The Results Measurement (ReM) framework methodology
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European Investment Bank

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Introduction

EIB lending is results-driven. Outside the EU, we use the Results Measurement (ReM) framework not only to strengthen the appraisal process, but to enhance the Bank’s ability to monitor and report on the actual results achieved. Since the framework was launched in 2012, hundreds of projects have gone through ReM assessment at appraisal. With some of the first projects approved under the framework now reaching completion, monitoring and the reporting of results assessed ex post is a growing focus.

The focus of the framework is on the EIB’s contribution to national and EU policy objectives, as well as our own mandate objectives; on project quality and soundness, based on results and the ability of the project promoter or intermediary to achieve this in a given operating environment; and the contribution of the EIB that goes beyond the market alternative.

**ReM framework aims:**
- to complement the ex-ante assessment of expected project results, of the Bank’s technical and financial contribution to the project, as well as the contribution to mandate objectives;
- to develop monitoring and ex-post evaluation of project results; and
- to enhance the Bank’s ability to report to internal and external stakeholders on project results achieved.

The ReM framework in the project cycle

*Project identification and appraisal*
At the outset, clear, sector-specific, standardised and objectively measurable indicators are identified. Baselines and targets are set to capture expected outputs and outcomes of the project. Projects are rated according to three “pillars” – EU policy contribution; quality and soundness; and technical and financial contribution.

*Project implementation*

1st ReM review
Project completion or end of allocation/investment period (for intermediated operations).

Performance against benchmarks is monitored throughout a project’s life, rated and reported at two major milestones.

2nd ReM review
Project completion +3 years, or end of fund life (for microfinance and equity).

Performance against benchmarks is monitored throughout a project’s life, rated and reported at two major milestones.
The ReM indicators are measured at appraisal and during monitoring until such time as the project is fully implemented, operational and the first development outcomes are measurable. This is expected to be typically up to three years after project completion. The framework will also, to the extent possible and appropriate, be used for ex-post evaluation.

At appraisal stage, indicators and timelines are defined. An analysis of the project’s expected performance under the three pillars is provided in the Board report.

The ReM conceptual framework

The ReM conceptual framework is based on a logical framework approach. In other words, it is designed to show how EIB inputs (e.g. loan, technical advice), generate outputs (e.g. an electricity transmission line, a training programme), which enable outcomes (e.g. improved access to energy, improved institutional capacity) and, over time, lead to impacts (development of economic infrastructure, regional integration) which are in line with the Bank’s mandate objectives.

Example:

- **Impacts**: Decreased incidence of water-borne diseases
- **Outcomes**: More households have access to safe water
- **Outputs**: Potable water supplied
- **Inputs**: EIB loan to a water utility

This logical framework approach is reflected in the ReM framework’s 3 Pillar structure:

**Pillar 1**: Assesses consistency with EIB mandate objectives as well as contribution to EU priorities and country development objectives.

**Pillar 2**: Assesses results and the ability of the promoters to achieve these based on the soundness of the operation and the operating environment.

**Pillar 3**: Assesses the EIB contribution beyond what local markets can offer in terms of (i) financial contribution; (ii) technical advice; and (iii) facilitation.
The 3 pillars of the ReM Framework:

### Pillar 1 – Contribution to EIB, EU and national priorities

- **1A. Consistency with EIB mandate objectives**
  - Development of social and economic infrastructure
  - Local private sector development
  - Climate change mitigation and adaptation
  - Regional integration

- **1B. Contribution to EU and country development priorities**

### Pillar 2 – Quality and soundness of the project

- Soundness of project or intermediary and operating environment
- Environmental and social sustainability
- Financial and economic sustainability (ERR)

- Outputs & Outcomes
  - Baseline values
  - Expected values at completion
  - Results achieved at completion and completion +3 years

### Pillar 3: EIB Technical and Financial Contribution

**EIB inputs – market alternative**

- Financial contribution
  - Long-term financing
  - Local currency funding
  - Subsidy

- Financial facilitation
  - Innovative financing
  - Raising standards
  - Attracting other financiers

Advice

- Financial advice and structuring
- Technical contribution and advice
ReM framework ratings

The three pillars are rated independently; no overall aggregated project rating is provided. Consistency and quality of pillar ratings is ensured by the relevant services and by an inter-service committee which reviews indicators and ratings on a regular basis. The rating scale for each of the three pillars is a 4-point scale as per Evaluation Cooperation Group best practice standards:

<table>
<thead>
<tr>
<th>Ratings scale for pillar 1:</th>
<th>Ratings scale for pillar 2:</th>
<th>Ratings scale for pillar 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – Eligible</td>
<td>1 – Marginal</td>
<td>1 – Low</td>
</tr>
<tr>
<td>2 – Moderate</td>
<td>2- Acceptable</td>
<td>2 – Moderate</td>
</tr>
<tr>
<td>3 – Significant</td>
<td>3- Good</td>
<td>3 – Significant</td>
</tr>
<tr>
<td>4 – High</td>
<td>4 – Excellent</td>
<td>4 – High</td>
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Pillar 1
Consistency with and contribution to EIB mandate, EU priorities and country objectives

The Pillar 1 assessment is based on two questions:

**Pillar 1A:** Is the project consistent with EIB mandate objectives?

**Pillar 1B:** How well does the project contribute to EU priorities and country development objectives?

The EIB mandate objectives are derived from the Decision of the European Parliament and of the Council on guarantees on EIB operations outside the Union, making specific provision for climate change mitigation and adaptation projects, as well as from the Cotonou Mandate for projects in ACP countries.

Pillar 1B is based on a light logical framework, which outlines how EIB inputs generate outputs, outcomes and impacts that contribute to EU priorities and country development objectives. EU priorities are defined in various documents setting out EU development cooperation policy. Country development objectives are defined by the various national governments as national or sectoral development policies, strategies or plans.
Operations that are not eligible under the Bank’s mandates will normally be screened-out by the appraisal team at an early stage of the appraisal process and will not be given any further consideration. The pillar 1 rating is based on an assessment of the extent to which a project is expected to contribute to (a) the EU priorities for the country and (b) the country’s own priorities. These two dimensions are weighted equally such that projects that are a high priority for both the EU and the country itself are rated “4 – High”, for example, while projects which are a medium priority for both would be rated “2”.

Pillar 2
Soundness of the operation and expected results

Pillar 2 assesses the expected results of an operation, taking into account the capacity of its sponsors to achieve these results. It consists of a series of objectively measurable indicators that capture economic, social, environmental, and governance outcomes of the operation. Indicators in Pillar 2 are estimated ex-ante and actual results are collected during operation and implementation where relevant, for performance monitoring and reporting.

Pillar 2 in the operational cycle

The use of the ReM framework within the project cycle depends on the type of operation.

**Direct operations:**
(e.g. large infrastructure projects, framework and programme loans)

At appraisal, baselines (values at time of appraisal), expected values at Project Completion Report (PCR) and expected values at PCR+3 years are defined for each of the Pillar 2 indicators. At PCR and PCR+3 stages, actual values are collected and can then be aggregated for reporting on results achieved in a given year.

**Intermediated operations:**
(e.g. financial sector operations - Loans to SMEs and midcaps, private equity funds, microfinance institutions)

At appraisal, expected values are estimated, if possible, based on the existing portfolio of the intermediary (e.g. “number of SMEs”; “Average size of loans”) in order to provide an indicative rating of expected development results. Establishing expected values for development outcome indicators is sometimes not possible at the time of appraisal given the lack of information on the final beneficiaries, but performance is evaluated at the end of allocation or investment period.

In this respect, there is a significant difference between direct and intermediated operations. For direct operations, appraisal is carried out on the single project which is therefore known in quite
some detail. For intermediated operations, and particularly those concerning the financial sector (e.g. micro-finance, equity, SME finance) the final beneficiaries are generally not known ex-ante. The templates for these two types of operations are designed to reflect these differences.

Pillar 2 indicators

For the purpose of reporting and aggregation, four categories of indicators are defined. The ReM sheets include:

Core standard indicators: to be measured, when possible and relevant, for all operations (e.g. employment generated, energy efficiency).

Sector standard indicators: to be measured for all projects of a given type in a given sector (e.g. “Reduction in power outages (hrs)” for energy transmission projects).

ReM sheets include, when relevant:

Other relevant standard indicators: to be measured for all projects with a given feature (“Households which could be supplied with the energy generated by the project” for credit lines or private equity funds aimed at renewable energy and energy efficiency projects)

Custom indicators: (operation-specific) which capture expected development outcomes that are specific to an operation and cannot be captured by a standard indicator (e.g. for a transport project with a regional dimension, “Time to connect two countries/economic centres (hrs)”).

In addition to economic outcomes, specific emphasis is placed on measuring environmental and social outcomes where relevant. This could be, for example, direct emissions reductions from an improvement in an industrial complex, or a number of children gaining access to education as a result of social policies of an investor company. Whenever possible, standardised indicators are defined with a view to improving reporting on environmental and social outcomes (e.g. “Tons of solid waste per year properly disposed or treated”).

Similarly, where relevant, standardised and operation-specific indicators capturing improvements in governance are also included (e.g. “Adoption of relevant ISO certification (ISO 9000 family on quality management)”; “Legal documentation on the responsibility and independence of the Board (y/n)”).

Ex-ante Pillar 2 ratings
For direct operations, assessment focuses on the extent to which the project represents a rational allocation of resources and meets the needs of its beneficiaries, including society at large, over its entire life-cycle. The overall Pillar 2 rating is based on three components:

**Soundness of the project** assesses the capabilities of the promoter based on indicators such as whether the project is delivered at cost and on time, and governance issues.

**Financial and economic sustainability** is based on the estimated economic rate of return (ERR), or equivalent, and the financial internal rate of return (FIRR).

**Environmental and social sustainability** is based on the environmental safeguards assessment and the social safeguards assessment.

A sound and sustainable project with significant economic benefits (an ERR > 10%) and an average risk profile is normally rated as “Good”. An “Excellent” rating is likely to be given for a sound, sustainable project with very attractive economic benefits (an ERR > 15%) and limited risk exposure. Projects with an ERR between 5 and 10% can be rated “Acceptable” depending on the assessment of unquantified benefits. Such a project is likely to be sustainable but with relatively moderate economic benefits and/or high risk profiles. Projects with an ERR below 5% are normally rated as “Marginal” and EIB intervention would normally be considered unacceptable, unless unquantifiable benefits provide sufficiently robust arguments in favour of EIB support.

The estimation of ERR and other economic appraisal methods are described in *The Economic Appraisal of Investment Projects at the EIB*.\(^1\) For some projects, the benchmark values may be applied flexibly depending on parameters like sector specificity, national economic needs, and the fact that some externalities cannot always be calculated accurately (e.g. for urban and rail transport sectors). There are also projects whose ERR and/or FIRR cannot be quantified, for example operations which include a large number of schemes (e.g. programmes, framework loans), or in cases where no reliable tool is available to estimate the rates of return. In these cases, standard reference values and benchmarks cannot be established for the rates of return. Instead, indicative sector standards alongside sector-specific criteria or other quantitative/qualitative methods (e.g. cost-effectiveness) are used. A restricted number of project success criteria are identified at the approval stage for assessment. These criteria are adapted to the situation and, as much as possible,

\(^1\) [http://www.eib.org/infocentre/publications/all/economic-appraisal-of-investment-projects.htm](http://www.eib.org/infocentre/publications/all/economic-appraisal-of-investment-projects.htm)
are objective, quantitative and focus on the project’s impact on the beneficiaries. For example, indicators selected might include: traffic levels, tariffs, cost coverage, numbers of users/beneficiaries, sales level, and service efficiency.

Environmental and social sustainability is assessed as detailed in the *Environmental and Social Handbook*.² The environmental and social safeguards assessments result in specific E & S ratings, which are translated into a final score for this criterion. Should a project fail to score sufficiently under this criterion at appraisal, the project is not proposed for financing. The Clean Technology Agenda is covered partly under the Climate Action objective as described above under Pillar 1 (as it relates to carbon impact), and partly under the environmental rating where other impacts and risks, associated for example with other pollutants, are taken into account.

For **financial sector operations**, the rating is based on expected project results, the quality of the operating environment and the soundness of the intermediary.

**Expected outputs and outcomes** are rated based on the dimensions of increased access to finance (e.g. number, size and tenor of loans to final beneficiaries), jobs sustained and financial market development, including increased financial sector competition.

**The soundness of the intermediary** is rated based on financial, governance and E&S standards considerations.

**The quality of the operating environment** is rated on the basis of the macro-economic environment and the banking industry risk assessment.

In other words, the overall Pillar 2 rating is based on expected results, adjusted for risk considerations; it rates expected results, taking into account the likelihood of these results being achieved.

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**Pillar 3**

**EIB technical and financial contribution**

Pillar 3 assesses the contribution of the EIB to the project, defined as the inputs to the project provided by EIB that are (i) required given the nature of the project and (ii) could not have been provided by a market alternative (i.e. on a purely commercial basis). Pillar 3 complements the analysis of the other two pillars, by assessing to what extent the EIB contribution is justified in a project expected to produce desirable outcomes.

EIB’s contribution is assessed and rated according to the three categories: financial, technical, and facilitation.

The Bank’s financial contribution is assessed by comparison with commercial alternatives on the basis of the tenor or maturity of the finance provided; the currency in which finance is provided, and the blending of loans with grant resources.

The Bank’s technical contribution derives from its institutional framework and technical expertise and typically comprises services or technical assistance to support project preparation, the structuring of an operation or project implementation. It can also include broader work to support the sector which will be of benefit to the project.

As a multilateral financing institution, the EIB can facilitate the raising of project standards relating to procurement, environmental and social standards, or governance. The involvement of the EIB can also send credible signals about the quality of the project. Such contributions are assessed in terms of demonstration or signalling effects to other financiers and investors, in providing innovative financing and in terms of support for enhanced cooperation.

Looking forward

By its very nature, the ReM framework is designed to be flexible enough to reflect differences in regional economic and social environments, to align in the future with changing demands and to remain useful internally, as a learning tool. An inter-service results team coordinates work in terms of methodological improvements, the definition of guidelines and training as well as the harmonisation of indicators with other IFIs.

As far as possible, ReM indicators have been harmonised with those of other IFIs to simplify client reporting requirements for co-financed operations. In 2013, the EIB signed a memorandum of understanding with 25 other IFIs to harmonise 27 sector indicators, and the harmonisation of an additional 16 indicators is being finalised. We have also harmonised indicators with the European
Commission within the framework of the EU “blending platform” for development projects that require a mix of grant and loan funding. Work is also ongoing to harmonise EIB monitoring frameworks for inside and outside the EU.

A further process of continuous improvement in the ReM framework is to be expected, permitting the Bank to contribute in a more meaningful manner to development effectiveness. By focusing on concrete results, as measured by both direct outputs achieved and by broader outcome indicators, this framework enables the EIB to better assess, monitor and report on the Bank's contribution to mandate objectives and development goals.
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