation. The sub-set corresponding to this criterion contained 137 operations of which 6 were cancelled after signature and 8 operations which had been ex-post evaluated before would not be included in the sample again.

4. In-depth evaluation of the 24 individual operations, leading to 24 full individual evaluation reports.

5. "Emerging issues" workshop to discuss findings with the services, as well as a discussion with relevant services to discuss the current state of procedures in this area in view of more recent changes, as such not covered by the sample.

6. Analysis of the outcomes of all preceding elements and drafting of this synthesis report

The sample of 24 projects selected for in-depth evaluation included 7 SPLs, which are provided in conjunction with EU Structural Funds. The sample was built up to be as representative as possible of the whole portfolio in terms of sector and country distribution, loan size and category of FL.

Individual evaluations involved desk study and meetings with the organisations responsible for project implementation, operation and policy. Site visits included meetings with representatives of the promoter, and where relevant representatives from national, local or regional authorities or other organisations. Each in-depth evaluation has been prepared and the evaluation reports discussed with

the operational EIB staff associated with the project; the main elements were provided to project promoters for comments.

In-depth evaluation of individual operations

Within an operation, Operations Evaluation (EV) distinguishes between three levels of objectives: operational, intermediate and global objectives. Operational objectives relate to what is expected to be directly delivered by the implementation of the project or programme ("outputs"). Outputs are under the control of those who implement the intervention (project or programme) that is financed by the Bank. Intermediate objectives correspond to the effects of the intervention on the direct beneficiaries ("results" or "outcomes"). Global objectives correspond to the direct and indirect effects following on from the outcomes, corresponding to, often longer-term, impacts. The more remote the effects are from the intervention's outputs, the more difficult it is to attribute them to that particular project or programme.

Operations (i.e. the EIB contribution to projects and programmes) are evaluated on the basis of their stated objectives. The comparison of ex-post results with the objectives at appraisal and as presented to the Board is the main basis for the evaluation of the effectiveness of operations. The other evaluation criteria are "relevance", "efficiency", "sustainability", "EIB contribution" and "EIB Project Cycle Management". Whenever available and possible criteria are compared to relevant benchmarks. In accordance with the Bank's evaluation procedures, individual projects are rated according to four categories: "Excellent", "Satisfactory", "Partly Unsatisfactory" and "Unsatisfactory" ("High", "Significant", "Moderate" and "Low" for EIB contribution).

1.3 Thematic issues specific to framework loans

On top of the evaluation of operations along the different criteria outlined above, the evaluation focused specifically on issues related to the particular nature of a framework loan operation:

- The suitability of framework loans and justification for their widespread and increasing usage
- The relative reliance on the promoter or programme manager to select and, where necessary, present to the Bank for approval the allocation of funds to projects meeting the conditions of the FL. Do the project procedures followed adequately assess the capabilities of the counterparts in this regard? Does the follow-up by EIB staff ensure this is done correctly?
- For multi-sector FLs how effectively is the required coordination of inputs from the respective sector divisions of PJ carried out?
- For FLs where multiple small projects below the threshold for individual appraisal receive the bulk of the funds how well are the overall limits on EIB intervention rate and the eligibility of the individual projects controlled?
- Are the differences in approach applied to SPLs justified and appropriate to the programmes they co-finance?
- The suitability of the special procedures introduced recently for FLs and SPLs in the light of any problems highlighted in earlier operations
- The issue of categorisation of investment loans as framework loans

A particular difficulty of this evaluation was the large number of sub-projects per operation and the challenge this represented in assessing performance of individual sub-projects and therewith of the overall programme the EIB contributed to. An attempt was made to take a representative sample of these sub-projects for each operation which was subject to in-depth evaluation and to assess performance at sub-project level within the practical constraints of the resources available. Moreover, specific attention was paid to the management of the programmes by the respective promoters.

1.4 Structure of this report

This report is structured as follows. Chapter 2 analyses the development of the framework loan approach and the procedures and practices used to implement these loans as they evolved over time. Chapter 3 contains the portfolio analysis. Chapter 4 discusses the relevance of the projects whilst Chapters 5, 6 and 7 discuss Effectiveness, Efficiency and Sustainability, respectively. Chapter 8 subsequently summarises the findings and provides the overall ratings for the projects.

The subsequent two chapters relate more specifically to the Bank. Chapter 9 assesses the EIB contribution to the project (added value). Chapter 10 assesses Project Cycle Management (PCM) as it was implemented by the Bank. Chapter 11 summarises the overall conclusions of the evaluation and proposes recommendations.

2 THE DEVELOPMENT OF THE FRAMEWORK LOAN APPROACH

2.1 From Italian municipalities to the New Member States: the evolution of FLs

The first loans categorised as "Framework Loans" in the Bank's internal project documentation system SERAPIS (albeit retrospectively: neither SERAPIS nor the term Framework Loan existed at that time) were a set of loans to city and county councils in the UK in 1985 which were arranged with CIPFA (the Charted Institute for Public Finance Accounting) as intermediary. These loans looked similar in nature to an earlier loan through CIPFA which was categorised as a "multi-beneficiary intermediated loan" within the loan type "Global Loans" (GL). Both were loans to public authorities which were too small for direct lending but which in aggregate justified an EIB intervention. In terms of appraisal and documentation they were not dissimilar from global loans but there is specific mention of some further information on the actual projects to be financed being provided later. Such loans remained rare through to the late 1990s (on average about 2 per year) and did not warrant specific procedures to cover them. For some the only noticeable difference from a GL was the potential for some sub-projects to exceed EUR 25m.

The first development of what might be called a standard FL-type product emerged in the support of Italian municipalities with the "Ambiente Urbano" loans. The first was with Bologna in 1996 and soon the cities of Venice, Firenze, Rome, Rimini, and Milan followed suite, extending to similar loans covering regions in Reggio Emilia, Lazio, Lombardia etc. a few years later. This sequence of loans followed a consistent format with a review of the strength of the beneficiary, a review of their multi-annual investment plan and identification of eligible subsectors leading to a technical description of the sectors to be covered under the loan and a brief specification of the information to be submitted later for each project. This information was quite limited (fitting on a document of half to one page) but the right to ask for more was always reserved. The term Framework Loan was not yet used but the archetype for the product was created. It clearly suited the clients in Italian municipalities who had lots of small projects to finance which were eligible and which, over a typical 3-year period, aggregated to a size justifying an EIB loan (typically EUR 25 to 100m).

From 2000 onwards the incidence of such loans started to increase, both in other Member States who had similar programmes to finance but also in pre-accession countries where satisfactory security was available. The use of those loans quickly spread from the urban sector into other sectors, and a greater variety of approaches emerged. For the accession countries post-signature information requirements became spelled out more explicitly and disbursement was linked to approval of such information by the Bank's services. In single sector loans the sector experts would set different thresholds for detailed appraisal based on the typical scheme size expected and would often require sector-specific policy or strategy documents along with project details. Some sector experts did not favour the framework loan approach and were reluctant to take part in multi-sector loans. The increased volume, the perceived need for consistency and the need to assign responsibilities within PJ prompted calls for a specific sub-category of loans called Framework Loans (FL) to be established in 2005 and for them to be covered in the procedures (see 2.2 below).

Another trend which can be seen over the period evaluated (from 2000 to 2008) is that whereas a FL above EUR 100m was rare before 2000 it became increasingly common and loans of several hundred million euros were approved (see the portfolio review below), some loans more recently even exceeding the EUR 1bn. This had the effect that the numbers of sub-projects sometimes ran into the thousands, and the chances of individual projects exceeding the thresholds for individual appraisal and CD/CA approval increased and the importance of setting sensible limits on the amount of upfront disbursement before any allocation requests were made became even greater (eventually OPS procedures limited upfront disbursement for FLs to 30% of total loan amount).

2.2 From multiple approaches to harmonisation

From 2000 to 2004 the number of framework type loans increased and the sectors in which the approach was tested grew. This period can be viewed as a period of experimentation and learning-by-doing, during which the services tried new ways to meet the needs of their clients whilst respecting the principles of the procedures which existed at that time for investment loans and global loans – often combining aspects of the procedures and documentation from the two official loan types into hybrid forms. For this period it is not enough to refer to the procedures of the time to establish whether the projects were managed appropriately but it is also necessary to check what proposals were made to

the Management Committee (CD) and the EIB Board of Directors (CA) by the services for follow-up post signature and to see if those proposals were respected.

***This is the approach taken in this evaluation**. If proposals for follow up were made which diverged from the procedures adopted later but these were followed faithfully and provided the information needed by the contact persons to monitor and approve the allocations then ratings given will be positive. Likewise, if the approach taken proved unsuccessful in some respect this will be mentioned – even if the current standard approach is different. In other words, the operations have been evaluated against their own frame of reference.*

The first procedures to include specific guidance for FLs were issued in PJ in July 2005 and in OPS in October of that year. An FL was defined as:

"Framework Loans (FL): They correspond to multi-schemes operations where, due to incomplete information at the appraisal stage, decisions concerning the financing of specific sub-schemes have to be taken [by the Bank's services] after Board approval on the basis of additional information. Structural Programme Lending, which consists of co-financing programmes benefiting from EU Structural or Cohesion Funds, is part of this category."

***This definition has been used as the critical definition of a FL in this evaluation** – particularly where there has been disagreement with or between the services on whether a loan is indeed a FL – a loan in which a decision about which sub-projects to finance remains to be made after Board approval on the basis of some additional information.*

The actual FL procedures for PJ deal frequently with how to assign responsibilities for and coordinate inputs from various sectors in an organised way but also outline the areas to be covered at appraisal, guidance on size of loans and disbursements, pre- and post-financing, monitoring requirements, the thresholds for additional (deferred) appraisal (now standardised as supplementary appraisal by the services for EUR 25m to EUR 50m and above EUR 50m treated like a normal investment loan), allocation and disbursement procedures (three options are given with varying degrees of ex-ante control) and requirements for progress and completion reporting. Though SPLs are mentioned, the SPL part of the procedure was "under development" in 2005. These procedures include the statement:

"These procedures are immediately applicable to the new FL operations. They are also applicable to outstanding FL operations and the corresponding monitoring and completion phases as far as practicable and to the extent that they are compatible with existing contract documents. "

This seems to suggest an intention to apply procedures retroactively. Nevertheless, as suggested above, in this evaluation for those projects signed before 2005 the monitoring and follow up is compared to the proposals made in the appraisal stage documents rather than the procedures, and only where the later procedure is considered to represent common good practice would reference be made to any deviations from it.

Even before approval of these procedures it was becoming clear that the increasing number of FLs, the increasing size per loan and the multiple sector nature of many of the loans was storing up a large volume of work for PJ and OPS in the review of allocation requests. Particularly where the more stringent options on control of disbursements were adopted (where allocations must be approved before first or subsequent disbursements) such work often arrived without much warning and had to be done under considerable time pressure. There was a great incentive therefore to streamline the procedures as much as possible, to apply the more stringent controls only where necessary and to concentrate the effort of scarce resources where they were needed. This led to proposals in 2008 and 2009 to streamline the procedures, with the table below giving the main changes.

***Although most of the projects in the sample for this evaluation are not covered by these changes, they will be discussed in the evaluation** as this is the direction in which the services have been developing their approach to FLs and any recommendations made for the future should take into account changes already implemented. For example the shift away from a 5% sample for physical monitoring and completion reporting (see Section 10.3) is in part an acknowledgement of the fact that resources had not allowed compliance with this requirement during the earlier years.*

Project lifecycle	PJ Procedures 2005	Changes in 2009[2]
Internal management of FL procedures	A specific temporary team FLAG (Framework Loans Assessment Group) was established.	Responsibility for maintaining and updating FL procedures attributed to PJ/QUAL and PJ/COENV/PL.
PJ attribution	Allocation to PJ/COENV/PL for multi-sector operations and operations with a leading "urban" or territorial development function	FLs for multi-sector investment programmes to the Programme Lending division. If more than two thirds is in one sector attributed to the respective sector division.
Appraisal	PJ appraisal according to the size of the scheme. Supplementary appraisal required for schemes above EUR 25m.	PJ Modulation to be endorsed. PJ appraisal will focus on the framework and in principle only on schemes above EUR 50m for individual appraisal.
Large schemes in FL	No limitations.	A recommendation would be (excluding SPL) to rather limit large individual schemes within a FL.
Time boundaries for expenditures to be included in project investment cost	The duration of works limited to 3 years.	The individual schemes shall be completed generally within 3-5 years. In cases of co-financing with Community funds (SPLs), the duration of works can be longer.
Environmental assessment of schemes in FLs	Provision of information modulated according to thresholds EUR 0-25m, EUR 25-50m, over EUR 50m.	Endorsed principle of delegation of responsibility to the promoter. Full dossier has to be provided only for schemes over EUR 50m. For schemes below EUR 50m a simplified approach applies.
Grouped approach for the presentation of large schemes	Not explicitly foreseen.	Individual schemes over EUR 50m included within an FL/SPL operation can be submitted to the Board for approval on a "grouped approach" basis. It should be considered whether the Board Report template will require a review.
Information requirements for allocation	Each scheme should be individually identifiable in a database, allowing the Bank to establish: (i) whether the Scheme is financed by Bank resources; (ii) its location; (iii) its key characteristics; (iv) if relevant, environmental and procurement procedures followed.	Information on implementation, necessary to authorise successive disbursements, should be based on list to be defined according to the sector and operation specifics.
Responsibility for monitoring	Responsibility for monitoring lies with the Bank.	Change for SPL: responsibility for monitoring lies with the promoter, primarily in line with the requirements of the EC for SPL. The EIB is still responsible under the MoU with the Commission.
Periodic review of the framework	Not explicitly foreseen.	In regular intervals a review of the implementation capacity and performance of the promoter will be performed and may have an impact on future allocation procedures.
Streamlining of monitoring activities (sample checks)	Minimum sample should cover at least 5% of the aggregate cost of small schemes within the framework loan.	Sample checks to be performed only if justified by risk considerations. No minimum size of the sample defined.
Project Completion Report	Requirement for project completion reports for medium size schemes could be modulated.	Requirement for project completion reports for medium size schemes is modulated. Project completion report for the framework only includes references to project completion reports of the large schemes.

[2] Those changes were as such not incorporated in the PJ procedures but were the subject of an internal note to which the current PJ procedures refer.

3 PORTFOLIO REVIEW AND SAMPLING

This chapter discusses the different terms that were used by the Bank for FL-type of loans in the past. It then considers the scope and evolution of the FL portfolio, and its sector and geographical definition, to finish with the sampling for this evaluation.

3.1 Categories of framework loans

Framework loans are not one single category. Over time, there have been many related terms used to describe various sub-categories of FL in papers and in CD notes on the subject such as:

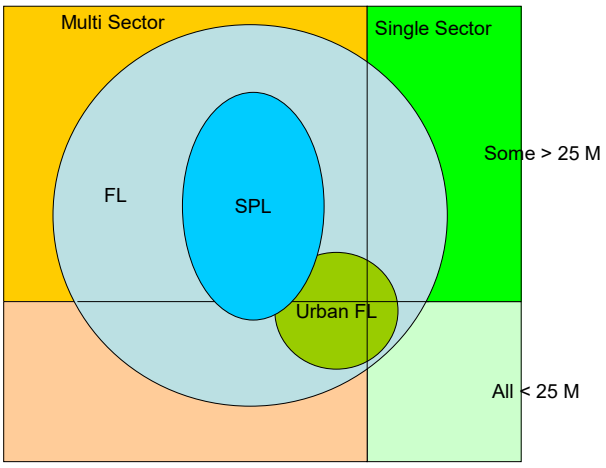
- Urban multi-sector FLs
- Bank-intermediated FLs (for PPPs)
- Natural disaster recovery FLs
- Single sector FLs
- Public sector programme loans
- FL, where the technical description (TD) describes the schemes
- FL, where the TD gives eligibility criteria

There are also other types of loans which look similar but in fact are not framework loans as described in the above introduction (i.e. they do not have the defining characteristic of checks being undertaken *after* CA approval and signature, although for GLs samples of allocations are currently checked after signature):

- Programme loans or Grouped loans (a loan covering an investment programme of which all elements are appraised prior to approval)
- Corporate programme loans (a corporate loan which happens to cover a programme of measures by that company)
- Global loans (a line of credit to an intermediary which applies EIB eligibility guidelines to on-lend the funds)

The various terms used are useful to explain the specific function of an FL but they do not define distinct typologies of approach – for which the best indication is given by the procedures followed.

In both OPS and PJ procedures the distinction is made between FLs and other loan types (such as global and corporate loans) but within FLs the only major subcategory identified is SPL, which since 2009 have had more "streamlined" procedures than for other FLs, and which are specific to the particular circumstances of EU programmes.



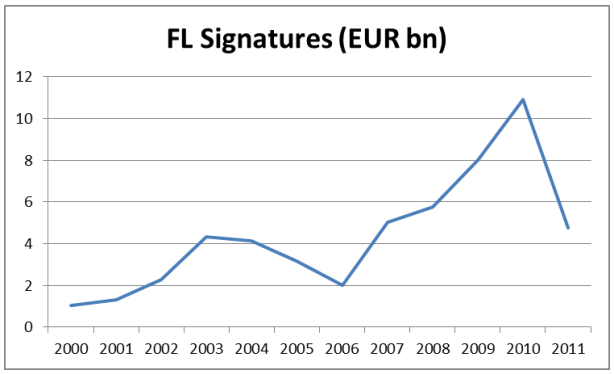
Along with the SPL/non-SPL distinction, certain other characteristics define how the project is approached within PJ:

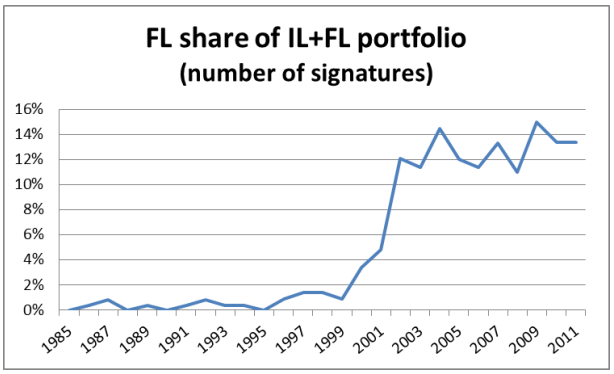
- Single sector/Multi sector
- Urban/non-urban
- Size of the sub-projects within the programme

The first criterion defines whether the FL is appraised by the dedicated sector division of PJ or by the division which handles programme lending. If it is a multi-sector programme but urban in nature and managed by a municipal authority it is appraised by the dedicated urban division. Depending on whether the size of the sub-projects is below EUR 25m, EUR 25m to EUR 50m or above EUR 50m the level of ex-ante appraisal and CD and CA approval required is different (and has varied over the time period covered by this evaluation).

3.2 Scope and Evolution of the Framework Loans Portfolio until 2011

The portfolio considered under this evaluation covers all FLs as coded in Serapis (the Bank's internal project IT system) on own resources within the EU 27 from 1985, when the first FL was initiated (as per Serapis post-coding), until 31 December 2011. Projects in the New Member States (NMS) which pre-date accession are included. This portfolio covers 271 operations and corresponds to a total signed loan amount of EUR 55.1bn, EUR 38.2bn (70%) of which was disbursed at end 2011. Among the 271 operations 154 operations were fully disbursed, 21 fully reimbursed, 75 operations fully signed and 6 operations cancelled after signature.



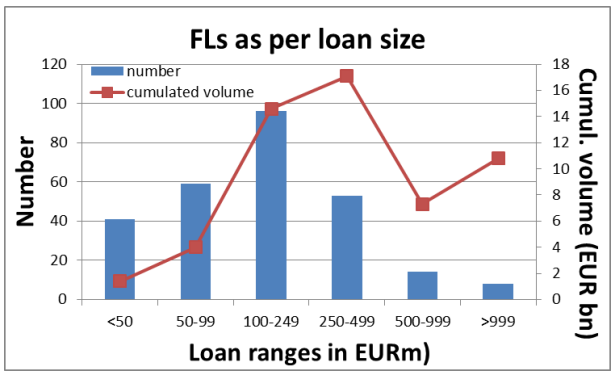


Between 1985 and 1999 only EUR 2.4bn of FLs were signed, whereas EUR 26.7bn of new operations were signed in the time-period 2009 to 2011, peaking in 2010 when in volume terms FL signatures represented, with EUR 10.9bn, more than 17% of total signatures in EU27 for that year (falling to 8% in 2011). The last three years (2009-2011) account for 43% of the total FL EUR 55.1bn signed amount.

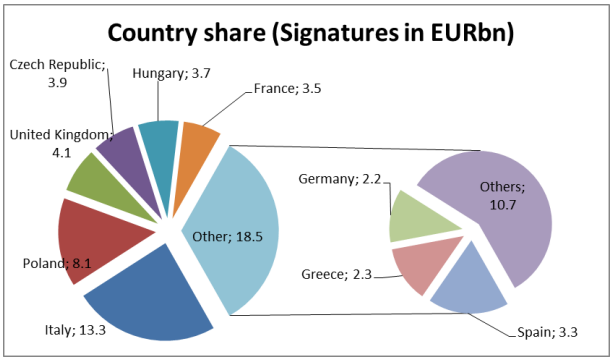
The FLs' share of the portfolio has significantly increased over time. In terms of the number of operations, since 2002 it has been consistently higher than 10 % of EIB's IL+FL portfolio[3], peaking in 2009 with 15 %. All 27 EU Member States except Luxembourg, Malta and the Netherlands had FLs with the EIB. Since the start of the past decade FLs have become a well-established financing product in the Bank. The timing of this evaluation can therefore be deemed opportune.

3.3 Distribution of FL Operations by Size, Sector and Country

The average FL operation size in the EIB portfolio is EUR 206m. Sizes vary widely however. There were 8 FL operations[4], all signed in or after 2007, with an individual loan volume larger than EUR 1bn; in total these amount to EUR 10.8bn. The bulk of FL lending is covered by 53 loans with a size between EUR 250 m and EUR 499.99 m (EUR 17.1bn, 31 % of the total lending). 20 FL operations have a signed loan amount of EUR 100m.



Nearly half (47%) of the portfolio volume (at appraisal) was in the construction sector, with sub-sectors composite infrastructure and urban infrastructure counting for a quarter and three-quarters of this amount respectively. This was followed by transportation and storage for nearly 20% of the portfolio, and water supply, sewerage and waste management, electricity, gas and air conditioning and education which all had 7% each.



[3] Excluding Global Loans.
[4] In Poland, Greece, Czech Republic, Slovakia, Lithuania, Portugal, Italy, Romania

The graph above presents the country distribution of the portfolio. This shows that Italy had by far the largest share (24%, EUR 13.3bn) of the portfolio, followed by Poland (15%, EUR 8.1 bn), followed by the United Kingdom, Czech Republic, Hungary, France and Spain. The EU-12 countries account for 41% of the total loan amount.

3.4 Sample

The sample of 24 operations for in-depth evaluation was drawn on the basis of a restricted set of FLs covering all completed and on-going FLs with disbursement levels of more than 70% at June 2011, the start of the present evaluation. This sub-set covers 137 operations totalling EUR 21.7bn (39% of the total 1985-2011 loan volume). 84% were fully disbursed, 4% fully reimbursed loans and 3% partially reimbursed loans. The "partially disbursed" portion (5% of the portfolio) reflects the FLs with more than 70 % disbursement, the remainder being 6 cancellations post-signature.

The breakdown of this sub-set of operations is comparable to the portfolio of 271 FL operations discussed above in terms of country, sector and size distribution. The exception is however the wave of very large loans of above EUR 1bn in the time-period 2007-2011, referred to in the previous section. Large loans of such size were not covered by the sub-set (as they did not reach the sampling threshold of 70%) and therefore not in-depth evaluated for this thematic evaluation.

SPLs represent approximately 25 % of the FL portfolio. Most SPLs are multi-sector, whereas the majority of the other FLs are single sector. SPLs mainly occur in the NMS, notably Poland, Czech Republic and Hungary.

The sample was determined as to take into account multi-sector *vs* single sector FLs; SPLs *vs* other FLs; and intermediated *vs* direct FLs (approximately 20% of the FLs were financially intermediate). The sample was furthermore designed so as to be representative both in terms of country distribution. The list of selected projects for in-depth evaluation is as follows.

#	Type of Project/Programme the FL contributed to	Country	Signed	Signed amount (EUR m)	Inter mediated	Status (End 2011)	Multi or Single Sector	Sub-projects
	SPL							
1	Programme co-financed by EU Structural or Cohesion Funds	Italy	2005	200		Complete	Multi	3000
2	Programme co-financed by EU Structural or Cohesion Funds	Slovakia	2004	95		Complete	Multi	1500
3	Programme co-financed by EU Structural or Cohesion Funds	Hungary	2004	445		Complete	Multi	13000
4	Programme co-financed by EU Structural or Cohesion Funds	Czech Rep	2005	43		Complete	Multi	48
5	Programme co-financed by EU Structural or Cohesion Funds	Germany	2007	340		Complete	Multi	960
6	Programme co-financed by EU Structural or Cohesion Funds	Poland	2008	176		>70%	Multi	250
7	Programme co-financed by EU Structural or Cohesion Funds	Cyprus	2005	80		Complete	Multi	46
	Non-SPL							
8	REGIONAL RECONSTRUCTION AFTER NATURAL DISASTER PROGRAMME	Italy	2003	200	Yes	Complete	Single	800
9	REGIONAL DEVELOPMENT PROGRAMME	Italy	2006	55		>70%	Multi	50
10	REGIONAL DEVELOPMENT PROGRAMME	Italy	2006	125	Partly	Complete	Multi	300
11	MUNICIPAL URBAN INFRASTRUCTURE PROGRAMME	Italy	2008	100		>70%	Single	840
12	NATIONAL EDUCATION PROGRAMME	UK	2003	150		Complete	Single	23
13	NATIONAL PRIMARY HEALTHCARE PROGRAMME	UK	2004	150	Yes	Complete	Single	45
14	NATIONAL EDUCATION PROGRAMME	UK	2005	296	Yes	Complete	Single	32
15	NATIONAL RECONSTRUCTION AFTER NATURAL DISASTER PROGRAMME	Poland	2001	250		Complete	Multi	730

#	Type of Project/Programme the FL contributed to	Country	Signed	Signed amount (EUR m)	Inter mediated	Status (End 2011)	Multi or Single Sector	Sub-projects
16	MUNICIPAL URBAN INFRASTRUCTURE PROGRAMME	Poland	2007	37		Complete	Single	9
17	URBAN TRANSPORT INFRASTRUCTURE PROGRAMME	Poland	2008	118		>70%	Single	18
18	REGIONAL INFRASTRUCTURE PROGRAMME	Spain	2003	200		Complete	Multi	210
19	MUNICIPAL SOCIAL HOUSING PROGRAMME	Spain	2003	100	Yes	Complete	Single	14000
20	NATIONAL HEALTHCARE PROGRAMME	France	2003	500	Yes	Complete	Single	23
21	NATIONAL SUSTAINABLE TRANSPORT PROGRAMME	France	2004	500	Yes	Complete	Single	27
22	MUNICIPAL URBAN INFRASTRUCTURE PROGRAMME	Germany	2002	75	Yes	Complete	Single	85
23	REGIONAL PROGRAMME FOR DEVELOPMENT OF TOURISM	Austria	2004	50	Yes	Complete	Single	4
24	MUNICIPAL URBAN INFRASTRUCTURE PROGRAMME	Czech Rep	2005	33		Complete	Multi	32

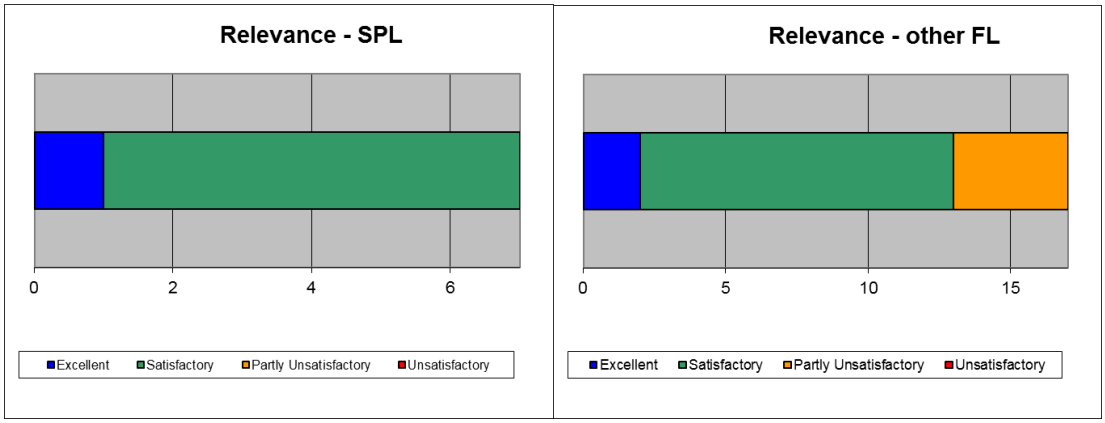
The resulting sample contains 5 FLs from Italy, 4 from Poland, 3 United Kingdom, 2 Czech Republic, 2 Spain, 2 France, 2 Germany, and 1 each in Slovakia, Hungary, Cyprus, and Austria (a total of 9 in NMS). It covers 7 SPLs and 17 other FLs, 11 are multi-sector (7 of which are SPLs); 13 are single sector. 10 FLs are financially intermediated.

4 RELEVANCE

Relevance is the extent to which the project objectives are consistent with EU policies, the decisions of the EIB Governors, as well as to country policies and national, regional or local needs. This section also investigates the design quality of the projects, in particular with regard to the appropriateness of using a FL-type approach.

4.1 Evaluation results

Overall the projects were relevant in relation to EU policies, to EIB policies, strategies and objectives, and responded well to national, regional and local needs. Their objectives were consistent and the projects, often the fruit of a process of national, regional or local planning, were generally well designed.



The four FL operations [#8, #12, #14, #19] that scored Partly Unsatisfactory on this criterion did so for different reasons. Operation #8 (an intermediated FL provided after a natural disaster (flood)) refinanced previously concluded operations of the financial intermediaires that implemented the loan whereas it was deemed more relevant to provide ILs or GLs that would really remedy the effects of the natural disaster. The second loan scoring low on relevance was so because of the design – in the evaluator's opinion, an IL would have been more appropriate and the operation should have been redesigned as such. The third loan that scored low on relevance [#14] did so because the consistency between the different levels of objectives was weak and, conversely, a GL here was thought a better option than an FL in the evaluator's opinion. In the fourth case [#19], the operation (1) should have given more focus on less well developed regions; (2) showed weak consistency in objectives and (3) in its design would have benefited from complementary measures linked to regional development plans. These four projects however are exceptions.

4.1.1 Relevance in relation to EU policies

Most operations were well aligned with EU policies. SPLs were assessed more positively than the regular FL sample in this respect, which is unsurprising as SPLs are meant to co-finance EU Structural Fund programmes. SPL operations were naturally part of plans (e.g. National Development Plans, NDPs) which had been drawn up in the context and according to the principles of the EU's over-arching policies of cohesion, enlargement, balanced growth, and in full compliance with basic EU Treaties and key regulations, in particular the Council Regulations relating to the Structural Funds for either the 2000-2006 or the 2007-2013 period, depending on when the operation was implemented. That the EIB should be joining its financial instruments to those of the EU, therewith combining grants and loans ("blending") in pursuit of shared objectives, is also foreseen in EU policy and regulations.

The mono-sector non-SPL FLs generally were relevant in view of the sector policies they related to, such as urban renewal, transportation, or education and health infrastructures for which EU policies exist. The multi-sector FLs finally were relevant in view of EU policies either because of the policies underlying the individual sectors they covered or because, even though they did not explicitly aim to co-finance EU programmes, in many cases they appeared complementary to those. In the case of NMS the earlier FLs were used within the framework of pre-accession [e.g. operation #15, which was moreover highly relevant as it responded to a major natural disaster and included a major natural flood prevention component and therefore obtained an excellent rating overall].

In a minority of cases, the relevance to EU policies was found to be lower, especially when the operation took place in areas that were found to be relatively well developed [e.g. #13, #19] whereas the operation should have given more focus on less well developed regions. This focus was announced in the Board report but such a requirement was not transposed in the finance contract (and subsequently not implemented).

4.1.2 Relevance in relation to EIB policies, strategies and objectives

Most operations were also well aligned with EIB policies, strategies and objectives. From a high level perspective, the majority of operations were justified in view of Article 267(a, regional development) of the Treaty (currently Art.309) and many also on the basis of Article 267(c, themes of common interest) (idem). Moreover the vast majority of projects responded well to the Social and Economic Cohesion or Convergence objectives of the Bank.

Relevance of the analysed operations was furthermore increased for projects often responding to generally more than one COP objective valid at the time of inception. The typical mono-sector FL operations were backed-up by the Bank's sector priorities and policies (e.g. TENs, i2i, etc.), a variety of initiatives (e.g. Amsterdam Special Action Programme; Leipzig Charter) or dedicated EU policy papers which found their way into EIB policies (e.g. on education [#14]). Again mirroring the developments within the EU mentioned under the previous section, several operations were initiated within the framework of EIB's Pre-accession Facility or in other ways aimed at supporting pre-accession or recently acceded member states [#2, #15].

With time, especially the urban renewal projects – constituting an important share of the FL portfolio as shown above – became increasingly relevant when the promotion of urban development with time explicitly found a place within EIB policy through the Bank's "Sustainable Communities" approach. In one case however [#19], a typical housing project would under the then eligibility regime not be eligible because an overarching urban renewal plan was missing. The issue of eligibility in the urban infrastructure sector has recently been discussed in another evaluation and needs no repetition here.[5]

Finally, one operation [#23] was relevant not only because of the "mainstream" EIB eligibility criteria outlined above, but because it intended to promote cross-border economic development in the early 2000s, which at the time of launching this operation, the EIB was strongly encouraged by the EU to support.

4.1.3 Relevance in relation to national, regional, local and beneficiary needs

The individual evaluations found that without exception and by design, all operations had clear and explicit relationships with the national, regional or local development plan (as applicable). At least half of the non-SPL operations were simultaneously related to both clearly identified local or regional plans and Structural Fund interventions. For SPLs the link between local needs and plans and EU programmes existed by construction.

A few FLs, without explicit link to EU funding, were meant to contribute to *nationally* defined policies and plans in a variety of sectors such as health [#13 focusing on primary care; #20, aiming at upgrading hospitals], transport [#21] or education [#12]. All these were mono-sector loans with a national scope; these were all also intermediated FLs.

One of the projects [#16, a municipal project in a NMS] obtaining an excellent rating for relevance did so not only because it responded to local needs but furthermore the local project showed a high level of cooperation with the neighbouring municipalities contributing to coherence and consistency of the policies at sub-regional level.

Overall the operations are considered highly relevant in that they responded well to national, regional or local needs.

[5] For more details on EIB's contribution to urban development and the eligibility of housing projects within this perspective see: Operations Evaluation, 2012, *Evaluation of EIB financing of urban infrastructure projects in the European Union* (available on EIB Website).

4.1.4 Internal consistency of objectives and relevance of design

A clear description of the different levels of objectives (e.g. in the form of an intervention logic) was most of the time absent from the Bank's documentation and had to be reconstructed by the evaluators for the evaluation exercise, or identified in other, e.g. EU or local, documents. Once this reconstruction was done, for virtually all operations the different (levels of) objectives of operations were found to be consistent with each other.

In the few cases where consistency was found to be weak [#12, #14, #19],[6] this was on the basis of the absence of a clear path from operational to global objectives, e.g. between the improvement of concrete infrastructure such as a new swimming pool complex for a school or a new performing arts centre for a college and their contribution to the overall economic and social aims.

A second item that was assessed under this heading concerned the extent to which the design of the operation was relevant, i.e. conducive to reaching the objectives. This would also answer the question of the relevance of having chosen the FL option (or "FL-type" loans when FL procedures were less crystallised – which was the case for most of the loans in the sample).
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The design of the operations was generally appropriate. For two cases the inclusion of a more social component complementary to the physical infrastructures could have improved the project design (#18-multi-sector, #19-housing FL, both in same country). In a third case, the operation could have been made more relevant if the higher level objectives mentioned in the Board report would have made it into to the finance contract – the project would in that case have focused more on the less developed areas in the country at stake [#13-UK, primary health care].

As concerns the choice for a FL, the evaluations found that for all seven SPLs and for about half (i.e. 8) of the other loans in the sample, the FL or FL-type financing instrument was very well justified. That is, the operations contributed to largely coherent sets of sub-projects which were part of national, regional or local investment programmes of which contours and sub-projects were to some extent but not entirely known; which had generally small sub-projects some of which were however expected to exceed a EUR 25m cost; and which for those reasons needed flexibility for promoter and for the Bank. For the remaining operations, the FL instrument was not necessarily a wrong choice – generally it was a workable one – but doubts existed on whether it was the optimal one given the specific circumstances. In the cases were the sub-projects turned out to be known an IL could have been used (see insert). Two other cases [#13, #14, both intermediated loans] could have been split in a GL part to deal with the smaller schemes and small series of ILs for the bigger ones, given the fact that for those bigger schemes appraisal and Board approval was required anyway.

Cases were ILs could have been opted for

In project #18 (Spain, regional multi-sector project) the sub-projects were clearly known before the EIB financed. In projects #12 (UK, Higher Education infrastructures), #19 (Spain, Social Housing) and #21 (France, national scheme for urban transport) they could have been easily identified by the Bank or by the promoter. For #12 (UK, Higher Education infrastructures) individual related schemes for the same universities should even have been clustered and handled as individual ILs – the "salami-slicing" of bigger projects into smaller schemes under the threshold, a phenomenon which nowadays would no longer exist according to the services.

4.2 Issues

In the course of the evaluation of this criterion the following issues have arisen for further consideration and potential recommendations.

4.2.1 Was a Framework Loan a relevant choice?

The relevance of the design was questioned in 6 out of the 24 in-depth evaluations, when sometimes an IL and sometimes a GL was deemed to be a better alternative to the FL approach that was chosen. That is, it was clear that in some cases all sub-projects could be expected (and in the end turned out) to be small and eligible, and ex post major efforts to obtain the detailed information requested for the

[6] The Bank's services clearly learned from project #19 and in the follow-on project decided for a more consistent and radically different project design in view of the project scope, intermediation, monitoring and disbursement conditions.

FL allocations often failed. In such cases the additional value of using a FL over a GL was unclear. It is acknowledged that in such cases the FL approach was chosen for its main virtue, namely its flexibility to incorporate projects with a cost exceeding EUR 25m even when in some cases it was highly probable that such projects would not come. An extreme example was a loan [#23] where a FL approach was chosen just because the promoter had announced that *maybe* one single bigger project could be expected – which never materialised. There were also cases were most if not all allocations were known in great detail, or could have been so with minor additional effort. In these cases, an IL would have been the preferred option.

Compared to FL	GL	IL
Similarities	- appraisal of promoter capacity as well as of the pipeline (*but* not an investment programme) - focus on small schemes - eligibility check on allocations received, *but* lighter allocation information	- PJ project appraisal - adapted to major well-defined infrastructure projects
Dissimilarities	- no appraisal of an investment *programme* to which EIB would contribute neither of the way in which EIB would contribute - excludes schemes with cost > EUR 25m or <40k - only with financial intermediaries	- excludes small schemes - no flexibility to allow for unplanned sub-projects or components

This notwithstanding, in order to finance local or regional programmes, FLs still seem to be the better instrument as it has features that neither a GL nor an IL has (see insert). It is true that in the case of a GL[7] the administrative burden on the Bank (see Chapter 10) could be lowered as allocation information and checks are lighter, OPS would appraise the capacity of the promoter to implement the loan only and monitor the allocations meaning PJ would no longer be systematically involved. However, in the case of a pure GL there would no longer be appraisal of the programme to which the EIB would contribute but only of a project pipeline, regardless of the quality of the national, local or regional programme. The main disadvantage of using an IL is that the threshold would prevent small projects from being financed – which is one of the main purpose of an FL (without excluding bigger sub-projects).

In sum, the FL instrument chosen was found to be generally a relevant choice across the sample.

4.2.2 Loan sizes

Current designs of FLs are for relatively large sums, both in terms of total loan size and minimum disbursement. The evaluation shows that loan size does not always meet the requirements and capacity of, in particular, smaller municipalities. Loan sizes should be guided by the borrowing capacities of the borrowers to avoid cancellation of tranches due to borrowing constraints. At the same time, decreasing loan and disbursement sizes would increase administrative cost. For smaller clients a more appropriate highly standardised product would make the FL instrument more relevant.

Implementation of such an instrument could be done through different routes, but the evaluation suggests that this would need an “integrator”, e.g. a “lead” region that could act on behalf of a group of entities (e.g. municipalities); this may pose specific challenges for risk management however. Alternatively, intermediary banks could be used – as they were in a couple of cases from the sample, and particularly for the larger programmes with a national scope in the bigger EU15 countries, however this posed a challenge for reporting and consistency of objectives. Even the use of promotional banks could be envisaged for this. Examples of the latter arrangement were not included in the sample but for some NMS have given highly satisfactory results both for mono- and multi-sector FLs, as shown in previous evaluations performed by EV (of Urban Infrastructure projects, presented to the Board in 2012).

[7] GLs within the EIB have become increasingly and quasi-exclusively used for intermediated loans with a high or full SME (“L4SMEs”) / Mid-Cap dedication, and are monitored by the CAU, located within OPS. There is no PJ involvement.

4.2.3 Absence of intervention logic

It is important for the Bank to understand what its actual contribution is to the national, regional or local programme it co-finances. It appeared often difficult however to link the operational objectives of the EIB operations to the contribution they are expected to make to a broader impact – a clear "intervention logic" or "objective tree" is absent from the Bank's documentation and for the purpose of the present evaluation often had to be reconstructed from a variety of documents. Even then it sometimes remained unclear what expected impact was of EIB operations at higher levels.

For more service-oriented sectors (e.g. education, health) apart from the improvements in physical infrastructure, the objectives in terms of improvement of the service should be included.

4.3 Conclusions

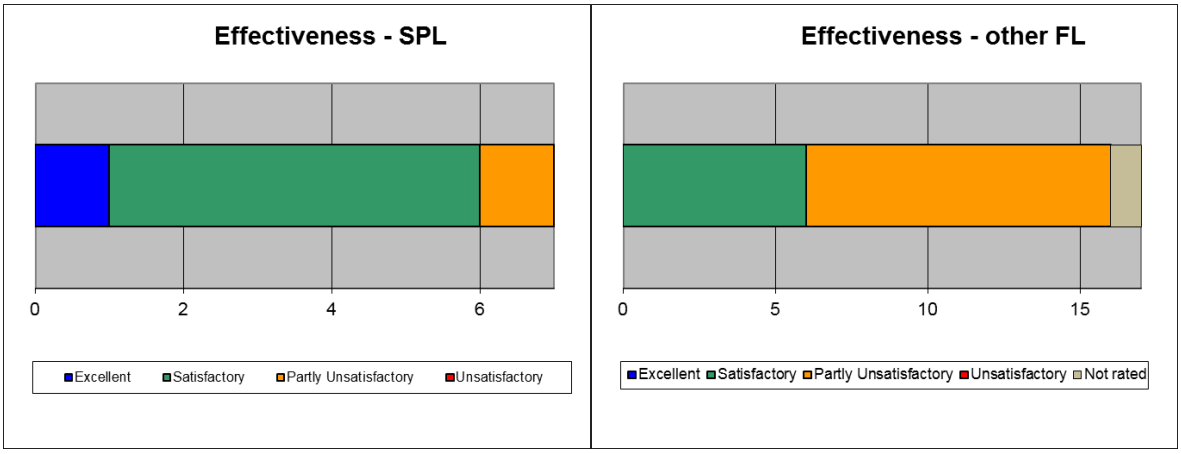
Overall, the operations and the national, regional or local programmes to which they contributed were relevant in relation to EU policies, to EIB policies, strategies and objectives, and they generally responded well to national, regional and local needs. Although a clear intervention logic was often lacking in Bank documentation, *reconstructed* objectives appeared mostly consistent and the projects, with a few exceptions, were well designed. Issues identified by the evaluation concern the question of whether an FL (or FL-type loan) was the optimal solution in 6 cases where a GL or, conversely, an IL seemed more appropriate. Furthermore FLs, although they aim at financing small sub-projects, remain of a sizeable volume and therefore appear less appropriate for smaller promoters (e.g. municipalities). Such entities would benefit from a highly standardised product, grouping different sub-programmes, and probably administered by an "integrator" (e.g. a "lead" region, financial intermediary or promotional bank).

5 EFFECTIVENESS

Effectiveness relates to the extent to which the objectives of the project have been achieved, or are expected to be achieved, taking into account their relative importance, while recognising any change introduced in the project since loan approval.

5.1 Evaluation results

Only about half of the FLs evaluated achieved their objectives in a satisfactory or better manner. Effectiveness was moreover rated significantly differently between the SPLs and the rest of the sample. For SPLs, achievement of objectives was for the majority of cases rated satisfactory. Only one operation [#1] had less satisfactory achievements as the local component of the operation, initially foreseen as a complement to the EU OP, was not realised leading to the Bank having to complete the project with allocations from the OP only in order to justify the volume (the alternative being cancelling part of the loan). The excellent rating for one operation was on the account of good achievement of intermediary objectives, i.e. the outstanding job creation and business infrastructure improvement results [#5].



This contrasts with the remainder of the sample where effectiveness was satisfactory for *less than half* of the operations. Effectiveness for the majority was partly unsatisfactory and one operation appeared even impossible to rate on this criterion altogether. For this operation [#12], in spite of the preparation of a PJ sector study ahead of the programme, the weak formulation of operational objectives combined with the near absence of project completion data available at EIB and the difficulty of getting such data a decade later from an intermediary who did not follow up individual projects in detail, made a rating impossible.

For the FLs other than SPLs, out of the 10 operations that were rated Partly Unsatisfactory, 6 (nearly one-third of this part of the sample, and a quarter of the sample overall) were so due to the strong reduction of either the EIB contribution to the programme or of the programme as a whole. The originally planned operational objectives of those operations could therefore not be achieved, let alone the higher level objectives. Two more operations also had a reduction in scope but this was less drastic and those operations ultimately were found to have nevertheless contributed significantly to achieving the higher level objectives (in both cases related to flood prevention [#8, #9]).

The – sometimes strong – reduction in the volume of those loans as compared to initially approved or signed amounts does not seem to be directly related to the flexibility provided by the FL. No real pattern across those reduced loans could be identified and reasons were varied and not inspired by the flexibility of the FL per se. They concerned: regional borrowing constraints (which could probably have been anticipated) [#10]; initial planning not achieved due to external factors (when a major sports event was eventually not organised in the region contrary to what was expected [#23]); competition from other national programmes or financing sources [#21, #22] or sometimes even from EIB Investment Loans [#21].

The evaluation also found operations that did reach their objectives and therefore were rated “satisfactory” on this criterion, but could have done even better if more cooperation between different

neighbouring municipalities would have taken place [#16], or selection criteria would have been sharpened [#20].

Other low scores on effectiveness were obtained when operational objectives were achieved (i.e. planned schemes were realised), but higher level objectives were not, e.g. due to strong underutilisation of the built infrastructures [#18], built infrastructures not clearly contributing to stated higher level objectives [educational infrastructures' contribution to improvement of education standards #14], or not reaching the beneficiary groups initially intended [homeownership instead of social rental, #19].

The 9 intermediated loans (all non-SPL FLs) appeared to have more difficulties in achieving their objectives than direct loans, i.e. those directly to the promoter or coordinator of the local, regional or national programme, and in a larger number of cases. This concerns 7 out of 9 cases, against 4 on 7 for direct loans (or 5 out of 14 if the SPLs are taken into account). Moreover, of the 6 cases that were strongly reduced, 5 were intermediated loans; these were also more often single-sector. Although the sample is small, this raises the question about the extent to which intermediated loans are conducive to achieving the objectives of FLs, which often have a programmatic character.

5.2 Issues

5.2.1 Assessing outcomes of the EIB contribution of the local programme: a difficult task

As indicated in the Relevance section, it is often difficult to link the operational objectives of a FL to the contribution it is expected to make to the broader impact of a programme. Determining what exactly the objectives were was often a problem in the assessment of effectiveness, even more so when promoters did not monitor sufficiently the outcomes of a programme, which would have allowed a better understanding of *de facto* effects in the absence of clearly defined objectives. The global objectives of FLs often tend to be defined at a very high level leading to difficulties in disaggregating the impacts of the EIB subset of schemes. Moreover, ex ante (at appraisal stage) and ex post (at project completion stage) allocations do not match. This is allowed by the FL product and does not necessarily mean that the local programme to which the loan contributed would not be realised (see below). It simply means that for whatever reason other allocations were proposed to, or selected by, the EIB in the end. However, the problem is to assess how this new set of allocations would respond to objectives initially stated as sometimes they are substantially different (see also section, 5.2.3).

The relatively lower performance of the single sector operations may be explained by a *de facto* lower flexibility that is permitted by such operations, compared to multi-sector operations. If, for whatever reason, a sector does not meet the objectives and cannot generate the expected outcomes due to problems in one sector, there is no possibility to switch to another. This was the case for instance for operation #21 in the area of urban transport which saw its outreach curtailed due to competing finance at national level that financed similar projects, within the same national investment programme. Due to its sector definition it could not switch to another sector where no such competition would exist (the loan volume of this operation ultimately was reduced).

5.2.2 SPLs – generally better prepared and more effective

Following up on the previous point, the fact that SPLs were overall more effective than the other FLs would suggest that a more systematic preparation, definition of objectives and follow-up, as was the case in those EU funded programmes, would be beneficial to a better performance.

The Bank appears to be only weakly involved in the definition of the programmes to which SPLs contribute, even if the Structural Funds regulations do allow for the EIB being involved in preparation of these programmes.[8] The latter feature is not the case for the other FLs, which are locally, regionally or nationally defined without a formal role being reserved for the EIB other than contributing co-finance. In reality, also in the case of SPLs, the EIB co-finances programmes that are largely defined by others and on which it only has a minor influence. The relatively better performance of those operations does not seem to relate to the EIB operation being internally more consistent or better defined – as a matter of fact under SPLs the Bank co-finances generally quite heterogeneous sets of sub-projects – but that

[8] Recital 40 and Article 36 of Council Regulation (EC) 1083/2006 (11.07.2006) as well as according to the MoU signed between the EC and the EIB on 30 May 2006

the operations are contributing to what appear to be more consistently defined overall programmes in the first place.

This notwithstanding, an earlier association of the EIB services to the definition of SPLs could help maximising the EIB's contribution as it would allow the EIB services to better anticipate the contents of the SPL to come, and adapt its contribution accordingly in order to really make a difference in the areas where its contribution and expertise is most relevant, rather than being requested to finance what is generally for the EIB a relatively *ad hoc* set of sub-projects. This would however require additional efforts not only from the Bank – which would have to be more proactively involved, in earlier stages in the process than currently is the case – but also from the relevant EC geographical desk responsible for the SF administration as well as from the respective Managing Authorities.

5.2.3 Financing *sub*-projects: the programme within the programme

The task of understanding at what point objectives of an operation would be achieved (see 5.2.1 above) is complicated by the fact that for FLs (including SPLs) the EIB ultimately only finances part of the national, regional or local programme. To do so, the Bank's services *ex ante* pre-select, then monitor, and eventually approve a subset of schemes (the initial and final set do not necessarily have to match) of the overall programme to be co-financed. This the case for all FLs, including SPLs.

That is, the Bank would not simply contribute a share to the overall programme regardless of the underlying individual sub-projects, but will always require that an "EIB subset" to be financed as expressed in the set of allocations ultimately selected and approved. It therewith constitutes in a way *a programme within the programme*. Such a selection is made on the basis of eligibility (or exclusion) criteria. Guidance to the promoter to select sub-projects is sometimes also given in order to facilitate processes or avoid burdensome procedures (e.g. choosing sub-projects not requiring an EIA or which would be less sensitive to procurement issues). Avoiding the need for an in-depth scrutiny, or decreasing any potential type of risk upfront, is crucial especially when the number of allocations run into the hundreds or thousands, difficult to control.

The number of EIB allocations for the FLs in the sample ranged from 4 to 14 000 (see Section 3.4). Being confronted to a great number of sub-projects, and hence EIB allocations, is a challenge *per se* when it comes to the definition of the relationship between approved allocations (which is mainly what the EIB services examine)[9], the corresponding sub-projects and their outcomes, and higher level programme objectives – not only for the evaluator, but first of all for the EIB itself. Would it not be more relevant to measure the success of the EIB operation in terms of the performance of the programme it contributes to, rather than in terms of the realisation of a list of sub-projects which happen to respond to the relevant eligibility or exclusion criteria? Could the definition of objectives of FLs, and the assessment of their realisation, take place at another level than the achievement of the (initial) EIB allocations?

At first sight this would be an attractive and efficient solution: the Bank would assess and give its "blessing" to the local programme *overall* and co-finance this programme. It would in such a case agree, in cooperation with the promoter, on a set of indicators and targets to be developed to reflect programme objectives and follow up on these to provide proof of effectiveness, rather than collecting information on huge numbers of individual allocations – without necessarily inquiring about how these have contributed to the achievement of the wider programme.

However, the evaluation shows that several considerations make that the Bank continues to require allocations and does not work more from a "programme perspective":

- Not scrutinising individual allocations would involve several types of risk, namely
  - Sub-projects exceeding relevant thresholds would not be spotted whereas formally these would require additional review (EUR25-50m) or separate appraisal and approval (>EUR50m)
  - Reputational risk in case sensitive sectors would be financed (the question is whether this risk is associated with an individual allocation that the EIB formally would have financed or with the overall programme to which it would have contributed)
  - Inefficiencies and again reputational risk in case of mismanaged public procurement.

[9] The implications of great numbers of allocations for the management of such operations is discussed in Chapter 10, on EIB Project Cycle Management.

  - Risk of double financing when there is overlap between a FL and ILs, and overlap with other financiers
- Despite the Bank's great level of internal sector expertise (PJ) and expertise in financial structuring of operations (OPS), little experience in (and not always the resources for) developing and structuring more overarching programmes together with EIB clients and partners. With the advent of EU initiatives such as JASPERS and JEREMIE (both recently evaluated by EV) and JESSICA, this has started to change, with the Bank providing more technical and pro-active support; the extent to which JASPERS given its role could be helpful for the Bank in the preparation of SPLs, could be explored.
- Generally, the risk of moving from a project-oriented approach to budget or sector support.

However, even if those considerations are understandable from a historical perspective and from the way in which procedures are currently established, they seem to lead to the creation of an artificial "EIB programme" within any co-financed FL carving out the EIB eligible sub-projects. The link with the objectives of the broader programme is not necessarily checked ex post nor is the achievement of the intermediate and global objectives, which, as the evaluation found, for many FLs was unsatisfactory. Gathering the appropriate allocations requires furthermore, as will be discussed below in this report, an immense effort from the Bank without necessarily obtaining the required information. This consumes resources that are no longer dedicated to assessing the consistency and the achievement of, as well as the actual EIB contribution to, objectives of the co-financed programme – let alone how these can be improved.

5.3 Conclusions

Only about half of the FLs evaluated achieved their objectives in a satisfactory or better manner, but effectiveness was rated significantly differently between the SPLs (performing relatively well) and the rest of the sample for which effectiveness was satisfactory (and none was excellent) for *less than half* (10 out of 17) of the operations. One operation appeared impossible to rate on this criterion because of the weak formulation of operational objectives and a near absence of project completion data, in spite of a solid PJ sector study prepared ahead of the programme.

Several operations saw a reduction in scope, did not realise their initially planned operational objectives, even though reasons for this were quite different from one operation to the other. Low scores on effectiveness were furthermore obtained when operational objectives *were* achieved, but higher level objectives were not, i.e. when beneficiary groups were not attained as intended.

The intermediated loans (all non-SPL FLs) appeared to have more difficulties in achieving their objectives than loans directly with promoters and of the 6 cases that were strongly reduced, 5 were intermediated and mostly single-sector. This raises the question about the extent to which intermediated loans are conducive to achieving the objectives of FLs, when there is no promoter or coordinating body which has a vested interest in making the investment programme work and would take care of monitoring.

The three, interrelated, issues around effectiveness of the EIB FLs that were identified concerned the following:

(1) it is often difficult to link the operational objectives of a FL to the contribution it is expected to make to the broader impact of a programme, even more so when promoters did not monitor sufficiently the outcomes of a programme;
(2) SPLs seemed better prepared and their objectives better defined than FLs overall and this would contribute to their relatively better performance; further EIB involvement upstream, working together with the EC and MAs however could still improve the quality of the EIB contribution to SPLs and of SPLs themselves;[10]
(3) the Bank generally finances a set of sub-projects – a "programme within the programme" – and especially when numbers of sub-projects are high, the link between those and the overall programme are not always clear, especially as the sub-project allocation approvals are much more based on eligibility and exclusion criteria, and a certain perception of (reputational) risk than on their consistency and actual contribution to the realisation of the objectives of the local programme.

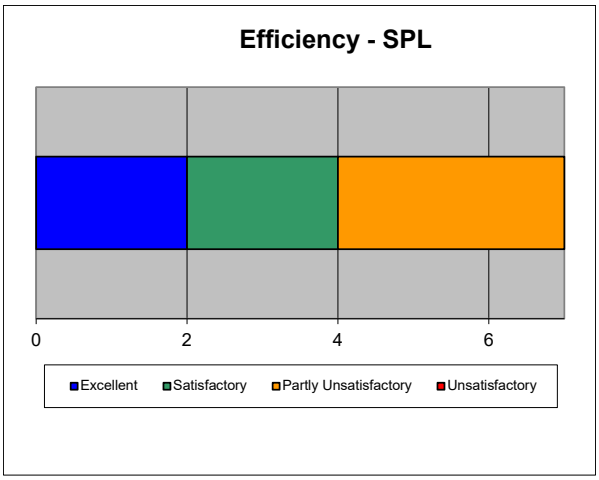
[10] A similar observation was made in the evaluation of EV's Evaluation of EIB investment loans for economic and social cohesion, issued at the end of 2011.

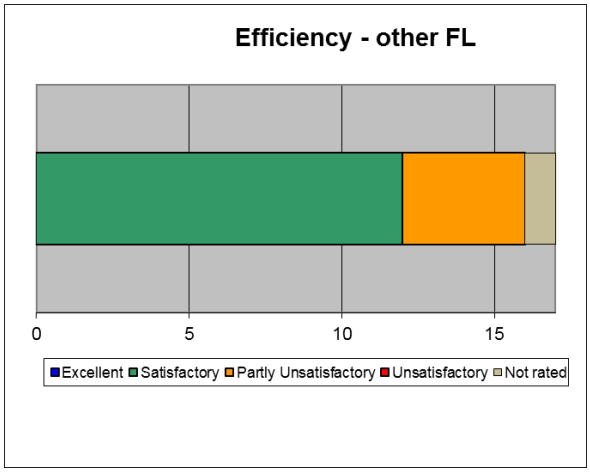
6 EFFICIENCY

Efficiency considers the extent to which project benefits/outputs are commensurate with resources/inputs. Efficiency is also one of the main considerations when choosing between projects to allocate scarce resources.

6.1 Evaluation results

In view of the generally high numbers of sub-projects, and their great variety in terms of scope and scale (ranging from several tens of thousands to sometimes several tens of millions of Euros per allocation) it was difficult to establish the efficiency as a simple aggregate of the efficiency of individual sub-projects. This was furthermore complicated by the fact that most of the time sub-projects were not or only partially known at project onset (which is typical and allowed for FLs) and any sort of efficiency calculations were generally not available for review either ex ante or ex post, even for the bigger sub-projects, with the exception mainly of some of the bigger (urban) transport projects where EIRR was sometimes calculated ex ante. Efficiency had therefore to be very much approached indirectly, i.e. by relying more on the assessment of issues such as timeliness and the management of the local programme by promoter or intermediary.





On this basis, the majority of projects, and even more so for the non-SPLs FLs, turned out to be efficient. The “excellent” ratings for this criterion were given for promoters in two SPLs [#4, #5] that were cost-effective, where promoters managed their programmes well and timely, had good procurement processes in place even for smaller projects and, in one case, reached high FIRRs and EIRRs, as those were tracked in this specific case. The FL that was not rated on efficiency was the same – and for the same reasons – as the one not rated under Effectiveness, above.

On the overall sample there seems to be no difference in the efficiency rating between different types of promoters although in the non-SPL sample operations with intermediaries again turn out not to be the best performing ones in this regard – again reservations with regard to the small sample size and the small number of intermediated loans should be made however.

Two NMS [Poland and the Czech Republic], both with 2 operations in the evaluation sample, had good procurement processes and steering committees in place leading to cost-effective projects.

In several cases, national Courts of auditors reports or EC evaluation reports (for SPLs) served as helpful complement to EV’s own fieldwork in order to obtain a more complete picture of the efficiency of the local programmes. Such information does not seem to be much used by the EIB services for appraisal, monitoring or completion purposes.

6.1.1 Cost effectiveness

The costs of the sub-projects and hence of the investment programme were generally well known – although in some cases confusion existed on which allocations or which costs *had to be attributed to the EIB*. However contrary to investment loans, there is hardly any point in comparing the ex ante with the ex post costs since ex ante allocations were generally not known to EIB and if they were they were

only partially the allocations that ended up in the PCR – which is allowed by the flexibility of the FL approach.

Although one would expect unit costs to be known at sub-project level, these could only in a few cases be provided to the evaluators. There is however an increasing practice of using benchmarks and price lists within procurement processes. As per the EC regulations, SPLs moreover are governed by strict rules for tendering and monitoring of financial cost and this has led generally (with the exception of #7) to good cost containment. In case #13 (social housing), higher cost (due to high quality and high transaction costs) eventually led to the need for charging higher rents. For case #11 cost effectiveness was assessed to be satisfactory for the large numbers of small projects making up the bulk of the programme but was partly unsatisfactory for a tramway, which formed a significant part of the project.

Procurement procedures are crucial in containing cost and making sub-projects, and consequently the overall programme, cost-effective. These are however very difficult to control in FLs as procurement is generally performed at the level of sub-projects, which can run into the hundreds or thousands. Some national differences in how procurement is dealt with emerge from the sample, with in some cases well-developed and applied public procurement rules visibly contributing to containing costs [#6 (Polish SPL), #15 (Polish flood damage reconstruction project), #16 and #17 (Polish municipal infrastructure projects); #4 (Czech SPL), #24 (Czech Municipal infrastructure project)]. However, benchmarking of prices within and even across regions was a good practice that was developed by regions in other countries too (e.g. Italy or Spain), with a beneficial impact on cost.

[#24] Benchmarking and containing cost – a good practice example

The Czech Republic Government is maintaining a construction cost database, yearly updated. This tool allows an efficient comparison between what has been tendered and the average market prices. The municipality is also maintaining its own cost list in order to calculate the tender budget. This includes for example benchmark costs for roundabouts and per kilometre of road given certain specifications on width and underground. Standard price lists are referred to by the transport department of the city when assessing the levels of prices presented in the bids for roads and bridges.

6.1.2 Timeliness

The SPLs, apart from the two that were rated "excellent" on efficiency overall [#4, #5], all suffered delays, but closed generally after a 6 months extension to the "N+2 Rule".[11] In such cases the initial EIB planning and disbursement schedule, based upon the theoretical planning of such programmes, was compromised. One of the SPLs, which combined a EU OP *and* a local programme, suffered delays in its local component, the latter lagging severely behind OP implementation (see insert). From an ex post viewpoint, it was not a good idea to have combined the local and EU programmes in one EIB loan as PJ staff had to make a great effort to establish an allocation list, eventually based on OP sub-projects only (see also Chapter 10).

Delays generally impacted on EIB disbursement schedules and imply a supplementary cost for the Bank. Sometimes, it was difficult to establish precise start and end dates of the sub-projects of the investment programmes.

[#1] Problems in synchronising a combined local and Structural Fund programme

Unlike in the case of Structural Funds, where funds are lost if they are not used by the completion date agreed with the EU, the national administration does not impose any deadline for the completion of regional schemes. In the present case, the regional schemes were on average almost five times bigger than EU schemes, requiring more preparation. Also, the local schemes dealt mostly with public infrastructure, often requiring the intervention of various departments of regional, provincial and local administrations lengthening the implementation process.

The SF schemes were completed to the satisfaction of the EC authorities, given the six-month extension to 30 June 2009 allowed for all Member States' 2000-2006 programmes. The regional schemes were by the end of 2010 at least substantially completed, however in order for the EIB FL to be signed off, contrary to initial plans no regional schemes at all were included in the final allocations list which eventually had to be filled, *basically by PJ itself*, with only SF allocations.

[11] At the beginning of each programming period annual financial allocations are made to each Programme. Programmes are then required to spend funds by the end of the second year following the year in which they are allocated. These targets are called the N+2 rule.

6.1.3 Financial and economic return

No overall ERR or IRR were generally provided at appraisal of FLs, which can be understood as individual investment schemes were mostly not identified and the investment programmes themselves did generally not set targets in this area overall, the value of those indicators being highly sector dependent. Moreover, sub-projects concerning public infrastructures were often not meant to be associated directly to revenue-generating schemes which was used as an explanation that such calculations were not made (projects were however expected to yield social benefits).

The exception was constituted by mono-sector (urban) transport projects which generally had EIRR calculations upfront, although even here not for all cases [e.g. #17]. However, there is not enough evidence to compare ex ante with ex post values in those cases.

6.1.4 Management

The quality of the management of the local programmes is a crucial factor to take into account as the success of the local programme and hence of the EIB FL depends on it to a great extent. Management capabilities and capacity varied with some very good examples, but also, especially for some SPLs, relatively inexperienced management [#2, #7, and to a lesser extent #3 and #6], leading to delays and less efficient projects.

In only one case a dedicated Project Implementation Unit (PIU) was set up [#24] with the goal of preparing and implementing the programme. This however took more the role of coordinator between the different implementing authorities than implementing the programme itself. Having a coordinating body in itself is deemed useful by EIB staff whereas given the general level of experience of promoters in the EU27 a PIU is seen as less relevant. According to the Bank's services, in some cases a PIU would have been beneficial to project implementation.

[#7] Teething problems within an SPL (NMS)

In this project, the preparation of schemes suffered from delays, resulting in disbursements of both EU and EIB funds lagging behind schedule. This was essentially due to a lack of experience of the Promoter and of Final Beneficiaries in the management of EU structural funds. Forty-nine schemes (including 3 technical assistance projects) were financed under Objective 2 and 3. This involved substantial work covering identification, design, and budgeting by applicants. Controlling the relevance and design of schemes and drafting proposals for the EC also involved substantial work for the Promoter. All these formalities were new to the Final Beneficiaries and to the Promoter and generated delays. Also the technical assistance budgeted in both Objective 2 and 3 was not fully taken advantage of at the beginning of the implementation period.

The implementation of schemes under the Cohesion Fund also suffered from delays. Delays were particularly important for environment protection schemes. Neighbouring populations rejected the projects, forcing authorities to find new sites and change the technical design of installations, leading to delays and additional costs. According to the regulations, environment impact studies should have been made more in-depth, and should have included public hearings.

6.2 Issues

6.2.1 Framework loans: a specific challenge to efficiency calculations

The large numbers of sub-projects makes collection of data to assess cost effectiveness and timeliness even harder than usual and steps should be taken to improve this. The most useful information in reaching a conclusion on efficiency was often the tendering and internal benchmarking processes of the promoters and this could be given higher profile in PJ appraisals. In line with previous discussions in this report, this would go in the direction of a "programme" rather than a "sum of allocations" approach.

6.2.2 How to address the absence of economic analyses

PJ generally appraises FLs without performing quantitative economic analysis, which makes ex post assessment difficult. More standard ways of dealing with this within FLs should be considered, e.g. routine review of selection criteria plus cost effectiveness as a proxy for IRR.

It also seems important to tap into other sources of information, which is currently not or hardly done. The evaluation showed that for highly regulated countries and sectors the lack of project specific data could be compensated somewhat from national and sector sources, e.g. national Courts of auditors which increasingly have moved towards performance auditing over the past couple of years, therewith coming closer to evaluation. Due to requirements of ex ante, intermediary and ex post evaluation as

well as monitoring, the OPs to which SPLs contribute generate quite some information relevant for EIB appraisal and monitoring. Such information does not seem to be used or used enough by the Bank.

6.2.3 Are FLs an efficient solution for the Bank?

Finally, FLs require a substantial amount of upstream work and downstream control / checks on allocations, without the Bank having been really in a position to demonstrate any quantitative insight in the efficiency by which FLs deliver their impact, being too much focused on eligibility and collecting allocations.

6.3 Conclusions

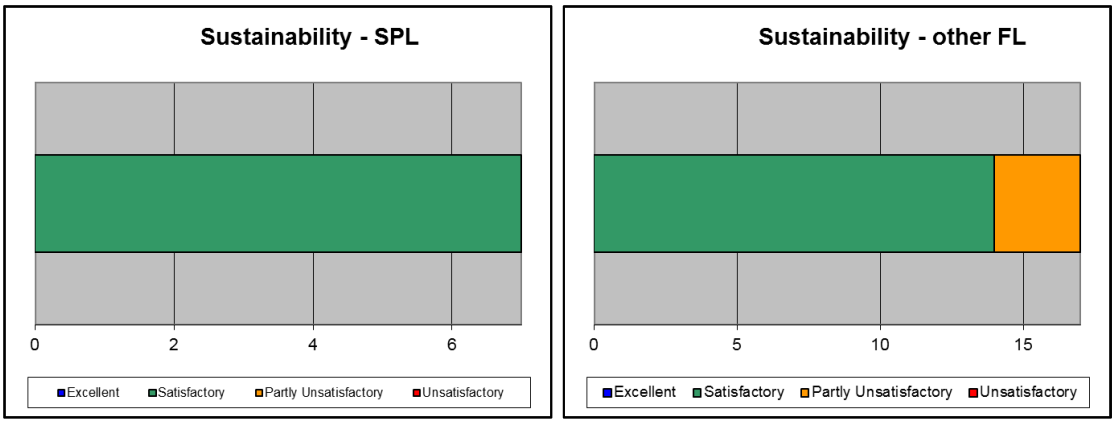
In view of the generally high numbers of sub-projects, and their great variety in terms of scope and scale (ranging from several tens of thousands to sometimes several tens of millions of Euros per allocation) it was difficult to provide a correct assessment of efficiency. Therefore, issues such as timeliness and the management of the local programme by promoter or intermediary had to be relied on more than on the standard indicators normally used for this (cost-effectiveness, FIRR, EIRR). On this basis, the majority of projects, and even more so for the non-SPLs FLs, turned out to be efficient. Again, the results suggest that, overall, intermediated loans perform slightly worse than the others but again reservations with regard to the small sample size and number of intermediated loans should be made.

Even so, it is of great concern that, being too much focused on getting final project allocations right, the Bank is unable to provide a clear insight in the efficiency of FL operations. It is clear that, for the Bank, Framework Loans require a significant effort.

7 SUSTAINABILITY

The sustainability criterion considers the probability that resources will be sufficient to maintain the outcome achieved over the economic life-time of the projects, and that any risks can be managed, i.e. the likelihood of continued long-term benefits and the resilience to risk over the intended life of the project. It is assessed both in physical/operational and financial terms.

7.1 Evaluation results



The overall ratings for sustainability came out consistently as satisfactory with only three exceptions. Generally this satisfactory rating reflected the fact that, though there were small areas of concern under the sub-criteria explained further in the sections below, the level of threat was considered acceptably low. Equally there were no projects for which the sustainability was so secured that an excellent rating was considered justified.

Three projects were given a partly unsatisfactory rating. In two cases [#18 (regional investment programme in Spain) and #20 (French hospital infrastructures project)] the concerns were mainly over financial sustainability and in the third, a flood damage reconstruction project [#15] the concerns were environmental.

7.1.1 Physical sustainability

The main parameters considered to affect the physical sustainability of the kind of infrastructure programmes funded by this sample of FLs are the initial quality of the design and construction and the adequacy of future maintenance. All in-depth evaluations involved missions to discuss processes with the promoters and site visits to a sample of sub-projects. In all 24 cases the impression was of a high standard of quality.

In order to assess the likelihood of adequate maintenance, the arrangements for managing maintenance, the existence of long term maintenance contracts and the presence of ring-fenced maintenance budgets were investigated. In 19 of the 24 cases the arrangements in place were clearly adequate. In 5 cases there was concern related to the future funding of the maintenance. This was not necessarily due to concerns for the overall financial security of the promoter, which is addressed below, although in one case [#18, regional investment programme in Spain] this was the cause for concern. In the other cases [#1, #2, #4 and #8] it was more that funds were not earmarked for maintenance purposes and there was some evidence of lack of funds in years when investments were heavy. Such concerns were not considered extraordinary for regional programmes of this nature however.

7.1.2 Financial sustainability

All of the in-depth reports looked at the current financial situation of the promoters, and with a predominance of public sector promoters it is not surprising that most of these were experiencing some funding restrictions as a result of the widespread financial crisis. The evaluators were instructed to

assess the current situation and its effects on the sustainability of the benefits of the project taking full account of the crisis and its potential future effects. There was considered to be little virtue in a conclusion that a project would be sustainable had the crisis not happened.

The fact that a promoter was experiencing a reduction in state support, problems with tax revenues or restrictions on future borrowing did not automatically suggest a problem with financial sustainability. 17 of the sample of 24 projects had promoters who had to instigate a programme of cuts to limit future spending. However in all but two cases the evaluators considered that the actions taken were likely to ensure stabilisation at the lower level of spending, with adequate upkeep of the projects financed by EIB, giving a good chance that the crisis would be survived. In only six cases were the particular projects financed by the EIB seemingly insulated from the effects of the crisis [#7, #12, #15, #22 and #23]. For project #5 the assessment was of the financial sustainability of the targeted SMEs which research showed had performed better than average during the crisis.

This left the two cases where the concerns over financial sustainability were severe, sufficiently so to lower the overall rating for sustainability. For project #18 the regional authority had little reserves to call upon when the crisis hit. The lack of funds going forward makes it far from clear that the realised infrastructures can continue to be operated in their current form. For project #20 the concern is that the relatively high level of state aid currently received will end before the end of the loan leaving the health sector projects with a serious shortfall.

7.1.3 Organisational, institutional and regulatory sustainability

This sub-criterion assesses whether there will be major changes affecting the organisation of the promoter or the environment in which they operate which could have a knock-on effect on the projects. Projects in highly regulated sectors such as projects #12, #13, #14 (UK health and higher education sectors) have had to deal with changes in the way the sector is regulated and funded over the years since the loan contract was signed. Those changes are not seen as a threat to the on-going benefits of the EIB funded projects in those cases. For project #20 in the French health sector the change to the regulatory structure was even seen as likely to increase sustainability by improving coordination. For all the SPLs and 12 of the FLs the body set up to implement the programme was expected to remain unchanged and to manage subsequent programmes. In no cases was this considered less than satisfactory.

7.1.4 Environmental and social sustainability

This criterion assesses whether some threat has emerged in these areas which can affect the sustainability of the benefits of the projects. The picture was fairly uniform across the whole sample. As many of these projects are from the early 2000s, when environmental procedures and directives were well developed but systematic consideration of social issues was not so widespread, there is plenty of documentation to be found proving that environmental assessments were made but the assessment of social sustainability is often inconclusive, the exception being project #22 (German municipal urban renewal programme) where a third party social assessment was undertaken. In all but two cases the conclusion was that environmental issues had been adequately addressed and as no major social issues were found, the overall rating was satisfactory.

In one of these two cases [#18] the severity of the financial situation was leading the promoter to consider privatisation of health sector services which was expected to have considerable negative public reaction and a potential effect on the utilisation of the hospitals provided under the FL. In the other [#15] the promoter was found not to have followed the environmental directives properly. This was partly due to poor transposition into local Polish laws but also due to a lack of “common sense” screening of the effect of river basin works which, even if the project only concerned reconstruction of pre-existing infrastructure (for which in principle no Environmental Impact Assessment would be needed), could clearly have a significant effect on the environment. The lack of rigour on the treatment of environmental issues (and the risk of other problems as yet unidentified) led to a partly unsatisfactory rating.

7.2 Issues

In the course of the evaluation of this criterion there were very few issues which arose for further consideration and potential recommendations.

The long term financial sustainability of the public authorities (in the sense of having enough budget to maintain and operate the new or improved facilities) was regularly questioned (with two thirds of the sample needing to take action to cut costs) so this issue could be explicitly considered in the PCR, even more so in the light of the present crisis, which is thus far not the case. In one case [#18] it was suggested that perhaps EIB needed to pay greater attention to the assessment *at appraisal* of the ability of the promoter to keep up with future maintenance of the projects and to ensure sustainability.

The evidence of measures to ensure social sustainability was often absent (environmental and social issues were usually dealt with together as one subject with the "social element" being limited to adequate consultation) which according to the EIB Environmental and Social Practices Handbook should be better addressed in projects appraised today to pass EIB's social screening.

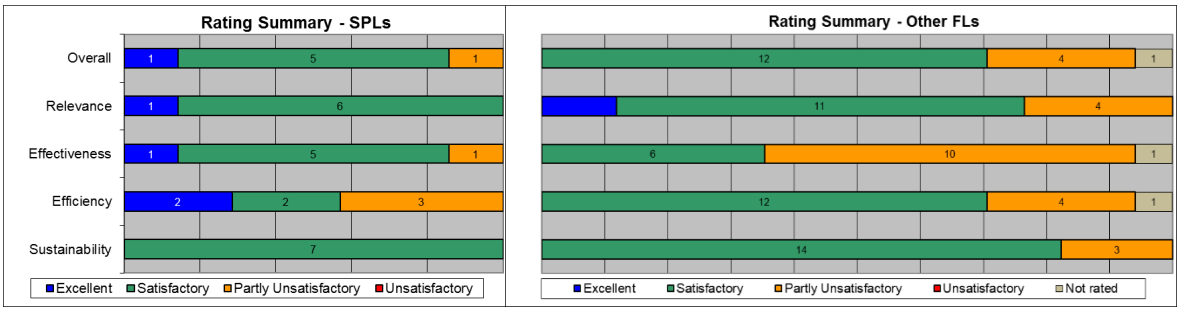
The exclusion of revenue generating projects from the design of programmes, practised by some Managing Authorities in view of EC rules, could lead to a reduction of financial sustainability. The EIB could take account of this in the assessment of the future capabilities of the promoters to maintain and operate their projects. However, the EIB could also make the case to the EC that this practice should be modified.

7.3 Conclusions

The overall conclusion is that the use of FLs does not introduce any particular concern over sustainability but that, as they are to a sense dependent, in many cases, on the long term financial health of public sector organisations, attention needs to be paid to this aspect both at appraisal stage and, preferably, it should be revisited at PCR stage.

8 RATING SUMMARY AND OVERALL RATINGS

The overall ratings of projects were satisfactory with one "excellent" case (an SPL) and one case that turned out impossible to rate in view of the low amount of information available and the weak definition of objectives. The non-SPL FLs more frequently had a "partly unsatisfactory" rating than SPLs because they only partially reached their objectives and moreover also had low efficiency, sustainability and/or relevance. All those FLs were situated in EU15 countries. The only SPL rated "party unsatisfactory" overall was so because it covered a combined regional and EU funded programme of which the regional part was delayed (low on efficiency) and ultimately not realised under the present operation. Aiming to fund the combination of those programmes with a different pace and governance structure was from a theoretical viewpoint relevant and certainly laudable but turned not to be a practical solution.



Relevance. Overall the operations and the national, regional or local programmes to which they contributed were relevant in relation to EU policies, to EIB policies, strategies and objectives, and they generally responded well to national, regional and local needs. Their objectives were consistent and the projects, with a few exceptions, appeared to be well designed. Issues identified by the evaluation concern the question of whether an FL (or FL type loan) was the optimal solution in – a very small number of – cases where a GL or, conversely, an IL seemed more appropriate. Furthermore FLs, although they aim at financing small sub-projects, have a sizeable volume and appear less appropriate for smaller entities (e.g. municipalities). Such entities would benefit from a highly standardised product, grouping different sub-programmes, and probably administered by an "integrator" (e.g. a "lead" region, financial intermediary, promotional bank) which would serve several such beneficiaries of an FL. Finally, the contribution of the FL operations to broader impacts could still be better defined.

Effectiveness. Effectiveness was rated significantly differently between the SPLs (performing relatively well) and the rest of the sample for which effectiveness was satisfactory (and none was excellent) for *less than half* of the operations. One operation appeared even impossible to rate on this criterion because of the weak initial formulation of operational objectives and a near absence of project completion data.

Several operations saw a reduction in scope, did not realise their initially planned operational objectives, even though no pattern across those reduced loans could be identified. Low scores on effectiveness were also granted when operational objectives *were* achieved, but higher level objectives were not, i.e. when beneficiary groups were not attained to the extent initially intended.

The intermediated loans (all non-SPL FLs) appeared to have more difficulties in achieving their objectives than direct loans and of the 6 cases that were strongly reduced, 5 were intermediated and mostly single-sector. This raises the question about the extent to which intermediated loans are conducive to achieving the objectives of FLs.

Three, interrelated, issues around effectiveness of the EIB FIs were identified

(1) it is often difficult to link the operational objectives of a FL to the contribution it is expected to make to the broader impact of a programme, even more so when promoters did not monitor sufficiently the outcomes of a programme;
(2) the programmes to which SPLs contribute seemed better prepared and their objectives better defined than for FLs overall and this would contribute to their relatively better performance; further EIB involvement upstream, working together with EC and MAs (as allowed under the SF

regulations) however could still improve the quality of the EIB contribution to SPLs and of SPLs themselves;

(3) the Bank generally finances a set of sub-projects – a "programme within the programme" – and especially when numbers of sub-projects are high, the links between those and the overall programme are not always clear, especially as the sub-project allocation approvals are much more based on eligibility and exclusion criteria, and a certain perception of (reputational) risk than on their consistency and actual contribution to the realisation of the objectives of the investment programme.

Efficiency. In view of the generally high numbers of sub-projects, and their great variety in terms of scope and scale (ranging from several tens of thousands to sometimes several tens of millions of Euros per allocation) it was difficult to establish the efficiency as a simple aggregate of the efficiency of individual sub-projects. This was furthermore complicated by the fact that most of the time sub-projects were not or only partially known at project onset (which is a determining characteristic for FLs). Moreover, any sort of efficiency calculations were generally not available for review either ex ante or ex post, even for the bigger sub-projects, with the exception maybe of some of the bigger (urban) transport projects for which such methods are relatively standardised. The rating of the efficiency criteria for the operations in the sample had therefore to be very much approached indirectly, i.e. by relying more on the assessment of issues such as timeliness and the quality of implementation and management of the local programme by promoter or intermediary.

On this basis, the majority of projects turned out to be efficient. For SPLs even 2 "excellent" ratings were given for cost-effective programmes, managed by competent promoters which worked timely and had good procurement processes in place even for smaller sub-projects and, in one case, reached high FIRRs and EIRRs, which, as an exceptional case, were tracked here.

On the overall sample there seems to be no difference in the efficiency rating between different types of promoters although in the non-SPL sample operations with intermediaries again turn out not to be the best performing ones in this regard.

Two NMS (Poland and the Czech Republic), both with 2 operations in the evaluation sample, had good procurement processes and steering or control groups in place leading to cost-effective projects.

In several cases, national Courts of auditors reports or EC evaluation reports (for SPLs) served as helpful complement to EV's own fieldwork in order to obtain a more complete picture of the efficiency of the local programmes. It seems important for the services to tap into such other sources of information, for appraisal, monitoring or completion purposes, which is currently not or hardly done.

Even so, it is of great concern that the Bank is unable to provide a clear quantitative insight in the efficiency of FL operations.

Sustainability. The overall ratings for sustainability came out consistently as satisfactory with only three exceptions. Generally this satisfactory rating reflected the fact that, though there were small areas of concern under the sub-criteria, the level of threat was considered acceptably low. Equally there were no projects for which the sustainability was so secured that an excellent rating was considered justified. Three projects were given a partly unsatisfactory rating. In two cases the concerns were mainly over financial sustainability and in the third the concerns were environmental.

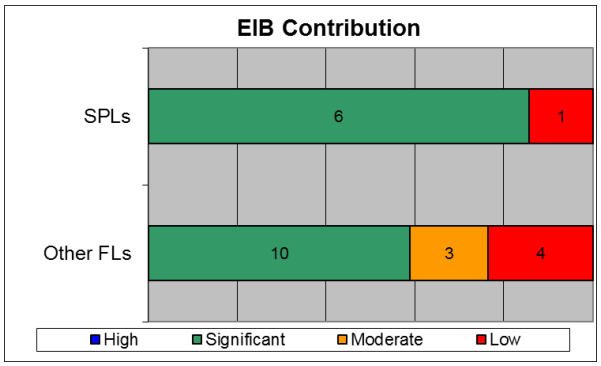
The overall conclusion for sustainability is that the use of FLs does not introduce any particular concern over sustainability but that, as they are in many cases dependent on the long term financial health of public sector organisations, attention needs to be paid to this aspect at appraisal stage and, preferably, it should be revisited at PCR stage.

9 EIB CONTRIBUTION

The contribution which the EIB makes to the achievement of economically productive projects is both financial and non-financial. It is assumed that if the Bank is able to conclude an operation with a particular promoter, that this contribution must by definition represent a positive contribution. This criterion is therefore rated on a different scale from previous evaluation criteria, and all ratings are positive (high, significant, moderate and low).

9.1 Evaluation results

The overall ratings for EIB contribution are arrived at by combining the ratings for the three evaluation criteria "financial contribution" (related to financial advantage, tenor, grace period or other financial criteria), "technical and institutional contribution" and "financial facilitation", which are described in more detail below and in the following sections.



The rating for financial contribution is based upon the criteria and the scoring scale used in the valued added methodology for pillar 3 – which includes contributions from the financial advantage over alternative sources, loan conditions such as tenor and the flexibility of EIB in response to changes, though the greatest weight is given to financial advantage (the operations evaluated here precede the application of the VA methodology however). The VA methodology sets a threshold for the financial advantage over alternative sources of finance of 20 bps, above which projects get the highest score available, with the next threshold being +10-20 bps for which projects obtain the second highest score[12]. To be consistent with this, in the evaluation, any operation with a financial advantage of 20bps or more would be rated high for financial contribution and any above 10 bps would be rated significant, even if the contributions from loan conditions and flexibility were low.

For the project to score high overall on EIB contribution it would also need to have some additional contribution either from the technical and institutional or facilitation criteria. Under the facilitation criteria in the value added methodology, complementing EC funds counts as financial facilitation. So again to be consistent with this methodology (even though it is not clear to EV that EIB is actually *facilitating* the EC contribution) complementing EC funds leads to credit under this rating. For the SPL sample therefore there is always a small positive contribution under facilitation due to the co-finance element but in very few cases was it considered that the EIB finance was critical to the attraction of the EC funds so the contribution is usually rated as moderate.

As can be seen from the diagrams above the SPL sample came out to be consistently rated significant with one exception [#1, the SPL which intended to co-finance a combination of a local programme and an OP], as the financial advantage either in terms of basis points, loan tenor or both was usually significant to high, with a small facilitation contribution due to the co-finance and little or no perceived technical and institutional contribution. The picture for the remainder of the sample is more varied as this sample is less homogeneous than the SPL sample which is a relatively standardised product. Where the overall scores have dropped to moderate or low this is due to the financial advantage being very low – i.e. where borrowers chose EIB finance for other reasons than the financial terms.

9.1.1 Financial contribution

The records for the predicted financial advantage in the project files were generally poor, often not featuring at all in the Board submissions for this sample (it is routinely recorded for projects today) so the rating for this criterion often relies on interviews which in turn rely on memory. These are checked between two sources (promoter and EIB contact) and where possible compared to behaviour – for example a number of projects had very late drawdowns and programmes were progressed from other sources suggesting a low financial advantage. Promoters were generally confident in their assessment

[12] EV is of the view that a more representative assessment method would be to compare FVA to a variable benchmark based upon market rates at the time but has retained this approach to ensure comparability with VA scores.

of the advantage even if accurate figures and written proof was missing. Though this is not the most reliable source of findings, the picture which emerged seems credible. In 15 cases the FVA was high or significant and in only 5 cases was it considered low. In one case the FVA was significant to the intermediary bank but this was not passed on to the public sector beneficiary [#8] and was down-rated accordingly. In the 4 other cases the FVA was low as the projects were in well-established Member States with good alternative sources of finance [#1, #13, #21, #22] and where the main reason for using EIB were strategic [#13] or in view of having an "EIB label" [#22], where the design of the other conditions was not considered to overcome the low FVA [#1, #22] and one where the advantage of especially long tenors [#21] was not realised due to poor drawdown of the loan.

9.1.2 Technical and institutional contribution

This criterion measures the advisory input of the Bank and any scaling effects their involvement may have had on the project. This was rated as low to moderate in all but two cases where, though there was no formal TA, the promoter recognised that the EIB counterparts had a significant influence on structuring the project and establishing sector strategies before the project selection commenced. In fact there were no instances of TA either covered by the loan or using EIB TA facilities in this sample of 24, which was somewhat surprising. Though the projects were all contributing to established programmes, so one might expect a reasonably low contribution from the EIB if these programmes were well formulated, many of the promoters were inexperienced in handling large scale programmes, and a greater use of TA to boost capacity could be expected. During the period evaluated the availability of TA funded by the Bank was much lower than it is today and many of the promoters were described as being capable and not in need of support. However there were a small number of cases [#6, #7, #8, #17 – hence both SPL and other FL] where potential weaknesses in the promoter capability were identified and no clear action was taken to address this. The formation of a PIU was sometimes required [e.g. #17 and #24] but little evidence was found that checks on the capabilities of this PIU had been made or that it resulted in any benefit for the promoter.

9.1.3 Financial facilitation

This criterion assesses whether the EIB funding brought in other sources of finance or stimulated other projects or investments. In most cases no such effect was witnessed but in a few cases the promoter gave anecdotal evidence that private investors had been attracted into the areas of the cities where they themselves had invested money. Wherever there was co-finance with EC funds (all SPLs) a modest contribution to the rating was included and in the few cases where alternative sources of finance were not available or severely restricted a significant contribution was considered to have been made as without EIB they may not have been able to draw down their full allocation.

9.2 Issues

In the course of the evaluation of this criterion the following issues have arisen for further consideration and potential recommendations.

9.2.1 Pass-through of EIB FVA

Not only was it rare for the FVA of the loan to be clearly stated or for the current counterparts to have a clear picture of the pricing relative to alternative sources at the time of signature, but it was often difficult to establish how the EIB benefit was passed on to final beneficiaries. For many of the loans the borrower was a public sector body who passed on the loans in the form of grants or state contributions so this was not an issue. However 9 of the operations were intermediated through banks and the final beneficiaries were public bodies. In none of the projects evaluated the verification of how the financial advantage might reach the final beneficiaries was explicitly dealt with. In those cases where the promoter was able to explain what happened there was one project where the advantage clearly stayed with the intermediary banks, and two where the mechanism of passing on the advantage was not transparent and did not involve informing the final beneficiaries of the source of the benefit. This contrasts sharply with SME loans[13] where the rules for Transfer of Financial Advantage (ToFA) are clear, enforced and highlight the EIB involvement. Whilst there may be reasons why it is more critical to ensure this ToFA for SMEs, similar principles could be explored for intermediated FLs.

[13] Evaluated in parallel to the present evaluation.

9.2.2 Low Technical Contribution

The generally low level of technical contribution to the projects raises the question whether more could be done to add value in this area. One suggestion from a number of the in-depth reports is for the EIB to intervene more strongly to insist upon clear sector strategies, integrated plans for development or regeneration of investment areas or clear, technical project selection criteria before approval of the programmes covered by the FL. These could either be required before appraisal (the strongest approach) or after signature but prior to disbursement (which runs the risk of leniency in the face of pressure to disburse) and would not be popular with borrowers who feel their own approval processes should suffice. Nevertheless in the few cases in this sample where EIB insisted, the promoter acknowledged the benefits. In project #24 the promoter clearly stated an objective to boost economic growth but then proposed a wide programme with many elements making no direct contribution to that objective. Maybe EIB could have pushed for a more focused programme which ultimately would have had stronger results.

A second area for potential additional support is clearly TA, and with the increased volume of financial support and improved organisational support within EIB this can be mobilised more easily than was the case at the time the current sample was being appraised. The practice of requiring formation of a PIU without exercising much control over the staffing of that PIU or boosting its capacity with consultant support does not seem, on the basis of this sample, to bring significant added value. In one of the cases in this sample [#8, initially involving three regional promoters] a particular promoter was deemed incapable of managing the proposed programme of investments so was excluded from the loan. An alternative approach could have been to include project management TA to build capacity for the future.

9.2.3 Information flows in SPLs

There were a number of recurring themes in the evaluations of SPLs related to the information requirements of EIB. A number of MAs saw the EIB as effectively a junior partner to the EC in the overall funding set up, giving lower priority to information requests from the EIB, expressing resentment at the need to provide different (in their view additional) information to that required by the EC and not seeing EIB involvement as a positive technical contribution. This is an inherent difficulty with the SPL product – how to support the EC programmes whilst respecting the EIB internal processes and not overburdening the services (for instance, by being copied the great amounts of information for the EC) or the promoter (by sticking to the standard EIB reporting requirements). The streamlining of the SPL procedures in 2009 sought to address this by stating:

> *"In the case of SPL, the Bank should follow the reports and statements of the relevant Audit Authority and relevant EU documentation, and apply its own sample checks procedures only if deemed necessary."*

Whereas the principle is established, there is no guidance on when it should be "deemed necessary" to ask for more. In practice the EIB services, if they do not speak the local language, need a sub-set of the "relevant EU documentation" in English or French which allows them to fulfil their monitoring duties and which can be audited. Though the SPLs in this sample are weighted towards the earlier years of their existence, the MAs interviewed are still the current counterparts for the EIB and referred to this as a current issue. Discussions with EIB services counterparts suggest there is still no clear agreement with the EC on complementarity of reporting[14] which indicates that some action is needed (see suggestions in section 10).

9.2.4 EIB involvement in Operational Programmes/MAs

One reason stated in the in-depth reports for considering the EIB contribution low for SPLs was that the Bank had no influence on the content of the loans, as they were defined by the Operational Programmes agreed with the EC. At most the EIB counterparts could select certain measures or priorities within the OPs to form the EIB project. As a result the project did not necessarily form an integrated programme which clearly addressed an EIB priority (even if all sub-projects were eligible – see Section 5.2.3). EIB and EC priorities should have a great level of overlap but it is also true that a lenient approach to OP content can lead to a programme eligible for EU grants which has a fairly weak

[14] A similar observation was made in the evaluation of EV's Evaluation of EIB investment loans for economic and social cohesion, issued at the end of 2011.

link to current EIB priorities. In these instances, and where EIB co-finance is foreseen, it would be useful for EIB to get involved earlier in defining the programme. A similar suggestion was made to get involved in the capacity building of the MA wherever relevant to ensure that its organisation was well suited to managing the programme and liaising effectively with EIB.

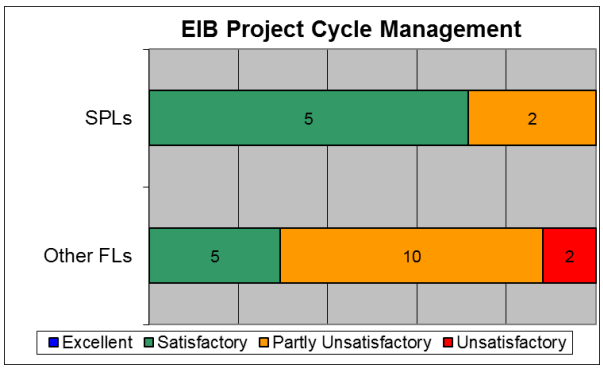
EV recognises that these are potentially controversial suggestions which are unlikely to be welcomed either by the EC or the MAs. Nevertheless they would allow the EIB to add greater value and if the EIB financial contribution to these programmes is critical then surely this is a basis to open discussion on these subjects at suitable forums.

9.3 Conclusions

The overall conclusion is that the contribution provided by the EIB through FLs and SPLs is generally significant. It has high to significant FVA in most countries and occasionally much lower FVA in highly developed Member States with good access to alternative finance, where more strategic reasons (such as the perceived partnership value of the EIB or the EIB “label”) dominate for choosing EIB. Non-financial contribution was consistently low however and greater involvement in upstream interventions and TA would have been relevant in some cases.

10 EIB PROJECT CYCLE MANAGEMENT

This criterion examines the way in which the EIB followed the project through the project cycle from signalling, through appraisal and monitoring, to completion. It examines the appropriateness of the Bank's internal processes and the extent to which these were followed during the project.



The sample of 7 SPLs performed the most consistently in this area with 5 being rated satisfactory and 2 partly unsatisfactory. Shortcomings, where they occurred, were during the phases of implementation and monitoring where the tracking of the sub-projects ran into difficulties. For the rest of the sample performance was poorer overall with only 5 of the 17 being considered satisfactory. Problems with tracking sub-projects during the life of the project dominated the findings here too, but weaknesses of appraisal, poor transfer of information requirements into the contract and failure to secure PCRs also affected the ratings. It is important to stress that unsatisfactory ratings were not given for those projects appraised before 2005 because they failed to comply with the procedures introduced later on. They were down-rated because the information requirements and follow-up procedures stated in the appraisal stage documents were not respected and because the final level of information on the projects was below normal standards for an EIB loan. The following sections highlight how the findings at each stage of the project cycle affected the overall ratings.

10.1 Stages up to signature

This phase of the operation was generally assessed to be satisfactory and rarely led to the lowering of the overall ratings. Nevertheless, as the appraisal stage is so key to the future operation of framework loans, as it sets the ground rules for the future implementation of the project, most of the in-depth evaluations highlighted areas where improvements could be made. However there were only a few exceptions where findings led to a negative effect on overall rating. In three cases the appraisal was very light. In two of those cases the No Further Participation (NFP) approach was taken while in a third case this terminology was not used but a similar approach was followed.

NFP is part of the Bank's approach to modulate appraisal effort according to the complexity of the projects and to focus resources where they are most needed. The appraisal is performed based on the preliminary dossier and without a mission. It is questionable whether this is suitable for FLs: it did seem to cause problems downstream on the projects in question as it appeared that in those cases the EIB services and the implementers of the projects had a different understanding on the scope and objectives of the programme and the capabilities of the promoter. Hence in one case [#8] where the EIB intervention was of an urgent nature the pre-signature phase was considered much too slow and in another [#11] the way in which allocations were to be made to a major project, which also benefited from contributions from other loans, was considered confusing. At the stage of preparing the finance contracts some of the drafting either diluted the information requirements or poor drafting left room for misinterpretation. Finally, sometimes sub-projects on an allocation list looked small but were merely contributions to or phases of much larger projects which, due to their size, would justify closer scrutiny or full appraisal. In sum, NFP should be avoided altogether in the case of FLs.

10.2 Implementation, allocation and disbursement process, identification & review of sub-projects

In the case of FLs this phase of the project potentially has far greater importance and may require a far greater effort than for ILs. If the loan is designed to require a type of second-stage appraisal, additional information will be necessary before decisions can be made on whether to fund a particular sub-project, to agree the allocation request and to release the disbursement. A variety of options was offered to the services on how to approach this when the 2005 procedures were issued (see box below) and before that an even greater variety of solutions were adopted.

Allocations and Disbursement

Depending on the nature of the FL operation, work could be required before disbursement (for instance where a "pre-allocation" mechanism is in force), to authorise disbursement, or after disbursement to "allocate" already disbursed funds against Schemes.

More precisely, three options could be used:

1. Allocation takes place before disbursement, i.e. a list of Schemes approved by the Bank precedes disbursement, and disbursement cannot exceed the funds pre-allocated.
2. Allocation takes place after disbursement, i.e. the promoter provides the Bank "ex-post" with a list of Schemes which the Bank may accept, possibly following due diligence and/or supplementary appraisal (environmental obligations, technical-economic quality, etc.).
3. Same as 2. above, but stricter conditions apply on what the client can use the funds for (but need not be identified by a list of approved Schemes before disbursement) – disbursement is therefore for allocation to Schemes e.g. small in size, not requiring EIA, not in sensitive sector etc. Allocation to other Schemes – large size, etc. – is subject to preliminary approval by Bank services before 'use', but not required before disbursement.

- Post-disbursement allocation may reduce value added and leverage, since funds have in fact been already deployed. However, an ex-post allocation approach may be more desirable for the promoter since it facilitates the use of funds within a rolling capital budget. Ultimately, the degree of Bank control on the allocation procedure will depend also on the capability of, and hence on the degree of delegation to, the Promoter.

- Authorisation for successive disbursements shall normally be based on forward and backward looking considerations, i.e. on evidence of the "satisfactory" progress of the investment programme, meaning:
  - the satisfactory absorption – use of Bank funds for purposes which respond to the Bank's quality criteria - of previously disbursed funds and
  - the documented need – planned use of funds and the identification of sufficient pipeline of investment to justify the request – for the new disbursement.

However, most of the sample used for the present evaluation, even those signed before the FL procedures were formalised, included the requirement for individual project fiches or tabulated summaries of sub-projects to be submitted. Many of these were originally intended (i.e. according to the appraisal report and finance contract) to be approved *prior to disbursement*. The level of information required and the level of secondary appraisal to be undertaken was normally modulated according to the size of scheme, with a project cost of EUR 25m being the usual threshold for a more detailed review. Given that this approach to post-signature processes was relatively new both for EIB staff and the promoters it is perhaps not surprising that this is the area in which most issues were identified.

Though the detail of the problems varied in nature they can be summarised as follows: the Bank services required the promoter to provide a clear picture of what sub-projects were to be financed, to varying degrees of detail, either before disbursement or retrospectively, but for various reasons failed to get it. Several cases existed. Either the pre-disbursement information was not received or was incomplete – but nevertheless the money was disbursed [e.g. #13, #14 – UK intermediated Health and Higher Education sector loans] –, the approved allocation requests on which funds were disbursed subsequently proved to be incorrect [e.g. #17 – Polish Urban Infrastructure] or they had to be completely reworked at PCR stage by PJ and the promoter [e.g. #1 – the loan that intended to co-finance the combination of the local programme and an OP]. Often a lot of effort was being expended, mainly by the PJ staff but also by OPS staff handling disbursements, to try to get the missing information, to clarify eligibility issues and reconcile apparently conflicting data in subsequent lists and fiches. This level of effort did not necessarily correlate with the final level of accuracy of the data when checked as part of the evaluation – in some cases a lot of effort was made by the Bank with little result [#11, #13, #14, #16 and #17], i.e. without the Bank ultimately knowing with great precision whether the funds had actually been used for the intended goals.

A number of in-depth reports cited large upfront disbursements as a potential factor in the difficulties in obtaining information (a risk highlighted in the procedures besides) and this should be avoided where cooperation of the counterpart is as yet unproven. Moreover, though the procedures put the responsibility on the OPS loan officer to verify with PJ that all necessary pre-conditions are met before approving a disbursement, there is no physical sign-off by PJ and the verification is not clearly documented.

For intermediated FLs there was evidence of lack of interface with final beneficiaries or implementing agencies, even when they were identified and available at appraisal stage. This led to misunderstandings over the scope of the work, the need for and type of information requested, and eligibility criteria.

In sum, most of the sample in this evaluation, even those operations signed before the FL procedures were formalised, specified relatively detailed information to be provided at allocation stage. The success rate in obtaining this was low – less than half of the sample of 24 achieved full collection of this information. Hence, either the information requested was necessary for the Bank's due diligence, in which case funds should not have been disbursed or should be refunded unless the information was provided; or the information was not really necessary, in which case it should not have been asked for in the first place.

10.3 Monitoring and follow-up

Once the sub-project list has been established (assuming this is due to be done before PCR stage) the procedures imply an expectation that the physical progress of the projects is monitored to a similar standard to investment loans. This clearly poses a challenge when the numbers of sub-projects run into the hundreds or thousands, so a detailed progress report per project is not feasible for other than the biggest sub-projects. This notwithstanding, an annual Project Progress Report (PPR) giving implementation status in list format is included as a requirement in most of this sample.

Most of the 12 projects with below-satisfactory performance had missing or incomplete PPRs and a lack of evidence of follow-up prior to PCR stage. For some loans with multiple disbursements the boundary between allocations lists and PPRs became a little blurred as later allocation lists included information on earlier ones, though this did at least provide some information on progress. Generally however the situation was "cleaned up" at PCR stage, often with a closing mission, and the confusion or absence of information during implementation was corrected to give an accurate final account. The requirement in the 2005 procedures to make a detailed review at PCR stage of a 5% sample of the projects below EUR 25m was never fully respected, except for operation #1 where a 5% sample was made, though in some cases a smaller sample was included in a monitoring mission (see table).

#	Country	Sub-projects	PCR Available?	PPRs produced?	Evidence of sample monitored in detail?
1	IT	3000	Yes	Yes	5% sample
2	SK	1500	Yes	Yes	No
3	HU	13000	Yes	Yes	21 schemes
4	CZ	48	Yes	Yes	No
5	DE	960	Not required by FC	No	No
6	PL	250	Not due	Yes	Not applicable
7	CY	46	Yes	Yes	Major projects
8	IT	800	Yes	No	No
9	IT	50	Not due	No	No
10	IT	300	Due 2012	No	No
11	IT	840	Not due	Yes	Major project only
12	UK	23	Not required by FC	No	No
13	UK	45	Yes	Yes	No
14	UK	32	Not due	No	No
15	PL	730	Yes	Yes	Sample made but size not clear
16	PL	9	Yes	Yes	Desk based PCR on the 5 retained
17	PL	18	Not due	Yes	Not applicable
18	ES	210	Yes	No	No

#	Country	Sub-projects	PCR Available?	PPRs produced?	Evidence of sample monitored in detail?
19	ES	14000	Yes	No	No
20	FR	23	Yes	Yes	No
21	FR	27	Yes	No	Desk based review of two major projects
22	DE	85	Yes	No	No
23	AT	4	Yes	No	No
24	CZ	32	Yes	No	No

Finally, though the sample in this report represents some quite early SPLs, the impression gained is that the reliance upon the EC documentation implied by the streamlined procedures has not yet been realised in practice today. It is therefore suggested that agreements are reached with MAs, the EC or both to harmonise information requirements and reduce additional reporting. Likewise, where national auditors are moving towards performance audits with similarity to evaluations closer cooperation with them – currently inexistent – could be beneficial for monitoring and evaluation purposes.

10.4 Coordination and cooperation

The in-depth reports looked not only at cooperation with the EC and Member States in relation to the approvals of the loans prior to Board submission but also at cooperation between EIB and the promoter and between departments within EIB.

For the operations evaluated, cooperation with the European Commission and the Member State was generally a routine exchange of letters not leading to any issues.

Furthermore, though promoters often cited problems they perceived in their dealings with EIB, the EIB services often took the opposite view. Several claims were made regarding slow approval of allocation requests and unclear messages on eligibility. One reason cited for lack of clarity was multiple changes in the EIB services and poor handover when changes occurred.

As much care was taken in the 2005 procedures to clarify coordination between sectors in the Projects Directorate, the evaluation sought evidence of any problems in this area before those procedures were implemented, i.e. particularly in the early loans. No clear evidence was found that coordination efforts led to delayed responses but there remained a risk of delay in multi-sector operations when the main contact in the Projects Directorate sought clearance from a colleague in another sector. The only area where clear breakdowns in cooperation were evident was between OPS and PJ when a counterpart, usually a financial intermediary, was resisting provision of information needed before disbursement. On occasion this led to disbursement without prior clearance from PJ [#13]. Discussions with the services during the “Emerging Findings” workshop held for the present evaluation suggest that disbursements without PJ prior clearance can still occasionally occur.

10.5 Conclusions

The principal conclusion is that the aspect of framework loans which most defines them – the collection of supplementary information post-approval or post-signature in order to make decisions on whether to finance the sub-projects – is the aspect which causes the most problems. Or rather it did in the early years of operation when the procedures were still being developed. Greater experience with their use, improved understanding of the procedures, streamlining of certain aspects of the procedures to reduce the paper work burden to more manageable levels should all have improved performance in the more recent loans. However it is believed there are still lessons to be learned from this period about what works and what does not, to feed into the on-going management of framework loans and the refinement of the procedures.

11 CONCLUSIONS AND RECOMMENDATIONS

11.1 Conclusions

11.1.1 The Framework Loan is a relevant instrument

The evidence gathered through the present evaluation suggests that the Framework Loan is a relevant and useful instrument in view of its main principles: it allows for small projects to be financed by the EIB within broader programmes the contours and governance structures of which are, but the precise contents are not yet, fully known, and without *a priori* excluding larger sub-projects. The Framework Loan is an EIB product which successfully allows the Bank to target previously not or only partly supported areas of European development. It creates leverage through blending with national, regional or EU grant or loan funding. FLs allow the Bank to reach out to smaller schemes, often in the sub-sovereign (e.g. regions, smaller municipalities) sector.

The defining characteristics of this lending instrument – i.e. the deferral of checks to later in the process and the increased reliance on the counterparts and their procedures to ensure suitable projects to be funded – makes it in theory a flexible instrument to contribute to national, regional or local programmes, as well as to Structural Fund programmes, in all sectors eligible for EIB funding. With only a few exceptions, the choice for a FL or FL-type loan (i.e. before FL procedures crystallised as such) appeared indeed appropriate for the operations in the sample retained for this evaluation as compared to the possible choice for an Investment Loan (for which all sub-projects have to be known) or a Global Loan (which limits sub-project cost to EUR 25m). The Framework Loan instrument visibly responds to a need.

11.1.2 The aspect which most defines FLs – deferred approvals – is also the most challenging

However, the aspect of Framework Loans which most defines them – the collection of supplementary information after signature in order to make decisions on whether to finance the proposed sub-projects – is also the most challenging, at least in the early years of operation when procedures were still being developed, and, maybe to a somewhat lesser extent, still today. That is, the management of this type of operation is highly cumbersome for the Bank without always resulting in a correct view of what the Bank has contributed and without therefore warranting optimal added value and relevance of the EIB's contribution. Greater experience with their use, streamlining and a better understanding of the procedures is expected to have improved performance in the more recent loans. However, there are certainly lessons to be learned from the earlier period that was under scrutiny in this evaluation.

FLs required – and according to the services at present still require – a major effort from the Bank. An initial effort is to be made upstream, to understand the local, regional or national programme the Bank contributes to and to obtain an initial view on possible sub-projects the Bank could finance. Efforts made at this stage do not differ much from the effort required for the more complex ILs. The main difference lies downstream, when the Bank has to make sure that sub-project allocations are received, comply with the Bank's eligibility criteria and ultimately add up to the allowed loan volume.

11.1.3 The illusion of control

The evaluation shows that this process in the past was far from satisfactory as it required a great amount of work from the Projects Directorate (PJ) without always obtaining the right level of information on sub-projects – which per operation easily run into the hundreds or even thousands (in the evaluation sample this number ranged from 4 to 14 000 allocations). The effort of collecting allocations cannot be spent on other important issues, in particular on the assessment of the real EIB contribution to the national, regional or local investment programme. It is moreover a process that is difficult to manage as allocation requests from different operations come in randomly leading to unexpected peak loads for PJ in charge of handling the allocations.

With the focus on obtaining the right allocations with the right level of information, the Bank creates an illusion of control, which ultimately it does not have. It has little control upstream: the Bank generally becomes involved when programmes are to a large extent, if not completely, defined; the provisional set of allocations established in the beginning of an operation can radically differ from those in the end;

and if they do not differ, the Bank often re-appraises them later, which is not very efficient. It also has little control downstream: in the sample studied for the present evaluation the allocations received did often not provide enough or the right information; the requirement in the 2005 procedures to make a detailed review at PCR stage of a 5% sample of allocations was in only one case fully respected in the sample studied for this evaluation, even for FLs after 2005.

11.1.4 Financing allocations or contributing to a programme?

Moving toward a programme approach for FLs when possible, could make the implementation of FLs more effective and efficient for the Bank. It would in such a case agree, in partnership with the promoter, on a set of indicators and targets to be developed from the programme objectives and follow up on these to provide proof of effectiveness, rather than collecting information on huge numbers of individual allocations – without necessarily inquiring about how these have contributed to the achievement of the wider programme.

Several considerations prevent the Bank today from *not* requiring allocations and hence from effectively working more from a "programme perspective". Not scrutinising individual allocations would imply several types of risk (sub-projects exceeding relevant thresholds going unnoticed; procurement issues; reputational risk in sensitive sectors; double financing) and a *de facto* move toward budget funding. Furthermore, the Bank has little experience in developing programmes together with its partners. But there may be more risk in creating the illusion of control than in delegating the control or even … accepting a certain level of risk – knowing that the Bank will never have the resources to control thousands of individual sub-projects.

Reputational risk

None of the complaints received by the EIB Complaints Mechanism over the period 2009-2011 concerned a FL in the EU27, and even though this may simply be explained by the fact that the EIB sub-projects are not highly visible or known within those FLs, it could also suggest that reputational risk for FLs in the EU27 overall may not be high. These statistics are consistent with the finding of the present evaluation that for the countries in the sample, procedures are in place that reduce reputational risk to a very great extent albeit it must be accepted that such procedures will never be able to totally eliminate it, even in countries which are considered most advanced in this respect.

There may however be a middle way between a full programme approach and the current, unsatisfactory, situation. This may be achieved by a combination of measures that, together, aim at streamlining the FL implementation and allocation process, while enhancing the level of control over the investments made under a FL. Those measures concern an earlier involvement of the Bank in the definition of the programmes it is invited to contribute to; a greater reliance on and level of delegation to competent promoters – allowing to spend more time with the weaker ones; a more efficient administration of FLs, by limiting allocation request templates to crucial information but enforcing it better and centralising their control – ultimately, allowing PJ to concentrate more on assessing, at appraisal and at completion, EIB's contribution, rather than spending significant time and effort on harvesting on allocations.

11.2 Recommendations

Although a proposal for streamlined procedures was made within the Bank in 2009, there is evidence that the implementation of FLs continues to be a challenge – were it only due to the sheer number of sub-projects per operation. Most of the recommendations provided in the present report aim at tackling those challenges by further streamlining the implementation of FLs, hence freeing up resources to further concentrate on the EIB added value to those operations.

The recommendations in the following sections are based on the assumption that FLs would continue to be an instrument provided by the EIB alongside ILs and GLs. The recommendations are formulated in view of the above conclusions in order to: (1) underline the programmatic character of FLs; (2) enhance the effectiveness and efficiency of FL implementation; and (3) increase the EIB added value to the national, local and regional programmes they contribute to. They also aim at allowing the Bank to exploit better the available expertise in the Bank (PJ and OPS) by streamlining and routinising relevant processes within the Bank.

11.2.1 Targeting FLs even better

R1. The choice for an FL should be clearly justified in Board reports
The FL instrument clearly responds to a need. However, the choice for an FL – as compared to an IL or a GL – has a strong impact on downstream project management efforts as it represents a higher burden for the Bank's internal staff resources than an IL or GL. That is, for FLs, allocations to sub-projects have to be made later in the process, for bigger sub-projects (EUR 25-50m) additional reviews made, or even full appraisals and Board approvals done (>EUR50m). For ILs, on the other hand, there is no allocation process as the project is fully appraised at onset and for GLs the allocation process is centralised and highly streamlined.

It is therefore recommended that, out of efficiency considerations, the choice for an FL should always be carefully justified in the Board report, against less staff and time consuming options. When there is an indication that schemes underlying the investment programme are known; or when sub-projects are all expected to be small (which was the case for some of the operations evaluated), the Bank should walk the extra mile to obtain a complete understanding of the investment programme and possibly make the alternative choice for an IL[15], a GL or a combination.

R2. Develop a specific FL product for small promoters
FLs, although they aim at financing small sub-projects, often are of a sizeable volume, and the signed volume per operation appears to have increased in recent years. They therefore appear less appropriate for promoters being smaller entities (e.g. small municipalities). Moreover, inexperience of counterparts or multiple promoters under a FL can make follow-up time-consuming. As a special case of targeting therefore, a "small-size promoters" product (e.g. smaller municipalities) with a high level of standardisation should be developed. This could take several shapes, e.g. one loan targeting different promoters coordinated by one "integrator" or "super-promoter". It could also take the form of an "open" programme, whereby the Bank would finance predefined eligible investments on a basis of a standardised and periodic call for expression of interest the results of which could be grouped in one Board presentation. Any such option would require a trial/pilot period.

R3. Associate good promoters to intermediated Framework Loans
This evaluation provides evidence that intermediated FLs did not perform as well as loans directly established with programme promoters or coordinators. The intermediated loans (all non-SPL and often single-sector) had more difficulties in achieving their objectives than direct loans, i.e. those directly to the promoter or coordinator of the local, regional or national programme, and in a larger number of cases. Moreover, all but one of the loans that were strongly reduced in comparison to the initially approved loan volume were intermediated. Intermediated loans also appear slightly less efficient than the other loans in the sample.

Because those intermediaries were not the promoters of the underlying investment projects and programmes, they seem to have had less ownership. For intermediated FLs the evaluation indeed found a lack of interface with final beneficiaries or implementing agencies, even though they were identified and available at appraisal stage. This led to misunderstandings over the scope of the works, the need for and type of information requested and eligibility criteria.

Using financial intermediaries does not seem to be an optimal solution for an effective implementation of FLs *unless* in parallel a good relationship between the Bank and the promoter (coordinator, implementing agency) is established and maintained throughout the duration of the loan. It is recommended that intermediated FLs always have a strong promoter associated to the financial intermediary and that the Bank interfaces clearly and continuously with this promoter.

11.2.2 Preparation

R4. A stronger upstream involvement
A stronger involvement of EIB is recommended in upstream phases of the investment programmes that may envisage to use a FL. This is particularly important for SPLs where EIB already has the formal possibility to be involved in the preparation of programmes – a possibility which for the time being it has only used timidly. Such stronger involvement may be controversial among EC or Managing

[15] This definition of IL would include a "Programme Loan" or "Grouped Loan", i.e. an IL consisting of sub-projects which are all clearly identified at programme onset.

Authorities; however it should be made clear that EIB contribution is more relevant – both for the OP and in view of the Bank's own priorities – and more significant when the Bank staff is involved earlier.

Such an approach is more difficult to achieve for standalone investment programmes, i.e. unrelated to EU Structural Fund OPs. For a municipality or an agglomeration to involve EIB in an early stage is often not relevant as it may not even know yet whether it is ultimately going to request finance from the Bank. Here it seems important for the Bank to be in a position to identify projects early on, in order to promote its early involvement in the investment programmes developed by national, regional or local authorities, in order to define the most effective and efficient way for the EIB to contribute.

R5. Explore involvement of JASPERS for SPLs
With the possibility of the Bank to provide advice and TA by itself, in conjunction with the advent of EU initiatives such as JASPERS and JEREMIE (both recently evaluated by EV) and JESSICA, EIB's role in the preparatory phases of Structural Fund programmes has started to change. JASPERS, most relevant in the context of this evaluation (notably SPL) as it aims at helping MAs to prepare proposals for assessment by the EC, has been separated from the EIB lending activity and project appraisal. So far this was purposively done, i.e. to avoid potential conflicts of interest. With regard to SPLs however, where the Bank would not be competing with other lenders, its role and association with the Bank's services could be further explored, allowing the Bank to be involved earlier in the preparatory process for the Structural Funds, and ultimately better adapt EIB's SPL intervention to the needs of the EU programme therefore making it more relevant, rather than financing a not pro-actively, and therefore not necessarily consistent, selected set of allocations. In any case, the Bank could make better and more systematic use of the information produced by JASPERS, in particular the completion reports of JASPERS assignments.

R6. Tap into existing information sources
In order to obtain a better view on the investment programme to which the Bank contributes (whether it is its preparation or its achievements), it seems important to tap into other sources of information which generally exist, both *ex ante* and *ex post*. This is currently not or hardly done. For the SPL, the EU would generate monitoring and evaluative information which does not seem to be used or used enough by the Bank. This was addressed by the streamlining of SPL procedures in 2009, which state that "…*the Bank should follow the reports and statements of the relevant Audit Authority and relevant EU documentation, and apply its own sample checks procedures only if deemed necessary*." There is no guidance however on when it should be "deemed necessary" to ask for more. The evaluation shows that even today there is still no clear agreement with the EC on common reporting.

The evaluation also showed that for highly regulated countries and sectors the lack of project specific data could be compensated somewhat from national and sector sources, e.g. national Courts of auditors which increasingly have moved towards performance auditing over the past couple of years, therewith coming closer to evaluation. But also more general information could be used, e.g. statistical information on regions, countries or sectors for which a FL is established. It is recommended that the Bank uses such information more systematically during appraisal and completion, as applicable.

Finally it would be useful to have, possibly in GED, folders which collect information by city, region or country as reference both for appraisal and evaluation – particularly when repeat operations with a city or region occur. This is currently lacking.

R7. Review use of PIUs
The value of making PIUs a condition of the loan is questioned. The evaluation showed that when a PIU was required the checks made on its quality and experience were poor. If the objective is ease of communication with EIB it is recommended that the Bank or promoter nominates a Project Manager. If there is real concern over implementation capacity the Bank should make a thorough review of staffing credentials, and recourse to TA if they fall short.

11.2.3 Appraisal, monitoring and information requests

R8. Explore the possibility to co-finance and monitor SPLs at the level of priority / measure / programme
At present, the fact that an OP to which an SPL contributes has monitoring obligations on its own (i.e. imposed by the EC), does not preclude the Bank to perform its own parallel monitoring. In particular the Bank requires allocation lists to be established at project completion. It would be more efficient if

the Bank could co-finance (parts of) SPLs without having to check individual allocations. It is recommended therefore that the possibility to co-finance and monitor SPLs at the level of the priority, measure or even programme as a whole is explored, and under which conditions this can happen, without needing to check individual allocations. Once clarity on this is obtained, the Bank should act accordingly. Modalities for such monitoring should be defined during the preparation of programmes. In any case, the Bank should strongly endeavour to harmonise reporting systems between the different parties; additional reporting should be avoided.

R9. Streamline the handling of small allocations
A major effort in managing FLs lies in obtaining allocations, without necessarily getting the right information in the end. It is recommended that the allocation process be reviewed by making an even clearer split between the different thresholds and by exploring the possibilities for streamlining the allocation-check procedures for FLs in order to let PJ staff concentrate on the EIB contribution to the overall programme and on the additional information gathering of the large sub-projects. In other words, allocations relating to sub-projects with a cost below EUR 25m would be based on a small amount of critical information required, but with this information provision being actually enforced; an eligibility check on those allocations on the basis of the information; and a more detailed review on the 5% sample. A joint unit between PJ and OPS to manage the allocation requests from FLs and GLs should not be excluded in order to increase efficiency of internal procedures by having a higher degree of "industrialisation" of the allocation review and sign-off process.

As a special case of allocation checks, the practice of allocating money under several framework loans to one big project can make transparent tracking of the total contribution to that project difficult; it is recommended that these are specifically identified and that a note summarising the final situation should be sent to the file and maybe the CD for information.

R10. Delegate information gathering responsibilities to the more capable promoters; give more scrutiny to the weaker ones
The streamlining of the allocation process should go hand in hand with a greater delegation of the information gathering responsibilities to the promoter, for those promoters that would have the competency and capacity to do so (see also R7 on PIU) and from whom an extensive project completion report could be required. This would allow PJ staff to concentrate on assisting weaker promoters.

R11. Design a method to assess the efficiency of FLs
Efficiency calculations prove to be particularly challenging in FLs, both ex ante and ex post. This is due to the generally very high numbers of sub-projects, and to their variety in scope and scale. The standard indicators normally used (cost-effectiveness, FIRR, EIRR) were often not provided beforehand and difficult to calculate after project closure. Assessing the management and timeliness of programme delivery could be alternatives to more traditional efficiency calculations, and these were used as proxies in the present evaluation. Even so, it is of concern that the Bank has proven unable to provide a good quantitative insight in the efficiency of FL operations. Again, a better involvement upstream and a broader view of the implementation of the investment programme, instead of the narrow focus on allocations, would allow the Bank to obtain a better understanding of the efficiency of the investment programme. However it is recommended that the Bank design a method to assess the efficiency of FLs. Other information sources and existing methods (e.g. on evaluation of EU programmes) may be helpful in doing so.

R12. Verify and clarify existing procedures and practices, not always aligned
Finally, the evaluation came across a certain number of cases in which procedures and practice were not always aligned. The following need verification and/or clarification:

- Though the procedures put the responsibility on the OPS loan officer to verify with PJ that all necessary pre-conditions are met before approving a disbursement, there is no physical sign-off by PJ and the verification is not clearly documented. According to the services, the procedures are not well implemented still today, i.e. OPS is not systematically checking with PJ if all conditions are met before disbursement. This should be better enforced.
- Large up front disbursement in an operation is a potential difficulty in obtaining information ex post – a risk already highlighted in the procedures. The procedures should be strengthened as to avoid such large disbursements where cooperation and reliability of the counterpart is as yet unproven.
- The hand-over between contact persons within EIB is, due to the complexity of FLs, even more important in this type than in other types of operations.. It is recommended that the Bank clarifies

the procedures for effective handover between contact persons to ensure a consistent approach to promoters and to ensure project history is not lost.

- It is recommended to include a provision in the procedures that when an operation is cancelled the GRM visits the promoter and finds out why. A back-to-office report should close the project.

APPENDIX 1 – EVALUATION PROCESS AND CRITERIA

In accordance with EV's Terms of Reference, the objectives of evaluation are:

- To assess the quality of the operations financed, which is assessed using generally accepted evaluation criteria, in particular those developed by the Evaluation Cooperation Group, which brings together the evaluation offices of the multilateral development banks. The criteria are:

  a) Relevance corresponding to the first pillar of value added*:* is the extent to which the objectives of a project are consistent with EU policies, as defined by the Treaty, Directives, Council Decisions, Mandates, etc., the decisions of the EIB Governors, as well as the beneficiaries' requirements, country needs, global priorities and partners' policies. In the EU, reference is made to the relevant EU and EIB policies and specifically to the EU Treaty that defines the mission of the Bank. Outside the Union, the main references are the policy objectives considered in the relevant mandates.

  b) Project performance, measured through **Effectiveness (efficacy)**, **Efficiency** and **Sustainability** and second pillar of value added*.*

  Effectiveness relates to the extent to which the objectives of the project have been achieved, or are expected to be achieved, taking into account their relative importance, while recognising any change introduced in the project since loan approval.

  Efficiency concerns the extent to which project benefits/outputs are commensurate with resources/inputs. At ex-ante appraisal, project efficiency is normally measured through the economic and financial rates of return. In public sector projects a financial rate of return is often not calculated ex-ante, in which case the efficiency of the project is estimated by a cost effectiveness analysis.

  Sustainability is the likelihood of continued long-term benefits and the resilience to risk over the intended life of the project. The assessment of project sustainability varies substantially from case to case depending on circumstances, and takes into account the issues identified in the ex-ante due-diligence carried out by the Bank.

  Environmental and Social Impact of the projects evaluated and specifically considers two categories: (a) compliance with guidelines, including EU and/or national as well as Bank guidelines, and (b) environmental performance, including the relationship between ex ante expectations and ex post findings, and the extent to which residual impacts are broadly similar, worse or even better than anticipated.

  Evaluations take due account of the analytical criteria used in the ex-ante project appraisal and the strategy, policies and procedures that relate to the operations evaluated. Changes in EIB policies or procedures following project appraisal, which are relevant to the assessment of the project, will also be taken into account.

- To assess the EIB contribution *(Third Pillar)* and management of the project cycle:

  EIB Financial contribution identifies the financial contribution provided in relation to the alternatives available, including improvements on financial aspects as facilitating co-financing from other sources (catalytic effect).

  Other EIB contribution (optional) relates to any significant non-financial contribution to the operation provided by the EIB; it may take the form of improvements of the technical, economic or other aspects of the project.

  EIB Management of the project cycle rates the Bank's handling of the operation, from project identification and selection to post completion monitoring.

EUROPEAN INVESTMENT BANK
OPERATIONS EVALUATION (EV)

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

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

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

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

1. Performance of a Sample of Nine Sewage Treatment Plants in European Union Member Countries (1996 - available in English, French and German)
2. Evaluation of 10 Operations in the Telecommunications Sector in EU Member States (1998 - available in English, French and German)
3. Contribution of Large Rail and Road Infrastructure to Regional Development (1998 - available in English, French and German)
4. Evaluation of Industrial Projects Financed by the European Investment Bank under the Objective of Regional Development (1998 - available in English, French and German)
5. An Evaluation Study of 17 Water Projects located around the Mediterranean (1999 - available in English, French, German, Italian and Spanish).
6. The impact of EIB Borrowing Operations on the Integration of New Capital Markets. (1999 – available in English, French and German).
7. EIB Contribution to Regional Development A synthesis report on the regional development impact of EIB funding on 17 projects in Portugal and Italy (2001 – available in English (original version), French, German, Italian and Portuguese (translations from the original version)).
8. Evaluation of the risk capital operations carried out by the EIB in four ACP countries 1989-1999 (2001 - available in English (original version), French and German (translations from the original version)).
9. EIB financing of energy projects in the European Union and Central and Eastern Europe (2001- available in English (original version), French and German (translations from the original version))
10. Review of the Current Portfolio Approach for SME Global Loans (2002 – available in English (original version), French and German (translations from the original version)).
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12. Evaluation of the impact of EIB financing on Regional Development in Greece (2003 – available in English (original version) and French (translation from the original version)).
13. Evaluation of Transport Projects in Central and Eastern Europe (2003 – available in English (original version).
14. EIB Financing of Urban Development Projects in the EU (2003 – available in English (original version), French and German (translations from the original version)).
15. Evaluation of the Projects Financed by the EIB under the Asia and Latin America Mandates (2004 – available in English (original version), French, German and Spanish).
16. Evaluation of EIB Financing of Airlines (2004 – available in English (original version) French and German)
17. Evaluation of EIB Financing of Air Infrastructure (2005 - available in English (original version) German and French)
18. EIB financing with own resources through global loans under Mediterranean mandates (2005 - available in English (original version) German and French.)
19. Evaluation of EIB Financing of Railway Projects in the European Union (2005 - available in English (original version) German and French.)
20. Evaluation of PPP projects financed by the EIB (2005 - available in English (original version) German and French).
21. Evaluation of SME Global Loans in the Enlarged Union (2005 - available in English (original version) and German and French.)
22. EIB financing with own resources through individual loans under Mediterranean mandates (2005 - available in English (original version) and German and French.)

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23. Evaluation of EIB financing through individual loans under the Lomé IV Convention (2006 - available in English (original version) German and French.)
24. Evaluation of EIB financing through global loans under the Lomé IV Convention (2006 - available in English (original version) German and French.)
25. Evaluation of EIB Investments in Education and Training (2006 - available in English (original version) German and French.)
26. Evaluation of Cross-border TEN projects (2006 - available in English (original version) German and French).
27. FEMIP Trust Fund (2006 - available in English.)
28. Evaluation of Borrowing and Lending in Rand (2007 - available in English (original version) German and French).
29. Evaluation of EIB Financing of Health Projects (2007 - available in English (original version) German and French).
30. Economic and Social Cohesion - EIB financing of operations in Objective 1 and Objective 2 areas in Germany, Ireland and Spain (2007 - available in English. (original version) German and French)
31. Evaluation of EIB i2i Research, Development and Innovation (RDI) projects (2007 - available in English) (original version) German and French).
32. FEMIP Trust Fund - Evaluation of Activities at 30.09.2007 (2007 - available in English.)
33. Evaluation of Renewable Energy Projects in Europe (2008 - available in English (original version) German and French).
34. Evaluation of EIF funding of Venture Capital Funds – EIB/ETF Mandate (2008 - available in English.)
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39. Portfolio and Strategy Review - EIB Activities in “2007 Partner Countries” from 2000 to 2008 (2009 – available in English (original version) and French).
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45. Evaluation of Activities under the Risk Sharing Finance Facility (RSFF) (2010- available in English (original version) and French)).
46. Evaluation of the EIB’s role in the JASPERS Initiative (2011- available in English)
47. Ex Post Evaluation of JEREMIE (2011- available in English).
48. Evaluation of EIB Investment Loans for Economic and Social Cohesion in France, Portugal and the United Kingdom (2011- available in English)
49. Evaluation of EIB financing of Urban Infrastructure projects in the European Union (2011- available in English)
50. Evaluation of EIB’s Energy Efficiency (EE) Financing in the EU from 2000 to 2011: How did the Bank respond to the EE challenge in the context of a reinforced EU EE policy? (2012 - available in English)
51. Ex post evaluation of the use of framework loans to finance EIB investments in the EU (2012 - available in English)

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