

OPERATIONS EVALUATION

Activity Report 2016-2018 and Work Programme 2019-2021

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Operations Evaluation

Activity Report 2016-2018 and Work Programme 2019-2021

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European Investment Bank Operations Evaluation Activity Report 2016-2018 and Work Programme 2019-2021

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EXECUTIVE SUMMARY

From 2016 to 2018, the EIB's Operations Evaluation Division (IG/EV) successfully completed five large-scale evaluations concerning European Investment Bank (EIB) and European Investment Fund (EIF) activity.

Amongst these, IG/EV carried out two flagship evaluations of the European Fund for Strategic Investments (EFSI), which attracted considerable attention both inside and outside the EIB Group. The evaluations found that EFSI was ramped up in a short period, as planned. Close to the end of its first investment cycle, EFSI was on track to reach its target of mobilising EUR 315 billion of investment. Initial concerns about the geographical concentration of the portfolio had been addressed. EFSI was found to be an adequate instrument to address structural investment gaps, but less so to address cyclical issues. The additionality of EFSI operations is critical to achieve a structural, long-term impact on growth and employment, which is the ultimate objective of EFSI. Therefore, both evaluations paid particular attention to understanding, defining and assessing EFSI's additionality. The evaluation also found that the set up and management of EFSI triggered major organisational changes in the EIB Group, some of which may have far-reaching impact.

The other evaluations carried out over the period covered the EIB's intermediated lending through the Investment Facility in the African, Caribbean and Pacific region (ACP), the EIF's securitisation activity and the EIB's Structural Programme Loans (SPLs). The first two evaluations have in common their focus on EIB Group activities aimed at supporting small and medium-sized enterprises (SMEs), albeit in different geographical contexts and through very different tools. The evaluation in the ACP found that funds provided to local banks to finance investment needs of SMEs and mid-caps addressed an important barrier constraining access to finance, namely the scarcity of longer-term loans in local currencies. Other, equally important barriers, such as the actual and perceived risk of lending to SMEs and the ability of intermediaries to assess this risk, could be addressed if the EIB would step up the use

of other financial instruments it has available, beyond those aimed at increasing liquidity. Similarly, through its securitisation activities, the EIF works to increase the financial intermediaries' ability to lend to SMEs. The evaluation was not able to establish a causal link between the EIF's product and increased access to finance. However, it did point out the important role that the EIF played in stimulating the development of the SME securitisation market in Europe before the economic and financial crisis of 2008, and in its recovery afterwards.

The SPL evaluation provides important accountability insights and opportunities to learn. At the same time, it represents an important building block for the recently launched Cohesion lending evaluation. It shows that SPLs contributed directly to achieving the EU's cohesion policy objectives, in addition to being a relevant and, overall, an effective and efficient product.

In addition to the Cohesion lending evaluation mentioned above, in 2019 IG/EV will finalise the evaluation of the EIB's Energy Lending Criteria and it will continue working on the mandates and the recently launched transport evaluations. IG/EV will also start two new evaluations: on the EIB Group Risk Enhancement Mandate (EREM) and on social housing. Furthermore, in 2019, IG/EV will undergo a peer review, including of its governance, working methods and balance between its learning and accountability objectives.

In 2020, in addition to an evaluation of the Group's Gender Strategy, IG/EV plans to launch evaluations on the EIB's financing of public-private partnerships (PPPs) and on the EIB Group's support to small businesses. IG/EV will also start the EFSI 2.0 evaluation that needs to be completed in 2021, as per the regulation, and, possibly, an evaluation of the EIB's special activities and/or the development of new financial products.

In 2021, IG/EV intends to start four evaluations. The most relevant and useful subjects will be chosen next year, when the 2021 Work Programme is firmed up, from the following tentative topics: the Economic Resilience Initiative (ERI); the EIB's Climate Strategy; the EIB's advisory activities; an assessment of the evaluability of the EIB's

operations; and the EIB's support to the environment. In addition, contingent on the results and the reception of the cluster of project evaluations on social housing, IG/EV could undertake a similar evaluation, either in the field of energy or in water and sanitation, possibly outside the EU.

Finally, in the upcoming years, IG/EV will continue its efforts to strengthen the EIB Group's evaluation culture, whereby operations and programmes are set up in a way that is geared to achieving and showing results, to learn from experience and to

continuously improve performance. As in previous years, strengthening the Group's evaluation culture will entail following up on the implementation of evaluation recommendations, providing methodological support and advice to Bank Services, and sharing knowledge within the EIB and the EIF. Cooperating with peers in other international financial institutions (IFIs) will also ensure that IG/EV remains connected to the worldwide evaluation community and that it contributes to the debates shaping the evaluation profession.

1. ACTIVITY REPORT 2016-2018

From 2016 to 2018, IG/EV successfully completed five large-scale evaluations, including two flagship evaluations of the European Fund for Strategic Investments (EFSI). These evaluations concerned activities of both the EIF and the EIB, both inside and outside the European Union (EU) (Sections 1.1). IG/EV is currently working on four other evaluations (Section 1.2). In addition, IG/EV continued to carry out and further improve the monitoring of evaluation recommendations (Section 1.3) and to foster an evaluation culture within the EIB Group (Section 1.4).

1.1 Completed Evaluations

In 2016 and 2018, IG/EV carried out two evaluations of the European Fund for Strategic Investments (EFSI). These evaluations were given considerable visibility, as they were presented to the European Parliament, the European Council and the Commission, as per the EFSI Regulation.

IG/EV also completed an evaluation of EIB intermediated lending through the Investment Facility in the ACP (1.1.3), an evaluation of the EIF's securitisation activities (1.1.4), and an evaluation of the EIB's Structural Programme Loans (SPLs) (1.1.5).

1.1.1 Evaluation of the Functioning of the European Fund for Strategic Investments (mid-term)

This first evaluation, completed in 2016, assessed the functioning of EFSI, implemented by the EIB Group. EFSI is one of the three pillars of the Investment Plan for Europe (IPE), which work to stimulate additional investment in the European economy to promote growth and job creation.



The evaluation came early in the EFSI implementation process and was one of several exercises undertaken inside and outside the EIB Group to assess the initiative in real time¹. The announcement of an EFSI 2.0 in September 2016 meant that an already tight deadline had to be further compressed, putting pressure on all parties involved – evaluators, EIB operational counterparts and governing bodies – to accelerate the evaluation process and ensure that its findings were fed into the decision-making process at the EU level.

This first evaluation found that EFSI was ramped up in a short time, as requested by the political decision-makers, and its governance structures were put in place swiftly. For approved operations, EFSI was on track to reach the target of mobilising EUR 315 billion of investment, but at the time of the evaluation, it was too early to assess results, as operations were just beginning to be signed and it would take time for the funds reach the real economy. To deliver on its commitments, the EIB Group continued to innovate. It developed and rolled out new products with higher risk profiles and bigger investment multipliers and it engaged with many new counterparts.

The first EFSI evaluation pointed out several areas that needed attention and improvement:

- The complementarity and synergies of EFSI with the other two Investment Plan pillars;
- The maximisation of contributions from the private sector;

¹ Other studies concerning EFSI carried out in the same period were a European Commission (EC) evaluation of the use of the EU guarantee and the functioning of the EFSI guarantee fund and the European Court of Auditors' Opinion.

- The geographical concentration of the portfolio of signed projects at the end of the investment period;
- The continuous development, refinement and codifications of a suitable methodology to determine EFSI additionality (e.g. by developing guidelines for project teams);
- The clarification of procedures and roles for the various organs of the governance structure;
- The far-reaching effects that the EFSI mobilisation had on the EIB and the EIF's staff, organisation and procedures.

The EFSI mid-term evaluation generated much interest both within and outside the EIB Group and the team was asked to present its findings to a variety of bodies, including the Audit Committee of the EIB, the Audit Board of the EIF and the European Court of Auditors (ECA). IG/EV was also invited to participate in one of the sessions of the Financial Committee (FiCo) of the European Council.

1.1.2 Evaluation of the European Fund for Strategic Investments

Whereas the mid-term evaluation completed in 2016 focused on how EFSI was set up and the chances of it achieving its objectives, the evaluation completed in 2018 assessed EFSI's relevance, efficiency, and the results achieved, as well as its complementarity and coordination with other EU programmes.

The evaluation confirmed that EFSI was on track to reach its investment target. It also showed that the initial concerns about the geographical concentration of the portfolio had been addressed, as 80% of the amounts signed were in vulnerable Member States and Cohesion countries, when taking into account the relative size of these countries' economies. EFSI was found to be an adequate instrument to address structural investment gaps, but less so for tackling cyclical issues. Disbursements were too spread out over time to pull the economies that had large and persistent cyclical investment gaps out of stagnation. Moreover, by the time EFSI was launched, in some Member States investment to gross domestic product ratios had already risen back to pre-crisis levels. EFSI was found to have a mixed record for complementarity and coordination with other EU instruments. On the one hand, it catalysed the use of some funds, through the front-loading of existing guarantee instruments. On the other hand, the scope and focus of some other instruments (such as the Connecting Europe Facility debt instrument, the COSME Equity Facility for Growth) had to be readjusted to avoid overlap with EFSI.

The evaluation concluded that in the absence of the EU guarantee, the EIB Group could not have financed the EFSI portfolio of operations without a negative impact on its overall lending capacity and risk profile. However, EFSI induced a considerable change in the EIB Group, which had to tailor many of its processes to accommodate and properly address EFSI requirements. As already pointed out in the mid-term evaluation, some of these changes may have a longer-term impact for the EIB Group. Moreover, EFSI revenues do not cover the related costs at the EIB, while they do so at the EIF.

EFSI operations provided additionality, as defined by the EFSI Regulation, and the majority addressed market failures. As additionality is critical to achieving a structural, long-term impact on growth and employment – the main objective of EFSI – the evaluation team invested substantial resources in understanding, defining and assessing additionality.

1.1.3 Evaluation of EIB Intermediated Lending through the Investment Facility in ACP 2010-2015

This evaluation responded to a request by the Investment Facility Committee to assess the extent to which intermediated lending under the Investment Facility has contributed to increasing access to finance for private enterprises, notably SMEs and mid-caps, and to strengthening local financial sectors.

The evaluation found that funds provided to local banks to finance SMEs and mid-caps in the ACP addressed an important barrier to finance, namely the scarcity of longer-term loans in local currencies². These funds also help to strengthen local banks and, more generally, local financial sectors in the ACP.

² The EIB is one the top providers of intermediated lending among the IFIs in the ACP (second largest by volumes signed from 2010 to 2015, after the African Development Bank).

However, other equally important barriers are constraining access to finance, such as the actual and perceived risk of lending to small businesses; the limited knowledge of financial intermediaries to assess the risk of lending to SMEs; and the weak capacity of small businesses to present bankable projects.

The evaluation recommended that the EIB step up the use of other instruments it has available to address barriers beyond those related to liquidity constraints. Moreover, the evaluation highlighted that, as money is fungible, it is difficult to establish a clear causal link between the EIB loans and the achievements of projects in the field. Rather than focusing on tracing the allocation of funds to SMEs, one should also measure how the EIB's loans have changed the behaviour of financial intermediaries towards the target groups. The evaluation suggested that a deeper analysis is needed to determine where to concentrate resources, as well as clearer guidance from the Investment Facility Committee to ensure the best results. For its part, the EIB should adapt its tools and procedures to improve monitoring and reporting on policy objectives, a process that is already ongoing.

1.1.4 Evaluation of the EIF's SME Securitisation Activity 2004-2015

This evaluation assessed the support that the EIF provided to SME securitisation from 2004 to 2015. It also looked at other EIF activities, such as market research publications, policy dialogue and awareness raising. The evaluation relied on a variety of sources, including an initial study on the evolution of SME securitisation markets in each EU country over the period and of the factors (legal, regulatory, institutional) that determined that evolution. IG/EV also carried out a number of in-depth case studies (thematic and country-specific) that looked at the EIF's contribution to specific markets.



The findings showed a marked difference between the periods preceding and following the financial crisis of 2008. Before the crisis, EIF activity in the field of SME securitisation progressed rapidly. The guarantees the EIF offered supported financial institutions of various sizes and capacities in an increasingly large number of countries both inside and outside the EU, hence helping the SME securitisation market to develop. From 2010 to 2015, activity slowed down and became concentrated in mature markets, reflecting the special circumstances affecting SME securitisation in general. Efforts focused on supporting the market's recovery. The major difficulty of this evaluation was establishing a causal link between the EIF's products and increased access to finance for SMEs.

1.1.5 Evaluation of Structural Programme Loans and their Contribution to EU Cohesion Policy 2007-2016

IG/EV's 2016-2018 Work Programme proposed evaluating selected blending activities. The scoping exercise led to a focus on the EIB's Structural Programme Loans (SPLs). An SPL is an EIB framework loan that supports the national co-financing of projects within a Member State or within a region's Operational Programme (OP), which receive support from the EU structural funds. By offering financing terms that are more favourable than those that the borrower could otherwise obtain, SPLs are expected to allow promoters to kick-start, accelerate or bring back on track the implementation of their Operational Programmes.

SPLs were found to be relevant and largely effective and efficient. SPLs addressed the liquidity constraints of borrowers, enabling them to respect their national co-financing obligations for their programmes. They offered a suitable range of financial options for contracts, interest rates, maturity, repayment profiles and currencies. SPLs contributed decisively to kick-starting large investment plans and programme-based plans and allowed several projects to be deployed at a faster pace. The evaluation also found that the use of SPLs allowed the EIB to reach small and mid-sized projects, which it could otherwise not support at a reasonable cost. The terms of SPLs were sufficiently flexible to allow their use for projects not included in an Operational Programme, providing these projects were consistent with EU objectives and the EIB's eligibility criteria.

The evaluation recommended that the Bank pay more attention to the capacity of promoters, either to support them with technical assistance or to reduce administrative and reporting requirements for promoters that have demonstrated stronger capacities at the appraisal stage. It also suggested that the monitoring of SPL operations could be improved, particularly by mobilising adequate EIB manpower, reducing the risk of financing projects almost completed, and proactively coordinating and cooperating with the European Commission (EC). Finally, another recommendation concerned the rules on the maximum amount of EIB and European Commission funds that a project may receive.

SPLs contributed directly to achieving the EU's cohesion policy, thereby helping the EIB to fulfil its "task" of supporting projects in less developed regions and in conjunction with the European Structural and Investment Funds, as defined by the Treaty on the Functioning of the European Union. This evaluation will represent an important building block for the EIB Cohesion Lending evaluation that IG/EV began in 2018.

1.2 Ongoing Evaluations

1.2.1 Ex-post Evaluation of the EIB's Energy Lending Criteria 2013-2017

IG/EV's Work Programme envisaged an evaluation in the field of energy for 2018. Following discussions with the relevant Services in 2017, this evaluation was given priority over the Transport Evaluation, which was scheduled to begin in 2017. This decision was taken to maximise synergies with a review of the Energy Lending Criteria (ELC), which the Bank started in mid-2018 and which will be finalised in 2019. With that review in mind, IG/EV worked on an evaluation of the ELC in place from 2013 to 2017.



The evaluation assesses the extent to which the ELC help the Bank select projects that (i) support EU energy policy and the highest policy priorities, (ii) are in energy sectors with the highest investment needs and (iii), meet the Bank's standards in terms of quality and soundness. The evaluation also looks at the quality of the process of informing and consulting stakeholders on the design and use of the ELC.

The evaluation was discussed in the Board of Directors in February 2019.

1.2.2 Evaluation of EIB's Management of its Mandates 2014-2017

An evaluation of the EIB's partnerships and mandates was foreseen in IG/EV's previous Work Programme. The evaluation has been put on hold several times to dedicate IG/EV's limited resources to finalising the EFSI evaluations in a shorter period of time than initially envisaged. Moreover, the pace of developments on EIB mandates continued to accelerate and much of the data collected, as well as the initial evaluation design, are now outdated. The initial objectives of the exercise, as well as its structure, are being reconsidered. The team will then update existing data and collect new information to fill in the evidence gaps. The evaluation will be completed in 2019.

1.2.3 Evaluation of EIB's Cohesion Lending 2007-2018

In 2018, IG/EV launched an evaluation of the EIB's Cohesion Lending. Supporting cohesion among EU Member States has been a priority for the Bank. It is enshrined in the EIB's mandate and it remains at the top of the EU agenda. Cohesion-related lending is also one of the Bank's key performance indicators. This evaluation is timely, as the post-2020 Multi-Annual Financial Framework (MFF) is expected to bring changes in EU priorities, which will most likely affect the EIB's priorities. An analysis of what has worked so far with regard to how the EIB sets and achieves its cohesion-related objectives will help shape the Bank's Cohesion lending approach under the post-2020 MFF.

The evaluation is currently in the structuring phase. The preliminary scope proposes an analysis of the alignment of the EIB's Cohesion lending objectives with the EU's Cohesion policy objectives; an analysis of the EIB's current approach to defining and targeting its Cohesion lending; and an assessment of the contribution of EIB Cohesion lending to achieving EU policy objectives. The evaluation is expected to be finalised towards the end of 2019.

1.2.4 Evaluation of EIB Transport Lending 2007-2018

IG/EV began the transport evaluation slightly later than envisaged in its Work Programme, as discussion with the Bank's Services led it to prioritise the Energy Lending Criteria Evaluation (see above). Assessing the Bank's activity in transport is paramount, as the topic lies at the heart of the EIB's work. The transport sector was the largest recipient of EIB financing within the EU from 2008 to 2012.



The evaluation is in the early phase. The team carried out a policy review of both EU and EIB transport-related policies and objectives as well as a preliminary analysis of the portfolio of EIB lending operations from 2007 to 2017. This initial research will be discussed with the Evaluation Reference Group, which will be called upon to validate IG/EV's understanding of the topic. The final scope of the evaluation will be determined after this discussion. One of the options currently under consideration is to focus on the Bank's support to urban transport, which represents a quarter of all transport-related operations at the Bank.

The evaluation scope and framework, as well as the approach, will be finalised in the first months of 2019, and the completion of the final evaluation report is expected in early 2020.

1.3 Follow-up of Evaluation Recommendations

In 2016-2018, IG/EV continued the quarterly follow-up and reporting on the implementation of evaluation recommendations. The process put in place in previous years has become embedded within the Bank and all parties involved have become increasingly familiar with their respective roles. The Bank's Services are therefore increasingly proactive in informing IG/EV of the activities they undertake with the aim of addressing the issues raised in recommendations. The process is also being fine-tuned on an ongoing basis, to prevent and, if needed, address bottlenecks. For example, in 2016 the Management Committee tasked the Secretary General with overseeing the implementation of recommendations on strategic issues that require either ownership at a higher decision-making level or high levels of coordination between various parts of the EIB Group.

The success of the follow-up of recommendations is due not only to the ongoing efforts of IG/EV and of the Bank's Services, but also to the continued interest the Bank's governing bodies have in the matter. Despite its busy agenda, the Board of Directors has insisted on taking the time to discuss IG/EV's reports on the implementation of recommendations. It has also made valuable comments to Services – on the importance of properly and fully tackling the issues raised by IG/EV in evaluations – and to IG/EV – on further improving the reports. Board members have expressed an interest in knowing whether the Bank is implementing recommendations to the greatest extent possible, if changes introduced are sustained, and if the practice of implementing recommendations has become part of the Bank's culture.

Thanks to the commitment of all corners of the institution, the EIB has become one of the most advanced institutions on following up on recommendations. In recognition of this fact, IG/EV has chaired the ECG³ working group on this topic. It has also been requested to present its approach in several

³ ECG – the Evaluation Cooperation Group is a forum dedicated to harmonising evaluation work among multilateral development banks.

forums, for example the EC's DG NEAR's Monitoring and Evaluation Correspondents network in October 2018.

1.4 Fostering the EIB Group's Evaluation Culture

To promote learning and accountability, IG/EV strives to foster a culture of evaluation within the EIB Group. A culture of evaluation, whereby operations and programmes are set up from the outset in a way that is clearly geared to achieving and showing results, and allows the institution to learn from experience and continuously improve its performance. The follow-up of recommendations is one of the processes that contribute to building the Bank's evaluation culture. For the same purpose, IG/EV is also increasingly providing methodological support and advice on evaluation matters to Bank Services (1.5.1). It continues to share its knowledge with the EIB Group (1.5.2) and it maintains close ties with its peers to ensure it remains at the forefront of developments in the profession (1.5.3).

1.4.1 Methodological Support and Advice to Bank Services

The diversification of the EIB's activities in recent years, particularly its propensity to work in partnership with or under mandate from other institutions, means that the Bank is subject to an increasing number of external evaluations. While IG/EV cannot assume responsibility for all of these evaluations, it should serve as a reference point for EIB Services looking for advice and specific methodological support in the preparation and implementation of evaluations. In 2016-2018 IG/EV already provided support to colleagues on demand. Examples include:

- Involvement in the reference group of several evaluations commissioned by external stakeholders: the Final Evaluation of the ACP Investment Facility; the External Lending Mandate evaluation; the Final Evaluation of the Support to the Facility for Euro-Mediterranean Investment and Partnership (FEMIP);
- Provision of comments, from an evaluation methodology perspective, on draft reports for which the Bank was called to take a position (such as the European Commission-managed evaluation of the EFSI Guarantee Fund, the ad hoc audit of the application of the EFSI Regulation by Ernst and Young);
- One-on-one advice on the preparation of terms of reference concerning a small evaluation of the Northwest Jessica Holding Fund undertaken by its management team in the Operations Directorate in 2015-2016;
- Participation in a workshop initiated by the Advisory Services department to define the logical framework for the Mediterranean Hot Spot Investment Programme (MeHSIP II) in the early phases of the programme's implementation.

Building on the expertise it developed in the course of its evaluations, IG/EV was able to contribute to a number of programmes and working groups within the Bank. One example is the working group set up to strengthen the concept of additionality within the EIB. IG/EV was able to make a significant contribution to the definition of the concept based on the extensive work it did on this subject for the EFSI evaluation. Another example is the task force charged with providing the EIB's input on harmonising the definition of "value for money" among multilateral development banks.

Last, but not least, IG/EV participates in the multi-annual impact evaluation programme organised by the EIB and the Global Development Network. EV is a member of the Advisory Committee and provides methodological support on evaluation-related matters. This programme seeks to carry out in-depth studies into the results and ultimate development impact of EIB operations financed through the Impact Finance Envelope of the ACP Investment Facility, while also building the capacity of emerging researchers from ACP countries to use state-of-the-art impact assessment methods.

1.4.2 Knowledge Sharing within the EIB Group

In 2016-2018 IG/EV organised several events. Some of these were part of the “crash course” series – short discussions and training sessions on topics that IG/EV needed to understand better ahead of planned evaluations, but which were also of interest to wider audiences within the EIB Group. The following is a non-exhaustive overview of those events.

Impact measurement

- *Moving beyond outcomes* – a discussion with a former director of the Independent Evaluation Group of the World Bank about the experience of other IFIs on achieving and showing the impact of their work. The presentation focused on ways to adapt project design and results indicators to align them with this objective (June 2017).

Tools and methods

- *Cost-benefit analyses (CBA)* – given the importance of this methodology and the need to keep abreast of new developments, IG/EV asked EIB experts to provide tailor-made training in 2016 and 2018. The courses built on a stimulating mix of common sense, strategic thinking and technical know-how, taking the audience from an intuitive understanding of CBA to a reflection on appropriate uses of the methodology, and all the way to the graphical representation of CBA (May 2016 and June 2018).
- *Intervention logics* – an introduction by one of the initiators of the BetterEvaluation platform, a reference in the profession. The BetterEvaluation platform stresses the importance of understanding and making causal claims about an intervention from the early stages of conception, identifying the various stakeholders and ensuring that the context of the intervention is properly analysed and taken into account in the intervention’s design (November 2016).
- *Artificial intelligence* – a presentation, hosted by IG/EV and co-organised by the Luxembourg City Hub of the World Economic Forum’s Global Shapers Community and the Luxembourgish Evaluation and Foresight Society (SOLEP), on an innovative approach to using artificial intelligence algorithms to recognise patterns and relevant variables and improve impact evaluation through self-learning in real time (September 2018).

Policy topics

- *Investing in gender equality* – a day-long conference, co-organised with the Asian Development Bank (AsDB) at the EIB’s headquarters in Luxembourg, focusing on the challenges and opportunities of integrating gender into the projects of international and development financial institutions, building on evaluation findings and on experience in the community of practice (March 2018).
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- *Financial intermediation* – a presentation, co-hosted by IG/EV and the EIB Institute, of the Inter-American Development Bank’s (IDB) evaluation report on the topic. Many of the issues raised by this evaluation were very familiar to EIB staff attending the presentation and were similar to those that emerged from IG/EV’s evaluation of intermediated lending in ACP countries. One of the key points of the presentation was the challenge of demonstrating development results for intermediated lending operations (June 2016).
 - *European microfinance* – a session co-organised with the EIB Microfinance Centre of Expertise. IG/EV presented highlights of the stocktaking exercise it carried out in 2015 on evaluations of the EIF’s microfinance activities, while other EIB Group colleagues shared their experiences on topics such as providing technical assistance to microfinance institutions (February 2016).

Institutional aspects

- *Better regulation* – a presentation by the Policy Coordination office of the EC’s Secretariat General on the manner in which the “Better regulation” package influences evaluation practice at the Commission (May 2017).
- *Local offices* – a presentation by the Independent Evaluation Department of the European Bank for Reconstruction and Development (EBRD) on a special study of that institution’s experience with resident offices (February 2017).
- *Performance assessment of multilateral organisations* – a presentation by MOPAN (the Multilateral Organisation Performance Assessment Network, which brings together 18 members of the Organisation for Economic Cooperation and Development (OECD), including eight EU Member States) that shed light on how donors understand and assess the organisational architecture, mechanisms, financial framework, performance of EIB peers and their guiding principles (July 2017).

1.4.3 Peer Cooperation

As it did in previous years, IG/EV engaged with peer organisations and professional societies to remain connected to the worldwide evaluation community and to contribute to the debates shaping the profession. Highlights include the participation of IG/EV senior staff, together with the Inspector General, in the Evaluation Cooperation Group’s high-level meetings; the European Evaluation Society conferences; and IG/EV’s contribution to the consultation of the Development Assistance Committee (DAC) of the OECD on the revision of the criteria that represent the foundations of evaluation worldwide.

Evaluation Cooperation Group

A platform in which IG/EV maintains active participation is the Evaluation Cooperation Group (ECG). This forum, which was set up by the presidents of the major IFIs more than 20 years ago, is dedicated to harmonising the evaluation work of these institutions. The ECG is also the standard-setter for independent evaluation functions within IFIs. In recent years, the ECG focused its attention on several important emerging issues, such as self-evaluation and mainstreaming of gender in evaluation. IG/EV participated actively on behalf of the EIB, by presenting the findings of some of its evaluations (for example the EFSI mid-term and final evaluations) and by commenting on the various working papers presented by other members (e.g. on integrating gender into evaluations). It also took a leadership role in the working group on evaluation recommendations, management responses and feedback loops and it chairs the group’s Membership Committee. In 2018, the Inspector General was asked to sit on the peer review panel assessing the Independent Evaluation function of the African Development Bank (AfDB).

European Evaluation Society

The biannual conferences of the European Evaluation Society brings together the evaluation community in Europe and beyond. These events feature hundreds of sessions allowing participants to learn and reflect on topics such as evaluation use, communication and outreach, methods and research, ethics, governance and professionalism. In 2016, the conference was held in Maastricht, the Netherlands, under the banner of “Connectivity, Innovation and Use.” The 2018 edition, “Evaluation for More Resilient Societies” took place in Thessaloniki. IG/EV staff took an active role in these conferences, contributing to discussion panels and delivering presentations. For example, in Maastricht IG/EV made three presentations – on the EIB’s Results Management system, the follow-up to recommendations and the evaluation of the EIB’s climate action.



Other forums

In 2018, the OECD DAC's Network on Development Evaluation (EvalNet) launched a consultation to explore how the DAC evaluation criteria could be adapted to the new development landscape and the 2030 Agenda. DAC criteria are the reference point in evaluation and are widely used in the professional community. Modifying the criteria can therefore have far-reaching implications. IG/EV actively participated in the consultation, submitting a response to the questions posed, and will follow developments closely, in its capacity as a member of EvalNet.

Last, but not least, IG/EV accepted several other invitations to share its knowledge and experience. For example, it provided hands-on support and high-level methodological advice to the European Stability Mechanism, which in 2017 carried out the first evaluation of its activity since its foundation. IG/EV also made a presentation to more than 100 people at the European Court of Auditors as part of an extended training programme in 2016. In 2018, IG/EV shared its experience on the follow-up of recommendations at DG NEAR's Monitoring and Evaluation correspondents' network and presented the results of the SPL evaluation at DG REGIO's evaluation network in 2018. IG/EV also received visitors such as the heads and deputy heads of evaluation from several IFIs (the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the International Monetary Fund and the International Fund for Agricultural Development), which shared their experience with the EV team and other EIB Group staff.

2. WORK PROGRAMME 2019-2021

IG/EV develops its work programme on a rolling basis, taking into account the activities of the EIB and of the EIF and their evolution; its dual objective of contributing to the EIB Group's accountability and learning; and the needs of the EIB and EIF services, management and governing bodies.

IG/EV identifies possible evaluation topics based on several criteria, including the volume and number of activities of the EIB or the EIF in a particular sector or theme; the likelihood that the sector or theme will be the object of internal discussions to reshape the Bank's or the Fund's activity; and the time elapsed since IG/EV last evaluated the theme. IG/EV then discusses these topics with various stakeholders at the EIB and the EIF to ensure that the proposed topics and timing are appropriate and enhance the evaluations' feasibility and utility. Evaluation obligations are included directly in the programme and take priority over other possible evaluation topics. Finally, before presenting its proposed work programme to the Management Committee and to the Board, IG/EV matches the preliminary list of evaluations with the resources available. Given IG/EV's current resources, it can carry out about four evaluations each year.

In its ambitious 2019-2021 Work Programme, IG/EV strives to achieve a balance between the large-scale strategic evaluations that characterised its work in recent years and "smaller", more focused evaluations, to increase the usefulness of its products for a larger array of stakeholders, primarily within the EIB Group. More specifically, IG/EV will reintroduce evaluations of individual projects on a specific theme, accompanied by a synthesis report⁴. This will allow IG/EV to carry out more individual project evaluations, for which EIB Services expressed a real interest and demand. This will also allow IG/EV to ensure better coverage of the EIB (and EIF) activity and, in the medium term, build a stronger knowledge base to inform decisions at less strategic levels.

In terms of approach, IG/EV will continue to structure and carry out its evaluations according to internationally recognised methods. In line with recent developments in the EIB Group and beyond, IG/EV will endeavour to assess the EIB and EIF's additionality whenever relevant. It will also scrutinise the tools and methods used by the EIB and EIF to assess (ex ante) the value they add to projects.

IG/EV remains committed to fostering a culture of evaluation and learning in the Bank. It does so by organising knowledge-sharing events on evaluation-related topics and by providing methodological support and advice to Services engaged in third-party evaluations. It will also continue to follow up on the implementation of evaluation recommendations by the EIB and the EIF, reporting to the Management Committee quarterly and to the Board twice a year.

2.1 Work Programme 2019

In 2019, IG/EV will work on the evaluations already ongoing and mentioned in Section 1.2 above:

1. The ex-post evaluation of the EIB's **Energy Lending Criteria**, 2013-2017. The evaluation is expected to be discussed by the Board in Q1 2019;
2. The evaluation of the EIB's management of its **mandates** – expected to be completed in the second half of 2019;
3. Evaluation of the EIB's **Cohesion lending**, 2007-2018 – expected to reach the Board by the end of 2019;
4. Evaluation of the EIB's activities in the **transport** sector (2007-2017) – expected to reach the Board by early 2020.

⁴ In recent years, EV carried out project evaluations only as part of thematic evaluations. Projects were sampled keeping in mind the information needs of the thematic evaluation.

In addition, IG/EV will start two new evaluations:

5. An evaluation of **the EIB Group's Risk Enhancement Mandate (EREM)**. IG/EV aims to evaluate EIF activities approximately every three years. In 2019, IG/EV will carry out an evaluation of EREM. The EUR 5 billion mandate has not been evaluated since its establishment in 2014. EREM was set up to further leverage private sector and capital market instruments to finance small businesses and to enhance the risk-bearing capacity of the EIF, including through the use of a wide range of financial products (equity, debt and guarantees). EREM's implementation resulted in new ways of collaborating at the Group level and of pooling resources from different public sources. EIF management confirmed that an evaluation would be useful for institutional learning and self-improvement. The evaluation is expected to be completed in Q1 2020.
6. An evaluation of a cluster of projects in the field of **social housing**. The 2017-2018 tentative programme presented to the Board in 2016 made reference to evaluating urban development. This evaluation was postponed because of resource constraints, but the justification for undertaking it remains valid: the funds mobilised by the Bank for urban development are limited (less than 10% of lending), but the support for resilient cities and more resilient urban infrastructure remains a priority. The transport evaluation currently being designed is already likely to cover urban transport. An evaluation of the Bank's support to social housing would therefore represent a good complement that would allow a reasonable coverage of the broad topic of urban development. The structure of the EIB's activity in social housing lends itself well to carrying out a cluster of individual project evaluations, accompanied by a synthesis report.

Finally, in 2019, IG/EV will undergo an external peer review of its governance, working methods and the balance it strikes between learning and accountability objectives. This review of the EIB Group's independent evaluation function is in line with the good practice standards developed with peer organisations and will contribute to strengthening IG/EV's performance.

2.2 Work Programme 2020

IG/EV tentatively plans to launch the following evaluations in 2020:

1. An evaluation of EIB financing of **public-private partnerships (PPPs)**. The EIB is one of the biggest PPP financiers in the world. A quick scan by IG/EV showed that since 2010, the Bank has financed more than 100 PPP operations, amounting to EUR 56 billion. The EIB also hosts the European PPP Expertise Centre, whose mission is to help Europe's public sector deliver better PPPs. The centre serves 41 member organisations, typically national or regional PPP units, and other public entities in charge of PPPs, in addition to the European Commission through the sharing of good practices, policy development assistance and PPP project preparation. The evaluation could assess the extent to which PPPs are a sound investment of the Bank's resources, if they achieve the expected results, and the extent to which they offer value for money.
2. An evaluation of the EIB Group's **support to SMEs** in the EU. Supporting small businesses is at the heart of the EIB Group's activity, both inside and outside the EU. IG/EV has regularly evaluated this theme; the last reports date back to 2013 (inside EU) and 2017 (outside EU). However, the approach and instruments that the EIB Group uses in support of SMEs have greatly diversified in recent years (e.g. multi-beneficiary intermediated loans, private equity funds, guarantees, support to business angels' networks etc.). The overall economic and market context has also changed since these evaluations, so by 2020, a new evaluation would not be premature.
3. An evaluation of the EIB Group Strategy on **Gender Equality and Women's Economic Empowerment**. In January 2018, the Management Committee approved the EIB's Gender Action Plan to implement the 2016 EIB Gender Strategy. This includes reference to an evaluation for which IG/EV will be responsible, to be completed in 2021. This evaluation will have accountability objectives but will also identify lessons learned before the preparation of a revised Gender Strategy and Action Plan. This evaluation will be formative and participatory, and its methodology tailored to the purpose of the strategy and of the Gender Action Plan. A participatory approach is important because the strategy and action plan aim to introduce a fundamental cultural change in the EIB

Group. Participatory approaches are recognised as the most appropriate tools for facilitating change management.

4. Evaluation of **EFSI 2.0**. The Regulation approved by the Parliament in December 2017 mentions that EFSI will be evaluated in June 2018 and every three years thereafter. To meet the June 2021 deadline, IG/EV will start working on it in 2020. While the 2016 and 2018 evaluations respectively assessed the functioning of EFSI and the extent to which it achieved its objectives in terms of additionality and fund mobilisation, this evaluation should be able to assess the actual results achieved by projects financed under EFSI.

The scope of the evaluations suggested above needs to be further elaborated, to ensure that different aspects of the EIB's activities are adequately covered, in particular instruments and geographies.

Contingent on the progress of the above-mentioned evaluations and their expected completion date, EV may also start, towards the end of 2020, an evaluation of the Bank's **special activities** and/or the development of **new financial instruments**⁵. The Bank's Statute foresees the need to engage in special activities. Recently, such activities have been the object of specific, closely monitored targets. Engaging in special activities and using new financial instruments results in higher risk operations that consume more capital and are more labour-intensive for the Bank. In return, such operations are expected to provide higher additionality and more impact than regular operations. In this evaluation, IG/EV could assess the extent to which this has actually been the case. This evaluation would take into account the scope and the results of the EFSI 2.0 evaluation, and would therefore focus on special activities that do not fall under EFSI.

2.3 Potential Topics for the 2021 Work Programme

In 2021, IG/EV will tentatively start about four evaluations, selected from the list below. The topics will be further discussed with key stakeholders (EIB and EIF services, governing bodies) and the 2021 Work Programme will be finalised in 2019, as envisaged in the three-year rolling work programme approach.

- An evaluation of the EIB's support to the **environment**. This is a public policy goal that IG/EV has never evaluated holistically. This evaluation could consider the extent to which the EIB, as the EU bank, has a role to play in addressing market failures and filling in the gaps left by private sector investment in supporting the environment. It could also assess the environmental impact of operations supported in a certain sector or the impact that the EIB's Environmental and Social Principles and Standards have had on the EIB's portfolio in general and on selected operations in particular⁶.



- An evaluation of the **Economic Resilience Initiative (ERI)**. ERI functions under both External Lending Mandate and Partnerships Platform for Funds rules, which both include an evaluation obligation for their operations. All ERI Contribution Agreements⁷ also envisage evaluations aimed at "making the ERI Fund and the operations funded under the ERI Fund accountable to the

⁵ In case timing issues arise and IG/EV is not able to launch this evaluation in 2020, this will be the first evaluation to be launched in 2021.

⁶ The EIB Statement of Environmental and Social Principles and Standards was adopted in February 2009 and its Environmental and Social Handbook in December 2013.

⁷ Contribution Agreements were signed with each Member State contributing to ERI.

contributors and at promoting lessons learnt". ERI has signed contracts totalling EUR 2.2 billion supporting 35 projects in the Eastern and Southern Neighbourhood.⁸ ERI is supposed to finish investing an additional EUR 6 billion in these regions by 2020.

- An evaluation of the **EIB Climate Strategy**. The EIB Climate Strategy envisages an evaluation of the strategy's effects by the end of 2018. IG/EV proposes to undertake a wider evaluation on the topic. Launching this evaluation in 2021 should provide the time needed to go beyond outputs and to better understand the outcomes and possibly the impact of the strategy.
- An evaluation of the Bank's **advising activities**. The last fully-fledged IG/EV evaluation on this subject concerned the EIB's technical assistance outside the EU from 2003 to 2012 and was published in 2014. The specific focus of the evaluation will be determined at a later date but potential areas of interest could be selected specific (joint) initiatives that have not already been evaluated (e.g. MeHSIP II, FI-compass) or specific themes (e.g. advisory services in the field of water and sanitation; rail, air and maritime; or innovation finance). IG/EV will take into account ongoing developments, such as the evaluation of JASPERS that the European Commission requested and which started in late 2018, and the launch of the ASApp IT system (expected in mid-2019), which will centralise all relevant information concerning the EIB's advisory activities and should make data collection of IG/EV's evaluation much easier.

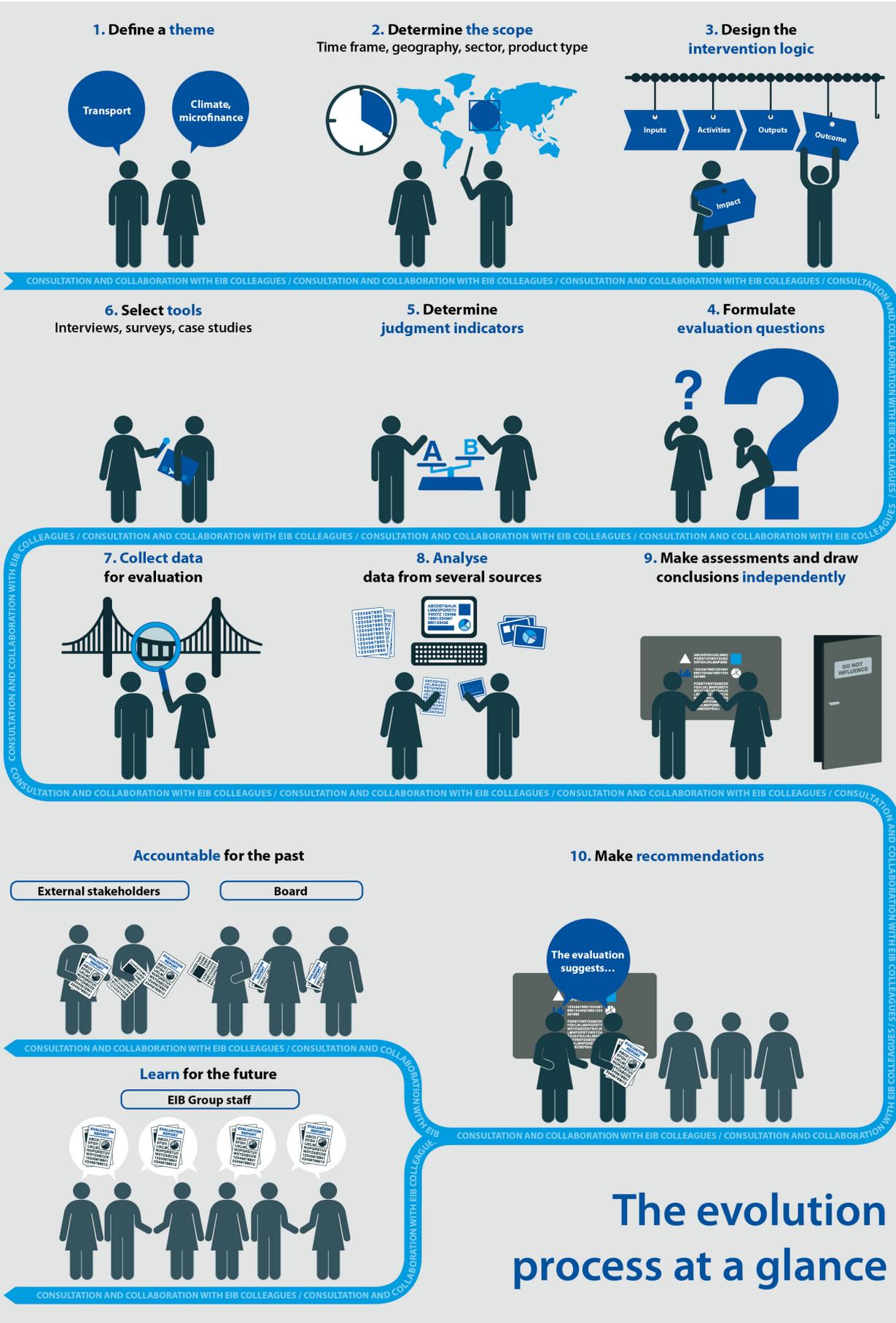
An assessment of the **evaluability of the EIB's operations**, aimed at understanding the extent to which operations and programmes are designed and monitored so that they can be evaluated in a reliable and credible fashion. This evaluation will focus on, among other things, the monitoring and results tracking systems the Bank has in place (e.g. Project Completion Reports and more broadly its self-evaluation mechanisms, the Three Pillar Assessment methodology, the Results Measurement framework etc.).

Furthermore, contingent on the result and reception of the cluster of project evaluations in the field of social housing that IG/EV intends to pilot in 2019, IG/EV may also undertake a similar exercise in the field of **energy or water and sanitation** outside the EU. Access to safe water and sanitation remains important worldwide and the EIB's continued effort to support water projects merits closer attention. A focus on water and sanitation could also provide a specific opportunity to assess EIB engagement with public actors (who are often the main promoters of projects in this area). Similarly, outside the EU, the EIB supports a variety of initiatives to produce more energy from renewable sources, making more efficient use of available energy or improving the security and independence of energy supply. Energy projects represent more than 10% of the EIB's lending outside the EU. The final decision on the topic of this cluster of projects evaluation will be made at a later stage.

IG/EV's work programme only includes its planned evaluations. Other activities, such as on-demand evaluation-related support to Services and knowledge-sharing events are difficult to detail in advance and to capture in the work plan. IG/EV's approach is therefore to undertake such activities if and when possible, after carefully assessing their importance for the EIB Group and in light of IG/EV's available resources.

⁸ Figures as of October 2018.

ANNEX 1 – THE EVALUATION PROCESS AT A GLANCE



OPERATIONS EVALUATION

Activity Report 2016-2018 and Work Programme 2019-2021

February 2019



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